

NEWS ALERT

**Ruskin Moscou Faltischek's
Seniors' Housing Capabilities**

- Licensing Applications and Regulatory Matters
- Real Estate, Construction and Financing
- Contract Drafting and Reviews
- Counsel and Advice on Third Party Deals
- Project Related Litigation
- Compliance Audits
- Fostering Alliances Between Housing and Healthcare Providers
- Exit Strategies
- Facility Sales and Refinancing
- Evaluating Model Types for Developers
- Federal and State Legislation
- Employment Matters
- Occupational Safety and Health Administration (OSHA) Regulations
- Antitrust Regulations
- National Labor Relations Act
- Copyrights and Trademarks

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Wayne L. Kaplan

The Industry Today

Recent lackluster jobs data underlined the uneven nature of the recovery and has made it difficult to assess whether the economy has really turned a corner. Hopes for a vigorous recovery have run headlong into the prospect that paychecks could remain painfully scarce. The job market is getting less bad, but a full recovery remains a distant hope. We're still looking at a weak economy, but hopefully, the worst

is behind us. Occupancy rates in seniors' housing properties rose for the first time in over 2 years in 3Q09. The occupancy rate in assisted living for the 3Q09 rose to 88.3% from 87.7% in the second quarter. Independent living properties registered 88.5% in the third quarter, up slightly from 88.4% in the second quarter, and nursing home occupancy slipped slightly to 89.1% from 89.2% quarter over quarter. Seniors' housing operators have turned their attention from deal transactions to improving their operations and profitability. U.S. life expectancy is hitting an all-time high. This latest statistic, combined with plentiful data about the aging population, is yet another reason investors are eyeing opportunities in the senior living sector.

Baby Boomers & Life Expectancy

Many will want to be in the senior living market, riding the baby boomer demographic wave, even though the wave does not start to really gather strength for another 5 to 10 years and does not start to peak until about 2030. Yet, due to medical technology and falling death rates in several categories, in the next 40 years, average life expectancy for Americans could rise to 93 years for women and 86 years for men. According to the U.S. Census Bureau, the 65 and older population represented 12.4% of the total population in 2000 and is expected to grow to 19.7% of the total population by 2030. As a result, healthcare spending is expected to increase, the ratio of workers to retired persons is expected to decrease, and the demand for healthcare workers is expected to increase substantially.

Residents' Annual Incomes

The median annual income of assisted living residents is \$18,000 to \$22,000 according to a study by the Center for Retirement Research. The average annual cost of assisted living is about \$35,000. Independent living residents have a median income of \$14,000 to \$18,000, compared with rents of about \$25,000 per year. About 7.5% receive financial help from their adult children, and 1% from other relatives and friends. A growing

number of seniors (9% to 14%) have long-term care insurance that pays for part or the entire bill. However, although American household incomes last year experienced the sharpest drop on record, falling nearly 4% on average, households led by people 65 and older, experienced income gains – an encouraging sign as this age group looks toward moving into senior living communities. According to USA Today, of the 25 groups tracked by the Census Bureau, only households led by people 65 and older enjoyed income gains in 2008 – a 1.2% increase. Households led by people in the 45-54 age group suffered the largest income drop – 5.4%.

Alzheimer's Cases To Climb Sharply

The number of people living with memory-robbing Alzheimer's disease grew 10% globally between 2005 and 2009 to 35 million, according to a recent report by U.K. based Alzheimer's Disease International. Barring a medical breakthrough, dementia will nearly double every 20 years. And, mostly because people are living longer, this number is expected to continue climbing to 65.7 million in 2030 and 115.4 million in 2050. The new count is about 10 percent higher than what scientists had predicted just a few years ago, because earlier research underestimated the growing impact of Alzheimer's in developing countries. The number of people affected by Alzheimer's is growing at a rapid rate, and the increasing personal costs will have significant impact on the world's economies and healthcare systems.

Small Assisted Living Facilities

Of the one million people in assisted living, about one-third live in small residences with fewer than 16 residents, according to Karl Polzer, senior policy director of the National Council on Assisted Living.

Key Search Phrases

The keyword phrase “assisted living” was globally searched on Google nearly a million times (997,984 to be exact) in the four-week period ending June 20, 2009. The keyword phrase “senior housing” was globally searched 164,893 times in the same period, and the keyword phrase “assisted living facilities” was globally searched 90,487 times.

What Other Experts Are Saying

“Almost everyone is in agreement about one thing – we are all glad 2009 is behind us. After that, most of us are happy that we survived the year.”

– **Steve Monroe**, The SeniorCare Investor

“As our population ages, seniors housing residents and their families will be seeking out, and securing, a far different living environment. The facilities that fail to meet these expectations in the years ahead will be at a serious competitive disadvantage.”

– **Michael Berne**, Jones Lang LaSalle

“Seniors Housing, once the “red-headed step child” of the commercial real estate industry and considered far less glamorous and sexy than the office building, retail, multi-family and hotel assets classes is now looking like the Belle of the Ball.”

– **Lisa Widmier**, Managing Partner of Vant*Age Pointe Capital Management

“In Vietnam, the image of senior citizens easing into assisted living communities and taking up painting or woodworking is, for the most part, meaningless. The children are there to catch their parents when they fall. The children provide the assisted living.”

– **Phay**, a food cart vendor interviewed in the Wall Street Journal

“Politicians are like diapers, they are full of the same thing and should be changed just as frequently.”

– **Steve Monroe**, The SeniorCare Investor

“The first thing I look at in the morning paper is the obituaries. And if my name isn't there, I have breakfast.”

– **Carl Reiner**

“As a senior citizen was driving down the freeway, his car phone rang. Answering, he heard his wife's voice urgently warning him, “Herman, I just heard on the news that there's a car going the wrong way on the Interstate. Please be careful!” “It's not just one car,” said Herman. “Its hundreds of them!”

– **Author Unknown**

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