

Guest Contributor: Could Recruitment Strategy be the Most Important Factor in Your Senior Housing Investment?

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People often think of factors like demographics, occupancy rates, and rent growth when considering an investment in senior housing. One thing they may not consider: the operator's long-term recruitment strategy. However, in today's market, the success of any senior living community will rely heavily on an operator's ability to attract and retain quality talent. And judging by market statistics, that task will not be easy.

Front-line caregivers play an important role in the care of residents at assisted living communities and nursing homes. They're the ones providing day-to-day care and socializing with residents on a personal basis. Statistics show, however, that caregiver roles are increasingly hard to fill and maintain. Research from LeadingAge shows the average annual turnover at senior living communities is nearly [45 percent](#). That's 3x the national average of about [15 percent](#) across all industries (2016). Those stats offer a clear challenge—one that will only keep growing. By 2020, it's anticipated we will need another [1.2 million](#) people to support the growing number of aging likely to fill senior living communities. Thus, for an investment in senior housing to be successful, the issue of recruitment will also need to be successfully managed.

The following are a few thoughts to consider when making an investment in senior housing:

Find communities with a long-view on recruitment.

Construction schedule, budget, occupancy—these are the main things we worry about when launching a senior living community. But what about the long-term plan? It's one thing to be successful for a few months or years. But for many investment opportunities, such as private equity funds, one's investment may span many years. Prioritize investment communities with long-view plans, not just projections, on how the community will continue to attract and grow quality caregivers.

Focus on communities with a competitive mindset.

Wages for nursing assistants, home health aides and personal care aides [have actually gone down](#) in the past decade. The average hourly pay for a caregiver today is just \$10.11. Communities need to consider how they will attract talent, knowing competing communities will be dealing with the same labor shortage they are. One report from the LeadingAge annual Workforce Solutions Conference in Minnesota showed nearly 3,000 nursing and nursing assistant positions were open in the state's care centers. The factors indicated for the vacancies: no applicants ([70 percent](#)); no qualified applicants ([51.6 percent](#)), and competition from other employers ([75.8 percent](#).) This competition is not limited to state agencies. Even private-pay communities experience competition from in-home care providers, which may offer higher salaries and less stressful working conditions. The investment community will need a competitive plan to handle the challenge.

Find communities committed to staff motivation.

Providing care in assisted living communities is hard, emotionally-draining work. On one hand, caregivers are helping residents with the physical demands of daily life. On the other hand, they're experiencing the loss of residents from various health concerns—perhaps ones they have grown incredibly close to. How will the operator keep its staff motivated enough to stay? Ongoing training? More vacation days? Onsite emotional support? It will take more than salary to keep caregivers in the community.

The lack of qualified caregivers is a critical issue today, and it will only grow as our aging continue to grow older and less physically able. If senior community operators do not create effective recruitment strategies, there will not be enough people to care for residents—meaning, low occupancy and (for investors) low returns. No matter how nice the building—how accessible the amenities—how promising the demographic—the senior living community will not survive without employees to work there. Thus, it is essential to invest in communities with a clear



understanding of the recruitment issue, a plan to manage it, and its role in the long-term success of the community.

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Dan Brewer is Chief Fund Manager of Senior Living Fund, a private equity company investing in quality senior housing communities nationwide. Dan has nearly 25 years of business development and real estate investment experience, including 15 years in commercial real estate (CRE), and is a frequent speaker and panelist at industry conferences throughout the country. He is passionate about the social implications of aging and bringing senior housing to the forefront of the impact investing sector.

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