

# 2010 Utah Assisted Living Survey

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We have recently completed the 2010 Assisted Living Survey and are pleased to provide this updated report.

The Utah Assisted Living Survey covers licensed assisted living facilities, as well as independent living (congregate care) facilities. It is intended to be a service to property owners and managers, as well as government agencies, developers, lenders, appraisers and other interested parties. The survey covers unit types and sizes, average rates and occupancy, and is broken down by geographic area. Data for the survey was mostly collected in the summer and early fall of 2010. That is later than previous years, so the changes represent about a year and one-half from the 2009 survey.

## **Construction**

Fifteen new facilities have been licensed and constructed since our last survey in 2009, and four have been closed. The net increase is 413 new assisted living and independent living units since February 2009. That is a rate of 245 units per year, compared to an average of 170 per year for the four previous years. The July 15, 2010 *Health Facility Plan Review Report* by the Bureau of Health Facility Licensing, Certification and Resident Assessment shows 14 assisted living projects currently in the pipeline, with a total of 536 beds. If those projects are all completed, it would represent a large increase in the volume of construction, and could increase the risk of overbuilding in some markets. However, in the current market, it is likely that some proposals will not receive funding and will end up delayed or canceled.

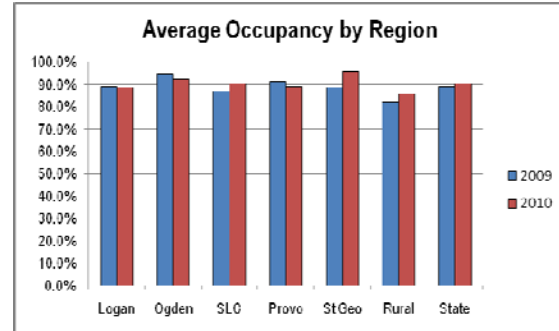
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**Net absorption** is the yearly increase in the number of occupied units. Net absorption was 457 units from February 2009 to October 2010, which is an annual absorption rate of 275 units. Therefore, the 536 units currently in the approval and construction pipeline represent nearly two years of absorption.

The estimated Utah population over age 75 has been growing in the range of  $\pm 2.25\%$  per year, compounded, from 2000 to 2010. (A more precise calculation will be possible when census figures become available.) For the five year period 2010 through 2015, the age 75+ population is projected to grow only 1.4% per year (from 110,687 to 118,294).<sup>1</sup> The decrease in growth relates to a lull in births during the WWII years, and will eventually be followed by a period of rapid growth in the elderly population as the baby boom generation reaches age 75. Slower growth in elderly population will naturally result in slower increases in demand for assisted living over the next few years.

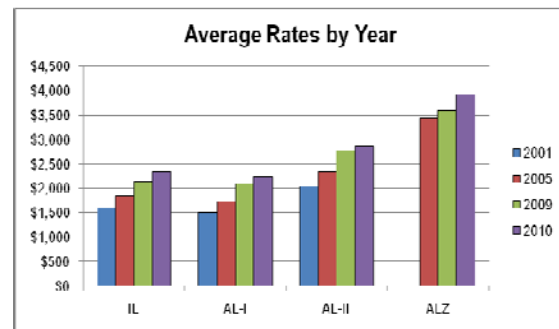
## Occupancy

Economic recession has pulled down occupancy rates for most real estate investments. In contrast, occupancy rates for independent and assisted living facilities have held up relatively well. Average occupancy actually increased in Salt Lake and St. George over the past year or two. Logan, Ogden and Provo/Orem areas declined somewhat. The rural average occupancy increased, but there is significant variation from one rural county to another.



Assisted Living markets are generally considered stabilized at occupancy rates near 90%. In other words, occupancy rates below 90% tend to discourage new construction, while occupancy rates above 90% tend to encourage new construction. Based on that generalization, it is fair to say that Utah's assisted living market is near equilibrium currently.

## Rates



Since 2001, the average annual rate increase was 4.3% for independent living, 4.4% for AL-1, 3.8% for AL-2 and 2.6% for specialized Alzheimer's. The average size and quality of units has been increasing over that time, so the change in market rates for a particular facility has likely been lower. Surprisingly, rate increases from 2009 to 2010 were above the long term average. However, concessions have increased and, in some facilities, new residents being brought in well below the published rates. Therefore, the *effective* rates are probably flatter.

<sup>1</sup> STDBonline

As of autumn 2010, there were 6,927 units of independent living and assisted living in Utah. Survey responses were received from facilities that represent nearly 93% of the state total.

The following table summarizes average rates statewide. However, keep in mind that facilities vary somewhat in the amount of care and services included in the base rate.

### Utah Assisted Living Industry Autumn 2010 Survey

No. Units	Unit Type	Average SF Size	Average Base Rate	Average 2 <sup>nd</sup> Person Charge
Independent Living				
8	Private Bedroom	280	\$1,200	\$566
339	Studio with Kitchenette	444	\$1,996	\$566
1,153	One Bedroom Apartment	567	\$2,286	\$566
289	Two Bedroom Apartment	784	\$2,980	\$566
1,789	Subtotal/Average IL	577	\$2,338	\$566
Assisted Living AL-I				
54	Semi-private Bedroom (99 Beds)	--	\$1,621	
666	Private Bedroom/Shared or 1/2 Bath	172	\$2,072	\$563
515	Private Bedroom/Full Private Bath	194	\$2,197	\$563
177	Studio with Kitchenette	358	\$2,466	\$563
129	One Bedroom Apartment	601	\$2,961	\$563
15	Two Bedroom Apartment	800	\$3,337	\$563
1,556	Subtotal/Average AL-I	244	\$2,228	\$563
Assisted Living AL-II				
16	Semi-private Bedroom (18 Beds)	247	\$2,650	--
214	Private Bedroom/Shared or 1/2 Bath	209	\$2,625	--
416	Private Bedroom/Full Private Bath	294	\$2,660	\$662
1283	Studio with Kitchenette	354	\$2,644	\$662
934	One Bedroom Apartment	515	\$3,116	\$662
133	Two Bedroom Apartment	735	\$3,782	\$662
2,996	Subtotal/Average AL-II	401	\$2,843	\$662
Specialized Alzheimer's Care AL-II				
179	Semi-private Bedroom (286 Beds)	380	\$4,398	--
407	Private Bedroom	337	\$3,671	--
586	Subtotal/Average Alzheimer's AL-II	350	\$3,915	--
Total Market - All Types				
6,927	Total/Average (All Types)	406	\$2,665	\$601

**Utah Assisted Living Submarkets  
Autumn 2010 Survey**

Area	Counties	No. of Beds	No. of Units	Average Rates			Average Occupancy		
				IL	AL-I	AL-II	IL	AL-I	AL-II
1	Cache, Rich	432	404	\$2,207	\$2,588	\$2,633	88.3%	90.9%	88.2%
2	Box Elder, Weber, Morgan, north Davis	1,035	1,023	\$2,139	\$1,961	\$2,793	90.8%	94.2%	91.2%
3	Salt Lake, Tooele, south Davis	3,668	3,587	\$2,445	\$2,399	\$3,005	92.2%	92.2%	88.9%
4	Summit, Wasatch	66	56	--	*	*	--	*	*
5	Utah, Juab	1,152	1,037	\$1,997	\$1,937	\$2,532	95.0%	83.8%	91.2%
6	Millard, San Pete, Sevier, Wayne, Piute	140	136	\$900	\$2,001	\$2,443	*	73.8%	91.6%
7	Beaver, Garfield, Iron	88	77	--	*	*	--	*	*
8	Washington, Kane	545	507	\$2,391	\$2,429	\$2,703	92.1%	96.2%	97.2%
9-10	Daggett, Duchesne, Uintah, Carbon, Emery, Grand, San Juan	154	100	--	\$2,290	\$3,285	--	90.9%	95.1%
State Total/Average		7,280	6,927	\$2,338	\$2,228	\$2,843	92.2%	91.0%	90.3%

Notes: To maintain confidentiality, occupancy for submarkets with fewer than three facilities (marked with asterisk\*) are not reported.

In contrast to most real estate markets and the general economy, the assisted living market in Utah has held up well over the past three years. However, the future is uncertain. Due to a lack of opportunities elsewhere, an increasing number of investors are interested in the industry, and the number of projects in the pipeline is relatively high. At the same time, the increase in elderly population is expected to be slower for the next several years. Therefore, it is increasingly important to acquire detailed fundamental demand analysis, prior to starting a new development, or even investing in an existing facility. Fundamental demand analysis involves studying

market characteristics to project demand for a particular market segment, and comparing projected demand to projected supply.

**About Jorgensen Appraisal**

Jorgensen Appraisal is a full service appraisal and consulting firm. Kerry M. Jorgensen, MAI has specialized in healthcare property consulting since 1979, including; acute hospitals, surgical centers, nursing homes, assisted living, independent living (congregate care) and other elderly housing. Services include appraisals, market analysis, feasibility studies and general consulting. For information, contact Kerry Jorgensen at (801)523-1616.