

Cincinnati's senior moment

The retirement market is overbuilt, more housing on the way

BY JAMES RITCHIE / STAFF REPORTER

Given the Baby Boomer retirement wave, Cincinnati's senior housing business has vast potential. Eventually.

For now, though, the Tri-State's independent-living market may be ahead of itself.

Occupancy rates are below industry norms and below the current national average. The region ranks third nationally for number of continuing care retirement communities, which include the full range of options – independent living, assisted living and nursing home care – at one location, according to a recent report by Ziegler Capital Markets. The Tri-State has 39 of the properties, behind the Philadelphia metro area's 88 and Chicago's 59.

And hundreds more independent-living apartments recently opened or soon will open. Properties recently built or expanded include the Stratford at Kenwood, the Barrington of Oakley, the Barrington of West Chester, Pinebrook Senior Living in Milford, Renaissance West at North Bend Crossing, the Deupree House in Hyde Park/Oakley and Madonna Manor in Villa Hills.

'AN OVERSATURATED MARKET'

But the high demand that will accompany an aging population has yet to arrive – and isn't due for years to come.

"It's an oversaturated market," said Doug Spitler, CEO of Episcopal Retirement Homes, which operates the Deupree House and Marjorie P. Lee independent living centers. "We are being much more aggressive in our marketing and promotion than in the past, as are many other communities."

The next few years could amount to leaner times for long-standing independent-living properties, and a slow climb for newer centers looking to build occupancy.

"Most owners and operators will probably be OK, because properties have shown they can operate at about 85 percent occupancy," said Michael Hargrave, vice president with the National Investment Center for the Seniors Housing & Care Industry. "But to the extent that there are properties that did 'lever up,' the sponsors of those properties may have some struggles over the next few years."

It's true that Baby Boomers, the oldest of whom were born in 1946, are hitting retirement age. Miami University's Scripps Gerontology Center has estimated Hamilton County's 60-and-over population at about 145,000, projected to rise to 175,000 by 2020.

SENIORS WAITING LONGER TO MOVE

But seniors don't tend to enter independent-living arrangements until their late 70s or early 80s. And demand from that group could, in fact, decline over the next five years or so because of low post-Depression birth rates.

The economic slump, too, is hurting independent living, because seniors can't sell their houses for the prices they want and their retirement accounts have taken a hit. Spitler has seen Episcopal's occupancy rates drop to about 90 percent from historic levels of 95 percent.



Doug Spitler, CEO of Episcopal Retirement Homes, is marketing more aggressively

BRUCE CRIPPEN | COURIER

To get the margins they want, independent-living operators like to run at 92 percent occupancy. The national average now is close to 89 percent. Greater Cincinnati's rate is about 86 percent, according to the National Investment Center for the Seniors Housing & Care Industry.

In the last two years, Loveland-based CareSpring Health Care Management has opened two senior-care facilities, called Barrington of Oakley and Barrington of West Chester, with 105 units each. The company licensed the entire complexes for assisted living so that when independent-living residents become frailer, they can upgrade to assisted-living without moving.

Spokeswoman Kimberly Majick would not release occupancy figures, but she said the economy means people are more often putting off a move until they have little choice.

"We are seeing more people who are coming to us after an illness or injury," she said, "rather than choosing the lifestyle."

Residents will begin moving into the 215-unit Stratford at Kenwood, backed by an equity financing deal with Toledo-based Health Care REIT, next month. The company has scheduled the maximum number of move-ins, one per business day, for July, said spokeswoman Wendy Horn.

Average fees range from \$65K to \$208K

Horn acknowledges that the downturn has made seniors slower to act. But the business

plan still calls for filling the Stratford in four to five years.

"There isn't really a demand issue. In our 15-mile target radius alone, we are fortunate to have 40,000 people who meet our criteria," she said. "The issue is that customers are concerned about the market and home sales."

The Stratford, with amenities such as concierge services and a spa, is at the high end for the 6,317-unit market. Residents can pay "entrance fees," which are 90 percent refundable if they move out, of \$160,000 to \$480,000, or they can pay rent beginning at \$3,500 a month.

Average entrance fees in Greater Cincinnati range from \$65,000 for a studio to \$208,000 for a three-bedroom unit, according to the National Investment Center for the Seniors Housing & Care Industry.

The higher-end segment is highly penetrated in Greater Cincinnati, with about 40 percent of the target market, based on age and finances, already living in such housing, said Michael Starke, Hebron-based vice president for research at Spectrum, which consults for the senior living industry. And he doesn't anticipate the overall market hitting low-90s occupancy rates for at least the next four years.

Spitler has seen some return of interest, if not commitments, among seniors. They seem to be resigning themselves to lower home values.

Still, he said, "If I were in the Cincinnati market with a startup community, I'd be very concerned!"

CONTINUED DEVELOPMENT

Top 10 metropolitan statistical areas (MSAs) by number of continuing care retirement communities (CCRCs)

MSA	CCRCs	MSA rank by population
Philadelphia-Camden-Wilmington	88	5
Chicago-Naperville-Joliet	59	3
Cincinnati-Middletown	39	24
Los Angeles-Long Beach-Santa Ana	38	2
New York-Northern New Jersey-Long Island	37	1
Minneapolis-St. Paul-Bloomington	33	16
Washington-Arlington-Alexandria	32	9
St. Louis	30	18
Cleveland-Elyria-Mentor	28	26
Phoenix-Mesa-Scottsdale	26	12

Source: Ziegler Capital Markets