



RHarper Consulting Update

Affordable Senior Housing Communities (Part 1) A Paradigm Shift?

In surveying the spectrum of stakeholders in the senior housing industry over the past few months including; sponsors, developers, marketers, bankers, and designers, some common themes emerge:

- The recession appears to be easing and planning is starting on new projects and strategic repositionings.
- Availability of new capital, and in particular investor funded seed capital, will be very limited for the foreseeable future.
- The erosion of retirement savings and the lasting perception of the volatility of the real estate market is having a profound effect as seniors consider their choices regarding housing and services.

The impact of these trends on new projects will evolve over the next several quarters, but certain themes have emerged, and as an industry we are already adapting.

Certainly, the most prevalent theme is affordability. While the days of the luxury, full service, CCRC are not over, the ability and propensity of the senior, in the market today, to make a commitment for large entry fees and high monthly fees is much more limited than before the recession. Project feasibility and underwriting will make high end projects significantly more difficult to finance and the lack of pre-development seed capital will greatly limit the number of sponsors who are able to successfully pursue these types of projects. Therefore, more creative and new approaches to the affordable senior project will be essential to respond to these trends.

What is the affordable senior project of the future?

The affordable project of the future is still focused on the affluent senior seeking the security and socialization of a CCRC. However, our target customer has changed their value equation to a more value oriented demand. The challenge is to provide programs and products that meet these



Roger Harper,
Principal of
RHarper Consulting Group, provides development consulting services to the senior housing industry.

For more information on RHarper Consulting Group please call 615-218-4102 Or rharper@rharperconsulting.com

needs at a price point our target market considers a good value.

The new affordable senior project will not be the government subsidized, HUD, Section 8 project from the past. The new affordable project will address the senior who does not qualify for assistance, but who will pay a reasonable price, for a nice project, in a desirable location, that meets needs the senior cannot readily fulfill for themselves.

Our target market is now more willing to accept fewer luxury amenities, more ala cart services, and less common area, provided the resulting services and products meet their needs at the desired price point. Their “wants” of “luxury” features and amenities are taking a secondary position to price, as long as the primary needs of security, sponsor stability, access to healthcare, and value are satisfied.

In future installments of this series on affordable senior housing, we will address: financing the affordable senior project, design and programming goals, and marketing affordable senior communities.

If you have questions, suggestions, or comments, please go to our website by [clicking here](#) and leave them on our **Questions and Comments** page. We will share them with our readers in future issues.

For more information please contact:

Roger Harper

615-218-4102

rharper@rharperconsulting.com

www.rharperconsulting.com

RHarper Consulting Group provides development consulting, program management, and owner representation services focused on the senior living and mixed use sectors. In addition, Mr. Harper is a listed mediator and arbitrator and provides dispute resolution services for construction and real estate related disputes.

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