

2004 Utah Assisted Living Survey

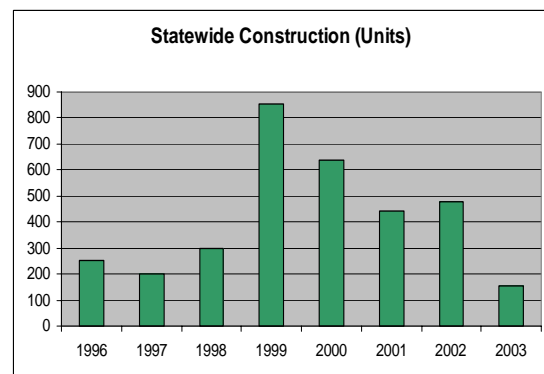
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It's finally here...the fourth annual Utah Assisted Living Survey. Due to an incredible work load and a turnover in staff here at Jorgensen Appraisal, we are a little slow getting the report out this year. We apologize, and hope to do better in 2005.

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.

Construction

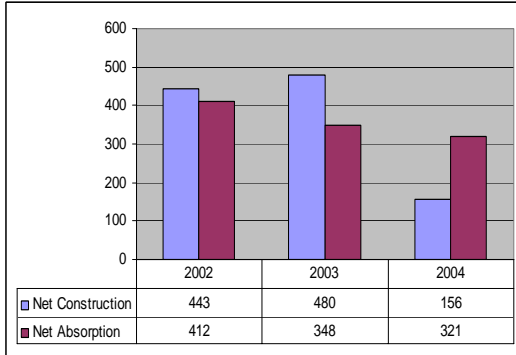
Net construction in Utah totaled only 156 units in 2003. That is lower than any year since 1996 (the first year for which we have accurate data). This net figure accounts for construction of some new facilities, as well as the closure of a few small facilities



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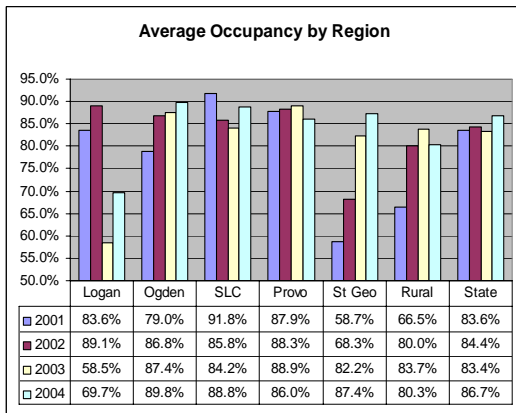
Net absorption is the yearly increase in the number of occupied units. Net absorption has declined over the past three years. Weak economic conditions may be part of the cause. However, due to the decline in

construction volume, absorption still outpaced construction in the past year. The result is higher occupancy and a strengthening market.



Occupancy

Among the major markets in the state, all but Utah County saw improvement in average occupancy. The increase was most dramatic in Logan and St. George, where the markets were still recovering from substantial over-building in earlier years. Occupancy in St. George now slightly exceeds the statewide average, for the first time in five years.



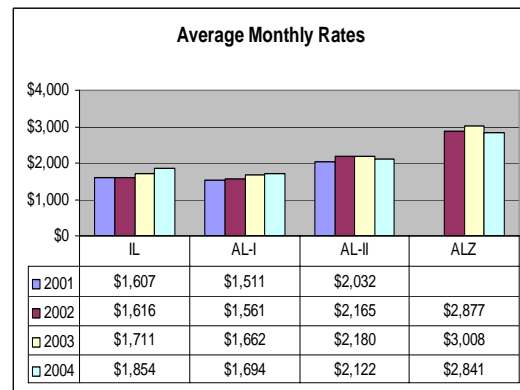
We are often asked why our occupancy figures are somewhat higher than those reported by the Health Department in their monthly survey. The answer is that our calculations are based on units, rather

than on licensed beds. We only count semi-private for units that are actually marketed as such. For example, say a facility has 40 units and is licensed for 50 beds (ten units licensed for double occupancy). In many cases, all 40 units are marketed at a base private-occupancy rate, with an additional “second person” charge for couples. If a double-occupancy unit is occupied by a single person, there is no additional bed available. If 36 rooms are filled, regardless the number of residents, we show 90% occupancy (36 occupied units divided by 40 total units). The state’s survey, on the other hand, might show occupancy as low as 72% (36 residents divided by 50 licensed beds). We consider the unit basis to be better in determining the actual condition of the market.

Rates

Statewide, the average rate across all care levels increased from \$1,920 in 2003, to \$1,971 in 2004. The average rate increase was 2.64%. That is a lower rate of increase than the 4.0%+ range of recent years, but is still in line with inflation. Independent living saw the highest rate increases.

Specialized AL-II Alzheimer’s care actually saw rate declines, as that market has become more competitive.



As of spring 2004, there were 5,821 units of assisted living and independent living in Utah. In 2004, survey responses were received on all but three facilities, representing 97% 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 Spring 2004 Survey				
No. Units	Unit Type	Average SF Size	Average Base Rate	Average 2 nd Person Charge
Independent Living				
54	Private Bedroom	378	\$1,212	\$412
306	Studio with Kitchenette	428	\$1,409	\$412
1,111	One Bedroom Apartment	567	\$1,707	\$412
328	Two Bedroom Apartment	821	\$2,081	\$412
1,799	Subtotal/Average IL	584	\$1,854	\$412
Assisted Living AL-I				
68	Semi-private Bedroom (132 Beds)	--	\$1,238	-
697	Private Bedroom/Shared or 1/2 Bath	157	\$1,647	\$623
458	Private Bedroom/Full Private Bath	197	\$1,579	\$623
226	Studio with Kitchenette	343	\$1,857	\$623
121	One Bedroom Apartment	567	\$2,232	\$623
18	Two Bedroom Apartment	717	\$2,460	\$623
1,574	Subtotal/Average AL-I	238	\$1,694	\$623
Assisted Living AL-II				
7	Semi-private Bedroom (14 Beds)	263	\$1,914	-
134	Private Bedroom/Shared or 1/2 Bath	211	\$1,954	\$628
292	Private Bedroom/Full Private Bath	345	\$1,935	\$628
899	Studio with Kitchenette	510	\$2,110	\$628
651	One Bedroom Apartment	712	\$2,535	\$628
82	Two Bedroom Apartment		\$3,259	\$628
2,065	Subtotal/Average AL-II	532	\$2,122	\$628
Specialized Alzheimer's Care AL-II				
142	Semi-private Bedroom (152 Beds)	355	\$2,631	-
241	Private Bedroom	320	\$2,908	\$710
383	Subtotal/Average Alzheimer's AL-II	333	\$2,841	\$710
Total Market - All Types				
5,821	Total/Average (All Types)	455	\$1,971	\$545

**Utah Assisted Living Submarkets
Spring 2004 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	461	393	\$1,482	\$1,900	\$2,193	*	*	73.1%
2	Box Elder, Weber, Morgan, north Davis	1,060	914	\$1,535	\$1,523	\$2,179	86.2%	88.7%	91.5%
3	Salt Lake, Tooele, south Davis	3,346	2,832	\$2,060	\$1,820	\$2,417	88.2%	92.3%	87.1%
4	Summit, Wasatch	26	20	--	*	*	--	*	*
5	Utah, Juab	997	911	\$1,514	\$1,551	\$1,658	91.8%	77.6%	90.6%
6	Millard, San Pete, Sevier, Wayne, Piute	99	86	\$850	\$1,553	--	*	77.4%	--
7	Beaver, Garfield, Iron	87	76	--	\$1,543	\$1,986	--	*	*
8	Washington, Kane	582	518	\$1,727	\$1,821	\$2,266	83.6%	82.5%	91.5%
9-10	Daggett, Duchesne, Uintah, Carbon, Emery, Grand, San Juan	98	71	--	\$1,700	\$1,969	--	95.5%	*
State Total/Average		6,756	5,821	\$1,854	\$1,694	\$2,217	85.5%	86.8%	87.5%

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

The 2004 survey results show the direct correlation between the volume of construction and market performance. Prior to making investment decisions, it is very important to acquire detailed fundamental demand analysis, to ensure adequate demand exists for a project. Fundamental demand analysis involves studying projected population growth in elderly persons, as well as the population of adult children, income levels and other market characteristics. Projected demand for a particular market segment is then compared to the supply of beds in existing and proposed facilities to determine the

adequacy of demand to support new construction.

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.