



# **SENIOR MARKET RESEARCH ASSOCIATES**

**PRELIMINARY MARKET FEASIBILITY  
STUDY FOR THE DEVELOPMENT OF  
AGE RESTRICTED APARTMENTS  
AND AN  
INDEPENDENT LIVING FACILITY  
IN  
SMYRNA, GEORGIA**

Submitted to:

Jason A. Lewis  
4030 Pineridge Rd SE  
Smyrna, Georgia 30080  
(404) 449-1560

Prepared by:

**SENIOR MARKET RESEARCH ASSOCIATES**  
808 22<sup>nd</sup> Street NW  
Cleveland, Tennessee 37311  
Office: (423) 559-5292 ▪ Mobile: (423) 284-0258  
smra65@aol.com

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## I. MARKET OVERVIEW

### Assignment Overview

Jason Lewis, (The Client) is considering the development of age restricted apartments and an independent living facility in Smyrna (Cobb County), Georgia, pending the outcome of an investigation of the market conditions within which such a facility would operate.

To assist in this investigation, Senior Market Research Associates (**SMRA**) conducted a preliminary market analysis of the Smyrna market, which included telephone interviews and internet investigations to determine nature of the inventory in The Smyrna market, and the likely demand for the proposed facility. Below are the findings from that investigation.

### Smyrna, Georgia

The proposed site is in Smyrna (Cobb County), Georgia. Smyrna is located northwest of Atlanta and is in the inner ring of the Atlanta Metropolitan Area. It is included in the Atlanta-Sandy Springs-Alpharetta MSA, which is in the Atlanta-Athens-Clarke-Sandy Springs CSA. The area is a rapidly growing region in terms of population.



From 2000 to 2012, Smyrna grew by 28% and is one of the most densely populated cities in the metropolitan area. In the 2020 Census, Smyrna's population was 55,663. It was ranked #44 in Money's 2018 survey of "The Best Places to Live in America" for balancing economic growth, affordability, and quality of life.

Several major roadways, such as I-285, Cobb Parkway (U.S. Route 41), Atlanta Road (Old State Route 3), and South Cobb Drive (State Route 280), pass through the municipality.

### Unemployment Rates

For October 2022, the unemployment rate for the Atlanta MSA was the same as the statewide average but lower than the nationwide average. The table below summarizes these numbers.

### UNEMPLOYMENT RATES - 2022

	Atlanta MSA	Georgia	U.S.A.
Oct 2022	2.9%	2.9%	3.7%

SOURCE: Bureau of Labor Statistics

### **Primary Market Area Defined**

The proposed site is located at 4840 Hanson Drive, Smyrna (Cobb County), Georgia, 30082. The Primary Market Area (PMA) for any type of retirement community is generally defined as the geographic area from which the majority of the project's residents will be drawn (*majority* is usually defined as 75-80% of the facility's residents). For the most part, the primary market area of a retirement community is determined by the density of the population, the proximity of competing properties, and the ease of transit in the surrounding area. The PMA for urban facilities is generally from 5 to 10 miles, for suburban facilities 5 to 20 miles, and for small towns and rural facilities 20 to 30 miles. This is illustrated by the table below.

DISTANCE THAT RESIDENTS RELOCATE FROM			
Distance	ALF	ALF/ILF	ALF/ALZ
Less Than 5 Miles	40.0%	43.5%	26.7%
5 to 10 Miles	20.4%	20.0%	34.7%
11 to 25 Miles	20.2%	15.3%	16.7%
26 to 50 Miles	7.3%	5.9%	6.0%
More than 50 Miles	12.4%	15.3%	16.0%

SOURCE: *The Assisted Living Industry, 2009 Overview*

Several factors tend to define a market area. One important factor is density. In rural areas, it may be many miles between towns large enough to sustain services, and the residents are accustomed to driving significant distances to access services. On the other hand, in urban or suburban areas a resident may have a choice of competing facilities within a short drive of his or her home and will normally select the more convenient facility. <sup>1</sup>

Physical barriers can also shape market areas. For example, rivers, lakes, streams, military bases, and major highways are all barriers that can frame or define the boundaries of market areas. Barriers can also be psychological. For example, it is common for state and county lines, while invisible, to restrain the movement of prospects.

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<sup>1</sup>*Assisted Living Manual* (Published by Assisted Living Federation of America) and *Integrated Senior Care: Assisted Living and Long Term Care Manual* (Published by Thompson Publishing Group). These radii are also supported by the criteria used by many national developers of congregate care facilities.

The location of competing facilities is also a factor to consider. In market areas served by several competing facilities, the primary market area for an individual facility will be smaller since residents need not travel a substantial distance to access a convenient facility.

### **PHYSICAL BARRIERS**

There are no physical barriers within the Smyrna PMA (5-mile radius).

### **PSYCHOLOGICAL BARRIERS**

There do not appear to be any psychological barriers that affect the Smyrna PMA.

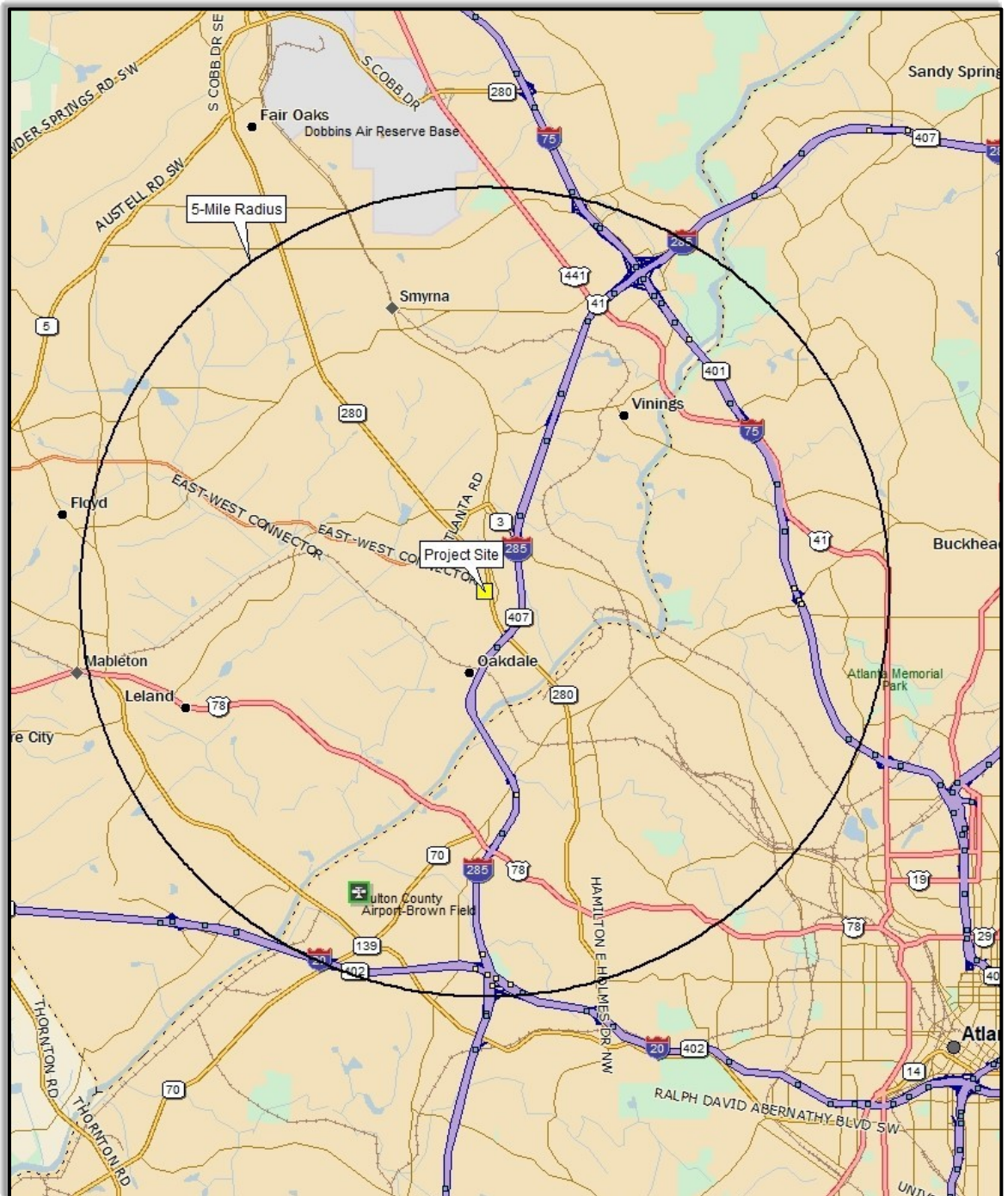
### **LOCATION OF COMPETING FACILITIES**

Within the Smyrna PMA (5-mile radius) there are no age restricted apartments and three independent living facilities, indicating that seniors have a limited variety of senior housing options from which to choose from in this area.

### **MARKET AREA DELINEATION CONCLUSION**

Considering the lack of physical and psychological barriers, the high density of the population, and the number of competing facilities in the area, we consider the Smyrna PMA to be a 5-mile radius around the project site at the following address: 4840 Hanson Dr. SE, Smyrna, GA, 30082. We expect as much as 80% of the residents of the proposed community will come from within the PMA (5-mile radius). The following map highlights the boundaries of the Smyrna PMA:

**Smyrna, GA PMA  
(5-mile radius)**





### **General Population Trends**

In 2021, the population for the Smyrna PMA (5-mile radius) was estimated to be 199,405. The general population of the Smyrna PMA increased steadily over the last eleven years. From 2010-2021, this population went from 172,430 to 199,405, an increase of 15.6%. In the coming five years, it is expected to increase by 5.6%, growing to a population of 210,485.

For the state of Georgia, the current population is 10,717,533. This population went from 9,687,665 in 2010 to 10,717,533 in 2021, a growth of 10.6%. In the coming five years the population of the state of Georgia is expected to grow to a population of 11,148,168, an increase of 4.0% from 2021-2026. This is summarized in the table below:

GENERAL POPULATION TRENDS			
	2010	2021	2026
<b>Smyrna PMA</b>	172,430	199,405	210,485
<b>Georgia</b>	9,687,665	10,717,533	11,148,168

Source: E-Site Analytics, Inc.

### **Household Income Trends**

For the Smyrna PMA the estimated median household income for the year 2021 was \$78,201 (the “median” measures the point at which half of all incomes are above and half are below). This figure is lower than the overall Georgia state average of \$62,126 for the same period. The table below summarizes these numbers.

MEDIAN HOUSEHOLD INCOME ANALYSIS			
	2010	2021	2026
<b>Smyrna PMA</b>	\$53,058	\$78,201	\$83,336
<b>Georgia State</b>	\$47,973	\$62,126	\$64,004

Source: E-Site Analytics, Inc.

### **Elderly Population Trends**

The elderly population (age 65+) in the Smyrna PMA numbers 22,678. The 65+ population represents 11.4% of the total population compared to the overall state average of 14.3%. The elderly population of the Smyrna PMA and the state of Georgia are summarized in the table below:

**Primary Market Area (2021)**

	<b>Smyrna PMA</b>	<b>Georgia State</b>
Total Population	199,405	10,717,533
65+ Population	22,678	1,529,899
65+ Percentage	11.4%	14.3%

SOURCE: *E-Site Analytics, Inc*

During the last eleven years the senior population in Smyrna PMA increased significantly. From 2010-2021 the 65+ population went from 15,138 to 22,678, an increase of 49.8%. The 65-74 age segment increased by 61.1% for the same period. In the coming five years, all the age segments are projected to increase steadily in population with the 65+ population projected to grow by 18.6% and the 75+ population projected to grow by 24.4% by 2026. The table below summarizes the elderly population growth trends for these populations:

**PRIMARY MARKET  
Senior Population Growth Trends**

<b>Age Group</b>	<b>2010</b>	<b>2021</b>	<b>% Chg. '10-2021</b>	<b>2026</b>	<b>% Chg. '21 – 2026</b>
<b>65+</b>	15,138	22,678	49.8%	26,903	18.6%
<b>65-74</b>	8,300	13,373	61.1%	15,324	14.6%
<b>75+</b>	6,838	9,305	36.1%	11,579	24.4%

Source: *E-Site Analytics, Inc.*

The trend in the elderly population growth in the Smyrna PMA is favorable for the operation of senior housing, especially since all the segments of the 65+ and 75+ populations have been increasing so rapidly and are projected to continue to increase in the coming five years.

### **Hospital**

The primary market area is served by:

#### **Emory University Hospital Smyrna**

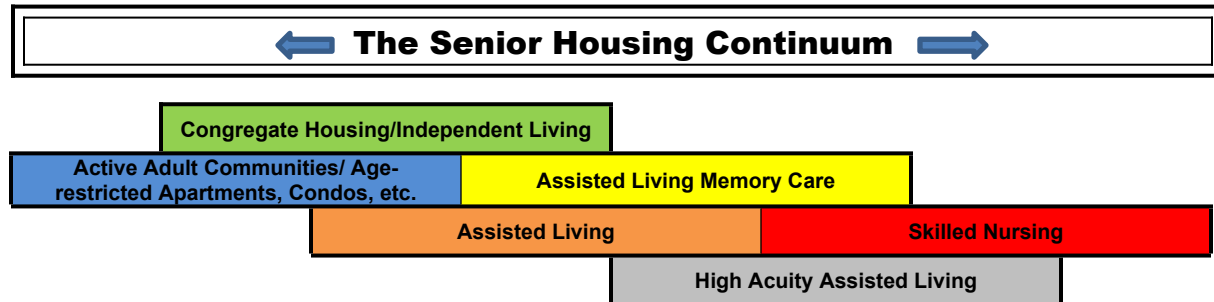
3949 S. Cobb Dr. SE  
Smyrna, GA 30082  
(770) 989-1758

Founded in 1974 and licensed for 88 beds, this acute care facility was recently acquired by Emory and is currently undergoing major renovations.

## II. CURRENT INVENTORY

### DEFINING SENIOR HOUSING

The senior housing sector is generally composed of six segment types, defined by the level of care and amenities provided in conjunction with the living setting.



**Active Adult Communities and Senior Apartments** (for-sale and for-rent): Active adult communities are typically condos, co-ops or single-family homes with minimal or no services offered. These communities have an age requirement of 55-plus and offer a number of amenities, such as clubhouses, which appeal to active adult homeowners. Senior apartments tend to be larger, multi-unit facilities with a rental payment structure. In addition to age restrictions, many communities have income restrictions because they are developed under low-income housing tax credit programs.

**Independent Living Facilities (ILFs):** Also known as congregate care facilities, ILFs offer a multi-family design to those seniors who are less active and who may have difficulty with routine housekeeping. These facilities are similar to senior apartments, but offer several additional services, such as meals, housekeeping, transportation and organized group activities. Residents typically rent apartments at ILFs at a premium to local market rents in order to cover the cost of common area charges and the additional services provided.

**Assisted Living Facilities (ALFs):** ALFs are multi-family properties with personalized support services for seniors. Typically, ALFs cater to individuals who need assistance with daily activities, but do not require nursing home care. The units and common areas are designed to accommodate a higher level of support, while still retaining the characteristics of residential apartments. ALFs are a cost-efficient alternative to in-home care because they primarily provide non-medically intensive support activities. In high acuity facility an RN care manager will be on site fulltime. The caregiver ratio for high acuity facility will be 1:6, as opposed to 1:15 in most standard assisted living facilities.



**Memory Care Facilities (MCs):** A property that specializes in the care of residents with Alzheimer's or other forms of dementia is also considered an assisted living property. These memory care facilities can be freestanding properties or wings or floors within a traditional assisted living property.

**Skilled Nursing Facilities (SNFs):** SNFs provide the highest level of care, are hospital-like in nature and are, consequently, the most expensive of all senior housing options. In addition, SNFs are also the most highly regulated of the senior housing facilities, typically requiring state licenses. Many SNFs offer acute and intensive medical care, and post-hospitalization and rehabilitation therapies. Medicare and Medicaid programs cover a large portion of these expenses, with such government reimbursements accounting for a significant portion of revenue at these facilities.

### AGE-RESTRICTED SENIOR COMMUNITIES

There are no market rate age-restricted apartment communities in the Smyrna PMA (5-mile radius). The closest ARA communities are 7-15 miles from the project site. Three facilities in the secondary market were examined for current rates and occupancy. The table below summarizes the information for these facilities.

**ARA COMPEITIVE FACILTHIES**

Facility	Total Units	Units Occ.	1-Bed.	2-Bed
<i>Primary Market Area (5-Mile Radius)</i>				
NO FACILITIES				
<i>Secondary Market Area (Beyond the PMA)</i>				
<b>Hearthside Tucker</b> 4358 Lynburn Dr. Tucker, GA 30084 (770) 414-0014	45	44	\$1,225 - \$1,300	\$1,750 - \$1,900
<b>Overture Barrett</b> 1490 Earnest Barrett Parkway Kennesaw, GA 30152 (678) 394-0141	175	123	\$1,750 - \$2,600	\$2,150 - \$3,525
<b>Overture Buckhead</b> 658 Lindbergh Dr. Atlanta, GA 30324 (470) 695-3099	190	133	\$1,700 - \$2,400	\$2,500 - \$3,150
<b>TOTAL:</b>	<b>410</b>	<b>300 (73.2%)</b>		

## INDEPENDENT LIVING

Within the Smyrna PMA there are three independent living facilities, offering a total of 302 units and a current occupancy of 79.1%. Below is a summary of these facilities.

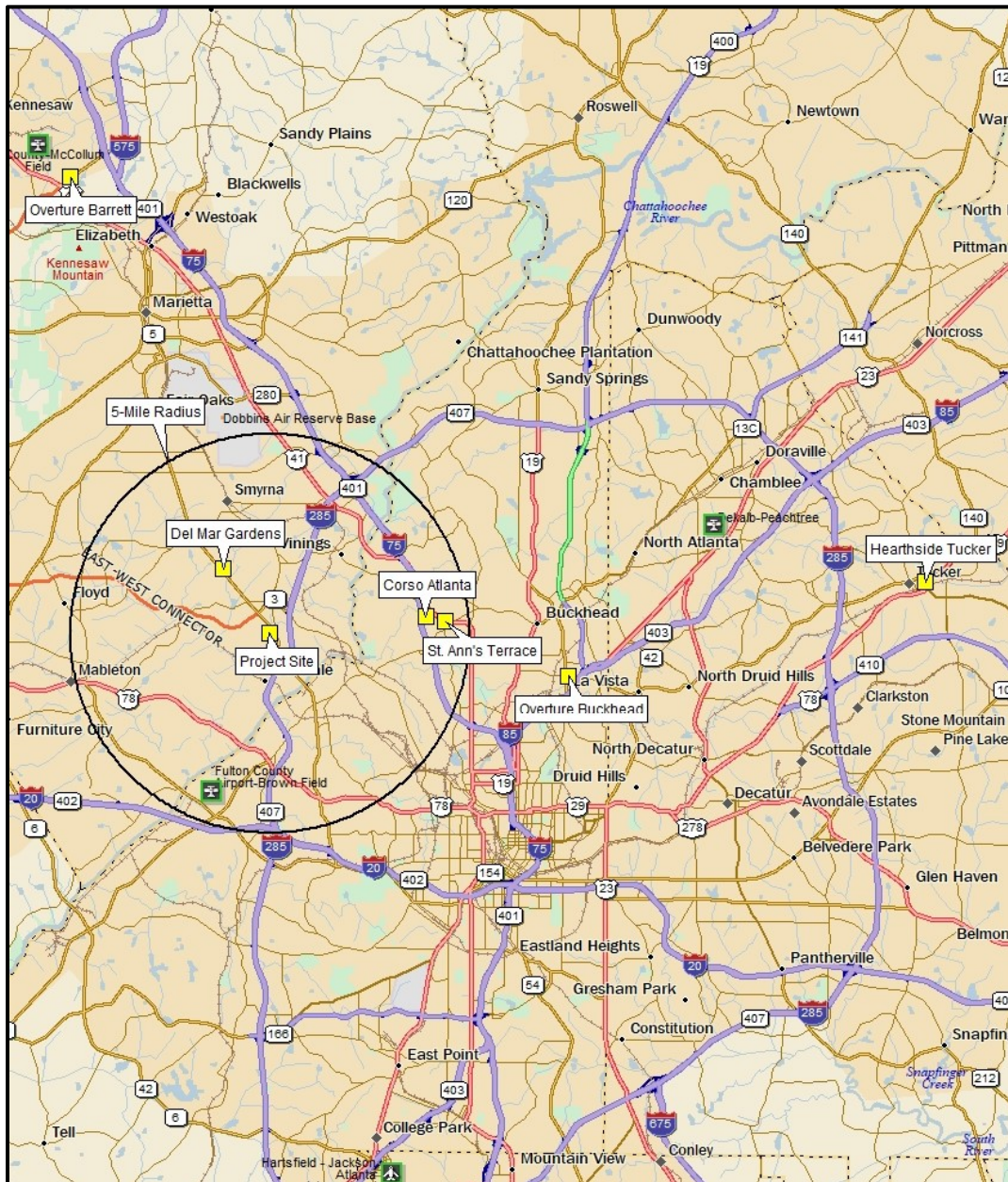
INDEPENDENT LIVING FACILITIES

Facility	Total Units	Units Occ.	Studio	1 BR	2 BR
<b>Corso Atlanta</b> 3200 Howell Mill Rd Atlanta, GA 30327 (678) 677-8900	102	82	\$7,595- \$7,695	\$8,695- \$11,295	\$9,495- \$15,595
<b>Del Mar Gardens</b> 404 King Springs Village Smyrna, GA 30082 (770) 432-4444	102	82	\$2,995- \$3,195	\$3,825	\$4,495
<b>St. Ann's Terrace</b> 3100 Northside Parkway NW Atlanta, GA 30327 (404) 238-9200	98	75	---	\$3,359- \$4,734	\$5,024- \$5,993
<b>TOTAL:</b>	<b>302</b>	<b>239 (79.1%)</b>			

## Locator Map

The map on the following page highlights the location of each age restricted apartment community and independent living facility in the Smyrna PMA (5-mile radius) in relation to the project site.

**Smyrna, GA  
Competitive Facilities Locator Map  
(5-mile radius)**



### III. MARKET DEMAND ANALYSIS

#### AGE-RESTRICTED APARTMENT COMMUNITIES

To estimate the demand for age-restricted rental apartments in the Smyrna primary market, we have made six assumptions:

1. Primary Market. As indicated earlier, we will assume that the primary market for this facility will be a 5-mile radius around the project site at 4840 Hanson Dr. SE, Smyrna, (Cobb County), Georgia, 30082.
2. Secondary Markets. We will assume that 70% of the units occupied will come from seniors now living within the PMA. The balance (70%) will come from seniors outside the area, from other counties, and even from neighboring states, who will choose to relocate to the Smyrna area to be closer to their children who already live in the city. In-migration is expected for the following reason:
  - ☐ Some of the future residents will be the elderly parents of local residents. While they did not previously live near their children, they will be encouraged to do so to be closer to family. As such, this in-migration will be the result of local families encouraging their parents to move nearby so that they could see them more often.
3. Financial Qualification. We project that the base rental rates for the proposed apartments will average \$1,700 per month, we must decide who would qualify financially for residency. Since HUD requires that only those seniors who can afford to allocate no more than 30% of their monthly income to housing be considered income-qualified for this type of housing option, residents will have to have a yearly income of at least \$70,000 to be able to afford this lifestyle.

A person with an annual income of \$70,000 would have a monthly income of \$5,833. If he were to allocate 30% of his monthly income to the rental payment for a typical apartment, he would be able to pay up to \$1,700 per month. Therefore, we will set an annual income of \$70,000 as the minimum income requirement to be financially qualified for residency at the proposed apartment development.

If a resident with a yearly income of \$70,000 paid \$1,700 a month for rent, it would leave him/her about \$4,133 per month for all other personal needs, such as meals, laundry, prescriptions, clothing, entertainment, and other minor expenditures. Therefore, for this analysis we will use a minimum income of \$70,000 per year as the dividing line between those who could afford to live at the proposed age-restricted rental community and those who could not.



Many widows and widowers will use equity from the sale their homes as an effective annuity to cover living costs. Of course, there may be some seniors whose family may be willing to subsidize the cost of living in a senior living community, so that while their low income might disqualify them from residency, their family contribution would make up the difference. While we know that this is likely to happen and will add to the demand for beds in this facility, we have not included this group in our calculations for the sake of being as conservative as reasonably possible.

And we also expect that some prospects will choose to allocate more than 30% of their income towards housing, and those have also been eliminated, making the calculations in the report even more conservative.

4. Age Groups. We will assume that all senior age groups (55-64, 65-69, 70-74, and 75+) will be the target market for an age-restricted apartment community. While this assumption may not be true for assisted living facilities, which are predominantly occupied by seniors over the age of 75, we expect that an active adult community will offer appeal to a younger population, based primarily on the health and level of mobility of the client rather than age per se.

The proposed Smyrna “active adult community” will not be licensed to offer “assistance in living” as residents age-in-place in coming years. In the interim we expect many of our age 55+ residents who require extra help will contract with local home health care agencies, who will deliver that service to the residents residence.

5. Penetration Rate. According to Moore Diversified Services\* (3001 Halloran Street, Fort Worth, TX 76107, 817-731-4266), 2.9% - 5.5% of those age- and income-qualified prospects will be a reasonable and conservative penetration rate to apply to this type of project. In other words, we expect the Cleveland area to be able to capture enough age-restricted rental units to house between 2.9%-5.5% of the prospect population. Maxfield Research, Inc. (a full-service real estate research company headquartered in Smyrna, Georgia), estimates that the demand for senior housing varies by age cohort:

Age Group	Capture Rate
55-64	0.5%
65-74	4.5%
75+	10.0%

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\*Moore Diversified Services has been responsible for conducting over 1,800 comprehensive consulting engagements in over 1,000 markets in 47 states in the last 35 years, and is recognized as one of the leading senior market experts in the nation.

Maxfield Research, Inc. further segments these prospects into those seeking housing only with no services (55%) and those seeking basic support services (45%). We will use the Maxfield demand model, since it yields the more conservative estimate than the Moore Diversified Services formula.

6. Projected Households. Since the proposed age-restricted senior apartment development would not be open until the year 2023, we will use 2023 household projections for determining whether there will be sufficient demand for the number of units to be built. Extrapolating from the 2021 and 2026 household estimates for the Smyrna primary market, we arrive at the following household estimates for the year 2023:

**SMYRNA PRIMARY MARKET  
HOUSEHOLD INCOME PROJECTIONS**

Age Groups	2021	\$70k+	2024	\$70k+	2026	\$70k+
55-64	11,976	62.1%	12,038	63.4%	12,080	64.3%
65-74	8,978	47.0%	9,757	49.1%	10,276	50.5%
75+	6,541	42.4%	7,494	44.9%	8,129	46.5%
<b>TOTAL</b>	<b>27,495</b>	<b>52.5%</b>	<b>29,289</b>	<b>54.0%</b>	<b>30,485</b>	<b>55.0%</b>

SOURCE: *E-Site Analytics*

### Calculation of Unit Need

Based on the six assumptions listed above, and the demographics for the Smyrna primary market (5-mile radius), the following demand analysis is presented:

**CAPTURE / PENETRATION RATE MODEL**

	Age 55-64	Age 65-74	Age 75+
Estimated Year 2023 Senior Households	12,038	9,757	7,494
Estimated % Income Qualified @ \$70,000+ per year*	63.4%	49.1%	44.9%
Income-Qualified Prospects	7,632	4,791	3,365
Probable Customers @ 0.5%, 4.5% & 10.0% Rate	38	216	337
Total Customers @ 55% of total	21	119	185
<b>TOTAL CUSTOMERS</b>	<b>325</b>		

\*Income-qualifying data courtesy of *E-Site Analytics*



### **Secondary Markets**

Experience in operating senior living communities tells us that as much as 30% of the residents who take occupancy in these communities come from outside the primary market. This is generally because the adult children of these residents (usually aged 45-64), do live in the market, and as their parents age, they tend to prefer that their parents live closer to them. Some will come from outside the county, and others will relocate from out-of-state. While it is difficult to predict how far these secondary market customers will journey, it is safe to estimate that about 30% will come from this source. Using this 30% estimate, we will project that another 418 units will be needed for those who choose to relocate to the local market from other areas:

Primary Market (70%)		Secondary Market (30%)		Total Market Need
325	+	139	=	464

As such, we project that by the year 2023 the Smyrna primary market will be able to support at least 464 senior living units with rents starting at \$1,700.

### **Calculation of Unmet Demand**

To estimate the need for additional units in the Smyrna PMA, we must deduct all existing comparable units operating within Cobb County. As reported earlier, there are no age-restricted apartment communities in the Smyrna PMA.

	<b>2024</b>
Total Market Demand	464 Units
Competitive Inventory:	- 0 Units
Unmet Demand:	464 Units

Remember also that we have presented the “worst case scenario” by assuming that every prospective resident would have to pay his monthly rental fees through income rather than the liquidation of assets, which would restrict those who would be able to qualify for residency. We know that this will not be the case. In the Smyrna PMA more than 80% of the local seniors fall below the income-qualification threshold, but live-in homes with considerable equity, or perhaps completely paid for, and would be able to pay the rent for their new home from the proceeds of the sale of their current dwelling. We also excluded everyone who does not have a reported income of at least \$70,000 per year.

## Age-Restricted Apartments and Independent Living Preliminary Analysis

This arbitrarily excludes anyone who may have sufficient assets to live in the proposed apartment development but may no longer have any reported income. In other words, the probable size of the prospect pool will be much greater than what we have conservatively estimated.

We must also factor in the future growth of senior households in the Smyrna Primary Market. By 2026 the number of senior households earning over \$70,000 annually is projected to total households. This means that by 2026 the need for the proposed age-restricted rental community will increase by two units by 2026.

**CAPTURE / PENETRATION RATE MODEL**

	Age 55-64	Age 65-74	Age 75+
Estimated Year 2026 Senior Households	12,080	10,276	8,129
Estimated % Income Qualified @ \$70,000+ per year*	64.3%	50.5%	46.5%
Income Qualified Prospects	7,767	5,189	3,780
Probable Customers @ 0.5%, 4.5% & 10.0% Rate	39	234	378
Total Customers @ 55% of total	21	129	208
Total PMA Customers	358		
30% In-Migration Factor	153		
Total Customers	511		

\*Income-qualifying data courtesy of *E-Site Analytics*

	2024	2026
Total Market Demand	464 Units	511 Units
Current Inventory:	- 0 Units	- 0 Units
Unmet Demand:	464 Units	511 Units

### INDEPENDENT LIVING DEMAND

We will now analyze demand for independent living in the Smyrna PMA. Our analysis will show demand estimates for the current year (2021), the likely year of the opening of the subject property (2024), and five years from the current year (2026).

### ASSUMPTIONS

1. Our base case scenario uses 80+ households (rather than population) to estimate the number of future seniors housing units that may be required. Based on our estimates of existing inventory in 99 sample Metro Areas, as well as the corresponding 80+ households in those same Metro Areas (assuming these 99 Metro Areas represent a reasonable representation of the nation as a whole), the penetration rate is 18%:

$$\begin{array}{lcl} \text{Nationwide Sampling AL Units} & = & \underline{1,592,000} \\ \text{Nationwide Sampling 80+ HHs} & = & 8,860,000 \quad = \quad 18\% \end{array}$$

2. For the analysis described in this article, NIC uses households for three age cohorts: 1) 75+ Households, 2) 80+ Households, and 3) 85+ Households. Due to different denominators, the penetration rates vary as follows:

75+ Households	11.4%
80+ Households	18.0%
85+ Households	30.0%

When needed, NIC recommends converting population to households as follows:

For 75+ population totals, figure 1.63 persons per household (75+ pop.  $\div$  1.63).

For 80+ populations, figure 1.43 persons per household. (80+ pop.  $\div$  1.43)

For 85+ populations, figure 1.23 person per household. (85+ pop.  $\div$  1.23)

3. We will assume the above penetration rates to be a “national” average. We also acknowledge that market conditions (such as affluence) will impact demand either up (in affluent markets) or down (in economically depressed markets). As such, we will assume the range of demand estimates for any given market to be as follows:

Low Penetration	13.0%
Average Penetration	18.0%
High Penetration	23%

4. We will keep the penetration rates constant over time, which assumes no change in consumer preferences or technology changes from year to year. A constant penetration rate implies that buyer preferences are the same as today for today's product.
5. This analysis looks solely at potential demand in terms of penetration rates and demographics-pure demand, so to speak. It does not make any assumptions about absorption rates, lease up rates, consumer preferences, move-ins, move-outs nor occupancy.
6. The estimates provided here are based on national estimates of population projections as deemed reasonable by the U.S. Census Bureau, and senior housing inventory as of the second quarter of 2019. We acknowledge that some markets are overbuilt while others are more stable. This analysis does not take local market variation or local demand characteristics into account.

We will now analyze demand for senior housing in the Smyrna PMA. Our analysis will show demand estimates for the current year (2021), the likely year of the opening of the subject property (2024), and five years from the current year (2026).

### DISCUSSION OF ACHIEVABLE PENETRATION RATES

There are no industry standard definitions for penetration or capture rates. For the purpose of this type of analysis, a penetration rate is considered to be the number of beds or units of a specific type that should be demanded at market equilibrium within a given market area, divided by the number of persons or households of a specific type in the same market area. For example, if 100 beds of assisted living should be demanded, and there are 1,000 persons aged 65+ that reside in the PMA, the indicated penetration rate is 10%.

In order to determine the appropriate penetration rates, we have relied upon the National Demand Estimates provided in the 2019 white paper: *NIC: Looking Into the Future: How Much Senior Housing Will Be Needed*. Using the updated demand estimates in this study, national penetration rates are calculated in the table below. These penetration rates, derived from the most complete and authoritative study of national demand in existence, will be used as the basis for estimating demand in the subject's market area. It should be noted that these estimates are for private-pay demand only. Demand for private and public pay accommodations are much higher. Thus, in some markets, higher penetration rates may be achievable. This will depend upon the availability of public funding.

#### Penetration Rates

Independent Living				
		Target Group		
		Households 75+	Households 80+	Households 85+
A.	Total Units of Assisted Living 2019 Per NIC Investigation	1,592,000	1,592,000	1,592,000
B.	2019 Households for Each Target Group	13,964,900	8,860,000	5,306,600
C.	Achievable Penetration (A divided by B)	11.4%	18.0%	30.0%

Using the above penetration rates, the demand for independent living units in the Smyrna PMA is calculated as follows:

## Age-Restricted Apartments and Independent Living Preliminary Analysis

Demand for Independent Living				
Target Group 1 – Households Age 75+				
Item		YEAR		
		2021	2024	2026
A	PMA HHs 75+	6,541	7,494	8,129
B	Achievable Penetration Rate	14.0%	14.0%	14.0%
C	Indicated Market Area Demand (A x B)	915	1,049	1,138
Target Group 2 – Households Age 80+				
Item		YEAR		
		2021	2024	2026
A	PMA HHs Age 80+	3,657	5,167	6,173
B	Achievable Penetration Rate	23.0%	23.0%	23.0%
C	Indicated Market Area Demand (A x B)	841	1,188	1,420
Target Group 3 – Households Age 85+				
Item		YEAR		
		2021	2024	2026
A	PMA HHs Age 85+	2,168	2,284	2,361
B	Achievable Penetration Rate	42.0%	42.0%	42.0%
C	Indicated Market Area Demand (A x B)	911	959	992

As the tables above reveal, each methodology yields a slightly different demand estimate. Since no one methodology is considered superior over the others, it would not be reasonable to simply embrace the most optimistic projection, nor would it be prudent to endorse the most conservative projection.

Demand Summary			
Item	YEAR		
	2021	2024	2026
Target Group 1	915	1,049	1,138
Target Group 2	841	1,188	1,420
Target Group 3	911	959	992
<b>Average (mean)</b>	<b>889</b>	<b>1,065</b>	<b>1,183</b>

### Calculation of Unmet Demand

To estimate the need for additional ILF units in the Smyrna PMA, we must deduct the existing units operating within the same market.

		2024	2026
Projected Bed Need	=	1,065 Units	1,183 Units
Current Inventory	=	- 302 Units	- 302 Units
<b>Unmet Demand</b>	=	<b>763 Units</b>	<b>881 Units</b>

With the 65+ population expected to continue to grow by 18.6% from 2021-2026, the market area conditions are going to continue to improve.

## SUMMARY AND CONCLUSIONS

### Age-Restricted Apartments Demand

Our analysis shows that the PMA has an unmet demand in 2024 for as many as 464 units growing to a projected unmet demand of 511 age-restricted apartments by 2026. There are currently no age-restricted apartments in the PMA, adding support to the contention that the area would be a sustainable location for age-restricted apartments.

### Independent Living Demand

Our analysis for independent living in the PMA shows an unmet demand of 763 units by 2024 increasing to 881 units of unmet demand in 2026. The 65+ population is projected to continue to increase in the coming five years by 18.6%, so market conditions look to only improve.

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These findings are preliminary, and not meant to be considered definitive, or fit for presentation to lenders or investors. This study was based on a desk review and telephone interviews only. Further research will be required to determine the probable demand for senior housing in the Smyrna area. Additionally, a field visit to the market will help to determine the quality of accommodations now available in the Smyrna and/or nearby markets. Also, interviews with local health care professionals will help identify the types of senior housing and care options in greatest demand in the local market.



# APPENDIX

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SENIOR MARKET  
RESEARCH ASSOCIATES

## STATEMENT OF QUALIFICATIONS

**SENIOR MARKET RESEARCH ASSOCIATES**

808 22<sup>nd</sup> Street NW - Cleveland, Tennessee 37311

Office: (423) 559-5292 □ Mobile: (423) 284-0258

E-Mail: smra65@aol.com

**STATEMENT OF QUALIFICATIONS**

Senior Market Research Associates has been in operation since 1995, specializing in market analysis for the senior housing industry. Larry K. Richardson serves as the owner and principal market analyst for the company, based in Cleveland, Tennessee, and devoted to providing a range of consulting services to assist developers in the research, planning, and development of nursing homes, assisted living facilities, and independent living retirement communities.

Mr. Richardson brings over 25 years of experience in the senior housing field in development, research, and operations. He has served for over five years as the chief operating officer for the retirement center division of Life Care Centers of America, the nation's third largest long-term care provider. In this position he was responsible for the day-to-day operation of its 14 retirement centers in ten states, ranging in size from 95 to 226 units. Under his direction the occupancy in these centers grew to an overall average of 93.5%. In 13 of these facilities he inaugurated assisted living programs and developed policies and procedures to guide their operation. He also created an activities resource manual, marketing manual, and various management and personnel handbooks.

In addition, Mr. Richardson served seven years in the development of new nursing homes and retirement facilities, including the post of Vice President for Planning and Research for Life Care Centers of America from 1992-1995. In this capacity he supervised the preparation of Certificate of Need applications for new nursing homes, nursing home additions, and bed relocations in nine states, obtaining land use modifications with local city and county jurisdictions, and selected and negotiated the purchase of over two dozen nursing home sites. During that period he also performed over 100 market studies for potential nursing home and assisted living projects, and established criteria for the acquisition of land for senior housing projects.

As the senior analyst for Senior Market Research Associates, Mr. Richardson has conducted comprehensive consulting engagements in over 1,500 individual markets in 47 states and U. S. Territories, as well as consulting work in Canada, since 1995, reviewing markets for both nursing center and retirement housing potential. He has worked with clients interested in acquiring facilities to evaluate the operations of those centers.

<i>Senior Market Research Associates has performed research assignments for clients in the following states:</i>				
Alabama	Illinois	Minnesota	North Carolina	Texas
Arkansas	Indiana	Mississippi	North Dakota	Utah
Arizona	Iowa	Missouri	Florida	Vermont
California	Kansas	Montana	Ohio	Virginia
Colorado	Kentucky	Nebraska	Oregon	Washington
Connecticut	Louisiana	Nevada	Pennsylvania	West Virginia
Delaware	Maine	New Hampshire	Florida	Wisconsin
Florida	Maryland	New Jersey	South Carolina	Wyoming
Georgia	Massachusetts	New Mexico	South Dakota	Guam
Idaho	Michigan	New York	Tennessee	Ottawa, Canada

**SENIOR MARKET RESEARCH ASSOCIATES (SMRA)** is experienced in conducting research for the following senior housing concepts:

- Continuum of Care Retirement Communities
- Congregate Care Retirement communities
- Independent Living Apartments
- Assisted Living Facilities
- Nursing Homes
- Specialized Alzheimer's Care Facilities

**SMRA** has served clients as large as the Archdiocese of Kansas City, major regional medical centers, some of the largest nursing home chains in the nation, non-profit organizations, universities, churches, mid-sized growing management companies, as well as individual entrepreneurs/developers.

Research assignments have included major metropolitan areas such as Atlanta, Denver, Ft. Lauderdale, Portland, Houston, Kansas City, Dallas-Clayton, and Sarasota, as well as small rural communities in the heart of farmland America.

**SMRA** market feasibility studies meets all HUD requirements for the HUD 232 LEAN Pilot Program, and 221 (d) (4) market study guidelines.

**SMRA** studies are used not only by lenders and investors, they are also used by the marketing and operations managers as a first look at the competitive environment within which their new facility must contend.

### ***AN INDUSTRY LEADER***

In addition to his significant industry experience derived from both operational and field research background, Mr. Richardson invests heavily in internal research and development to keep abreast of potential markets for future clients, staying on the leading edge of the ever-changing senior housing industry.

Mr. Richardson's educational credentials include a Master's Degree from California State University at Fullerton, and a Ph.D. from the University of Southern California. He has published several articles in various retirement industry periodicals, sharing operational and marketing strategies in such areas as how to utilize your residents in marketing, the importance of marketing after the sale is made, budgeting strategies in retirement center food service, and the challenges of managing multiple facilities. He has also been a featured seminar speaker at retirement center conferences such as the National Association of Senior Living Industries (NASLI), discussing marketing and management issues, including the details of developing, marketing, and operating assisted living centers.

### **SENIOR MARKET RESEARCH ASSOCIATES** ***Planning for Success through Successful Planning***

**"You did a market study for me a few years back for an ALF. I am happy to report that we built the ALF we were contemplating and it has been a *huge* success."**

**--Patrick Duplantis**