

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

SEMI-ANNUAL SENIOR HOUSING MARKET OVERVIEW

The surge in the senior housing market is unrelenting. With the senior population booming, Arizona is one of the three fastest-aging states in the U.S.

For senior housing stakeholders, a market such as Arizona is an optimal growth target. According to a Senior Housing News (SHN) white paper, the fastest-growing aging states are Arizona, Nevada and Colorado.

All have experienced more than 50 percent population growth among the 65+ population the last decade, according to the SHN report. This explains why senior housing is no longer an under-the-radar investment opportunity and is now considered an institutional-grade asset class for real estate investors.

In Tucson, The Country Club of La Cholla, a 217-unit independent and assisted living community, was purchased by a Chicago-based senior living private equity fund for \$53 million (\$244,470 per unit). It is a resort-style, full-service senior living community that provides multiple levels of care and restaurant-style dining.

Investors, however, aren't the only ones taking notice. New players are entering the game as well.

Canyon Ranch, famous for its wellness-focused resorts and programs (it opened its first destination resort spa in Tucson in 1979) plans to make a foray into senior living. It plans to announce a senior living brand later this year. It is specifically looking at continuing care retirement community (CCRC) entry fee or high-end rental models created around its wellness offerings.

New to the market and in the pipeline:

- **LivGenerations Pinnacle Peak:** Michigan-based Liv Communities christened its third senior living community in the Valley, LivGenerations Pinnacle Peak in Scottsdale. The 110-unit community joins senior living properties that Liv Communities already operates in Gilbert and Ahwatukee.
- **GrandeVita:** The City of Mesa announced plans for a

20-acre, multi-use campus-style community. The \$300 million project will allow seniors to “age in place” in a high tech and innovative environment. The campus is nearly 700,000 sf of independent and assisted living, hotel rooms, multiple dining options, medical offices, a luxury tower and luxury condos, nursing school and rehab clinic spread out over 20 acres.

- **Deer Valley Senior Living:** The former Country Inn & Suites has been redeveloped as an upscale senior assisted living and memory care community. Developers from Arizona and Michigan purchased the property in 2017 with plans to redevelop the property for senior living. It is located at the intersection of I-17 and the Loop 101. It offers a total of 119 units, 15 of which are dedicated within a memory care neighborhood.
- **Beatitudes Campus:** It is embarking on a \$260 million redevelopment plan that will make it the largest life plan community in Arizona when completed. Founded in 1964, Beatitudes offers independent living, assisted living, skilled nursing, memory support and home health services. More than 750 seniors live at the campus or use its home services. It will serve 1,000 residents when the project is completed over the next eight years.

Nationally, the number of freestanding nursing homes is declining. In 2018, there were 21 nursing care facility openings in the U.S. compared to 51 openings five years earlier. A recent New York Times article reported that 440 nursing homes in rural areas have closed over the past 10 years.

Recent data from the National Investment Center for Seniors Housing & Care (NIC) also revealed more of a decline in nursing home occupancy rates in rural areas for the period from January 2012 through December 2018. More recently, in 4Q 2018, occupancy at nursing care facilities in urban areas experienced a quarter-over-quarter increase to 83.7 percent. The occupancy in rural areas, however, declined to 80.4 percent.

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

Senior Housing Sales First Quarter, 2019



HAWTHORNE COURT

13822 South 46th Place, Phoenix, AZ 85044

The health care building totaling 47 beds located at 13822 S 46th Place, Hawthorne Court sold January 18, 2019 for \$9,225,000 or \$196,276 per bed (\$253.24 per sf). The property features 44 units and is comprised of 41 Assisted Living studios.



FOOTHILLS PLACE

3701-3705 North Swan Road, Tucson, AZ 85718

On January 30, 2019 the 45,900 sf health care building at 3701-3705 N Swan Rd was sold for \$9,318,221 (\$203 per sf). The assisted living property formerly known as ManorCare Health Services, consists of 80 assisted living apartments and 18 memory care apartments. The property is on a ground lease. The seller is Capital Funding Group, and the buyer is Haven Health Group.



JOSHUA SPRINGS SENIOR LIVING

2995 Desert Sky Boulevard, Bullhead City, AZ 86442

This comp represents the sale of four Assisted Living Facilities in Arizona and Utah by Milestone Retirement Communities and purchased by Trinity Private Equity Group/MedCore Partners. The four properties traded for an estimated \$98,000,000. Watermark Retirement Communities has taken over the management for all four facilities. There will be a fifth facility acquired by the buyer once it completes construction in May 2019, which was reported to bring the final acquisition price for all five facilities to \$130 million. This facility consists of 70 assisted living and 34 memory care and was sold for \$23,500,000 (\$254.59 per sf). The included properties in addition to Joshua Springs in the sale are: 3600 Peterson Rd, Kingman AZ - White Cliffs Senior Living, 1640 N Peart Rd, Casa Grande AZ - Caliche Senior Living, and 5524 W 6200 S, Kearns UT - Summit Senior Living.



WHITE CLIFFS SENIOR LIVING

3600 Peterson Road, Kingman, AZ 86409

This comp represents the sale of four Assisted Living Facilities in Arizona and Utah by Milestone Retirement Communities and purchased by Trinity Private Equity Group/MedCore Partners. The four properties traded for an estimated \$98,000,000. Watermark Retirement Communities has taken over the management for all four facilities. There will be a fifth facility acquired by the buyer once it completes construction in May 2019, which was reported to bring the final acquisition price for all five facilities to \$130 million. This facility consists of 130 units and sold for \$23,750,000 (\$251.00 per sf).

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

Senior Housing Sales First Quarter, 2019



CALICHE SENIOR LIVING

1640 North Peart Road, Casa Grande, AZ 85122

This comp represents the sale of four Assisted Living Facilities in Arizona and Utah by Milestone Retirement Communities and purchased by Trinity Private Equity Group/MedCore Partners. The four properties traded for an estimated \$98,000,000. Watermark Retirement Communities has taken over the management for all four facilities. There will be a fifth facility acquired by the buyer once it completes construction in May 2019, which was reported to bring the final acquisition price for all five facilities to \$130 million. This facility includes 83 assisted living and 21 memory care units and sold for \$24,075,000 (\$251.16 per sf).



COUNTRY CLUB AT LA CHOLLA

8700 North La Cholla Blvd, Tucson, AZ 85742

This property sold for \$53,050,000 as an investment on February 14, 2019. The asset is a 217 unit assisted living facility, known as Country Club at La Cholla, in Tucson AZ. The occupancy at the time of sale was 94%. It includes a restaurant, library, clubhouse, and many other amenities.



CENTRAL PHOENIX SKILLED NURSING FACILITY

1328-1346 East McDowell Road, Phoenix, AZ 85006

This single-story, two building 62,596 sf healthcare project sold for \$4,912,790 (\$78.48 per sf) on March 5, 2019 as a vacant behavioral health/skilled nursing facility. The asset consists of 79 rooms with possible multiple beds per room. It includes a commercial kitchen complete with FF&E, and a large dining hall.



MAINSTREET TRANSITIONAL CARE

3033 South Arizona Avenue, Chandler, AZ 85248

This 49,084 sf Chandler property was part of a portfolio deal that closed on March 25, 2019. This property along with 5151 E. Pima Street in Tucson, a rehabilitation center, were both vacant since construction completed in 2017. Mainstreet Transitional Care never opened in either location as planned. They were sold by Centier Bank to Javelina Tucson, LLC, and sold for a total of \$28,565,271 (\$296.37 per sf) with a combined square footage amount of 96,384 sf. This sole property is 49,084 sf and sold for \$14,545,625.

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

Senior Housing Openings First Quarter, 2019



DEER VALLEY SENIOR LIVING

20221 North 29th Avenue, Phoenix, AZ 85027

The former Country Inn & Suites has been redeveloped as an upscale senior assisted living and memory care community. Developers from Arizona and Michigan purchased the property in 2017 with plans to redevelop the property for senior living. It is located at the intersection of I-17 and the Loop 101. It offers a total of 119 units, 15 of which are dedicated within a memory care neighborhood.



LIVGENERATIONS PINNACLE PEAK

23733 North Scottsdale Road, Scottsdale AZ 85255

The 110-unit community opened its doors in March 2019 and joins senior living properties that Liv Communities already operates in Gilbert and Ahwatukee. LivGenerations Pinnacle Peak totals 170,000 sf and offers independent living, assisted living, and memory care apartment homes. The Terrace Apartments (independent living and assisted living) offer eight floor plans. Alla Vita (memory care) offers two floor plans.



DESERT WILLOW ASSISTED LIVING AT SAGEWOOD

4555 East Mayo Boulevard Phoenix, AZ 85050

In late 2018, SageWood opened Desert Willow residences which offers 44 contemporary one and two-bedroom private apartment homes. Desert Willow Assisted Living provides residents access to higher levels of care on site, including rehabilitation, memory care and skilled nursing at its Five-Star Rated Acacia Health Center.



FELLOWSHIP SQUARE SURPRISE

16477 West Bell Road, Surprise, AZ 85388

Christian Care Companies' sixth campus in Arizona opened in January 2019. The build out includes 313 apartments with multiple levels of care and assistance. It is a 15-acre non-profit, faith-based senior living community including independent living, assisted living, memory care, a large 22,000 sf club house, and Senior Fit exercise and physical therapy rooms and a fenced dog park.

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

Senior Housing Proposed/Under Construction First Quarter, 2019



AZURE MESA

East Brown Road & North 65th Street, Mesa, AZ 85205

Ryan Companies and Cadence Senior Living are constructing an 183,000 sf upscale senior living community set to deliver in July 2019. It is situated on 8 acres located in East Mesa. The joint venture will accommodate a total of 170 units consisting of 142 for assisted living and 28 units dedicated to memory care.



ORCHARD POINT AT TERRAZZA

6775 West Happy Valley Road, Peoria, AZ 85383

Opening in April 2019, Heritage Communities brings this 130,000 sf community to life in the Arrowhead area of the Valley. Set on 6.69 acres, the property comes complete with an outdoor pool as well. It is comprised of floor plans for assisted living, independent living, memory care and respite care.



REVEL SCOTTSDALE

8225 East Indian Bend Road, Scottsdale, AZ 85250

The Wolff Company, a Scottsdale private equity firm and developer, purchased the property with plans to develop a refined senior community. The property is proposed for 146 units, and 2 guest suites spread across one, two and three-story elements.



LEGACY VILLAGE AT SALT RIVER

8170 North 90th Street, Scottsdale, AZ 85258

Set to deliver in August 2019, Legacy Village is located within Pima Center at the Loop 101 between Via de Ventura and Pima/90th Street. Western States Lodging and Management is the owner and operator of the facility for assisted living, senior living and memory care with 230 units. The three-story portion of the property will include 130 personal care units and a two-story portion will hold an additional 100 units for directed care. Of the 100 directed care units, about 30 will specialize in memory care.

SENIOR HOUSING MARKET NEWSLETTER

Phoenix Metropolitan Area - First Quarter 2019

Senior Housing Proposed/Under Construction First Quarter, 2019



MIRABELLA AT ASU **ASU Tempe Campus, Tempe, AZ 85251**

The concept of lifelong learning takes on a whole new meaning at Mirabella at ASU, a 20-story senior living facility currently being built on the corner of Mill Avenue and University Drive. The facility, scheduled to be completed in 2020, is a partnership between ASU and Pacific Retirement Services and will include 252 independent-living apartments and 52 health care units, as well as a health club with an indoor pool, a performing arts theater, an art studio and four restaurants.



BEATITUDES **1610 West Glendale Road, Phoenix, AZ 85021**

Beatitudes is embarking on a \$260 million redevelopment plan that will make it the largest life plan community in Arizona when completed. Founded in 1964, Beatitudes offers independent living, assisted living, skilled nursing, memory support and home health services. More than 750 seniors live at the campus or use its home services. It will serve 1,000 residents when the project is completed over the next eight years.



GRANDEVITA **Crison Road and Hampton Avenue, Mesa, AZ 85209**

The campus is nearly 700,000 sf of independent and assisted living, hotel rooms, multiple dining options, medical offices, a luxury tower and luxury condos, nursing school and rehab clinic spread out over 20 acres. The proposed site is an ideal location for an assisted living facility because it is located across the street from a hospital. Mountain Vista Medical Center sits just north of the GrandeVita site.



THE HACIENDA AT THE CANYON **3820 North Sabino Canyon Road, Tucson, AZ 85750**

Watermark Retirement Communities expects to have the first phase of the senior living facility completed in May 2019. The first phase will include independent living, assisted living, memory care and subsequent phases will feature casitas and bungalows. The community design features 163 interconnected residences.

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FOR MORE INFORMATION IN HEALTHCARE REAL ESTATE PLEASE CONTACT:



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As Principal of Avison Young and Co-Leader of their National Healthcare Affinity Group, Julie has been an expert in healthcare real estate for over 25 years and uses her strong analytic skills to assist clients with demographic and market studies, as well as investment and lease analyses. Her in-depth knowledge of healthcare properties, senior housing, managed care, healthcare reform issues and healthcare tenant improvements make her a valuable resource to her clients.

Julie's knowledge of and extensive relationships with Valley hospitals and healthcare providers, along with years of research and involvement in numerous real estate transactions, qualify her as an expert in the field.

Julie is also an active member in the community both in real estate and philanthropy. She is a member of NAIOP, Urban Land Institute, CoreNet Global, AZ CREW, Central Arizona CCIM Chapter, CCIM Institute and is on the Board of LAI (Lambda Alpha International) Phoenix. She is a TGen Ambassador and on the Board of Directors of Friends of National Public Radio Arizona and Social Venture Partners Arizona.

Julie was voted as one of the 2017's Most Influential Women in Commercial Real Estate by AZRE Magazine and in 2018, she was honored with the Connect Media's National Women in Real Estate Award. In 2019, Julie has been recognized as Real Estate Forum and GlobeSt.com's Women of Influence winner and on the Globe Street Healthcare Advisory Board.



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Alexandra provides real estate solutions for owners and occupants of medical office and office properties. She has advised her clients in various capacities including leasing and sales of medical and office buildings, tenant/buyer representation, and Senior Housing investment sales and site selection. Through market awareness, time sensitive project management, prompt communication, and aggressive strategic negotiating tactics, Alexandra is able to provide her clients exemplary service while saving them time and money.

Alexandra Loye has nine years of experience in commercial real estate brokerage and research. Before the firm, GPE was acquired by Avison Young in April 2016, she was Senior Vice-President at GPE Commercial Advisors. Prior to joining GPE, she was a Senior Associate with NAI Horizon in Phoenix where she focused on national investment/distressed sales and local medical/office sales and leasing. She started her brokerage career as an Associate at Grubb and Ellis and, while in college, was an intern at Cushman & Wakefield in Arizona and San Diego. She attended Arizona State University where she received a scholarship from AZCREW and holds a Bachelor of Science degree in business real estate. She is an active member of NAIOP and the Urban Land Institute (ULI) and is a CCIM candidate.

Loye was featured as an "Emerging National Leader in Healthcare" by Real Estate Forum magazine in 2015 and in 2017 received the prestigious National Connect Next Generation of Healthcare award. She was also featured in AZ Big Media "People & Projects to Know 2017". Alexandra was the Top Producer in the Avison Young Arizona office in 2016 and 2017 and received Avison Young Circle of Excellence Market Leader Award in 2018.