



Demand for Assisted Living Remains Strong in Spite of Weakening Economy

By Barbara J. Duffy

While the residential housing market has certainly felt the strain of the recent mortgage industry failures, credit crunch and general real estate malaise, the assisted living housing segment has proven particularly resilient even in these difficult times. As the population of skilled nursing residents declines, assisted living is being recognized as part of a national policy to address the care needs of our aging population. It is a market segment typically premised on immediate housing (and care) needs, where the consumer cannot afford to wait out current market conditions in the hopes of realizing maximum value from the sale of the primary residence.

Although resilient, the assisted living market has experienced some turmoil, most recently in the late 1990s and early 2000s, when some large providers were forced to sell off large amounts of their portfolios, with some even filing for bankruptcy protection. At the time, the industry was seemingly overbuilt. Some real estate developers also moved into the market hoping to develop assisted living properties in the same manner in which they developed apartments.

When the shakeout was over, the strong operators, including many in the Pacific Northwest, enjoyed several years of plentiful capital and strong demand. Since that time, assisted living has taken a firm hold as the future of long term care policy.

Recent years have reflected federal agencies' continued interest in assisted living as a recognized force in serving the growing population of longer living, healthy elderly. On December 3, 2007, the National Commission for Quality Long Term Care issued its final report. The Commission was co-chaired by former Senator Bob Kerry and former Speaker of the House of Representatives

Newt Gingrich, and included a number of policymakers throughout the country such as Senators Gordon Smith and Ron Wyden from Oregon. In its overview, the Commission reported:

The population of the United States is heading toward a dramatic and unprecedented demographic shift. Well into this century, the number of older Americans will grow substantially with each passing decade as the average person lives longer than we ever imagined possible. As a result, the nation will experience an unprecedented demand for high-quality long term care services provided in a wide variety of settings, including private homes, **assisted living facilities** and nursing homes. Unless we take action in the near future to prepare for these changes, our nation will not be ready and inevitably many of our citizens will suffer.

(Emphasis added.)

To be sure, assisted living looks like it is here to stay. The demographics speak for themselves. The United States Census Bureau reports that between the years 2000 and 2010, there will be a 10.8 percent increase in the portion of the population who will be between the ages of 65 and 84. The percentage increase in the portion of the population age 85 or over will be 43.5 percent. Between 2010 and 2020, the population of 65- to 84- year-olds will increase by 38.8 percent, and the population over 85 years old will increase by 18.7 percent. The estimates grow at an even greater rate as we look beyond 2020. The reason for this growth is obvious: our population is living longer with fewer health complications. In no small measure, this phenomena is directly related to the increasing level (and quality) of care and services that the elderly portion of the population receives through assisted living.

When their health begins to fail them, this population simply does not have the luxury to wait for more favorable market conditions before they decide to move. More and more, our elderly choose assisted living for their housing needs. In 2006, approximately 60 percent of assisted living residents moved to assisted living facilities from a private home or apartment. In turn, as the population grew, the supply of licensed assisted living units also grew.

Despite this building demand, the turmoil of the late 1990s and early 2000s could return, but with the product so solidly part of the long term care continuum, the shakeout should be less volatile. There may be another such shakeout in the works, but strong demographic and public policy needs suggest demand is not likely to wane.

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1. Despite widespread use of the term "assisted living," there is no uniform checklist that describes the services provided by an assisted living provider in a licensed residential care environment. Definitions of "assisted living" vary. For purposes of this article, the term "assisted living" describes facilities, communities, buildings or residents that are licensed by the state to provide support and personal care for residents.

2. *National Commission for Quality Long Term Care Final Report*, <http://www.qualitylongtermcarecommission.org>.

3. Source: U.S. Census Bureau, 2004.

4. NCAL Assisted Living Resident Profile, <http://www.ncal.org/about/resident.cfm>, information taken from the *2006 Overview of Assisted Living* published by the American Association of Homes and Services for the Aging, American Seniors Housing Association, Assisted Living Federation of American, National Center for Assisted Living, and National Investment Center for Seniors Housing & Care Industry.