

# 2013 Utah Assisted Living Survey

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Jorgensen Appraisal is pleased to provide this update to the 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. Data for the survey was collected from the spring to summer of 2013.

## **Construction**

Eleven new facilities have been licensed and constructed since our last survey in the spring of 2012 with no closures. The net increase is 332 new assisted living and independent living units over the past year, compared to an average of 225 per year for the previous seven years. The January 18, 2013 *Health Facility Plan Review Report* by the Bureau of Health Facility Licensing, Certification and Resident Assessment shows 14 assisted living projects currently in the pipeline, with a total of 447 beds. If those projects are all completed, it would represent a large increase in the volume of construction, and could increase the risk of overbuilding in some markets. In the current market, it is likely that some proposals will not receive funding and will end up delayed or canceled.

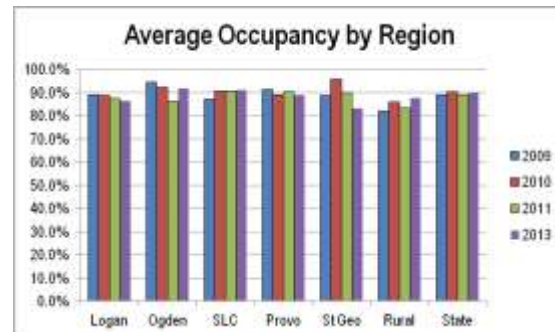
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**Net absorption** is the yearly increase in the number of occupied units. Net absorption was 412 units from early 2012 to summer of 2013. Therefore, the 447 units currently in the approval and construction pipeline represent just over a year of absorption.

The estimated Utah population over age 75 grew at a compounded rate of 2.3% per year from 2000 to 2010, according to the census. For the five year period 2010 through 2015, the age 75+ population is projected to grow only 1.4% per year (from 110,687 to 118,295).<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.

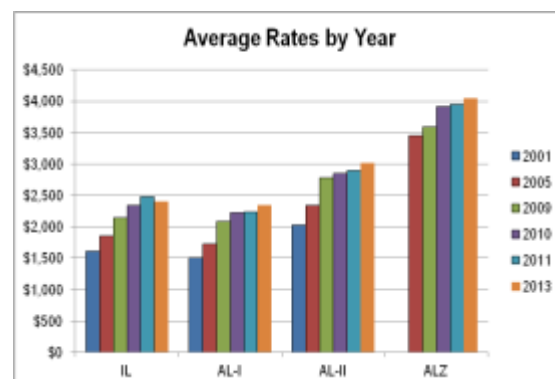
### Occupancy

Occupancy rates for assisted living held up somewhat better in the recession than most real estate investments, and have held relatively flat since 2010. Average occupancy actually increased in the Greater Ogden area and throughout rural Utah. Occupancy declined somewhat in the Logan and St. George areas, where several new facilities have been completed. Independent living occupancy had been more impacted by recession than assisted living, and average statewide occupancy fell to 86.2% in 2012. However, in 2013 independent living recovered somewhat, rising to 88.4% occupancy.



Assisted Living markets are in balance at occupancy rates around 90%. Occupancy rates below 90% tend to discourage new construction, while occupancy rates above 90% tend to encourage new construction. Based on that generalization, Utah’s assisted living and independent living market is near equilibrium currently.

### Rates



Since 2001, the average annual rate increase was 3.4% for independent living, 3.7% for AL-1, 3.3% for AL-2 and 2.0% for specialized Alzheimer’s. The average size and quality of units has been increasing over that time, so the change in market rates for a particular facility has likely been lower. However, rate increases from 2012 to 2013 were above the long term average in all cases except independent living. This is likely a result of the improving economy.

<sup>1</sup> STDBonline

As of June 2013, there were 7,730 units of independent living and assisted living in Utah. Survey responses were received from facilities that represent nearly 96% 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 2013 Survey</b>				
No. Units	Unit Type	Average SF Size	Average Base Rate	Average 2 <sup>nd</sup> Person Charge
<b>Independent Living</b>				
10	Private Bedroom	144	\$1,810	\$460
324	Studio with Kitchenette	433	\$2,096	\$578
1,213	One Bedroom Apartment	559	\$2,363	\$585
337	Two Bedroom Apartment	807	\$2,860	\$575
1,884	Subtotal/Average IL	579	\$2,403	\$581
<b>Assisted Living AL-I</b>				
55	Semi-private Bedroom (101 Beds)	--	\$1,888	
614	Private Bedroom/Shared or 1/2 Bath	161	\$2,180	\$418
489	Private Bedroom/Full Private Bath	226	\$2,272	\$750
182	Studio with Kitchenette	368	\$2,436	\$732
151	One Bedroom Apartment	564	\$3,149	\$673
18	Two Bedroom Apartment	731	\$3,383	\$711
1,509	Subtotal/Average AL-I	255	\$2,341	\$600
<b>Assisted Living AL-II</b>				
14	Semi-private Bedroom (28 Beds)	264	\$1,978	--
217	Private Bedroom/Shared or 1/2 Bath	264	\$2,597	--
543	Private Bedroom/Full Private Bath	265	\$2,942	\$908
1,540	Studio with Kitchenette	354	\$2,793	\$693
1,161	One Bedroom Apartment	510	\$3,284	\$698
151	Two Bedroom Apartment	743	\$4,151	\$833
3,626	Subtotal/Average AL-II	392	\$3,014	\$735
<b>Specialized Alzheimer's Care AL-II</b>				
184	Semi-private Bedroom (369 Beds)	339	\$4,100	--
527	Private Bedroom	316	\$4,034	--
711	Subtotal/Average Alzheimer's AL-II	321	\$4,050	--
<b>Total Market - All Types</b>				
7,730	Total/Average (All Types)	404	\$2,826	\$694

## Utah Assisted Living Submarkets 2013 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	492	424	\$2,441	\$2,571	\$2,720	81.0%	92.6%	94.7%
2	Box Elder, Weber, Morgan, north Davis	1,407	1,372	\$2,404	\$2,187	\$2,887	84.9%	85.8%	94.8%
3	Salt Lake, Tooele, south Davis	3,851	3,700	\$2,447	\$2,508	\$3,190	91.1%	91.2%	93.8%
4	Summit, Wasatch	66	56	--	*	*	--	*	*
5	Utah, Juab	1,334	1,217	\$2,133	\$2,045	\$2,923	89.9%	84.1%	95.7%
6	Millard, San Pete, Sevier, Wayne, Piute	187	117	*	\$2,069	\$2,368	*	84.6%	100%
7	Beaver, Garfield, Iron	88	79	--	*	*	--	*	*
8	Washington, Kane	697	648	\$2,733	\$2,686	\$2,887	63.3%	83.0%	93.0%
9-10	Daggett, Duchesne, Uintah, Carbon, Emery, Grand, San Juan	171	117	--	\$2,468	\$3,167	--	80.0%	90.3%
State Total/Average		8,293	7,730	\$2,403	\$2,341	\$3,014	88.4%	87.7%	91.9%

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

In contrast to most real estate markets and the general economy, the assisted living market in Utah has held up well over the past four years. However, the future is uncertain. Due to a lack of opportunities elsewhere, an increasing number of investors are interested in the industry, and the number of projects in the pipeline is relatively high. At the same time, the increase in elderly population is expected to be slower for the next several years. 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, and comparing projected demand to projected supply.

### 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.