

What's Driving The Senior-Living Investment Boom?

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SAN DIEGO—"We believe there is a growing need for various types of transitional **housing**—from nursing homes to independent living—for our aging community," **Pathfinder Partners'** senior managing director **Mitch Siegler** tells GlobeSt.com. The San Diego-based firm, which specializes in opportunistic and **value-add** real estate investments, recently acquired a 104-unit independent-living community within the **Shalom Park Senior Living Campus** at **5240 Park Circle, Aurora, CO**, for \$16 million from **Shalom Park**, the Colorado not-for-profit organization that owns the balance of the Shalom Park Senior Living Campus.

The community, which Pathfinder will rebrand as **V-Esprit**, is situated on approximately 15 acres and includes 60 apartments and 44 patio homes averaging 1,050 square feet. V-Esprit residents will have shared use of the campus amenities including the wellness center, exercise facilities, salon, bistro, swimming pool and spa.

According to Siegler, his firm is planning a \$3-million renovation of the community, to include converting four of the one-bedroom apartment units (leaving 100 units in total) into a clubhouse

and cardroom and renovating and modernizing the theater room, library, communal dining area and **leasing** office. Pathfinder also plans to renovate the apartment interiors to include new hard-surface countertops, flooring, cabinets and appliances and updating all finishes, fixtures and paint.

While it partnered with **Hillcrest Development Group LLC**, a Denver-based company with experience in operating senior communities, the **acquisition** marked Pathfinder's first foray into the senior-living sector. We spoke with Siegler about the transaction, as well as the growing **senior-living** market and a few of the pros and cons of investing in this sector.



Pathfinder is planning a \$3-million renovation of the Shalom Park community acquisition, to include converting four of the one-bedroom apartment units (leaving 100 units in total) into a clubhouse and cardroom and renovating and modernizing the theater room, library, communal dining area and leasing office.

GlobeSt.com: Why was this an appealing buy?

Siegler: The acquisition presented a unique opportunity to acquire a well-located property near transportation and shopping at well below replacement cost. The units are relatively large (averaging more than 1,000 square feet) and enjoy the use of top-shelf facilities (pool, spa, health club, bistro, salon) by virtue of a shared-use arrangement with Shalom Park's facilities. Approximately 60% of our units are attached apartments and 40% detached patio-style homes with attached garages. We expect the majority of the patio homes to appeal to couples and a majority of the apartments to draw singles.

The market dynamics underlying **multifamily** investing in Denver are attractive by virtue of the city's rapidly growing population and strong **job growth**. And the tailwinds supporting **senior housing** are also quite favorable. Ten thousand Americans are turning 65 every day, lifespans have been increasing for decades and are projected to continue to do so. According to the **US Census Bureau**, by 2020 **Baby Boomers** will be pre- and early-retirement ages (55 to 64

years) and the young old ages (65 to 74 years). So, we have a surge in the aging population, many of whom will need alternative housing options.

An estimated one-third of people seeking independent living in Denver come from outside of the area—generally because a son or daughter now lives in the Denver metro area.

GlobeSt.com: Can you discuss the boom in senior living facilities and the appeal of investing in them?

Siegler: We believe there is a growing need for various types of transitional housing—from nursing homes to independent living—for our aging community. Independent living—also known as retirement communities, congregate care, retirement villages, 55-plus communities, senior apartments and continuing-care retirement communities—is a rapidly growing market segment that caters to those who are generally healthy and independent. The independent-living market is our target for V-Esprit. It is a category of growing interest to senior-housing investors, and properties with substantial amenities and a lifestyle orientation—like V-Esprit—are prime beneficiaries.

GlobeSt.com: What are the challenges or downside to investing in these facilities?

Siegler: We have not previously targeted investments in these facilities because they are operating businesses as much or more as real estate investments; they typically have a high fixed-cost structure and considerable operating expenses as a percentage of income. We dramatically mitigated these issues with the V-Esprit acquisition by virtue of the structure of the transaction. First, by virtue of the shared-facility use agreement, our residents benefit from the pre-existing facilities (pool, spa, health club, bistro and salon), and we do not have to spend millions of dollars replicating these facilities. Second, these facilities are already fully staffed by Shalom Park, the neighboring property, so we do not need to carry this overhead – instead, we pay a reasonable monthly fee for our residents.

GlobeSt.com: How will the upgrades your firm has planned to make to this community meet current demand and lifestyles?

Siegler: While we are still in the discovery phase and surveying current residents and prospective residents to understand what features and amenities they most value, we have a number of ideas that we are incorporating into our business plan. As previously mentioned, we will be targeting active, independent adults—those who wish to live independently, who cook, drive and eat out at nearby **restaurants**. Kitchens will be large and spacious and equipped with modern appliances. We will not be providing daily meal service, though residents will be able to frequent the bistro at the adjacent Shalom Park for breakfast, lunch and dinner whenever they desire. We will provide transportation for residents who wish to shop, attend sporting events or theatre and will also hold regular events (happy hour, card games, film nights, etc.). Community rooms will be well lit and spacious. Outdoor gathering spaces (deck, walking paths, etc.) will be incorporated to promote a sense of community.