

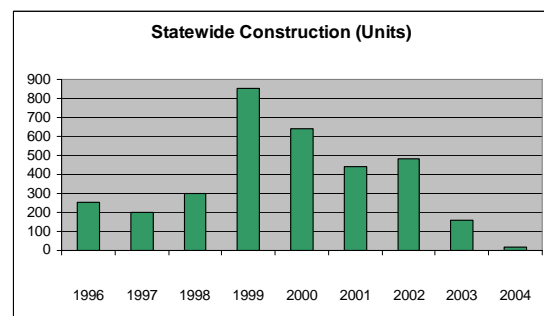
# 2005 Utah Assisted Living Survey

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This year marks the fifth year of the annual Utah Assisted Living Survey. 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

Very little new construction was completed in 2004. In fact, several small facilities were closed, which nearly offset the small amount of new construction. (Some of the closures were temporary, for remodeling, and are expected to reopen this year). The following table summarizes net construction in Utah. This net figure accounts for construction of new facilities, offset by the closure of any existing facilities.

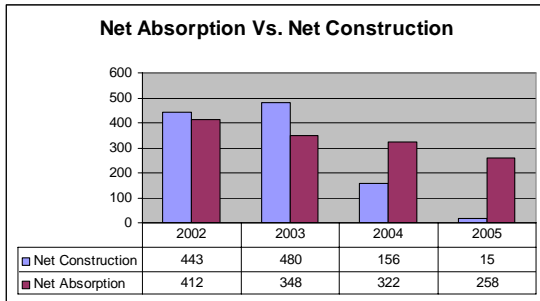


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**Net absorption** is the yearly increase in the number of occupied units. Net absorption has declined over the past four years. Weak economic conditions may have been part of the cause. However, another reason may be slower growth in the elderly population. The estimated Utah

population over age 75 had been growing in the range of 2.5% per year, but fell to 1.97% growth over the past year, and is expected to grow an average of only 1.56% over the next four years. (This decrease 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.

Although growth in demand has slowed, construction volume has been low. As a result, the market has strengthened, and occupancy rates have increased.

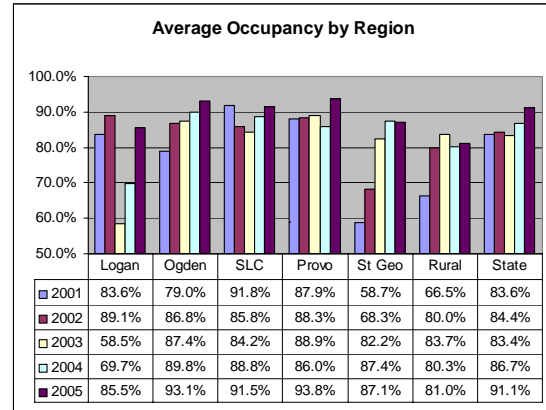


## Occupancy

Among the major markets in the state, all but St. George saw improvement in average occupancy this year. The urban Wasatch Front counties are strongest, with occupancy rates averaging 92.3%. Logan and the rural counties also improved, to an average of 83.6% occupancy.

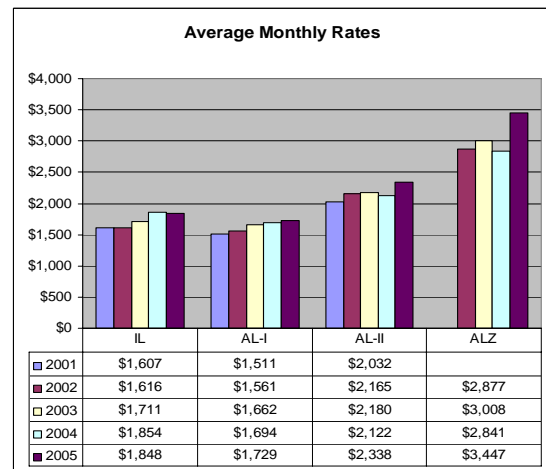
Assisted Living markets are generally considered stabilized at occupancy rates near 90%. In other words, occupancy rates below 90% tend to discourage new construction, while

occupancy rates above 90% tend to encourage new construction. Based on that generalization, it is reasonable to expect the volume of construction to increase over the next year or two, particularly along the Wasatch Front.



## Rates

Statewide, the average rate across all care levels increased from \$1,971 in 2004, to \$2,099 in 2005. The average rate increase was 6.5%. That is well above the underlying rate of inflation, and reflects a strengthening market with relatively high occupancy rates. By comparison, rates increased only 2.6%, on average, in the previous year. The rate increases in 2005 were highest in the upper levels of care; AL-II and Specialized Alzheimer's.



As of spring 2005, there were 5,836 units of assisted living and independent living in Utah. In 2005, survey responses were received from facilities that represent nearly 90% 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.

<b>Utah Assisted Living Industry Spring 2005 Survey</b>				
No. Units	Unit Type	Average SF Size	Average Base Rate	Average 2 <sup>nd</sup> Person Charge
<b>Independent Living</b>				
42	Private Bedroom	280	\$1,060	\$400
316	Studio with Kitchenette	430	\$1,490	\$400
1,092	One Bedroom Apartment	559	\$1,846	\$400
292	Two Bedroom Apartment	777	\$2,356	\$400
1,742	Subtotal/Average IL	565	\$1,848	\$400
<b>Assisted Living AL-I</b>				
69	Semi-private Bedroom (138 Beds)	--	\$1,287	
644	Private Bedroom/Shared or 1/2 Bath	160	\$1,713	\$567
475	Private Bedroom/Full Private Bath	200	\$1,620	\$567
192	Studio with Kitchenette	343	\$1,794	\$567
113	One Bedroom Apartment	526	\$2,336	\$567
12	Two Bedroom Apartment	800	\$2,669	\$567
1,505	Subtotal/Average AL-I	232	\$1,729	\$567
<b>Assisted Living AL-II</b>				
20	Semi-private Bedroom (14 Beds)	223	\$2,240	
215	Private Bedroom/Shared or 1/2 Bath	200	\$2,076	\$605
223	Private Bedroom/Full Private Bath	311	\$2,050	\$605
1,008	Studio with Kitchenette	348	\$2,187	\$605
680	One Bedroom Apartment	510	\$2,608	\$605
84	Two Bedroom Apartment	718	\$3,377	\$605
2,230	Subtotal/Average AL-II	394	\$2,338	\$605
<b>Specialized Alzheimer=s Care AL-II</b>				
132	Semi-private Bedroom (277 Beds)	385	\$3,576	
227	Private Bedroom	336	\$3,373	\$700
359	Subtotal/Average Alzheimer=s AL-II	354	\$3,447	\$700
<b>Total Market - All Types</b>				
5,836	Total/Average (All Types)	455	\$2,099	\$538

**Utah Assisted Living Submarkets  
Spring 2005 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	\$1,483	\$1,900	\$2,270	*	*	84.0%
2	Box Elder, Weber, Morgan, north Davis	1,074	985	\$1,631	\$1,567	\$2,259	94.1%	86.9%	95.9%
3	Salt Lake, Tooele, south Davis	3,234	2,854	\$1,975	\$1,821	\$2,580	94.7%	92.4%	89.1%
4	Summit, Wasatch	76	65	--	*	*	--	*	*
5	Utah, Juab	991	881	\$1,610	\$1,645	\$1,898	95.5%	89.6%	96.2%
6	Millard, San Pete, Sevier, Wayne, Piute	88	77	\$850	\$1,565	--	*	84.2%	--
7	Beaver, Garfield, Iron	89	76	--	\$1,757	\$2,095	--	*	*
8	Washington, Kane	485	451	\$1,933	\$1,899	\$2,406	88.3%	90.8%	83.0%
9-10	Daggett, Duchesne, Uintah, Carbon, Emery, Grand, San Juan	82	55	--	\$1,557	\$1,969	--	96.4%	*
State Total/Average		6,580	5,836	\$1,848	\$1,729	\$2,338	93.4%	90.2%	90.1%

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

The 2005 survey results show the direct correlation between the volume of construction and market performance. With elderly population expected to grow more slowly over the next several years, overbuilt markets will be slower to correct themselves. Therefore, it is becoming 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. Demand is then compared to the projected supply of

beds to determine if demand is adequate 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.