

Guest Contributor: Staying Profitable Amid Changing Trends in Long-Term Care

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September 18, 2019



By Quinn Brewer, Communications Manager for Senior Living Fund

Senior housing has been one of the strongest-performing segments in commercial real estate for more than a decade. While the overall senior housing industry has remained strong, however, there continue to be shifts in certain areas of the market. Standalone memory care facilities, for instance, once the fastest growing market segment, has become oversaturated in certain regions. [Independent living and assisted living](#) are both strong, while skilled nursing has shown [signs of rebound](#) after recent setbacks.



How can investors stay profitable among these changing trends in long-term care? What types of new trends are heading our way? The following is a brief overview of shifting market trends in senior housing, and how we as a private equity company handle them.

Challenge 1: Affordability

One of the biggest stories to come out of the senior housing industry recently is the need for more affordable housing options to serve the [middle market](#). At the same time, we see a growing demand for communities with world-class amenities, many of which charge \$4,000 or more per month. How do we know which types of communities to invest in—affordable housing, or high-end establishments?

We believe there is room for both. Our company currently focuses primarily on private-pay assisted living communities, where we've experienced the most success. While some companies may be called to enter into the affordable housing sector, we continue to use a thorough underwriting process and comprehensive market demographics to help ensure the investments in our communities are strong and viable.

Challenge 2: Changing Needs of Prospective Residents

Depending on their age and life stage, people need different levels of care. Because many Boomers are now in early stages of retirement, there is a strong demand for [active and independent living](#). However, these youthful Boomers will continue to age, and will eventually need greater support.

Challenge 3: A Desire to Age in Place

As a private equity company with a long-term interest in the senior housing market, and the welfare of aging people, we see aging in place as a [potential for partnership](#), rather than competition. [Research shows](#) most people would rather age in their own homes than move to an assisted living community or memory care center, and new technologies are making it easier than ever before to do so.

Still, the shift toward adults 85+ is so large—making up [21 percent](#) of the older population by 2050—that there is plenty of room within the industry to support both aging in place initiatives and senior housing development. In addition, as a private equity firm, we believe new technologies will bring about strong and profitable opportunities for senior housing operators to provide aging-in-place support.

Challenge 4: Recruitment Challenges

It's no secret that the longevity community overall has [struggled with recruitment](#). There are simply not enough trained people to support the number of aging people we will see in the United States in the coming decades.

To address that issue, we choose operators with clear plans to not just recruit, but train and retain top employees. We consider things like turnover rates for the operator partner, and employment statistics and average pay levels in specific markets. Does the operator have in-house training to prepare workers who have little background in the industry? Do they have quality assurance practices to ensure that the new employees are treating residents well and are enjoying their responsibilities? Any good investment requires solid, responsible, and fulfilled employees. Senior housing is no different.



Challenge 5: A Saturated Memory Care Market

While standalone memory care communities have become overbuilt in some areas, demand for combination assisted living and memory care communities remains strong in many markets, with some of our locations near 100 percent occupancy. In addition, there is reason to believe that [behavioral health care](#) will become another great opportunity for serving people with dementia-related issues.

The way to stay profitable in a promising but changing industry is to know the industry well, do the research, and plan for what's coming.

Quinn Brewer is Communications Manager for [Senior Living Fund](#), a private equity company that invests in quality senior housing opportunities nationwide.

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