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**Healthcare & Senior
Housing Specialty
Practice Group**

**2023-2028 Seniors Growth
and Demand Report**

By: Bradley J. Schopp, MAI



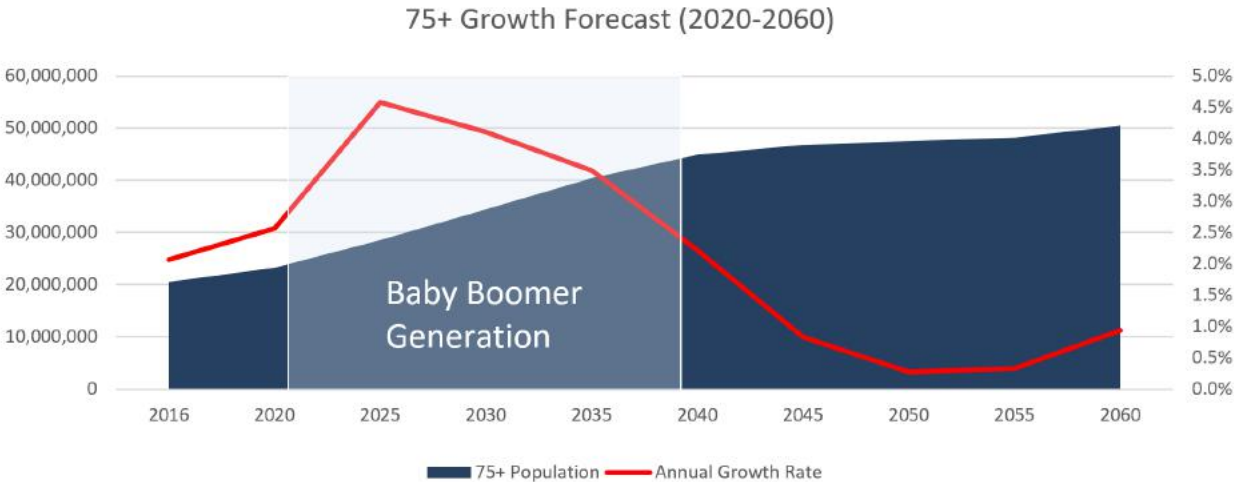
2023-2028 Seniors Growth and Demand Report

Overview

The growth of the 75+ demographic in the U.S. has been significant and will only continue to grow at increasing rates. The following analysis examines the 5-year growth of the 75+ demographic as well as the growth of the higher-income demographics which have a higher correlation with seniors housing demand. Current penetration rates across the NIC MAP markets are then applied to the future higher-income demographics to estimate which markets will need the highest amount of new supply to satisfy the growth in demand should current trends persist.

Population Growth

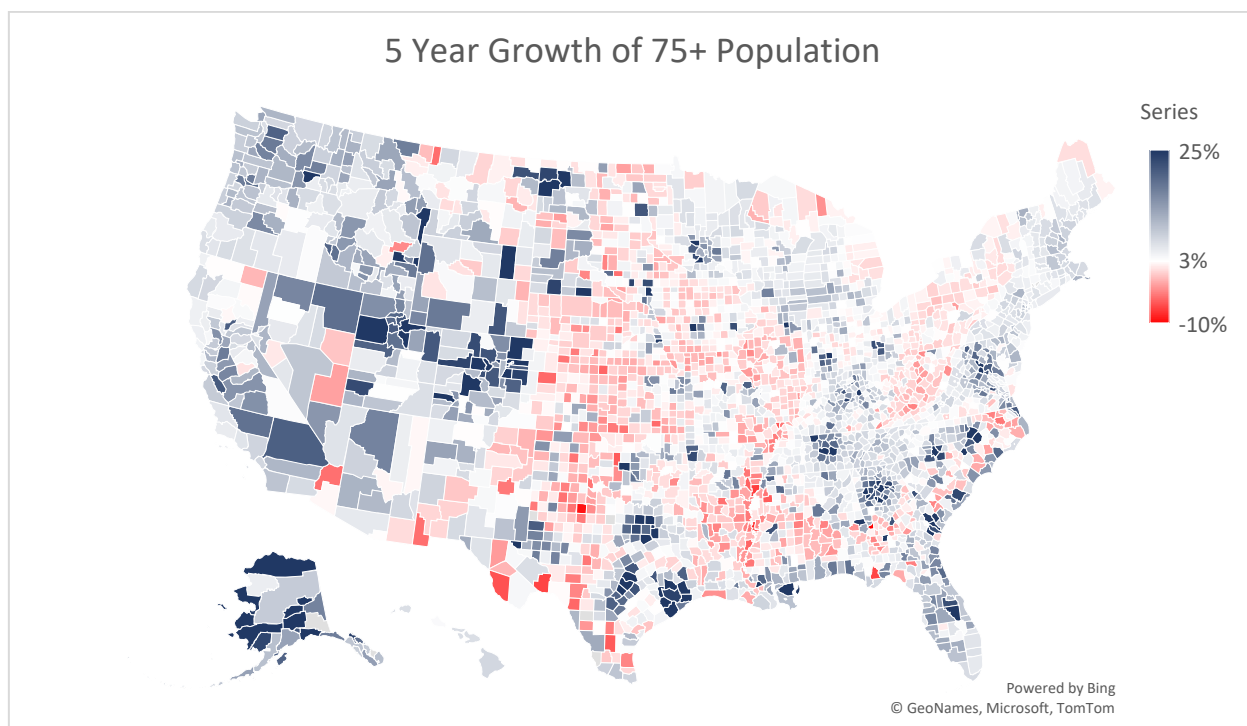
According to data from Claritas, the number of Americans aged 75 and older increased from 18.5 million in 2010 to 24.4 million in 2023, a growth of 31.4% or 2.1% annually. Similarly, the number of Americans aged 85 and older increased from 5.5 million in 2010 to 6.9 million in 2023, a growth of 24.4%. The growth in the 75+ and 85+ age demographic is attributable to the aging of the baby boomer generation, who were born between 1946 and 1964 as well as improvements in healthcare that have led to longer life expectancies. By 2040, all the Baby Boomers will be in the 75+ demographic.



Source: US Census Bureau: Projections for the United States: 2017 to 2060

According to Claritas, in the next five years (2023-2028), the growth forecasted is 9.6% in the 75+ demographic and 7.7% in the 85+ age demographic only. Interestingly, the demographic of the higher income householders is forecasted to grow at faster rates. The 75+ householders with annual median incomes of more than \$50,000 are scheduled to grow by 20.2% while the \$75,000+ demographic is forecasted to grow by 27.8%. Higher income householders are important in seniors housing as these are the individuals that can better afford these living options.

The following heat map provides the 5-year (2023-2028) expected growth of the 75+ demographic in the US. The heatmap range shows all counties in the US and the range utilized for display purposes is from a decline of 10% to a growth of 25%. It should be noted that there are 74 counties that have expected growths in excess of 25%, and their average growth is 32.4%



Data Source: Claritas

Growth Implications

According to the National Center of Assisted Living (NCAL), approximately 26% of assisted living residents are in the 75-84 age demographic while 55% are in the 85+ age demographic. As the 75+ and 85+ age demographic continues to grow, there will be large implications for healthcare, housing, and other services that cater to the needs of older adults. Regarding housing, seniors housing provides a range of services and amenities to meet the needs of their residents.

The three main segment types, not including skilled nursing care or active adult, include the following:

- **Independent Living:** These facilities are designed for older adults who are generally healthy and able to live independently, but who may want the convenience of services such as dining, housekeeping, maintenance, and social activities.
- **Assisted Living:** These facilities provide assistance with activities of daily living such as bathing, dressing, and medication management, while still allowing residents to maintain a level of independence.
- **Memory Care:** These facilities are designed to provide care for individuals who are living with Alzheimer's, dementia, and other memory-related conditions.

While demand for seniors housing is expected to increase, simply relying on growth in the senior population will not accurately portray the number of residents moving into seniors housing, as their ability to afford these options must also be considered.

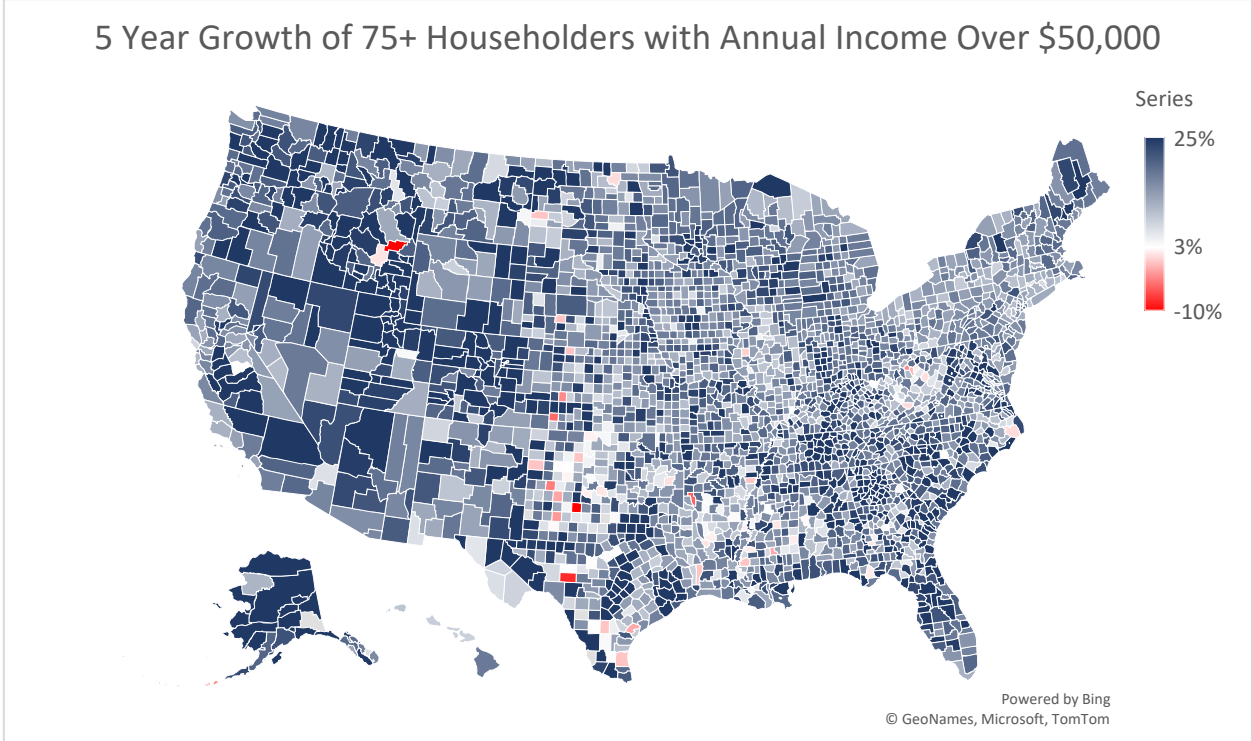
Seniors Housing Costs

The cost of seniors housing can be a significant barrier for many seniors. The median income for households headed by someone aged 65 and older in 2023 was \$53,913, which is lower than the median income for all households. According to the National Investment Center for Seniors Housing and Care, the average in-place monthly cost for assisted living in the U.S. was \$5,585 in September 2022, which translates to an average annual cost of \$67,000. Using the same data, the annual cost for independent living was \$45,000 and memory care was \$95,000.

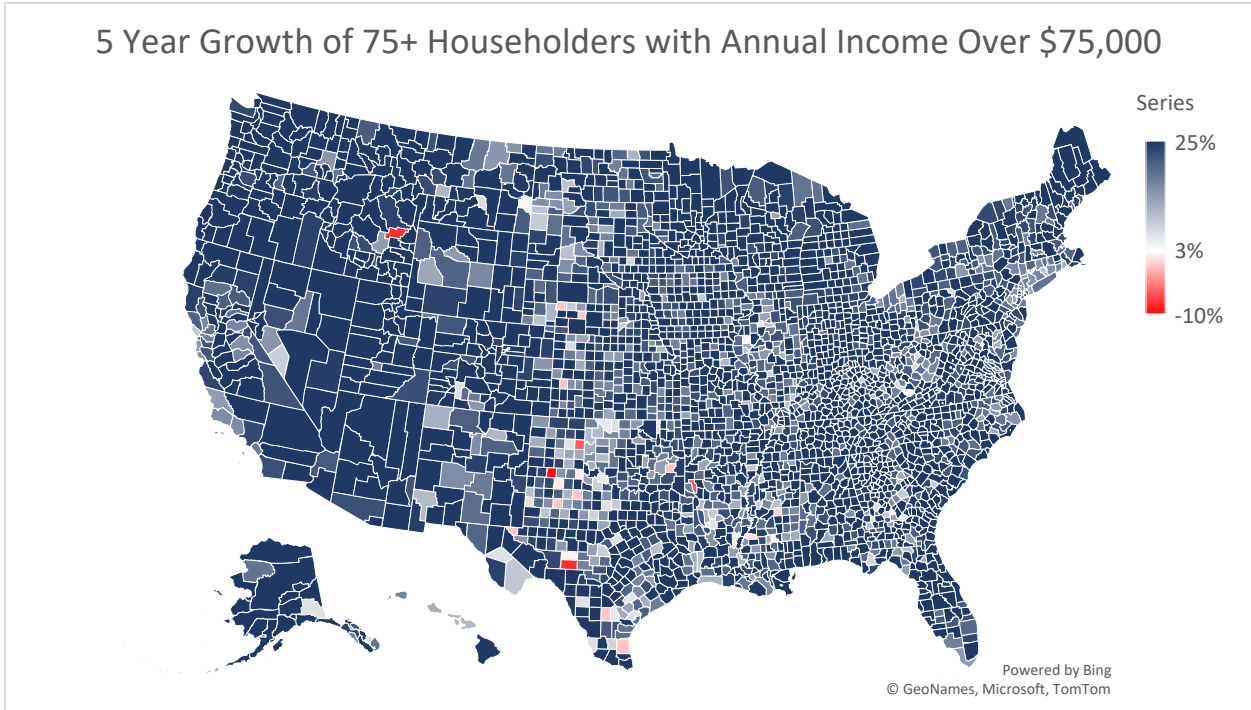
Some states have financial assistance programs available for seniors, such as Medicaid, which may cover some of the costs associated with assisted living, but many will have to pay out of their own pocket, which is referred to as private-pay. Private-pay seniors spend their savings and sell assets to fund their stays.

Growth in Householders with Higher Incomes

There are currently 6,534,035 US householders over the age of 75 with incomes greater than \$50,000, which is forecasted to grow to 7,857,020 by 2028, representing an increase of 20.2%, or 3.7% annually. The growth rate of the 75+ with more than \$75,000 in annual income is higher at 27.8%, or 5.0% annually. The following maps illustrate 5-year growth forecasts for the 75+ households with annual incomes over \$50,000 as well as the growth for those 75+ with annual incomes over \$75,000. The heat map utilizes the same color scale as the previous map and exhibits that growth is stronger in these higher income demographics.



Data Source: Claritas



Data Source: Claritas

Demographic Used for Further Comparison

As the previous maps show, the expected growth in the 75+ population with annual median household incomes above \$75,000 exceeds the growth rate of those with annual incomes over \$50,000. The \$75,000+ demographic may become more important in determining seniors housing demand as inflation pushes rents higher and as newer facilities are constructed that will likely compete toward the higher end of the market. However, based on our analysis, the demographic with the highest correlation to seniors housing demand is the 75+ age demographic with annual incomes of \$50,000 and higher. The following table presents the correlation coefficient between NICMAP demand in comparison to both householder income as well as age only population. A correlation of 1.0 indicates that demand would move in perfect lockstep with the demographic. The Age Only (75+ and 85+) has a high correlation to demand as more seniors should equal more demand, but based on the analysis, the 75+ demographic with incomes over \$50,000, which will be referred to as the Target Market Demographic (TMD), provides the best indication with the correlation closest to 1.0 across all levels of care.

Correlation Coefficient				
	IL	AL	MC	ALL
Age 75+				
Age Only	0.77	0.90	0.84	0.86
>\$50,000 Income	0.79	0.90	0.86	0.88
>\$75,000 Income	0.78	0.90	0.85	0.87
>\$100,000 Income	0.77	0.89	0.84	0.86
Age 85+				
Age Only	0.74	0.88	0.81	0.84
>\$50,000 Income	0.76	0.89	0.82	0.85
>\$75,000 Income	0.73	0.87	0.80	0.83
>\$100,000 Income	0.71	0.85	0.78	0.81

Penetration Rates

Penetration rates refer to the percentage of a particular population or market that uses a particular product or service. In the case of this analysis, it is a measure of how many occupied units there are in a Core Based Statistical Area (CBSA) in comparison to the Target Market Demographic. This metric is important in forecasting demand for seniors housing as it helps understand the potential market size for a given geographic area. While the data on each individual level of care is available, the following analysis presents the total seniors housing penetration rate which includes independent living, assisted living and memory care.

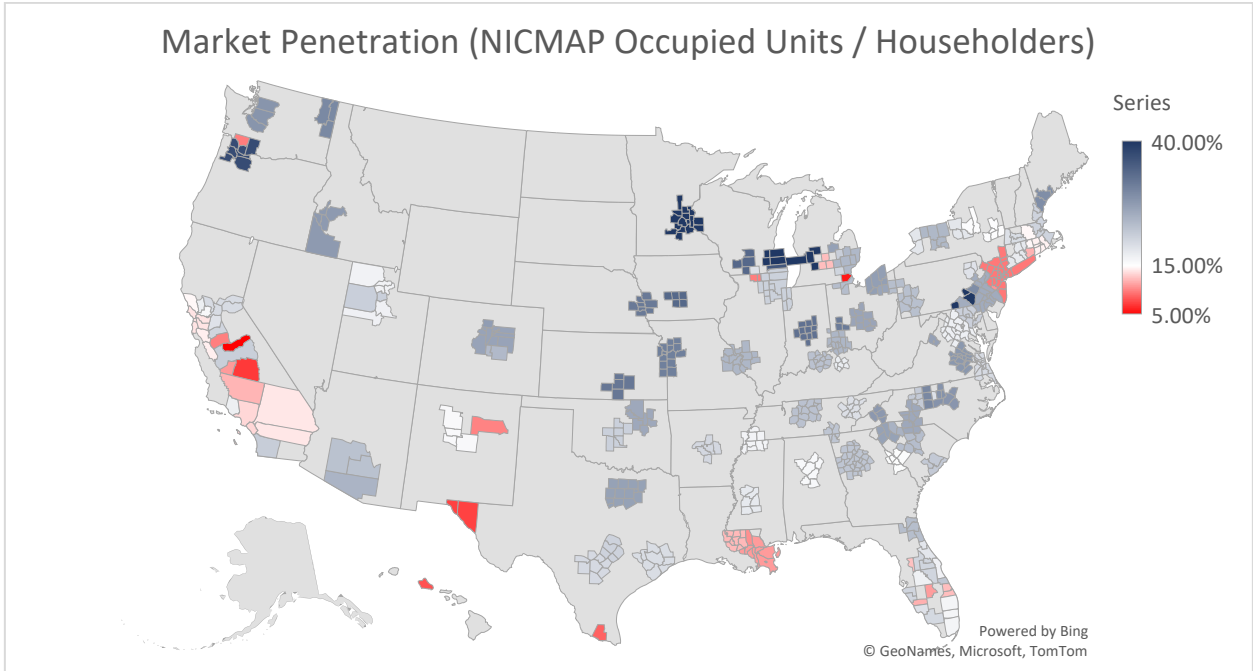
Penetration rates vary significantly from market to market for a variety of reasons which can include, but are not limited to demographics, regulatory and policy environments, supply and demand, and cultural norms. The following tables present a sampling of both high and low penetration rate CBSA’s.

Higher Penetration Markets		Lower Penetration Markets	
Milwaukee, WI	45.7%	El Paso, TX	7.6%
Minneapolis, MN	41.3%	Honolulu, HI	8.2%
Grand Rapids, MI	40.5%	New York, NY	9.7%
Portland, OR	37.4%	Las Vegas, NV	10.1%
Madison, WI	33.9%	New Orleans, LA	11.1%
Des Moines, IA	33.9%	Bakersfield, CA	12.1%
Indianapolis, IN	32.8%	Lansing, MI	12.5%
Wichita, KS	32.1%	The Villages, FL	12.6%
Omaha, NE	31.8%	Los Angeles, CA	13.4%
Dayton, OH	31.6%	San Francisco, CA	13.9%
Kansas City, MO	31.0%	San Jose, CA	14.4%
Greensboro, NC	29.9%	Providence, RI	14.5%
Spokane, WA	29.9%	Worcester, MA	14.7%
Reading, PA	29.3%	Santa Rosa, CA	14.7%
Portland, ME	29.2%	Albany, NY	15.3%

Data Source: Claritas & NICMAP CBSA Segment Trends 4Q2022

There is wide variation in penetration rates across different markets. Due to the large variation in markets, it is not wise to apply national demand figures to any one individual market when estimating seniors housing demand.

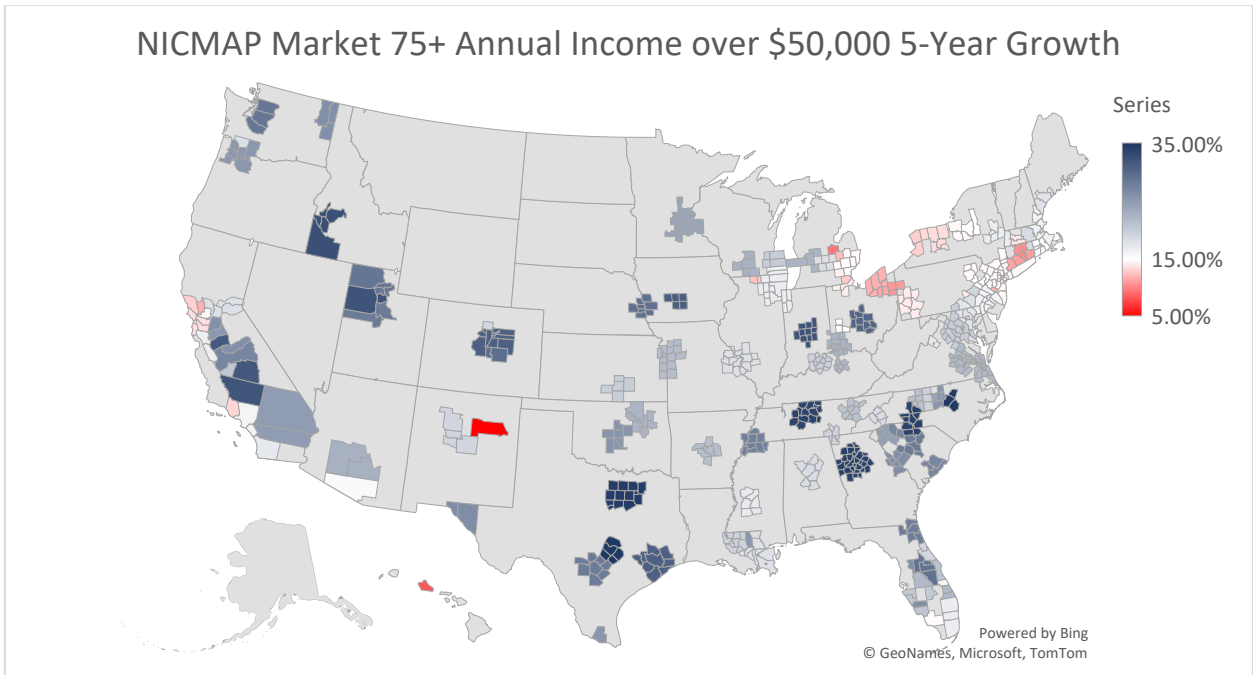
The following map illustrates the range in total seniors housing penetration rates across the NICMAP markets. The penetration rate is the total independent living, assisted living and memory care occupied units divided by the Target Market Demographic.



Data Source: Claritas & NICMAP CBSA Segment Trends 4Q2022

Forecasting Demand

The previous table presents the penetration rates of the NICMAP markets. Applying the current penetration rates to the future Target Market Demographic will provide a reasonable expectation of demand over the course of the next five years. The following map presents the Target Market Demographic growth over a 5-year period.



Data Source: Claritas & NICMAP CBSA Segment Trends 4Q2022

Supply Needed

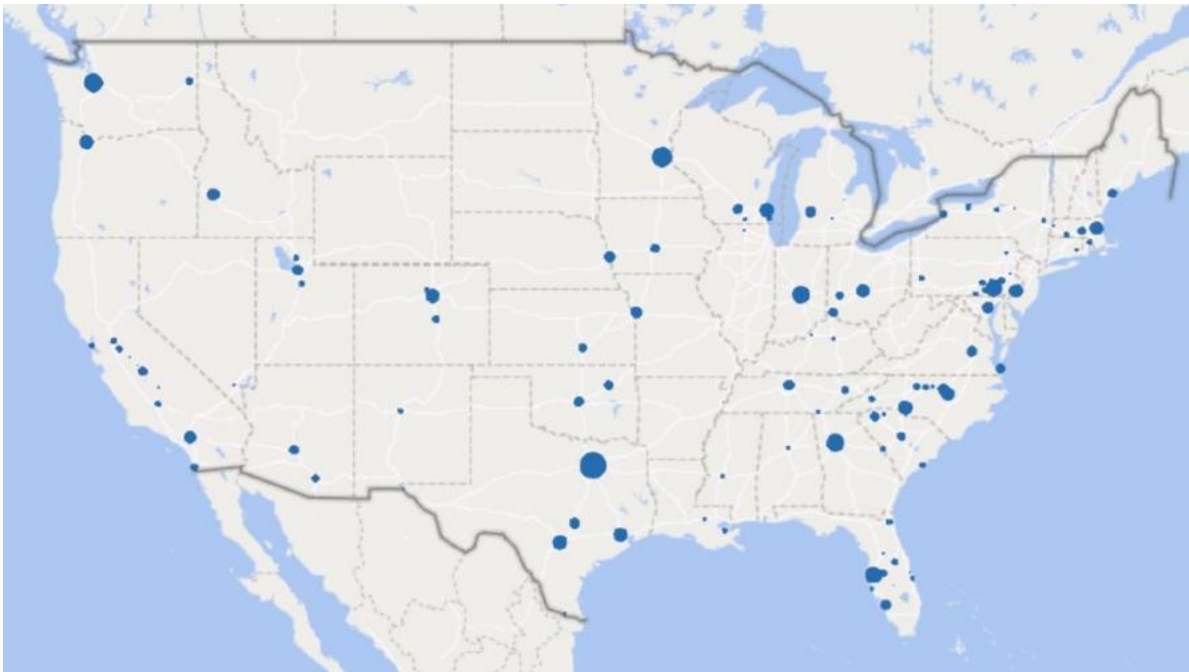
Applying the current penetration rates to the future Target Market Demographic produces an estimate of total demand. However, this does not accurately portray the number of units that may be built or demanded as facilities do not operate at 100% occupancy, and there are currently facilities being constructed in these markets that will affect supply.

The supply needed estimated in the map and following table takes the estimated demand, assumes a 7% market vacancy and deducts for units currently under construction. The calculation of the potential supply needed is calculated as follows:

New Units Needed Estimate

Penetration Rate:	Current Demand / 75+ Income over \$50,000 Population
Year 5 Demand:	Penetration Rate x Year 5 - 75+ Income Over \$50,000 Population
Market # of Units	Year 5 Demand / Market Occupancy (93% Utilized)
New Units Needed:	Market # of Units – (Current Units + Under Construction Units)

A visual representation of the supply needed in each market is shown in the following map. The larger the circle, the higher number of units needed. Negative markets are not shown.



Data Source: IRR Estimate, Claritas & NICMAP CBSA Segment Trends 4Q2022

Utilizing the previously described “New Units Needed Estimate” calculation, the top 25 CBSA’s with the highest number of needed units is presented on the following page. Dallas has the highest number needed at close to 4,900 units. As noted, this calculation takes into account demographic growth, current supply and supply under construction. The estimates are based on a 93.0% market occupancy and include all levels of care. While these estimates are available by level of care, they are not presented for the sake of brevity.

Potential New Supply Needed in Markets (Highest # of Units)

CBSA State	Current TMD	Current Occupied Units	Indicated Penetration Rate (a x b)	Future TMD	Demand (c x d)	Market Supply (e / .93)	Current Units	Units Under Construction	Market Supply Demanded (f - g - h)	% of Total Units (i / g)
	a	b	c	d	e	f	g	h	i	j
Dallas, TX	109,229	29,173	26.7%	147,030	39,269	42,225	34,371	2,961	4,893	14.2%
Minneapolis, MN	73,358	30,279	41.3%	91,004	37,563	40,390	35,238	2,420	2,732	7.8%
Seattle, WA	75,500	21,414	28.4%	97,208	27,571	29,646	26,088	1,221	2,337	9.0%
Atlanta, GA	93,320	20,786	22.3%	125,169	27,880	29,979	26,455	1,226	2,298	8.7%
Indianapolis, IN	36,222	11,883	32.8%	47,915	15,719	16,902	14,491	271	2,140	14.8%
Tampa, FL	73,162	18,390	25.1%	90,819	22,828	24,547	21,560	1,018	1,969	9.1%
Lancaster, PA	12,345	9,524	77.1%	14,571	11,241	12,087	10,115	78	1,894	18.7%
San Antonio, TX	40,987	8,095	19.8%	52,576	10,384	11,165	9,606	53	1,506	15.7%
Houston, TX	91,341	17,591	19.3%	119,580	23,029	24,763	22,515	775	1,473	6.5%
Charlotte, NC	42,623	11,044	25.9%	57,147	14,807	15,922	13,343	1,127	1,452	10.9%
Milwaukee, WI	31,653	14,463	45.7%	38,026	17,375	18,683	16,630	626	1,427	8.6%
Denver, CO	53,889	14,277	26.5%	70,554	18,692	20,099	17,191	1,532	1,376	8.0%
Portland, OR	49,277	18,451	37.4%	61,828	23,151	24,893	21,336	2,231	1,326	6.2%
Philadelphia, PA	129,739	33,171	25.6%	150,603	38,505	41,404	39,035	1,073	1,296	3.3%
Boston, MA	104,301	21,373	20.5%	121,202	24,836	26,706	24,060	1,370	1,276	5.3%
Columbus, OH	35,967	9,486	26.4%	46,950	12,383	13,315	11,633	430	1,252	10.8%
Raleigh, NC	23,605	6,672	28.3%	32,777	9,264	9,962	7,688	1,058	1,216	15.8%
Riverside, CA	68,614	9,635	14.0%	85,766	12,044	12,950	11,515	349	1,086	9.4%
Boise, ID	14,736	4,075	27.7%	19,545	5,405	5,812	4,602	160	1,050	22.8%
Kansas City, MO	42,176	13,082	31.0%	51,308	15,915	17,112	15,914	175	1,023	6.4%
Baltimore, MD	61,119	12,826	21.0%	71,933	15,095	16,232	14,807	493	932	6.3%
Grand Rapids, MI	19,114	7,734	40.5%	23,415	9,474	10,187	8,795	507	885	10.1%
Omaha, NE	17,566	5,579	31.8%	22,711	7,213	7,756	6,425	459	872	13.6%
Salt Lake City, UT	19,918	4,187	21.0%	26,328	5,534	5,951	5,082	0	869	17.1%
Austin, TX	39,884	8,213	20.6%	56,775	11,691	12,571	9,773	1,944	854	8.7%

Data Source: IRR Estimate, Claritas & NICMAP CBSA Segment Trends 4Q2022
TMD = Target Market Demographic

Conclusion

Seniors with higher incomes will and do have more choices when it comes to selecting seniors housing as they can afford more luxurious living options or communities that offer a wider range of amenities and services. Overall, the growth of seniors with higher incomes is an important factor to consider when it comes to seniors housing demand as it suggests that there may be a growing demand for residents that can afford these options in the future. Developers and seniors housing providers who are able to cater to this demographic may be well-positioned to capture this growing market.

About Us

IRR- Integra Realty Resources provides world-class support for seniors housing and healthcare related real estate throughout the U.S. Our subject matter experts have completed tens of thousands of appraisals and market studies in every 200,000-plus-population market across the U.S. Clients retain us for market study work, valuations for lending, property tax, estate, purchase allocation, rent resetting, and other legal related matters. We provide expert testimony and have practitioners that have been involved in this sector for 40 years and have written textbooks and developed other educational materials and courses for the Appraisal Institute on the valuation of properties in this sector.

Integra Realty Resources (IRR) is one of the largest independent commercial real estate valuation and consulting firms in North America, with over 165 MAI-designated members of the Appraisal Institute among over 600 professionals based in our more than 50 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and consulting services span all commercial property types and locations, from individual properties to large portfolio assignments.

Mr. Schopp is a National Practice Leader with IRR's Healthcare & Senior Housing group. He has specialized in the appraisal and consulting of seniors housing and healthcare since 2004 and has completed more than 1,000 seniors housing and healthcare related assignments in 37 states with asset values totaling more than \$10 billion. Most appraisal assignments have also featured an in-depth market analysis. Mr. Schopp has prepared reports for numerous courts and boards and has served as a valuation expert witness.

A deeper dive on specific markets or care levels across the nation is available. For more information on this topic or other market study or valuation topics, please reach out to Brad below:

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