

# 2009 Utah Assisted Living Survey

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For the past several years, the press of work has prevented us from publishing a complete assisted living survey for the state. Now, with the markets slower and a little more time, we are happy to provide a 2009 update.

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 collected in late spring, most of it around April 2009.

## **Construction**

A total of 678 new assisted living and independent living units were constructed in the four year period from 2005 to 2009, which is an average of 169 new units per year. (This is a net figure for new construction, offset by the closure of any existing facilities). Most of the construction was early on. For the past year or so, financing has been difficult and the rate of construction has fallen to lower levels.

**Net absorption** is the yearly increase in the number of occupied units. Net absorption was 481 units from 2005 to 2009, an average of about 120 units per year. That figure includes two years with a very strong economy (2006 and 2007) and two years of very weak economy (2008 and 2009). An absorption rate of only 120 units per year illustrates how easily the market

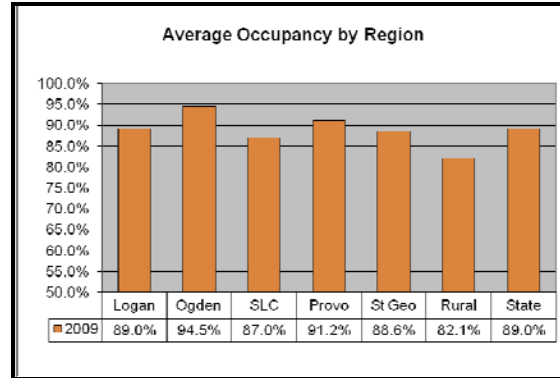
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can become overbuilt. Only a few large projects in a single year can result in construction substantially outpacing new demand.

The estimated Utah population over age 75 has been growing in the range of 2.25% per year, compounded, from 2000 to 2008. For the five year period 2008 through 2013, the age 75+ population is projected to grow only 1.9% per year (from 105,921 to 116,328).<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.

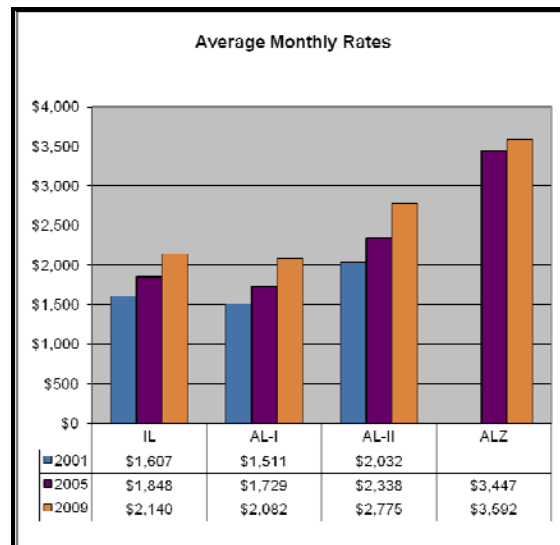
### Occupancy

Economic recession has pulled down occupancy rates for real estate investments. Senior care facilities are not immune to that problem. However, the impact on independent living and assisted living has been less severe than most other property types. Some new facilities are reporting slow absorption, as families put off decisions when the economy is so uncertain. Overall, however, occupancy rates have held up relatively well. The Ogden area is particularly strong. Some facilities there are entirely full, and the State is reporting they are unable to locate enough beds to place persons with Medicaid waivers. The rural markets have lower average occupancy than the state, but there is significant variation from market to market.



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 overall is only slightly oversupplied.

### Rates



Statewide, the average annual rate increase from 2005 to 2009 was 3.7% for independent living and 4.5% for assisted living. Those figures are above the underlying rate of inflation, and indicate a healthy market. However, it is important to consider

<sup>1</sup> STDBonline

that these figures are slightly skewed because, over time, the average unit size and quality are increasing.

As of spring 2009, there were 6,378 units of independent living and assisted living in Utah. 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.

### Utah Assisted Living Industry Spring 2009 Survey

No. Units	Unit Type	Average SF Size	Average Base Rate	Average 2 <sup>nd</sup> Person Charge
Independent Living				
43	Private Bedroom	280	\$1,104	\$505
338	Studio with Kitchenette	436	\$1,775	\$505
1,151	One Bedroom Apartment	554	\$2,141	\$505
295	Two Bedroom Apartment	796	\$2,698	\$505
1,827	Subtotal/Average IL	565	\$2,140	\$505
Assisted Living AL-I				
61	Semi-private Bedroom (138 Beds)	--	\$1,477	
564	Private Bedroom/Shared or 1/2 Bath	165	\$1,974	\$600
528	Private Bedroom/Full Private Bath	203	\$2,057	\$600
168	Studio with Kitchenette	358	\$2,170	\$600
111	One Bedroom Apartment	601	\$2,794	\$600
12	Two Bedroom Apartment	800	\$3,438	\$600
1,444	Subtotal/Average AL-I	244	\$2,083	\$600
Assisted Living AL-II				
26	Semi-private Bedroom (14 Beds)	255	\$2,925	--
200	Private Bedroom/Shared or 1/2 Bath	181	\$2,375	\$798
411	Private Bedroom/Full Private Bath	246	\$2,093	\$798
1,121	Studio with Kitchenette	341	\$2,621	\$798
858	One Bedroom Apartment	520	\$3,241	\$798
129	Two Bedroom Apartment	719	\$4,122	\$798
2,745	Subtotal/Average AL-II	384	\$2,775	\$798
Specialized Alzheimer's Care AL-II				
144	Semi-private Bedroom (277 Beds)	385	\$3,320	--
354	Private Bedroom	326	\$3,632	--
498	Subtotal/Average Alzheimer's AL-II	343	\$3,542	--
Total Market - All Types				
6,514	Total/Average (All Types)	398	\$2,510	\$664

**Utah Assisted Living Submarkets  
Spring 2009 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	443	400	\$2,055	\$2,248	\$2,618	93.6%	77.8%	89.5%
2	Box Elder, Weber, Morgan, north Davis	1,055	975	\$1,713	\$1,829	\$2,767	98.7%	95.3%	96.2%
3	Salt Lake, Tooele, south Davis	3,961	3,317	\$2,255	\$2,617	\$3,004	90.8%	87.9%	84.8%
4	Summit, Wasatch	66	56	--	*	*	--	*	*
5	Utah, Juab	1,139	924	\$1,887	\$1,909	\$2,053	92.1%	84.0%	94.7%
6	Millard, San Pete, Sevier, Wayne, Piute	130	112	\$900	\$1,790	--	*	82.1%	--
7	Beaver, Garfield, Iron	89	77	--	\$1,757	\$2,095	--	*	*
8	Washington, Kane	514	492	\$2,369	\$2,022	\$2,452	75.8%	91.1%	90.9%
9-10	Daggett, Duchesne, Uintah, Carbon, Emery, Grand, San Juan	196	161	--	\$2,203	\$2,201	--	95.0%	95.1%
State Total/Average		7,593	6,514	\$2,140	\$2,083	\$2,775	93.4%	88.0%	90.1%

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

With elderly population expected to grow more slowly over the next several years, overbuilt markets will be slower to correct themselves. 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. 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.