## Relating Market Research for Seniors Housing To Financial Feasibility

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<tr>
<th>Market Demand - An Analysis of Risk</th>
<th>Lender and Builder Need - Cash Flow</th>
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</table>
| **1. Identifying Potential Customers**  
Defining which age group (age 55+, age 75+, etc.) & income group will be attracted to your property.  
Understanding consumer behavior, preferences, cultural traditions, willingness to move, service needs. | The result is forecasting rent levels. It also shapes product design and services plus operating costs. |
| **2. Defining the market area (geographic draw)**  
Specific geographic boundaries where people for your property will come from. Concerns number of age and income eligible persons living within geographic limits plus “adult children” influence. | This leads to determining project size. It shouldn’t be oversized or undersized. It guards against overstating and underestimating market demand. |
| **3. Recognizing competition and the “pipeline”**  
Knowing housing options that attract your customers: like-kind or different product type. Knowing whether to create a new product concept or exploit demand with an existing product type. | Developing ability to sustain revenues in face of existing and emerging competition. Knowing whether market share is sufficient for you plus competition vs. beating the competition to win market share. Helps anticipate lease-up rate, and in turn, cash flow. |
| **4. Rent levels and unit mix**  
Knowing what your customers can afford and are willing to pay. Knowing what services are included in rent to determine % residents will pay, that is, the rent-to-income ratio: up to 40%, 60%, 85%, 90% - depending on product. | A step toward calculating cash flow and debt repayment plus assessing capital reserve needs. |
| **5. Deriving Market Share – Capture Rate**  
Percent of eligible customers to move. Relates supply and demand plus consumer behavior. Must ask whether factors comprising capture rates are reasonable and valid. | Provides insight into market depth, which leads to cash flow time-line plus pre-opening and recurring marketing costs. A step toward assessing operating margins and capital reserve needs. |
| **6. Absorption - Lease Up Rate**  
Estimating the months it will take to lease units. This includes pre-leasing, which seniors don’t do readily. Factors in strength of competition plus the economy’s volatility, that is, home resale pace. | Helps identify timing for cash flow and debt repayment.  
An indicator of marketing budget needs.  
Helps foresee staffing and other operating costs.  
Shapes operating reserve needs, and in turn, operating margins. |
| **7. Vacancy Rate and Annual Turnover**  
Understanding annual vacancies, turnover patterns: typically 30 percent in senior apartments after 3rd year of operation; 40 to 50 percent in assisted living. | Having sufficient liquidity and capital reserves for marketing and unit refurbishing. Anticipates resident turnover costs. |
| **8. Site Location and Neighborhood Surroundings**  
Is site near potential residents’ families, transportation, shopping, and is it safe. What are advantages, disadvantages in terms of generating demand: access, nearby amenities and support services, surrounding land uses? | Site selection often is a trade-off. What are the costs of reaching and attracting the market – costs of land, zoning, overcoming citizen objection? Will property hold its value, and assure debt repayment? |

(See page 2)
### Market Demand - An Analysis of Risk

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<th>9. Product Design and Concept</th>
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<td>The extent the property’s ambiance, amenities, floor plans, unit mix, unit sizes, design features and services are sufficiently competitive to sustain market demand.</td>
<td>Will project withstand the test of time? Knowing costs of marginal differences to win market share (that is, adding an amenity or ½ bath); ability to sustain revenues in face of growing competition.</td>
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**Senior apartments:**
- Popular Amenities: fitness center, computer lab, classroom/media room, bistro, exercise pool.
- Integrating with community - amenities and wellness services - rather than being totally self-contained.

**Assisted living:**
- More 2 bedroom units to accommodate couples and/or caregiver.
- Higher proportion of units dedicated to memory care. e-medical follow-up, Rehabilitation therapies on site

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<th>10. Staying up with Trends: Vision for the Future</th>
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<td>Dealing with property as a living organism that changes over time. Flexibility built into property design (common areas, units) to meet current and future consumer needs and preferences.</td>
<td>Will property be desired or outdated in 5, 10, 15 years.</td>
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<td>Accommodating ever-changing service needs: wellness, home healthcare.</td>
<td>Sustaining capital reserves to refurbish property as needed. Dealing with cost economies while staying abreast of trends.</td>
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<td>Assisted Living: instituting technologies that connect on demand families to staff and resident via wireless.</td>
<td>Maintaining the property value for debt repayment and anticipated operating margins.</td>
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<td>Senior housing is increasingly becoming part of mixed use, mixed generation, mixed income, and/or urban downtown developments.</td>
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<th>11. Market Demand vs. an Appraisal</th>
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<td>Market demand deals with consumer quantitatively (demographics) and qualitatively (consumer behavior - understanding propensity to move to your property).</td>
<td>Appraisals deal with cost – costs of like-kind properties in neighborhood and/or market area.</td>
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**Independent Living Skills:** managing housework, laundry, meals, transportation, shopping, medications.

**Assisted Living Needs:** personal care supervision, monitoring and/or help with dressing, toileting, transferring, eating, medications; called ADLs (activities in daily living).

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