



Chancery Monthly

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INDUSTRY INSIGHT

3 Reality Checks for Active Adult Development

By Chuck Sudo

Active adult is one of the most in-demand real estate product types at the moment, but investors and developers need to do their due diligence if they want these to be successful investments.

Active adult is growing in popularity with investors because it does not have a health care component found in other senior housing product types, and because it is tailor-made for the younger segments of the baby boomer generation, Marcus & Millichap Vice President Adam Lewis told Senior Housing News.

"We have a lot of first-time investors trying to enter senior housing right now," he said. "Age-restricted apartments are an easy landing for them to start being a part of the health care industry, but not get in too deep with expertise."

For newer entrants in the space, acquiring active adult opportunities is more akin to investing in traditional multifamily, albeit with an age restriction, Plante Moran Partner Dana Wollschlager told SHN.

Active adult communities may in fact be a great way to serve the growing ranks of younger seniors, without taking on the operational risks and complications of full-fledged senior housing. However, anyone entering the active adult sector must be realistic about investment returns,



who the consumer really is and what they want from their housing, and how these buildings will fare in the long term.

1. Be realistic about finances and return on investment

Senior living is attractive for seasoned investors, particularly in higher care acuties, because the added care components can lead to better returns when it's time to sell, Lewis said. For an active adult community, risks are lower and so are rewards.

"From a financier's perspective, the unlevered return on cost is much lower and sometimes, in most investment communities that we've seen, it's at almost a very uncomfortable level," said Ryan Haller, chief development officer with Point Development, told SHN.

Point Development is an arm of the Avamere Family of Companies. Based in Wilsonville, Oregon, Avamere provides a range of housing and care across the continuum, and is actively exploring adding active adult to its portfolio. It will likely do so, but Haller is conscious of the financial risks.

Land costs are very high in most markets, he noted. With this in mind, it could be dangerous to create a highly amenitized active adult product that is similar to traditional independent living but that charges rents more in line with a multifamily product.

Creating larger buildings with more rental units could be a way to lessen that risk, but that creates additional sales and marketing pressure to lease up. And that could be a big ask, given that active adult as a product type is not yet mature, and so marketing likely will require some amount of consumer education, he said.

2. Be realistic about who the active adult consumer is

Seniors who are retiring in their 60s want to live in intergenerational buildings before transitioning into age-restricted communities.

So, although active adult communities might advertise as 55-plus, in reality they are serving an older demographic. To attract this consumer base, offering access to higher levels of care could



be a smart play. Take Duluth, Georgia-based Active Senior Concepts, which builds active adult duplex townhomes adjacent to assisted living communities.

"We're not getting the 60-year-old retiree," Active Senior Concepts Partner Paul Aase told SHN. "We're getting the senior who knows they need the higher care services eventually, and can stay in the house longer before moving over to assisted living."

The Active Senior Concepts townhome owners have a shared services agreement with the larger rental product, giving them access to that communities amenities and programming, as well as priority to enter assisted living when it comes time for them to sell their homes.

And Avamere is bullish on active adult as a way to fill out markets where the company already offers home health and senior living. Moreover, Haller said, focus group testing he sees indicates that the boomers transitioning into senior living do not want to be in any type of "institutionalized" setting.

"Active adult, we feel, is an answer in many of our markets," he said. "It is a space Avamere will eventually evolve into."

3. Be realistic to future-proof active adult buildings

The greater shift within the health care industry from acute care to wellness and prevention will allow future seniors to age in place longer and, hopefully, healthier. By that time, advancements in home health care will be more commonplace, allowing active adult seniors to live longer in their homes before transitioning to assisted living.

However, this raises questions about whether today's active adult buildings will become de facto independent living or assisted living communities in the future. Developers and operators with foresight are thinking about how to intentionally layer in services to safely and successfully accommodate an aging resident base.

Senior living owners and developers are designing programs and partnering with third-party home health care vendors to allow seniors to stay in their homes as long as possible, Lewis said.



This will also add the missing health care component to active adult, which will make the product type more attractive to veteran buyers seeking higher returns on investment.

Another option is to leverage community-based services, Wollschlager told SHN, and she believes the future is nigh.

"That will happen in active adult communities, whether it's private duty home care, apps, chore services," she said. "Anything to help them maintain their independence."

Original article

<https://seniorhousingnews.com/2019/03/24/3-reality-checks-for-active-adult-development/>



SPECIAL REPORT

Chancery Open House Party

March 6, Chancery Seniors Housing Investments and our partners Suske Capital, MTCO Holdings, and Gray Wave Advisory hosted a hugely successful office open house.

The party was attended by over 175 guests including lenders, investors, appraisers, legal counsel and other third-party professionals, family, and friends, who came to our office in Oakville to help us celebrate our new home.





We want to thank all of our guests for coming and we hope that everyone had a great time. We want to give a special thanks to our caterer, Jennifer's Kitchen, for serving us a wide variety of delicious appetizers; our musical entertainment, Jarek Dubrowski; and most importantly, Katherine Wilson, Suske Capital's Director of Marketing, and Steve Suske's wife, Ewa, for organizing this great event.

We look forward to hosting more events in our office in the future, and can't wait to have you all join us again. Below are some memorable moments from the party.



Paul Marsh from CBRE and Steve Suske, Chancery's Chair, speaking with a group of guests regarding seniors housing industry outlook. Paul is a Senior Director with the Valuation & Advisory Services group at CBRE.



Steve Suske with Hillsport Developments' Josh Skaist; Seniors Housing Deal Maker, Rod Wilson; and Barbara Mech, Regional Vice President at Roynat Capital.



Jessica with InnVest Hotels team (from left: Melanie Kleinplatz , Fanming Meng, Lydia Chen, Jessica, and Matthew Cornell)



Sampson Li, Chancery's finance associate, mingling with guests in the brand-new reception area



From left: Victor Zuo and Sandy Shao from Tyche Global Financial, Richard Noonan, CEO of Graywave, Jessica and Steve



From left: Oscar Wang, William Gu, Ellen Mu, Chancery's consultant, and Irene Hanitijo



From left: Antony Han, Broker & Regional Manager of Bay Street Real Estate; Irene Hanitijo; Jessica Zhang; Josh Skaist; Anna Jin; and Jun He



From left: Adam's gf, Adam Kline, Chancery's lawyer, Jessica and Chancery's investor guest



Jessica and Steve with Chancery investors



Jessica with Chancery's investor guests



Jessica and Josh with Chancery's investor guests



UPCOMING PROJECT

The Middleton Seniors Apartments, Bradford, ON

Project Summary

- Located in downtown Bradford, Ontario, in vicinity of a large retail plaza and the Bradford Community Center, only 5 minutes drive to Bradford Medical Center
- Designed to provide seniors with accommodation in a secure environment with access to a host of services
- 2.07 acres of development land, a 122-suite seniors apartment building with a geriatric emergency clinic on the first floor
- Construction expected to start in Q2 2019, and Opening in Q1 2021



Chancery Seniors Housing Investments Inc. is a private real-estate investment firm with a focus on seniors housing. Powered by its two strong founding partners, Suske Capital Inc. and LD Capital Corp., Chancery creates a team with the expertise and experience of over 55 years in real estate and seniors housing developments with an estimated completion value of over \$5 billion.

For more information about our company and projects, please visit www.chanceryseniors.com