

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - Third Quarter 2018

TRENDS PROVIDING ROOM TO RUN; 3Q MARKET FUNDAMENTALS REMAIN STEADY

Trends in the Senior Living housing market can be as unpredictable as the weather. They can have a negative effect, or they can represent exciting opportunities. Lately the winds of change have been filling the sails of the market, moving it in a positive direction.

Take what is happening in Tucson, where a new type of senior housing is being developed and offered by Watermark Retirement Communities. The Hacienda at the Canyon features innovative pricing including non-refundable membership fees of up to \$60,000, and an "integrative wellness" approach that blends high-end, resort-like amenities and on-site health care offerings. It is scheduled to open in the 2nd quarter 2019, but already more than 90 percent of its 163 independent living units are pre-leased and 50 percent of those putting down deposits are couples. According to *Senior Housing News*, much of the pre-leasing activity has been among those in their 70s.

Watermark Chairman David Freshwater told *Senior Housing News* the Tucson asset is "in many ways an experiment." The Tucson-based company is encouraged by how the market has responded and plans to replicate this model in other markets. Two other developments – one in Southern California and the other in Northern California – will also operate with this model.

According to LeisureCare.com, Baby Boomers will bring a 75 percent increase of people over the age of 65 needing senior care to nearly 2.3 million by 2030. With senior living communities catering to those looking for a more hospitality-focused experience with personalized care, suite-like accommodations and social gathering spaces, in addition to wellness programs, are among the most attractive amenities.

Another local developer, The Statesman Group, is embracing trends that it hopes will shape the future of

senior living in Arizona. It entered the senior-housing sector 20 years ago with the opening of The Manor Village in Scottsdale. President and Owner Alana Mann offered the following trends to *Globe St.*: "independent living will reign supreme; all-inclusive residency plans will increase; resort-style amenities will remain popular; chef-driven dining will replace cafeteria-style dining; and proximity to dining and healthcare will determine how developers build future senior living communities."

With the aging population one of the fastest growing in the U.S., this demographic is dramatically changing senior living communities. Metro Phoenix will continue to be home to a significant retirement community and a growing demand for high-end senior living communities. The Phoenix Metropolitan area was recently ranked 17th in the top 100 places to retire by *U.S. New & World Report*, up from 34th the previous year.

New to the market:

- In Tucson, Sage Assisted Living and Memory Care features 86 assisted living units and 36 memory care units. Amenities include a bistro, pub, movie theater, sun rooms, sports lounge, a putting green and a dog park.
- In Peoria, The Hampton Group Inc. is preparing to build a 218-unit senior living facility and 200-unit apartment complex on 34 acres. Development costs will total about \$95 million for the two projects.
- In Phoenix, Liv Communities plans to develop a \$35 million, 164-unit LivGenerations senior living complex at the northeast corner of Mayo Boulevard and N. 66th Street in Phoenix. Design plans call for 206 beds in three and four-story buildings consisting of 24 memory care studios and 26 independent living casitas.

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Assisted living occupancy rose 0.1 percentage points to 85.3 percent. Nationwide occupancy for independent

"Rent growth has been less than wage growth for the past six quarters," NIC Chief Economist Beth Burnham Mace told *Senior Housing News*: "With tight labor markets, upward pressure on wages is likely to continue, which will put pressure on an operator's ability to grow net operating income (NOI). Sixty percent of operators' expense loads are on wages and benefits," Mace said.

A photograph of a modern, multi-story residential building with a curved facade, surrounded by palm trees and a clear blue sky. The building features large windows and a mix of light and dark exterior colors. In the foreground, there is a paved area and a small landscaped garden with green grass and some shrubs. The sky is bright blue with a few wispy clouds.

MBK Senior Living, a leading national operator of senior housing communities based in Irvine, California, bought a portfolio on July 6, 2018 consisting of 9 senior living communities for \$382 million at a cap rate at the time of sale of 6 percent. Formerly known as the West Living Portfolio located in California, Washington and Arizona, the average occupancy for the portfolio was 90%. The Seller, West Development, Inc., is exiting the business and the Buyer plans on making improvements to the portfolio. This property consists of 207 units comprised of 117 independent living one-bedroom units, 22 independent living 2-bedroom units, and 68 assisted living units.

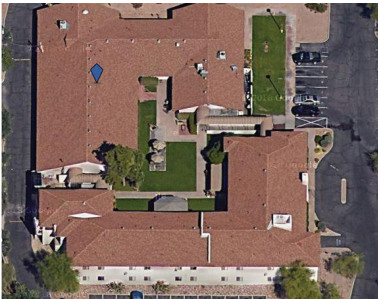


Ensign Group out of Mission Viejo, California bought this 128-bed senior facility for \$7,500,000 (\$87.50 per sf) from Sun Health Services. The property is 128-beds in three buildings totaling 85,713-sf built in 1985 and 1992 on 8.93 acres.

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Senior Housing Sales Third Quarter, 2018



Solterra Subacute Services

1501 E. Orangewood Avenue, Phoenix, AZ 85020

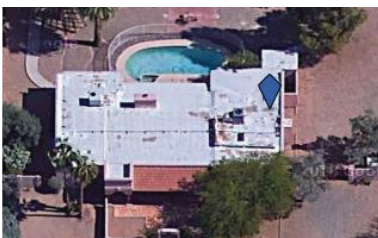
Fay Enterprises Inc. sold this skilled nursing facility totaling 35,753-sf with 103 beds, which sold on June 5, 2018 for \$5,679,793 (\$158.86 per sf) to Orangewood Property, LLC. The property was in escrow for approximately 42 days and there was no financing involved. Both parties were self-represented as the Buyer was a previous tenant of Fay Enterprises Inc.



Haven of Scottsdale

3293 N. Drinkwater, Scottsdale, AZ 85251

On April 30, 2018 Haven Scottsdale Real Estate, LLC (Stephen Samuelian) bought this 23,357-sf 90-bed skilled nursing facility building for \$3,250,000 (\$139.14 per sf). Built in 1967, the Seller was motivated to divest the property due to it being inherited through a family trust and they wanted a more liquid asset. The occupancy at the time of sale was 91.6 percent.



7480 E. Camino Santo, Scottsdale, AZ 85260

Peet & Cowan Financial Services bought this 6,431-sf, 10-bed assisted living facility built in 2016 for \$2,000,000 (\$310.99 per sf) from Maria Ignam with a \$50,000 down payment.



7125 E. Paradise Drive Scottsdale, AZ 85254

Sitting on 1.8 acres, this 6,582-sf 10-bed assisted living building built in 1958 sold for \$1,150,000 (\$174.72 per sf) on September 24, 2018 (440 days on market) to JA Kelly, LLC by Silvio and Melinda Rone.



3920 E. Mountain View Road Phoenix, AZ 85028

On May 18, 2018 Redfish LLC (Dalton Ray Hastey) bought this 6,039-sf, 10-bed luxury assisted living home for \$1,350,000 (\$223.55 per sf) from Paul M. Guidera. Located in the exclusive Paradise Valley Submarket, the property sits on 1.28 acres and sold in about 37 days.

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Senior Housing Openings Third Quarter, 2018



Arcadia Estate Assisted Living **5825 E. Indian School Road, Phoenix, AZ 85018**

Neil Rackers, a former kicker for the Arizona Cardinals, has opened an 11,000-sf 10-bed luxury assisted living facility in Arcadia. With a team of investors, Rackers purchased an existing assisted living facility and invested \$2.5 million to buy and renovate facility. The property operates on month-to-month leases.



The Enclave at Chandler Senior Living **4950 W. Chandler Boulevard, Chandler, AZ 85226**

Owned by Spectrum Real Estate Group, Inc. (Denver, CO), The Enclave at Chandler Senior Living opened July 2018 and is a 160-unit, 131,200-sf facility that offers independent living, assisted living, transitional memory care and memory care, as well as "at your service" dining, concierge and social activities, and health and wellness amenities.



Fellowship Square of Surprise **16477 W. Bell Road, Surprise, AZ 85374**

In September 2018, this 160,000-sf gated senior living community offers independent and assisted living, memory care and home health services with spacious common areas and lush grounds. Owned by Christian Care Surprise, Inc., the property is close to many local hospitals and also provides Medicare-certified outpatient therapy for seniors and skilled home health services.

Senior Housing Proposed/Under Construction Third Quarter, 2018



Acoya Mesa **6502 E Brown Rd, Mesa AZ 85205**

In partnership with Cadence Living, Ryan Companies US, Inc. is designing, developing and building this upscale senior living community with an "age-in-place" model that will accommodate 170 private pay, market-rate units. The joint venture project will consist of 142 independent or assisted living units and 28 units devoted to memory care. The project is expected to be complete in Summer 2019.

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Senior Housing Proposed/Under Construction Third Quarter, 2018



The Revello Senior Facility

1600 W. Camelback Road, Phoenix, AZ 85015

A 4 Star 76-unit 88,947-sf senior facility in one four-story building 1.33 Acres (57,935-sf) land zoned C-2, City of Phoenix, is proposed for a 2019 opening. Current improvements on the site are a 19,504 sf Class C office building that is likely to be demolished. The Owner is Revello Housing, LLC and Developer is Bethel Development, Inc.



Eternal Spring of Gilbert

940 E. Williams Field Road, Gilbert, AZ 85295

Frontier Management out of Portland, Oregon broke ground on May 9, 2018 for a two-story, 80,000-sf senior living community that will offer 59 assisted living and 36 memory care resident rooms in 19 unique unit types. Eternal Spring of Gilbert will also include a specially designed neighborhood to serve the special needs of individuals living with Alzheimer's disease, dementia and other forms of memory loss.



Clarendale of Chandler

5900 S. Gilbert Road, Chandler, AZ 85249

In partnership with Life Care Services, Ryan Companies US, Inc. is designing, developing and building this resort style senior living community. This is the 6th Clarendale community within the Ryan Companies, LCS and Harrison Street Real Estate Capital partnership and the first Clarendale in Arizona. The Class A community will provide a full continuum of care with 232 private pay, market-rate units. The main building will consist of 116 independent living, 64 assisted living, and 38 memory care units with 14 duplex independent living villas surrounding the site. The project is expected to be complete in Summer 2019.



Spectrum Camelback

8100 E. Camelback Road, Scottsdale, AZ 85251

Spectrum Retirement Communities is planning a 116-bed specialized residential healthcare facility in two buildings at Hayden Road and Camelback, which will be located on the former Le Cordon Bleu College of Culinary Arts

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Bellazona Wellness Center **416 S. Gilbert Road, Gilbert, AZ 85296**

An 87-unit, two-story, 58,791-sf congregate care facility on 2.61 acres was proposed at the Town of Gilbert Planning Commission/Design Review Board. A vacant house on the site will be demolished. Palazzo Gilbert Senior Living, LLC (Paul Francis) owns the property, which was bought in 2015. According to the Project Overview, the proposed development will be completed in a single phase and will be designed in Arizona Mission-style architecture.



The Manor Village of Desert Ridge **5550 E. Deer Valley Drive, Phoenix, AZ 85054**

A state-of-the-art senior living community will enter the Metro Phoenix market this winter when the Statesman Group breaks ground on the \$50 million, 287,000 sf facility, The Manor Village of Desert Ridge. This is the second Arizona location for The Manor Brand and 12th among Statesman's Canadian and U.S. portfolio.



Ryan Assisted Living Community **10455 E. Pinnacle Peak Parkway, Scottsdale, AZ 85255**

In partnership with Cadence Senior Living, Ryan Companies US, Inc. is designing, developing and building this upscale senior living facility with an "age-in-place" model that will accommodate 170 private pay, market-rate units. The joint venture project will consist of 142 independent or assisted living units and 28 units devoted to memory care. The project is expected to be complete in Summer 2019.



Wolff Legacy Scottsdale **8890 E. Legacy Boulevard, Scottsdale, AZ 85255**

Wolff Legacy Scottsdale was proposed and approved by the Scottsdale City Council for two, three-story senior living buildings with 153 units: 10 cottage buildings with 22 total units and one 16,871-sf clubhouse on ±14 acres totaling 139,125 sf.



6759 E. Albany Street, **Mesa, AZ 85205**

Located north of the northwest corner of Power and Main and Mesa, Arcone Associates is developing a 39-unit assisted living facility totaling 23,639 sf in two stories.

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Senior Housing Proposed/Under Construction Third Quarter, 2018



Revel Scottsdale

8225 E. Indian Bend Road, Scottsdale, AZ 85250

The Wolff Company, a Scottsdale private equity firm and developer, purchased the property with plans to develop a refined senior community. The property is proposed for 146 units, and 2 guest suites spread across one, two and three-story elements.

For more information in Senior Housing Real Estate please contact:



Julie A. Johnson, CCIM, Principal

As Principal of Avison Young and Co-Leader of their National Healthcare Affinity Group, Julie has been an expert in healthcare real estate for about 25 years and uses her strong analytic skills to assist clients with demographic and market studies, as well as investment and lease analyses. Her in-depth knowledge of healthcare properties, senior housing, managed care, healthcare reform issues and healthcare tenant improvements make her a valuable resource to her clients.

Julie uses her strong analytical skills to assist clients with demographic and market studies as well as investment analysis and lease analysis. Her in-depth knowledge of healthcare properties, senior housing, managed care, healthcare reform issues and healthcare tenant improvements makes her a valuable resource to clients. Her knowledge of and extensive relationships with Valley hospitals and healthcare providers, along with years of research and involvement in numerous real estate transactions, qualify her as an expert in the field.

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Alexandra Loye, Principal

Alexandra provides real estate solutions for owners and occupants of medical office and office properties. She has advised her clients in various capacities including leasing and sales of medical and office buildings, tenant/buyer representation, and Senior Housing investment sales and site selection. Through market awareness, time sensitive project management, prompt communication, and aggressive strategic negotiating tactics, Alexandra is able to provide her clients exemplary service while saving them time and money.

Loye was featured as an "Emerging National Leader in Healthcare" by Real Estate Forum magazine in 2015 and in 2017 received the prestigious National Connect Next Generation of Healthcare award. She was also featured in AZ Big Media "People & Projects to Know 2017".

Alexandra was the Top Producer in the Avison Young Arizona office in 2016 and 2017. Received Avison Young Circle of Excellence Market Leader Award, 2018

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