



# Webinar

Tuesday  
June 29, 2021



**MIDDLE  
MARKET**  
Success Stories

LEARN FROM THE LEADERS

Moderated by



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## Introductions of Presenters\*



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\*Information contained in this presentation is content obtained by both William Pettit and Matthew Rule and not of HJ Sims. Information and opinions are current up to the June 29, 2021 and are subject to change without notice. The opinions expressed by the presenters are strictly their own and do not necessarily represent those of HJ Sims or its affiliates. HJ Sims is not providing any financial, economic, legal, accounting or tax advice or recommendations.

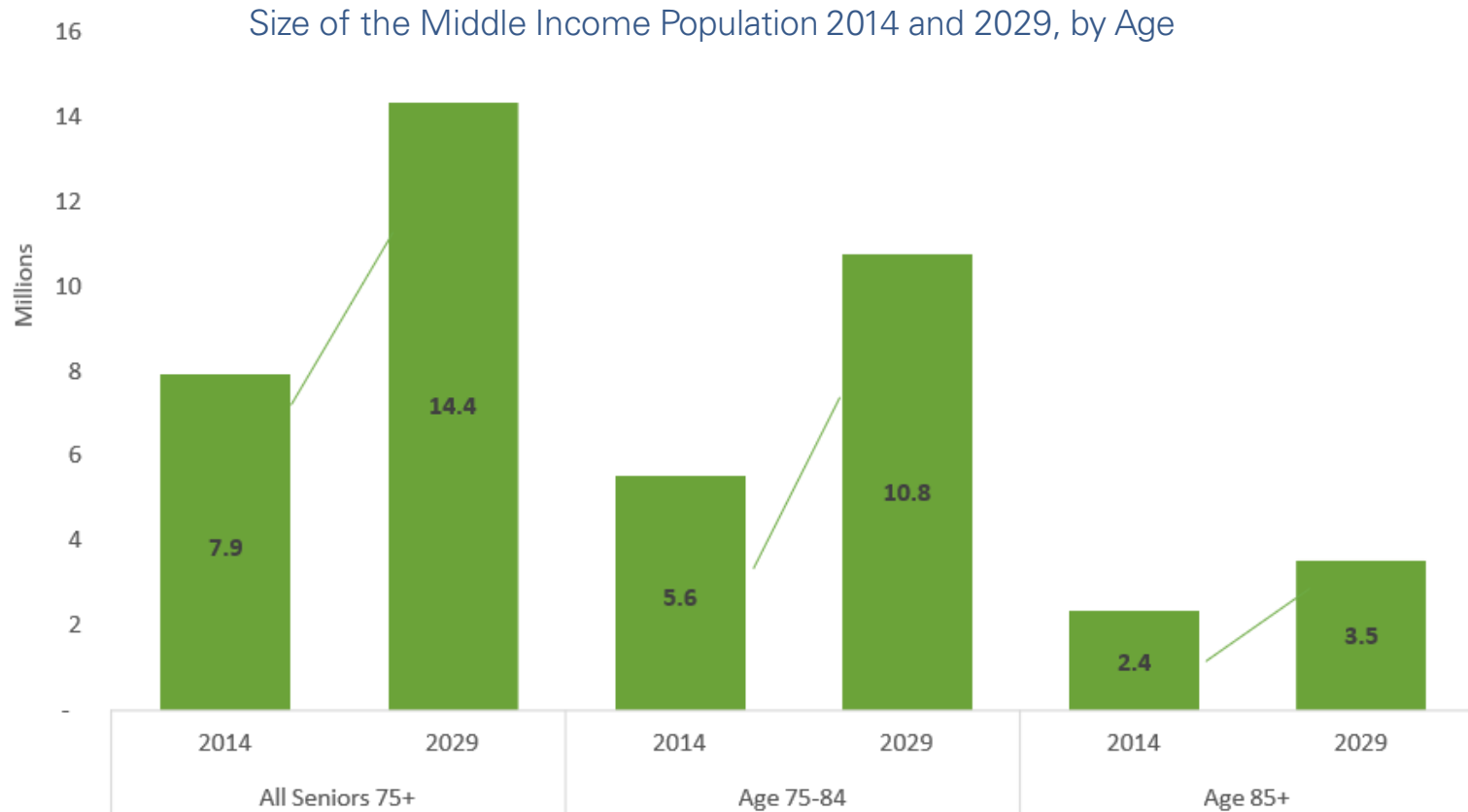
# THE FORGOTTEN MIDDLE

## What is the Middle Market?

- The Middle market includes seniors in the 41<sup>st</sup> to 80<sup>th</sup> percentile of financial resources today.
- Middle-income is meant to exclude those who may be eligible for Medicaid and who can easily afford current seniors housing options.

Age Group	Middle-Income Range	Excluding Housing Equity		With Housing Equity	
		Mean	Median	Mean	Median
75+	41 <sup>st</sup> - 80 <sup>th</sup> Percentile	\$44,326	\$40,774	\$57,187	\$51,801
75-84	\$25,001 - \$74,298	\$42,865	\$39,685	\$53,642	\$49,483
85+	\$24,450 - \$95,051	\$47,756	\$43,108	\$65,505	\$58,706

- As the Baby Boomers Age, the Total Number of Middle-Income Seniors 75+ Will Grow by 82% between 2014 and 2029



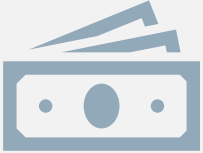
- More than 1 million units of new seniors housing may be needed to meet middle market needs
- Scenario Analysis:** Projected Supply Needed in 2029 to Fill Middle Market Seniors Housing Demand at Current Costs: Three Rents, Two Medical Out-of-Pocket Estimates and Two Penetration Rates

Price point and penetration rates dictate potential new supply needed

Annual Rent	Medical Out-of-Pocket	Total Cost	Number of Middle-Income Seniors Who Can Afford the Total Cost (Millions)	Percent of Middle-Income Seniors Who Can Afford the Total Cost	Units Needed at Different Penetration Rates	
					11%	14%
\$40,000	\$5,000	\$45,000	10.2	71%	1,145,088	1,431,360
\$40,000	\$10,000	\$50,000	9.0	63%	1,008,000	1,260,000
\$55,000	\$5,000	\$60,000	6.6	46%	739,200	924,000
\$55,000	\$10,000	\$65,000	5.3	37%	593,600	742,000
\$75,000	\$5,000	\$80,000	2.9	20%	324,800	406,000
\$75,000	\$10,000	\$85,000	2.1	15%	235,200	294,000

Source: NIC and NORC

## Operations Reality



Typically, 50% of operating cost is in Payroll and Benefits



65% of Payroll and Benefits is in two departments, Food & Beverage, and Care



70% of FTE's are in Food & Beverage, and Care



Wage pressures also highest in these two departments



## Alternatives for Seniors

Stay at home

Move in with family or friends

Limited Services

Full Services

# Enhancing Quality of Life

## Affordable Seniors Housing Matrix

Quality Enhancement:	Level of Service Enablement by Product Line			
	Seniors at Home	55+ Housing	Affordable Options	Full Service MG Model
<b>Dietary (1)</b>	Self-supported	Self-supported	Prep and Self-serve*	Prep and Serve
<b>Activities</b>	Self-supported	Enabled	Enabled	Enabled
<b>Fitness</b>	Self-supported	Enabled	Enabled	Enabled
<b>Socialization</b>	Self-supported	Enabled	Enabled	Enabled
<b>24-hour Monitoring</b>	Self-supported	Self-supported	Enabled	Enabled
<b>Care (1)</b>	Home Health/ family	Home Health/ family	A la Carte/Partnering (2)	Enabled
<b>Security</b>	Self-supported	Self-supported	Enabled	Enabled

# Middle Market Development



## Location Considerations

- Mature Neighborhoods, Adaptive Reuse or Greenfield Development
- Barriers to Entry
- Demographics

## Entitlement Considerations

- Community Support
- Density and height
- Product type and narrative considerations



## Construction Considerations

- Parking
- Congregate Dining/Commercial Kitchen
- Balconies and outdoor amenities

# Service Expectations and Delivery

## Target market/actual resident population factors

- Campus influences
- Reputational influences
- Design influences

## “Implicit” Promises and Budget Considerations

- Culinary
- Safety
- Activities

## Licensed service pressures and opportunities

- Partnerships and/or vertical integration
- Technology and EMR

## Non-licensed service pressures and opportunities

- Partnerships and/or vertical integration
- Amenity rich communities
- Purposeful resident led activities



# Consumer Education and Marketing

## Consumer Education

- Allowance/fee versus rental rate
- Culinary and Housekeeping
- Comparison set (AL/home services)

## Launch/Timing Considerations

- Technology and virtual tours
- Market density

## Sales and Marketing Considerations

- Centralized or community based
- Early adaptors & community influencers



# Finance and Structuring

## Real Estate Tax Considerations

- New(er) product type to many assessors
- Assisted Living related issues

## Construction to Perm Debt Considerations

## Equity Considerations



National Church Residences  
EXCELLENCE THAT TRANSFORMS LIVES



Questions?



# Thank You!

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