

THE VALUATION REPORT

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Serving the Growing Elderly Population

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Senior rental properties vary significantly from family properties. Just as they differ in terms of tenancy, they differ in terms of amenities, turnover, physical configuration, and desired security features. To fully understand the complexity of the senior market in one particular region, it is important to understand national trends.

Overview of the senior housing market

According to Housing America's Seniors, published by Joint Center for Housing Studies of Harvard University, the senior housing situation is about to reach a point at which supply and demand will change dramatically. By 2030, the senior population is expected to nearly double to about 70 million – bringing its share of the entire U.S. population to a formidable 20 percent. With that increase comes an increase and a change in housing needs.

Making housing choices

Roughly 7 percent of those age 70 and over living outside institutions – about 2 million seniors – now reside in age-restricted communities that do not provide care to residents.

Assisted communities are currently home to only 3 percent of the nation's seniors 70 or older living outside of nursing homes. The share does rise with age and reaches 7 percent of those aged 85 to 89. It is noteworthy that income, wealth, education, and even need for assistance do not strongly influence the likelihood of choosing assisted communities (even after excluding subsidized housing units from the analysis). This underscores the fact that many seniors move to these facilities with the expectation of future disabilities, to take advantage of other services offered, and to be in an environment supportive to those living alone.

Seniors consistently state that they prefer to "age in place," and the percentage responding that way increases with age. However, fully 39 percent of Americans do change residences after they reach the age of 60. At least four-fifths of the moves seniors make are local. In a typical year, only about 1 percent of the elderly move across a state boundary, and many of these moves are within the same metropolitan area.

Seniors who make long-distance moves tend to be younger, healthier, and somewhat better educated. They also have somewhat higher incomes. As their health declines and they become more dependent, however, some return to their home states or move to locations closer to their families.

Project configuration

Because of the specific needs of this target group, more often than not, senior projects are new construction and offer one- to two-bedroom units. The household sizes will typically range from one to two people, however, there may be a very small percentage of households of three or four people. Developers usually prefer one- and two-bedroom units in a building that will fit the physical needs of seniors who are

(continued on page two)

BRIEFS & RESOURCES

According to the National Multi Housing Council, the nation's apartment units in buildings with five or more units numbered 16.1 million and had a total value of \$1.31 trillion in 2001. The value of the apartment stock in 1990 was about \$767 billion, according to a Fannie Mae-funded report by the Rosen Consulting Group.

IN THIS ISSUE

Page 4

Focus On: Jersey City, New Jersey

Page 6

Mapping Strategies: GIS: The Road to Development

Page 9

Facts & Figures

Page 12

Efforts Grow to Rein In Escalating Insurance Costs

Serving

(continued from page one)

aging and may, or currently do, experience a physical disability.

The configuration of a senior property can give the property a market advantage. Some senior properties are configured on a two-level walk-up floor plan. Others may be configured on one floor or have several floors but offer an elevator for those households that may have a disabled resident. Historic property results indicate that some leasing agents experience difficulty in the lease up of upper level units that do not have elevator access.

Amenities

Senior properties are most likely to offer an amenity mix that specifically addresses the needs of this unique tenancy. Seniors often have different priorities for amenities and services when compared to traditional multifamily living. According to HDR's Affordable Senior Housing Handbook (Howard, Schless and Edson, 2000), the following list, in no particular order, illustrates the services that seniors are apt to use and seek out when selecting housing.

- Health screening
- Information services
- Referral services
- Group meal periodically
- Physical fitness
- Social activities
- Educational classes
- Transportation

The HDR recognizes the individual nature of each project, given the profiled tenancy and geographic restrictions, but indicates that the better these services are provided the more attractive the property will be to potential tenants.

To further support the point, ULI's "Housing for Senior, Developing Successful Projects (Porter, Brecht, et al).", which surveyed senior properties that illustrated the popularity of various amenity components, found the most important services were gardens, transportation, emergency call buttons and security systems, with 90, 90, 84 and 79 percent of developments providing these amenities. Recreation facilities and exercise rooms were at the lower end of the range at 32 percent and 26 percent respectively. This does not indicate correlated demand for these services but it does provide a trend of market based services being offered.

Security

Generally, senior properties offer more security features than typical family properties. Security is often a key preference for seniors. It is also important to consider the fact that security will often vary based on the needs of the particular area.

Conclusion

In summary, the needs of the senior market can differ significantly from the needs of a typical family rental property. It is important to consider those differences as they pertain to the demographic analysis, the renter tenure, income differences, demand analysis, amenity and security package, and physical configuration of the property. ❖

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