

**Snapshot Market Assessment  
Long Grove, Illinois**

Prepared for  
Gart Partners, LLC  
June 2014

Section 1.

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## **EXECUTIVE SUMMARY**

### Introduction

Jordan Glazov, on behalf of Gart Partners, LLC, engaged the ProMatura Group, LLC to complete a snapshot market assessment to determine the strength of the market for assisted living and memory care on a site near the intersection of Old IL Route 53 and Old Hicks Road.

A snapshot market assessment is a quick “desktop” look at the demographic, economic and competitive conditions of a market area and yields a preliminary estimate of demand for the proposed development. **The report is only a cursory review of the market and no site visit has been completed, therefore it should not be used as a substitute for a comprehensive market feasibility study.**

### Target Market & Primary Market Area (PMA)

The target market used in the demand estimate for assisted living includes households headed by someone age 75+ with either \$35,000+ or \$50,000+ annual household income. The target market for memory care is assessed among the age 65+ population with either \$35,000+ or \$50,000+ annual income. Estimates are for the years 2014 and 2019.

The primary market area (PMA) is the geographic area from which most prospective residents will originate. The PMA for this study was determined to be a 5-mile radius around the site. Demographic data and demand estimates are also provided for a larger 10-mile market area for comparison purposes.

### Competition

ProMatura identified 7 properties in the 5-mile PMA that offer private-pay assisted living, and/or memory care. Among the providers identified, there are a total of 283 assisted living (AL) and 189 memory care (MC) units. After discounting the units based on their distance from the proposed site, ProMatura estimates the number of units that would be directly competitive with the subject property to be 174 AL, and 119 MC.

Between 5 and 10 miles from the site there are an additional 21 properties with an additional 1,168 AL and 309 MC units. This brings the total unit count within 10 miles to 1,451 AL units and 498 MC units. After discounting the units based on their distance from the proposed site, ProMatura estimates the number of units that would be directly competitive with the subject property to be 973 AL, and 342 MC within the larger 10-mile market area.

Two of the communities (one in the 5-mile PMA and one in the larger 10-mile area) are set to open in a few weeks, in July 2014.

In addition, there are 5 properties within the larger 10-mile area that are in the planning stages – some have been approved, and others have just been submitted. It is unknown whether these projects will ultimately be developed.

***It is important to keep in mind that this desktop study does not include a site visit, so no qualitative assessment of the competition is included in this report. The methodology used to calculate demand treats all properties as if they are of equal quality and does not distinguish between those units offered on a rental basis and those offered on an entry-fee basis, or as part of a CCRC.***

### Market Conditions

For 2014, the 5-mile primary market area (PMA) has an estimated population of 219,180, and when expanded to 10 miles, the population grows to an estimated 658,525. The five-year growth projections for the 5-mile PMA and the 10-mile area are 1.2% and 1.0%, respectively, compared to the overall projected growth rate of 0.6% for the State of Illinois and 3.5% for the United States.

The current proportion of households over age 75 within 5 miles is approximately 14% less than the overall state and national figures, but this segment is projected to grow significantly faster than U.S. and state averages over the next five years. Specifically, the households over age 75 are projected to increase by 10.8% in the PMA between 2014 and 2019, compared with an increase of 4.6% in Illinois and an increase of 8.3% in the U.S.

The households in the PMA over age 75 appear more affluent than average – the median income among households age 75+ is 20% higher than the 75+ households in Illinois and the US in general. Further, the proportions of those age 75+ with incomes of \$50,000+ and \$100,000+ are 25% and 50% higher, respectively than state and national figures. These affluent 75+ households are also projected to grow at rates considerably higher than average over the next five years.

Currently, the proportion of households headed by someone age 45 to 64 with \$100,000+ in annual income (qualified adult children) is 58% higher than the state average and 69% higher than the national average (48% in the 5-mile PMA vs. 30.5% statewide and 28.4% nationwide). This important market segment is projected to grow at a slower pace than state and national projections over the next five years, but will still see a growth of 5.2%.

Median home value in the 5-mile PMA is \$293,131, which is nearly approximately 60% higher than the state and national medians. Home values in the 5-mile PMA are projected to increase by 3.7% between 2014 and 2019, which is lower than the national projected increase of 4.4% but higher than the projected 2.8% home value growth in Illinois.

Finally, the population in the PMA seems to be a well-educated one: 32.8% of those over age 25 in the PMA have a bachelor's degree compared to 17.8% in the United States.

The demographics within the 10-mile area follow these same general trends, with incomes and home values slightly higher than within the 5-mile PMA.

### Recommendations

There appears to be considerable opportunity in the Long Grove market for an assisted living and/or memory care property. The PMA is projected to see considerable growth among 75+ households in the next five years and the 75+ households appear more affluent than average. In addition, the market has a strong existing qualified adult child population (households age 45 to 64 with incomes over \$100,000). This segment is not expected to grow as much as it is in other parts of the country, but should still see growth of 5% over the next five years.

Many national providers operate communities within the 10-mile area, including Sunrise, Emeritus, Brookdale and Belmont Village. Excluding the two properties that are scheduled to open in July 2014, the average age of the remaining 26 properties within the 10-mile market area is 22.5 years old. This may represent an opportunity for Gart Partners' proposed development, as many of these facilities may be in need of updating or may not be built to the aesthetic criteria of today's market.

In general, the overall market opportunity for additional assisted living and memory care appears strong. Even if all projects that are currently in some form of planning are developed, the market opportunity remains sufficient to support an additional assisted living and memory care community. ProMatura recommends that Gart Partners pursue further study to assess the occupancy and rates of key competitors, and the evaluate the product positioning and mix that would be most successful in this market.

## Executive Summary

### Market Opportunity 5-mile PMA

Table 1.1 shows annual demand in 2014 for private-pay assisted living and memory care in the PMA. Table 1.2 shows annual demand in 2019 for private-pay assisted living and memory care in the PMA. The methodology used to project market opportunity (unmet demand) begins with the total number of age- and income-qualified households (Column 4), assumes a percentage of additional demand from outside the PMA (Column 5) and then, based on the ProMatura Demand Model, projects total annual demand for each care level at each income segment (Column 6). Market opportunity (Column 9) is assessed by subtracting the number of units that turn over annually (Column 8) from the total demand (Column 6).

**Table 1.1. Market Opportunity in the 5-Mile PMA-2014**

1.	2.	3.	4.	5.	6.	7.	8.	9.
Housing Segment	Age Segment	Income Segment	Market	Demand Outside of PMA	Demand	Number of Competitive Units	Turnover in Competitive Units	Market Opportunity
Assisted Living	75+ Households	\$35,000+	3,659	30%	276	174	95	<b>182</b>
		\$50,000+	2,472		154			<b>60</b>
Memory Care	65+ Population	\$35,000+	17,495	30%	171	119	60	<b>111</b>
		\$50,000+	13,406		121			<b>61</b>

**Table 1.2. Market Opportunity in the 5-Mile PMA-2019**

1.	2.	3.	4.	5.	6.	7.	8.	9.
Housing Segment	Age Segment	Income Segment	Market	Demand Outside of PMA	Demand	Number of Competitive Units <sup>1</sup>	Turnover in Competitive Units	Market Opportunity
Assisted Living	75+ Households	\$35,000+	4,311	30%	316	240	131	<b>185</b>
		\$50,000+	2,992		183			<b>52</b>
Memory Care	65+ Population	\$35,000+	22,682	30%	210	212	107	<b>103</b>
		\$50,000+	17,848		153			<b>46</b>

1) Number of competitive units assuming all units in planning stages are developed.

## Executive Summary

### Market Opportunity – 10-Mile Area

Table 1.3 shows annual demand in 2014 for private-pay assisted living and memory care in the PMA. Table 1.4 shows annual demand in 2019 for private-pay assisted living and memory care in the PMA. The methodology used to project market opportunity (unmet demand) begins with the total number of age- and income-qualified households (Column 4), assumes a percentage of additional demand from outside the PMA (Column 5) and then, based on the ProMatura Demand Model, projects total annual demand for each care level at each income segment (Column 6). Market opportunity (Column 9) is assessed by subtracting the number of units that turn over annually (Column 8) from the total demand (Column 6).

**Table 1.3. Market Opportunity in the 10-Mile Market Area -2014**

1.	2.	3.	4.	5.	6.	7.	8.	9.
Housing Segment	Age Segment	Income Segment	Market	Demand Outside of PMA	Demand	Number of Competitive Units	Turnover in Competitive Units	Market Opportunity
Assisted Living	75+ Households	\$35,000+	14,167	30%	1,104	973	529	<b>574</b>
		\$50,000+	9,569		616			<b>86</b>
Memory Care	65+ Population	\$35,000+	62,238	30%	635	342	172	<b>463</b>
		\$50,000+	47,127		446			<b>274</b>

**Table 1.4. Market Opportunity in the 10-Mile Market Area -2019**

1.	2.	3.	4.	5.	6.	7.	8.	9.
Housing Segment	Age Segment	Income Segment	Market	Demand Outside of PMA	Demand	Number of Competitive Units <sup>1</sup>	Turnover in Competitive Units	Market Opportunity
Assisted Living	75+ Households	\$35,000+	16,007	30%	1,217	1,089	592	<b>625</b>
		\$50,000+	11,113		706			<b>114</b>
Memory Care	65+ Population	\$35,000+	77,408	30%	745	552	278	<b>467</b>
		\$50,000+	60,260		539			<b>261</b>

1) Number of competitive units assuming all units in planning stages are developed.

Section 2.

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## **DEMOGRAPHICS**

The primary market area (PMA) is the geographic area from which most prospective residents will originate. The primary market area for this study was determined to be within a 5-mile radius of the proposed site. Data are also presented for a 10-mile radius, for comparison purposes.

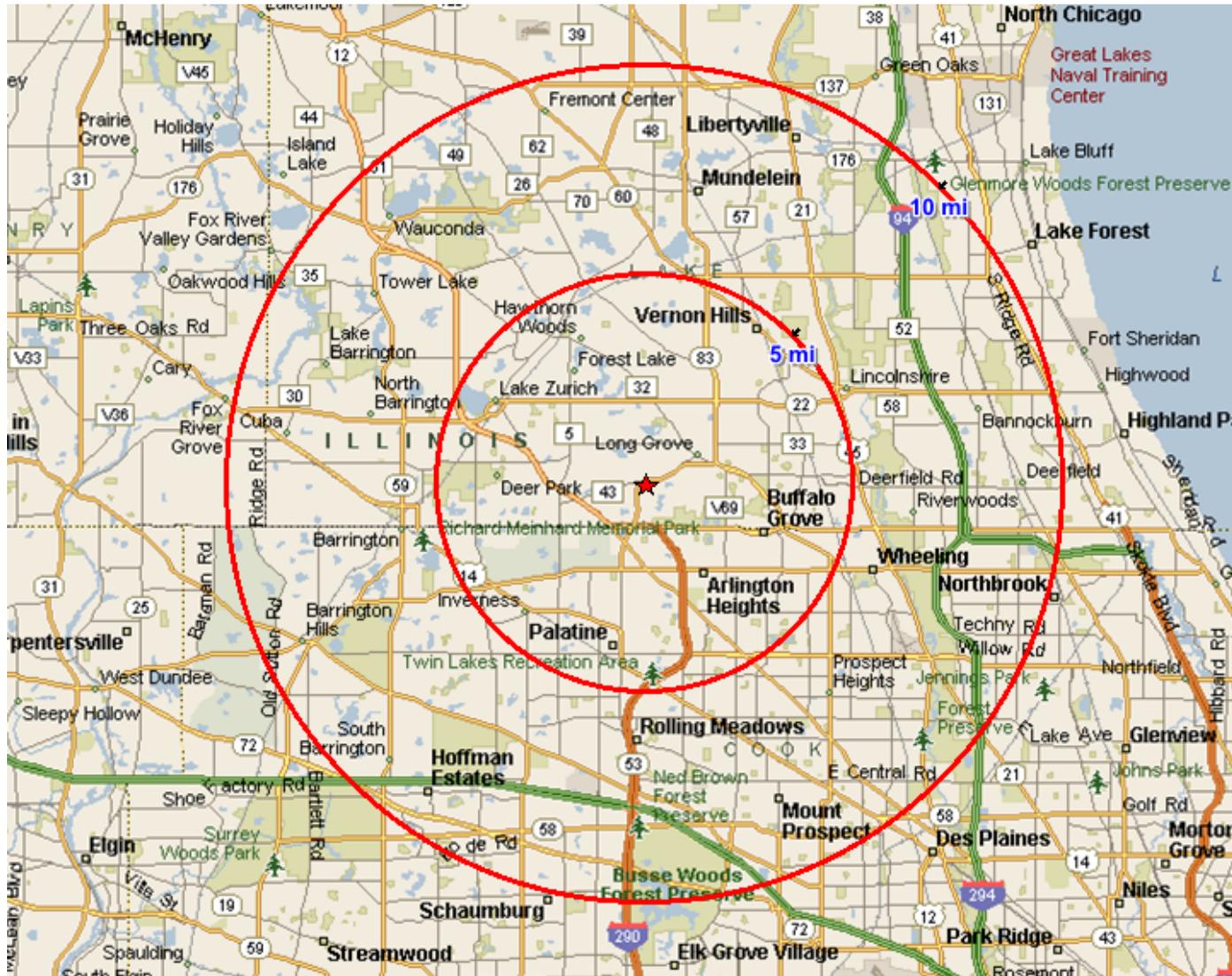


Exhibit 2.1. Map of Primary Market Area

## Population

The population in the 5-mile PMA is 219,180, a growth of 1.2% since 2010. From 2014 to 2019, the population is projected to grow by 1.2%.

The population in the United States is 317,199,353, a growth of 2.7% since 2010. From 2014 to 2019, the population is expected to grow by 3.5%.

The median age in 2014 for the population in the 5-mile PMA is 40.0. The average age is 39.2. In 2019, the median age is projected to be 41.2.

The median age in 2014 for the United States is 37.7, while the average age is 38.5. In 2019, the median age is projected to be 38.6.

## Households

The number of households in the 5-mile PMA is 83,740, an increase of 2.0% since 2010. From 2014 to 2019, the number is expected to increase by 1.8%.

The number of households in the United States is 120,163,305, an increase of 3.0% since 2010. From 2014 to 2019, the number is projected to increase by 3.7%.

## Household Income

The average household income in the 5-mile PMA is estimated to be \$102,669 in 2014, while the average household income for the United States is estimated to be \$71,320.

The average household income in the PMA is projected to increase 5.4% over the next five years, from \$102,669 to \$108,173. The United States is projected to have a 6.5% increase in average household income.

## Employment

In the 5-mile PMA, 92.2% of the labor force is estimated to be employed in 2014. For the United States, 89.7% of the labor force is estimated to be employed in 2014.

The employment status of the population age 16 and over in the PMA and the United States, respectively, is as follows:

- Armed forces: 0.0% PMA, 0.4% United States
- Employed civilians: 65.9% PMA, 57.3% United States
- Unemployed civilians: 5.5% PMA, 6.6% United States
- Not in the labor force: 28.5% PMA, 35.7% United States.

The occupational classifications in the PMA and the United States, respectively, are as follows:

- Blue collar occupations: 12.3% PMA, 20.4% United States
- White collar occupations: 74.8% PMA, 60.7% United States
- Farm & Service workers: 12.9% PMA, 18.9% United States

## Educational Attainment

Currently, it is estimated that 15.5% of the population over 25 in the 5-mile PMA have a master's degree, 3.0% have a professional school degree, 1.5% have a doctorate degree and 32.0% have a bachelor's degree.

In the United States it is estimated that 7.4% of the population over 25 have a master's degree, 1.9% have a professional school degree, 1.2% have a doctorate degree and 17.8% have a bachelor's degree.

The population in the 10-mile market area is 677,282. Population in the site ZIP code is approximately 40,942 which ranks 5<sup>th</sup> among the 22 ZIP codes in the market area.

Rank	PMA ZIP code List	Population
1	60056 Mount Prospect	55,448
2	60004 Arlington Heights	50,838
3	60010 Barrington	44,581
4	60089 Buffalo Grove	41,587
5	60047 Lake Zurich	40,942
6	60074 Palatine	40,080
7	60062 Northbrook	39,817
8	60067 Palatine	39,445
9	60090 Wheeling	39,169
10	60060 Mundelein	37,373
11	60169 Hoffman Estates	33,016
12	60005 Arlington Heights	30,252
13	60048 Libertyville	29,563
14	60061 Vernon Hills	26,350
15	60015 Deerfield	25,888
16	60008 Rolling Meadows	23,203
17	60045 Lake Forest	19,910
18	60084 Wauconda	17,418
19	60070 Prospect Heights	15,196
20	60173 Schaumburg	13,161
21	60069 Lincolnshire	8,778
22	60195 Schaumburg	5,267
<b>Total Market Area (10 miles)</b>		<b>677,282</b>

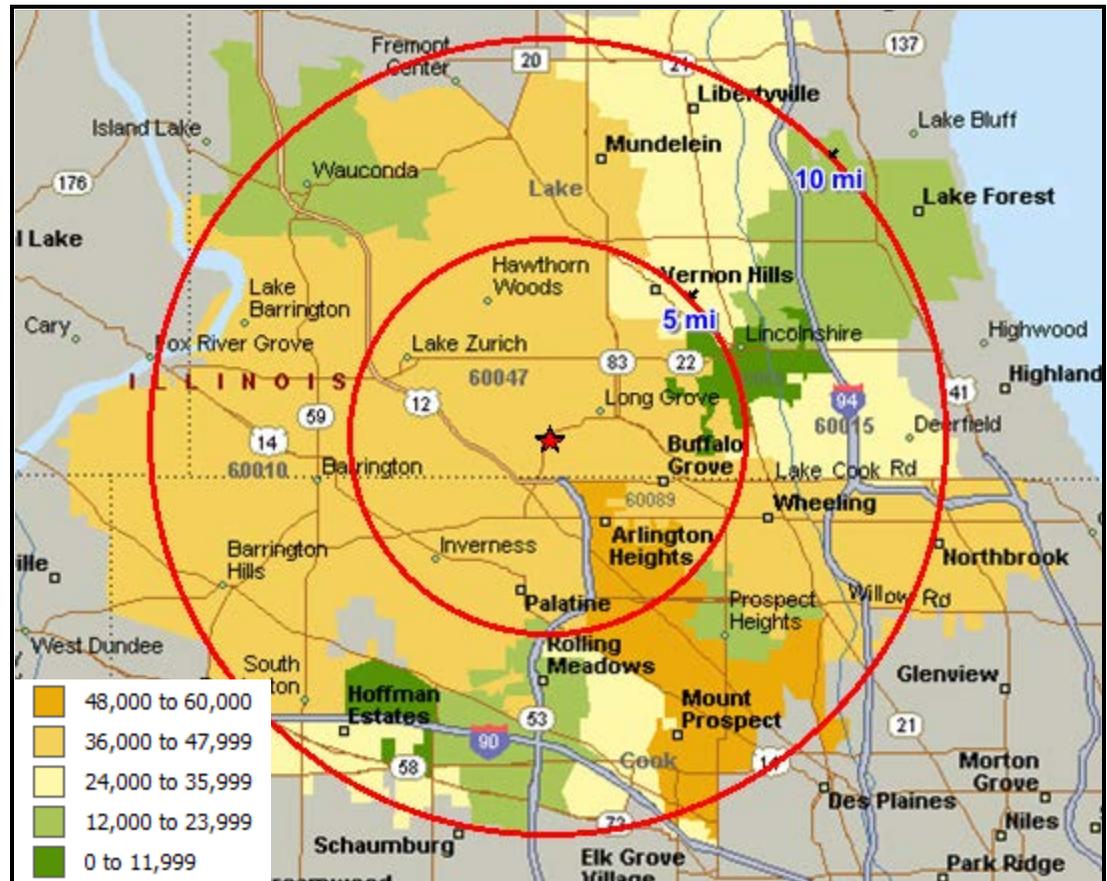


Exhibit 2.2. Total Population. Source: Claritas.

*Note: The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.*

The median home value in the 10-mile market area is \$308,053. The median home value in the site ZIP code is \$408,073, approximately 32% higher than the market area average.

Rank	PMA ZIP code List	Median Home Value
1	60045 Lake Forest	\$728,619
2	60069 Lincolnshire	\$481,354
3	60015 Deerfield	\$479,957
4	60062 Northbrook	\$463,052
5	60010 Barrington	\$440,464
6	60047 Lake Zurich	\$408,073
7	60048 Libertyville	\$401,425
8	60061 Vernon Hills	\$324,880
9	60067 Palatine	\$316,259
10	60004 Arlington Heights	\$308,791
11	60089 Buffalo Grove	\$290,488
12	60056 Mount Prospect	\$285,127
13	60005 Arlington Heights	\$273,761
14	60060 Mundelein	\$246,160
15	60195 Schaumburg	\$236,364
16	60084 Wauconda	\$230,899
17	60008 Rolling Meadows	\$225,921
18	60070 Prospect Heights	\$222,236
19	60173 Schaumburg	\$217,248
20	60090 Wheeling	\$211,244
21	60074 Palatine	\$204,627
22	60169 Hoffman Estates	\$197,933
<b>Total Market Area (10 miles)</b>		<b>\$308,053</b>

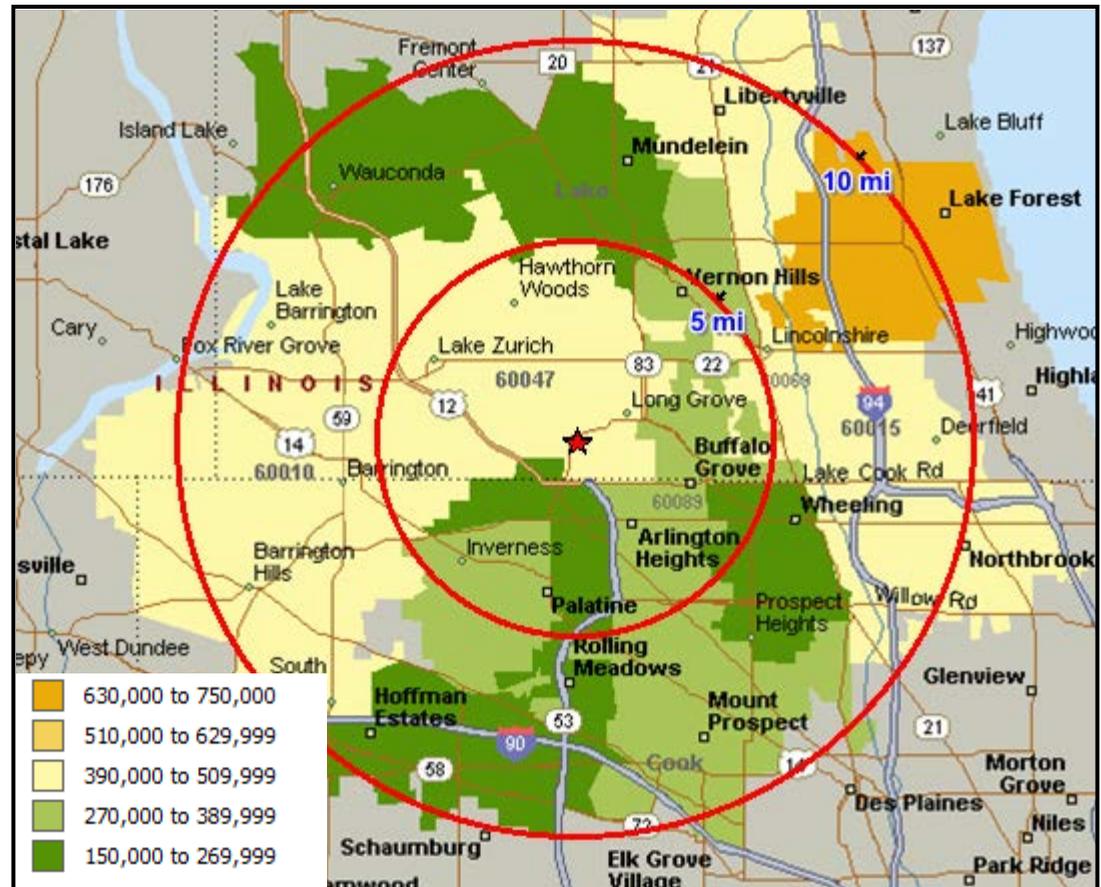


Exhibit 2.3. Median Home Value. Source: Claritas.

*Note: The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.*

The median household income in the 10-mile market area is \$74,975. The median household income in the site ZIP code almost 50% higher at \$111,974. Neighboring ZIP codes also report very high incomes.

Rank	PMA ZIP code List	Median HH Income
1	60045 Lake Forest	\$115,981
2	60015 Deerfield	\$112,790
3	60047 Lake Zurich	\$111,974
4	60010 Barrington	\$102,620
5	60048 Libertyville	\$99,097
6	60069 Lincolnshire	\$93,292
7	60061 Vernon Hills	\$88,012
8	60060 Mundelein	\$83,605
9	60089 Buffalo Grove	\$82,581
10	60062 Northbrook	\$82,106
11	60067 Palatine	\$77,487
12	60004 Arlington Heights	\$74,192
13	60084 Wauconda	\$72,137
14	60005 Arlington Heights	\$63,534
15	60169 Hoffman Estates	\$63,096
16	60056 Mount Prospect	\$62,909
17	60195 Schaumburg	\$62,065
18	60173 Schaumburg	\$60,427
19	60008 Rolling Meadows	\$59,990
20	60090 Wheeling	\$58,503
21	60074 Palatine	\$58,461
22	60070 Prospect Heights	\$55,052
<b>Total Market Area (10 miles)</b>		<b>\$74,975</b>

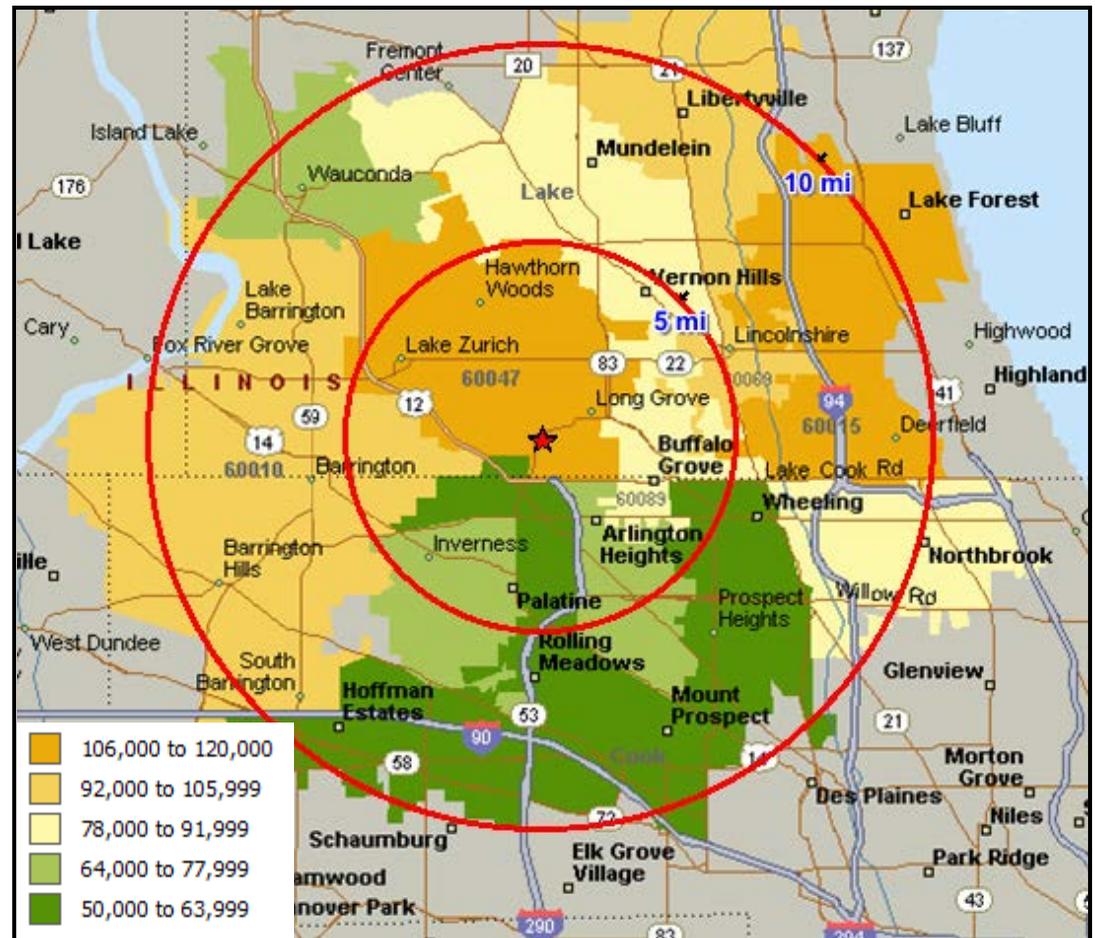


Exhibit 2.4. Median Annual Household Income.  
Source: Claritas.

**Note:** The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.

There are 30,004 households in the 10-mile market area headed by someone 75 or more years of age. The greatest concentration of 75+ households seem to be in areas between the 5-mile and 10-mile rings, to the southeast of the site.

Rank	PMA ZIP code List	75+ HHs
1	60062 Northbrook	3,651
2	60056 Mount Prospect	3,090
3	60004 Arlington Heights	2,898
4	60005 Arlington Heights	2,024
5	60010 Barrington	1,983
6	60089 Buffalo Grove	1,820
7	60090 Wheeling	1,577
8	60067 Palatine	1,433
9	60045 Lake Forest	1,270
10	60048 Libertyville	1,199
11	60074 Palatine	1,170
12	60015 Deerfield	1,053
13	60008 Rolling Meadows	1,004
14	60069 Lincolnshire	978
15	60060 Mundelein	876
16	60169 Hoffman Estates	855
17	60061 Vernon Hills	762
18	60047 Lake Zurich	731
19	60070 Prospect Heights	725
20	60084 Wauconda	545
21	60173 Schaumburg	267
22	60195 Schaumburg	93
<b>Total Market Area (10 miles)</b>		<b>30,004</b>

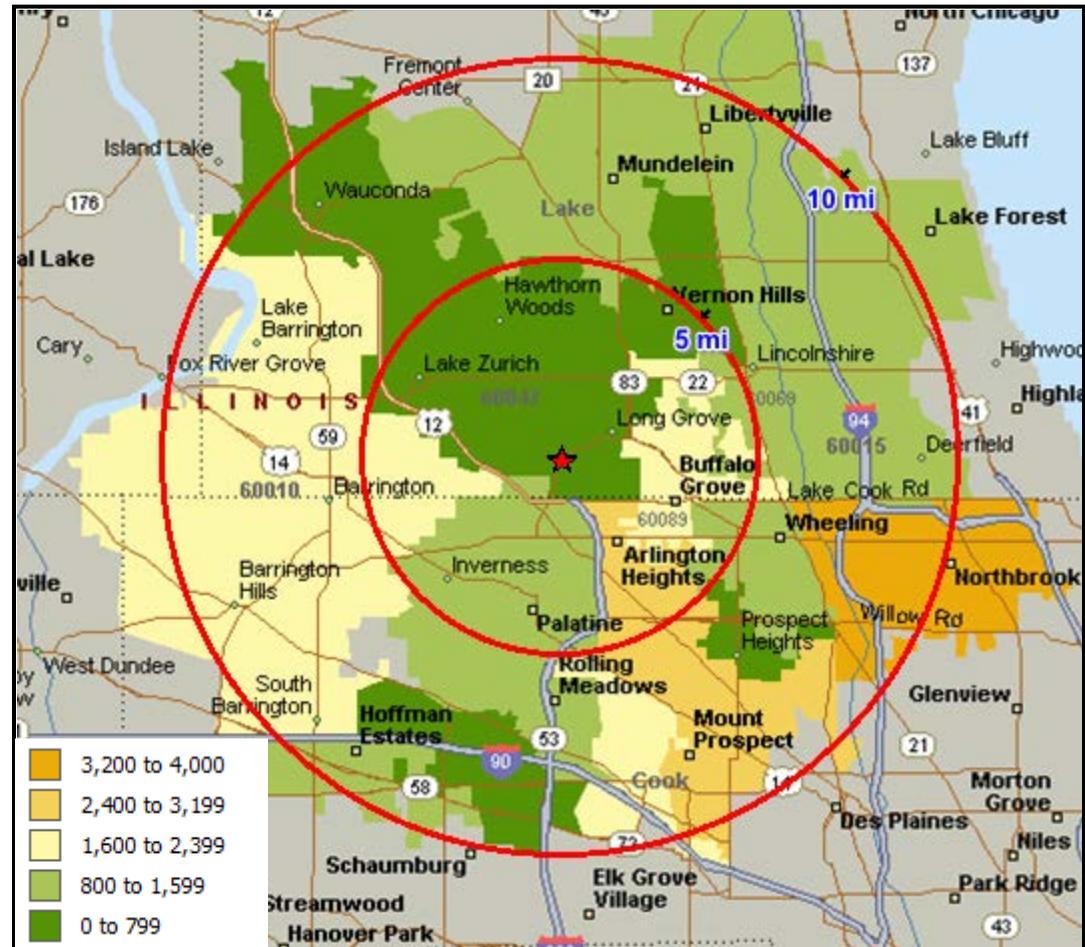


Exhibit 2.5. Number of 75+ Households. Source: Claritas.

**Note:** The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.

There are 10,268 households in the market headed by someone 75+ with incomes over \$50,000 per year, or approximately 30% of the total households over age 75. Again, the highest concentrations seem to be in areas between 5 and 10 miles to the southeast and west of the site.

Rank	PMA ZIP code List	75+ HHs \$50K+
1	60062 Northbrook	1,475
2	60004 Arlington Heights	1,106
3	60056 Mount Prospect	875
4	60010 Barrington	811
5	60005 Arlington Heights	594
6	60089 Buffalo Grove	593
7	60045 Lake Forest	591
8	60067 Palatine	501
9	60069 Lincolnshire	428
10	60015 Deerfield	426
11	60048 Libertyville	374
12	60090 Wheeling	348
13	60074 Palatine	336
14	60047 Lake Zurich	325
15	60060 Mundelein	321
16	60008 Rolling Meadows	317
17	60070 Prospect Heights	225
18	60061 Vernon Hills	217
19	60169 Hoffman Estates	189
20	60084 Wauconda	126
21	60173 Schaumburg	67
22	60195 Schaumburg	23
<b>Total Market Area (10 miles)</b>		<b>10,268</b>

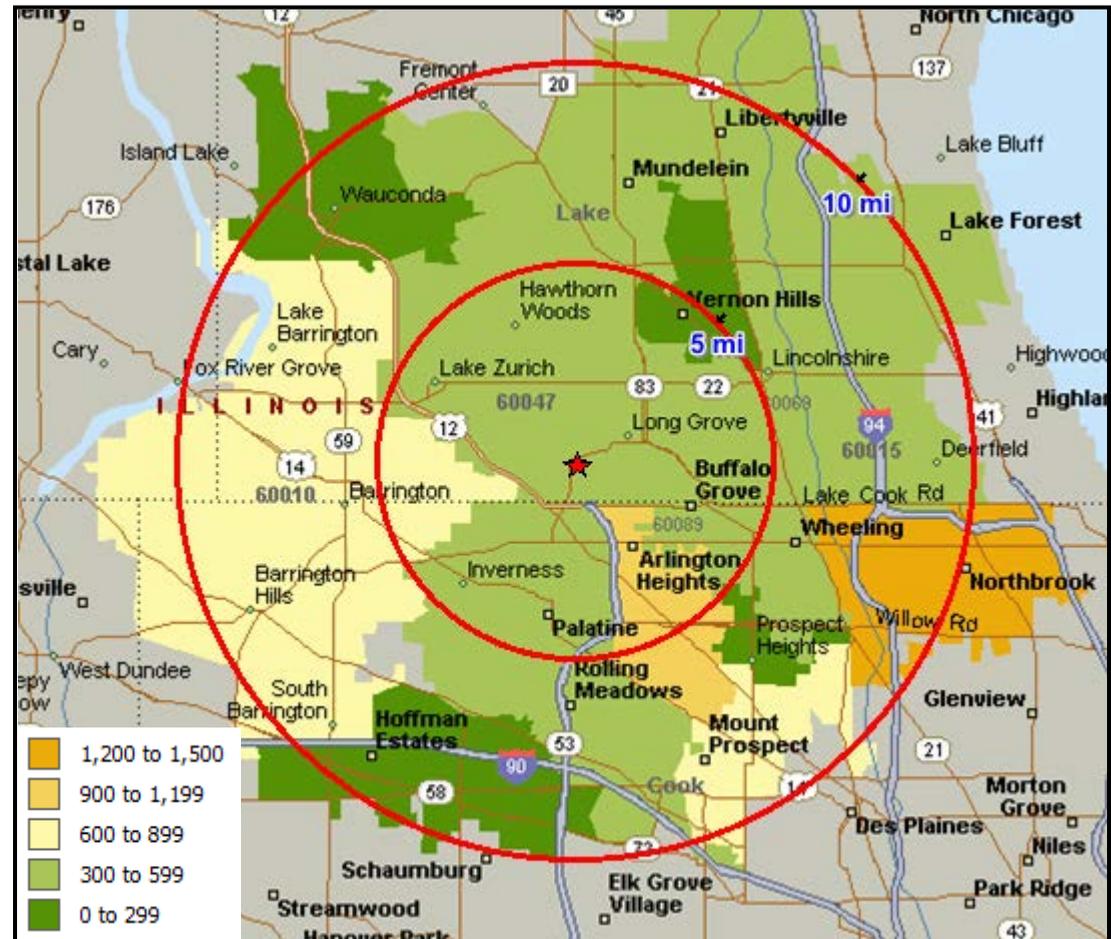


Exhibit 2.6. Number of 75+ Households with \$50,000+ Annual Income. Source: Claritas.

**Note:** The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.

There are 54,236 households in the 10-mile market area headed by someone 45-64 years of age with \$100,000 or more annual income. The site ZIP code and the neighboring ZIP code of Barrington have the highest concentrations of these “qualified adult children” households, and these two ZIP codes represent 20% of the total in the market area. ProMatura research shows that approximately 13% of adult child households have a parent, step-parent or loved one for whom they feel responsible. It is likely that these parties, living in another area, may move to the PMA when they find themselves in need of assisted living or memory care services.

Rank	PMA ZIP code List	45-64 HHs \$100K+
1	60010 Barrington	5,229
2	60047 Lake Zurich	4,914
3	60004 Arlington Heights	4,174
4	60089 Buffalo Grove	3,893
5	60062 Northbrook	3,664
6	60067 Palatine	3,495
7	60048 Libertyville	3,400
8	60056 Mount Prospect	3,147
9	60060 Mundelein	3,018
10	60015 Deerfield	3,001
11	60045 Lake Forest	2,576
12	60061 Vernon Hills	2,511
13	60074 Palatine	1,859
14	60005 Arlington Heights	1,830
15	60090 Wheeling	1,553
16	60169 Hoffman Estates	1,525
17	60008 Rolling Meadows	1,051
18	60084 Wauconda	991
19	60069 Lincolnshire	951
20	60173 Schaumburg	680
21	60070 Prospect Heights	549
22	60195 Schaumburg	225
<b>Total Market Area (10 miles)</b>		<b>54,236</b>

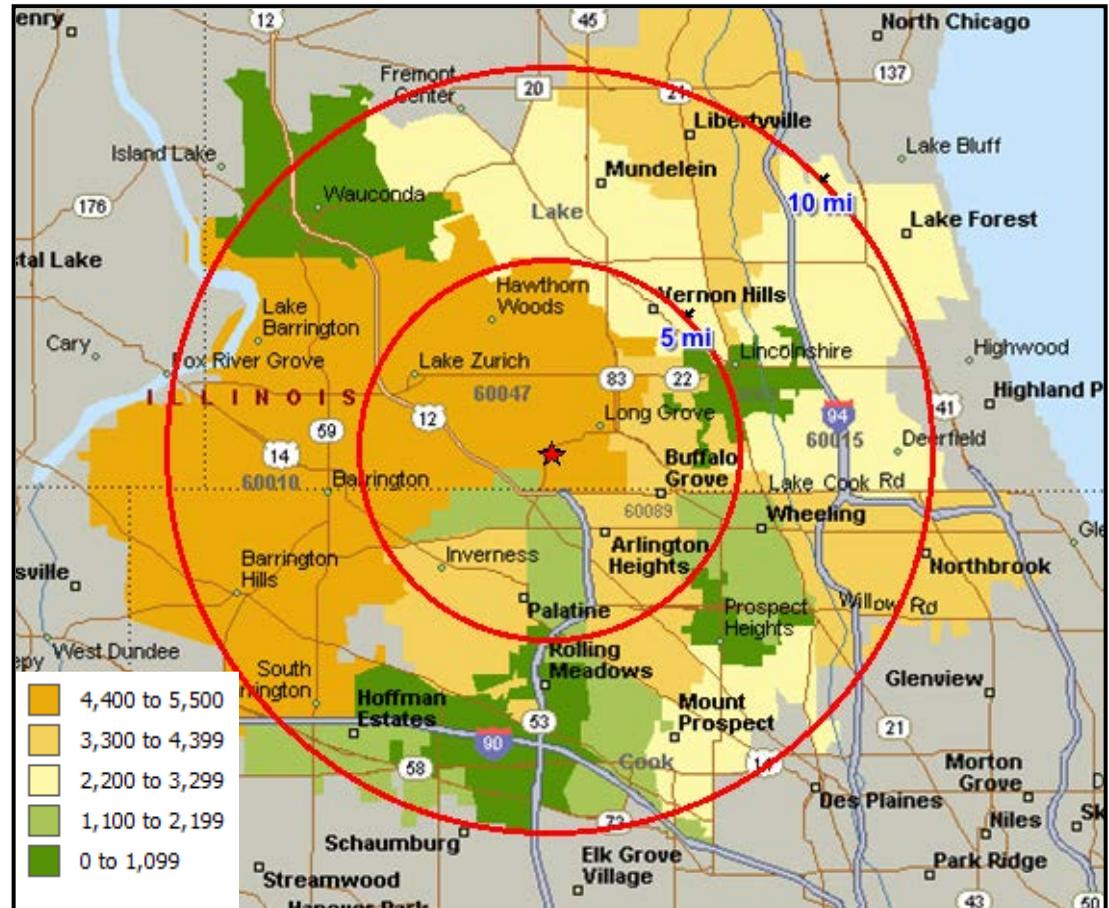


Exhibit 2.7. Number of Households 45 -64 with \$100,000+ Annual Income. Source: Claritas.

**Note: The PMA is considered to be within a 5-mile radius of the site. Demographic data is presented for the ZIP code areas in the surrounding market within a 10-mile radius. Demand will be calculated based on the PMA.**

Exhibit 2.8. Population Trends in the 5-mile PMA Compared to State and National Average

	PMA (Number if Applicable)	PMA	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
<b>Current Population 2014</b>						
Total Population	219,180					
% Total Population 45+	95,326	43.5%	40.0%	40.7%	8.8%	6.9%
% Total Population 55+	59,644	27.2%	26.1%	26.9%	4.2%	1.3%
% Total Population 65+	28,454	13.0%	13.7%	14.2%	-4.9%	-8.8%
% Total Population 75+	11,867	5.4%	6.0%	6.2%	-9.9%	-12.0%
% Total Population 85+	3,642	1.7%	1.9%	1.9%	-13.2%	-11.7%
<b>Population Growth 2014 to 2019</b>						
Total Population	+2,666	1.2%	0.6%	3.5%	106.9%	-65.3%
Age 35 to 44	-1,758	-6.1%	-0.6%	1.2%	-1005.9%	-622.9%
Age 45 to 54	-3,801	-10.7%	-6.7%	-4.6%	-58.6%	-132.8%
Age 55 to 64	+2,658	8.5%	4.9%	7.3%	75.3%	16.8%
Age 65 to 74	+5,192	31.3%	22.7%	24.6%	37.6%	27.4%
Age 75 to 84	+1,298	15.8%	7.5%	10.7%	110.4%	46.8%
Age 85+	+103	2.8%	1.1%	6.1%	155.1%	-53.9%

Source: Claritas

Exhibit 2.9. Trends in Adult Child (age 45 – 64) Households in the 5-mile PMA Compared to State and National Averages

	PMA (Number if Applicable)	PMA	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
Percent of Total HHs 45 to 64 (2014)		45.3%	39.3%	39.4%	15.1%	14.9%
Percent of Total HHs 45 to 64 (2019)		43.6%	38.2%	38.1%	14.1%	14.5%
Percent of 45 to 64 HHs with \$100,000+ Income (2014)	17,981	48.0%	30.5%	28.4%	57.5%	69.0%
Percent of 45 to 64 HHs with \$100,000+ Income (2019)	18,916	38.4%	22.5%	21.9%	70.1%	75.0%
Percent Change in 45 to 64 HHs (2014 to 2019)	-720	-1.9%	-1.8%	0.2%	-2.7%	-991.3%
Percent Change in 45 to 64 HHs with \$100,000+ (2014 to 2019)	+935	5.2%	6.7%	11.7%	-22.4%	-55.6%
45 to 64 HHs Median Annual Income (2014)		\$95,753	\$67,853	\$63,914	41.1%	49.8%
45 to 64 HHs Median Annual Income (2019)		\$101,812	\$70,859	\$67,445	43.7%	51.0%

Source: Claritas

Exhibit 2.10. Trends in Active Adult (age 65 – 74) Households in the 5-mile PMA Compared to State and National Averages

	PMA (Number if Applicable)	PMA	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
% of Total HHs 65 to 74 (2014)		12.0%	12.6%	13.2%	-4.6%	-8.7%
% of Total HHs 65 to 74 (2019)		15.4%	15.2%	15.7%	1.3%	-2.0%
Number and % of 65 to 74 HHs with \$50,000+ Income (2014)	5,826	57.9%	45.2%	44.7%	27.9%	29.4%
Number and % of 65 to 74 HHs with \$50,000+ Income (2019)	8,040	61.4%	46.7%	46.6%	31.4%	31.8%
Number and % of 65 to 74 HHs with \$100,000+ Income (2014)	2,534	25.2%	16.2%	15.8%	55.1%	59.0%
Number and % of 65 to 74 HHs with \$100,000+ Income (2019)	3,783	28.9%	18.1%	18.2%	59.4%	58.9%
Number and % Change in 65 to 74 HHs (2014 to 2019)	+5,192	30.0%	21.5%	23.3%	39.8%	29.0%
Number and % Change in 65 to 74 HHs with \$50,000+ (2014 to 2019)	+2,214	38.0%	25.5%	28.5%	49.2%	33.5%
Number and % Change in 65 to 74 HHs with \$100,000+ (2014 to 2019)	+1,249	49.3%	35.7%	41.7%	38.1%	18.3%
65 to 74 HHs Median Annual Income (2014)		\$59,912	\$45,540	\$45,061	31.6%	33.0%
65 to 74 HHs Median Annual Income (2019)		\$64,752	\$46,874	\$46,744	38.1%	38.5%

Source: Claritas

Exhibit 2.11. Trends in 75+ Households in the 5-mile PMA Compared to State and National Averages

	PMA (Number if Applicable)	PMA	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
% 75+ of Total HHs (2014)		9.2%	10.7%	10.7%	-14.3%	-14.8%
% 75+ of Total HHs (2019)		10.0%	11.1%	11.2%	-9.9%	-11.2%
Number and % of 75+ HHs with \$35,000+ Income (2014)	3,659	47.7%	38.9%	39.2%	22.6%	21.8%
Number and % of 75+ HHs with \$35,000+ Income (2019)	4,311	50.8%	40.1%	40.8%	26.5%	24.5%
Number and % of 75+ HHs with \$50,000+ Income (2014)	2,472	29.1%	23.0%	22.5%	26.5%	29.6%
Number and % of 75+ HHs with \$50,000+ Income (2019)	2,992	35.2%	25.2%	25.9%	39.6%	35.9%
Number and % of 75+ HHs with \$100,000+ Income (2014)	804	10.5%	6.9%	7.0%	52.9%	50.3%
Number and % of 75+ HHs with \$100,000+ Income (2019)	1,056	12.4%	7.9%	8.3%	57.4%	49.0%
Number and % Change in 75+ HHs (2014 to 2019)	+830	10.8%	4.6%	8.3%	135.9%	30.2%
Number and % Change in 75+ HHs with \$35,000+ (2014 to 2019)	+652	17.8%	7.7%	12.7%	130.6%	40.3%
Number and % Change in 75+ HHs with \$50,000+ (2014 to 2019)	+520	21.0%	9.6%	15.4%	118.5%	36.8%
Number and % Change in 75+ HHs with \$100,000+ (2014 to 2019)	+252	31.3%	20.4%	29.5%	53.9%	6.2%
75+ HHs Med. Ann. Income (2014)		\$34,166	\$28,503	\$28,382	19.9%	20.4%
75+ HHs Med. Ann. Income (2019)		\$36,648	\$29,109	\$29,211	25.9%	25.5%

Source: Claritas

Exhibit 2.12. Population Trends in the 10-mile Area Compared to State and National Average

	10-mile Area (Number if Applicable)	10-mile Area	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
<b>Current Population 2014</b>						
Total Population	658,525					
% Total Population 45+	296,575	45.0%	40.0%	40.7%	12.7%	10.6%
% Total Population 55+	193,330	29.4%	26.1%	26.9%	12.4%	9.3%
% Total Population 65+	98,864	15.0%	13.7%	14.2%	9.9%	5.5%
% Total Population 75+	43,619	6.6%	6.0%	6.2%	10.2%	7.6%
% Total Population 85+	14,181	2.2%	1.9%	1.9%	12.5%	14.4%
<b>Population Growth 2014 to 2019</b>						
Total Population	+6,776	1.0%	0.6%	3.5%	75.0%	-70.6%
Age 35 to 44	-5,817	-7.1%	-0.6%	1.2%	-1176.9%	-703.7%
Age 45 to 54	-11,650	-11.3%	-6.7%	-4.6%	-68.0%	-146.6%
Age 55 to 64	+6,781	7.2%	4.9%	7.3%	47.6%	-1.6%
Age 65 to 74	+14,720	26.6%	22.7%	24.6%	17.2%	8.4%
Age 75 to 84	+3,203	10.9%	7.5%	10.7%	45.0%	1.2%
Age 85+	+173	1.2%	1.1%	6.1%	10.0%	-80.1%

Source: Claritas

Exhibit 2.13. Trends in Adult Child (age 45 – 64) Households in the 10-mile Area Compared to State and National Averages

	10-mile Area (Number if Applicable)	10-mile Area	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
Percent of Total HHs 45 to 64 (2014)		44.2%	39.3%	39.4%	12.3%	12.1%
Percent of Total HHs 45 to 64 (2019)		42.5%	38.2%	38.1%	11.2%	11.6%
Percent of 45 to 64 HHs with \$100,000+ Income (2014)	52,439	48.0%	30.5%	28.4%	57.7%	69.3%
Percent of 45 to 64 HHs with \$100,000+ Income (2019)	54,961	38.8%	22.5%	21.9%	72.1%	77.1%
Percent Change in 45 to 64 HHs (2014 to 2019)	-2,583	-2.3%	-1.8%	0.2%	-26.2%	-1195.0%
Percent Change in 45 to 64 HHs with \$100,000+ (2014 to 2019)	+2,522	4.8%	6.7%	11.7%	-28.2%	-58.9%
45 to 64 HHs Median Annual Income (2014)		\$95,333	\$67,853	\$63,914	40.5%	49.2%
45 to 64 HHs Median Annual Income (2019)		\$101,749	\$70,859	\$67,445	43.6%	50.9%

Source: Claritas

Exhibit 2.14. Trends in Active Adult (age 65 – 74) Households in the 10-mile Area Compared to State and National Averages

	10-mile Area (Number if Applicable)	10-mile Area	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
% of Total HHs 65 to 74 (2014)		13.3%	12.6%	13.2%	5.6%	1.1%
% of Total HHs 65 to 74 (2019)		16.5%	15.2%	15.7%	9.2%	5.6%
Number and % of 65 to 74 HHs with \$50,000+ Income (2014)	19,644	58.9%	45.2%	44.7%	30.2%	31.7%
Number and % of 65 to 74 HHs with \$50,000+ Income (2019)	26,156	62.2%	46.7%	46.6%	33.0%	33.4%
Number and % of 65 to 74 HHs with \$100,000+ Income (2014)	8,978	26.9%	16.2%	15.8%	65.9%	70.1%
Number and % of 65 to 74 HHs with \$100,000+ Income (2019)	12,810	30.4%	18.1%	18.2%	68.0%	67.4%
Number and % Change in 65 to 74 HHs (2014 to 2019)	+14,720	26.2%	21.5%	23.3%	21.9%	12.4%
Number and % Change in 65 to 74 HHs with \$50,000+ (2014 to 2019)	+6,512	33.2%	25.5%	28.5%	30.1%	16.4%
Number and % Change in 65 to 74 HHs with \$100,000+ (2014 to 2019)	+3,832	42.7%	35.7%	41.7%	19.6%	2.4%
65 to 74 HHs Median Annual Income (2014)		\$61,606	\$45,540	\$45,061	35.3%	36.7%
65 to 74 HHs Median Annual Income (2019)		\$66,300	\$46,874	\$46,744	41.4%	41.8%

Source: Claritas

Exhibit 2.15. Trends in 75+ Households in the 10-mile Area Compared to State and National Averages

	PMA (Number if Applicable)	PMA	Illinois	U.S.	Relative Difference Between PMA and State	Relative Difference Between PMA and U.S.
% 75+ of Total HHs (2014)		11.4%	10.7%	10.7%	6.7%	6.2%
% 75+ of Total HHs (2019)		12.0%	11.1%	11.2%	8.7%	7.3%
Number and % of 75+ HHs with \$35,000+ Income (2014)	14,167	49.6%	38.9%	39.2%	27.4%	26.6%
Number and % of 75+ HHs with \$35,000+ Income (2019)	16,007	52.3%	40.1%	40.8%	30.4%	28.3%
Number and % of 75+ HHs with \$50,000+ Income (2014)	9,569	31.3%	23.0%	22.5%	35.9%	39.3%
Number and % of 75+ HHs with \$50,000+ Income (2019)	11,113	36.3%	25.2%	25.9%	44.0%	40.2%
Number and % of 75+ HHs with \$100,000+ Income (2014)	3,291	11.5%	6.9%	7.0%	68.0%	65.2%
Number and % of 75+ HHs with \$100,000+ Income (2019)	4,181	13.7%	7.9%	8.3%	73.1%	63.7%
Number and % Change in 75+ HHs (2014 to 2019)	+2,047	7.2%	4.6%	8.3%	56.2%	-13.8%
Number and % Change in 75+ HHs with \$35,000+ (2014 to 2019)	+1,840	13.0%	7.7%	12.7%	68.1%	2.3%
Number and % Change in 75+ HHs with \$50,000+ (2014 to 2019)	+1,544	16.1%	9.6%	15.4%	67.6%	4.9%
Number and % Change in 75+ HHs with \$100,000+ (2014 to 2019)	+890	27.0%	20.4%	29.5%	32.8%	-8.4%
75+ HHs Med. Ann. Income (2014)		\$35,606	\$28,503	\$28,382	24.9%	25.5%
75+ HHs Med. Ann. Income (2019)		\$37,805	\$29,109	\$29,211	29.9%	29.4%

Source: Claritas

The median home values in both the 5-mile PMA and 10-mile PMA are considerably higher than state and national averages. The 5-mile median home value is 16% higher than the 10-mile median and home values in both areas are projected to decline slightly from 2013 to 2018.

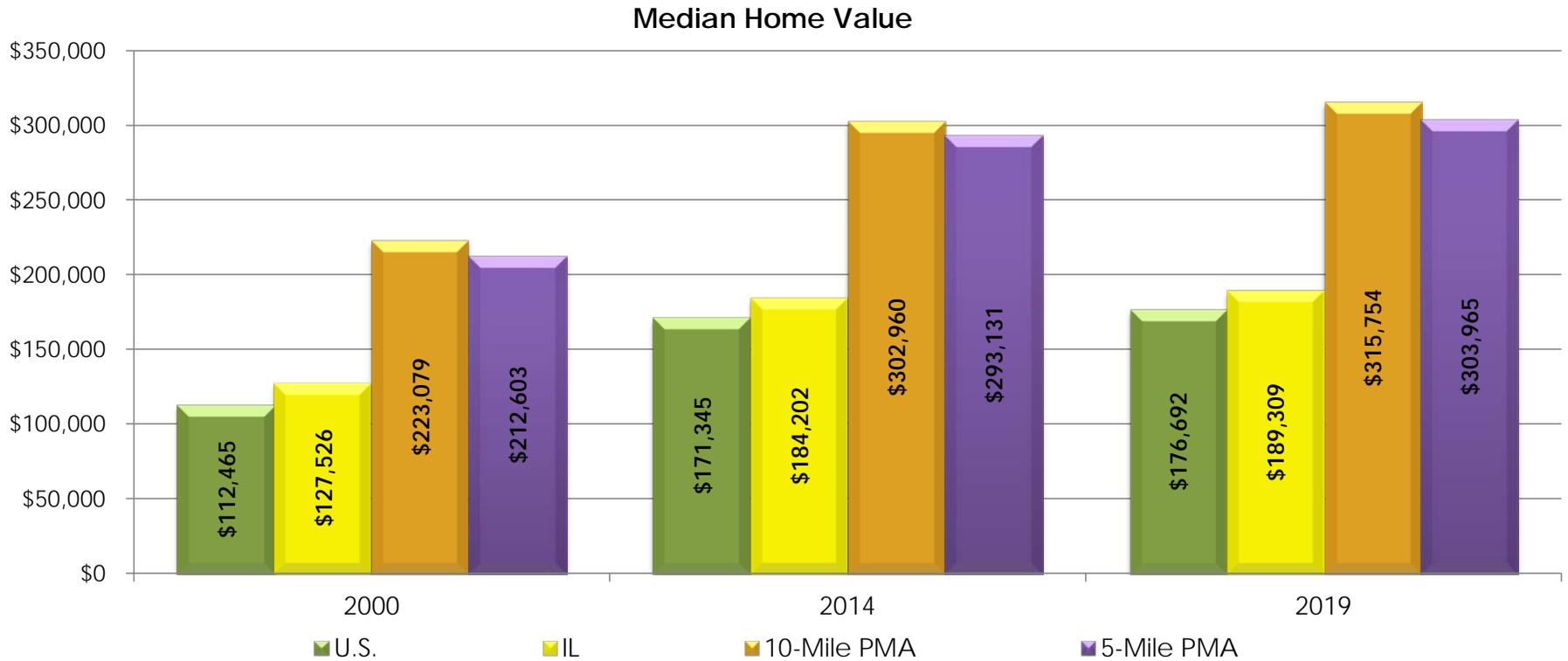


Exhibit 2.16. Median Home Values (Source: Claritas)

Over the past three years, the volume of home sales in Long Grove has ranged between 75 and 250 homes sold per quarter, with the largest spike in the 3<sup>rd</sup> quarter of 2013. The median sales price of homes sold in Long Grove has consistently been between \$325,000 and \$400,000 with prices most recently (4<sup>th</sup> quarter 2013) rising above the \$400,000 mark.



Exhibit 2.17. Local Housing Market (Source: City-Data.com)

## Section 3.

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### **COMPETITION**

*Information on competitive properties is gathered from 3rd party vendors and is expected to encompass all properties in the study area. However, ProMatura cannot guarantee that all properties are included. Should you determine a property was omitted, we will revise the report and our findings to include that property.*

There are 7 properties offering assisted living and/or memory care within 5 miles of the site, and 21 additional properties between 5 and 10 miles from the site.

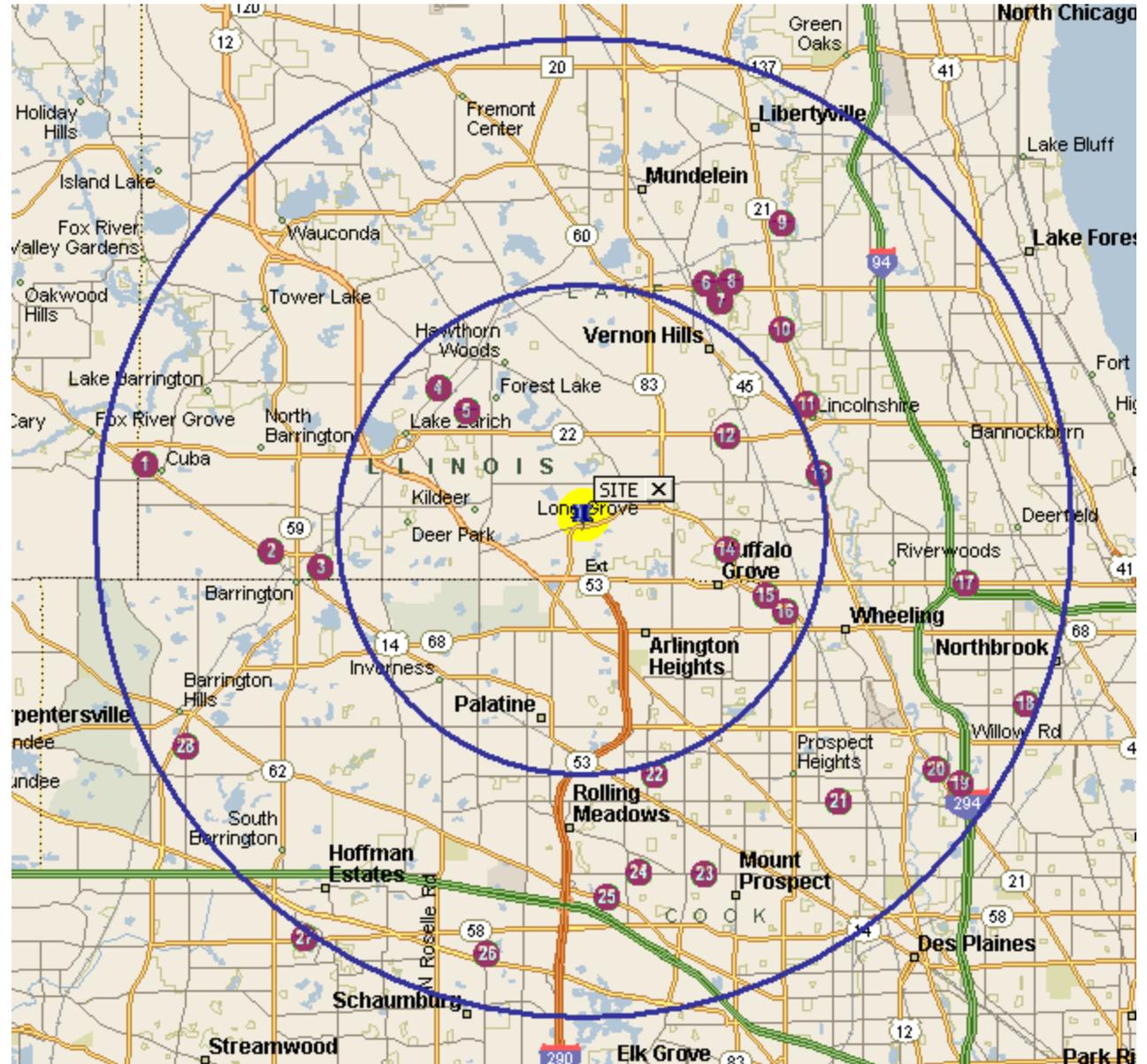


Exhibit 3.1. Map of Competitors  
see exhibit 3.2 for corresponding  
property names

Exhibit 3.2. Communities in the 5 and 10-Mile PMA

Community	Map Number	Street Address	City	Year Opened	Care Types	5-Mile PMA	10-Mile PMA
Addolorata Villa	16	555 McHenry Rd	Wheeling	1940	CCRC	◆	◆
Arden Courts - Northbrook	20	3240 Milwaukee Ave	Northbrook	1998	MC		◆
Autumn Leaves of South Barrington	28	215 Bartlett Road	South Barrington	2014	MC		◆
Autumn Leaves of Vernon Hills	7	500 Atrium Dr	Vernon Hills	2008	MC		◆
Belmont Village of Buffalo Grove	14	500 McHenry Rd	Buffalo Grove	2003	AL, MC	◆	◆
Cedar Lake Assisted Living	4	23830 N Midlothian Rd	Lake Zurich	2014	AL, MC	◆	◆
Church Creek	24	6280 Central Ave	Arlington Heights	1986	CCRC		◆
Covenant Village of Northbrook	18	2625 Techny Rd	Northbrook	1964	CCRC		◆
Emeritus at Hoffman Estates	27	2150 W Golf Rd	Hoffman Estates	1999	AL, MC		◆
Emeritus at Prospect Heights	21	700 E Euclid Ave	Prospect Heights	1995	AL, SNF		◆
Garlands Of Barrington	3	1000 Garlands Ln	Barrington	2002	CCRC		◆
Gidwitz Place For Assisted Living (The Weinberg Community)	17	1551 Lake Cook Rd	Deerfield	1997	AL, MC		◆
Harbor House In Wheeling	15	760 McHenry Rd	Wheeling	1994	MC	◆	◆

*Highlighted communities are set to open in July 2014*

Exhibit 3.2. (continued) Communities in the 5 and 10-Mile PMA

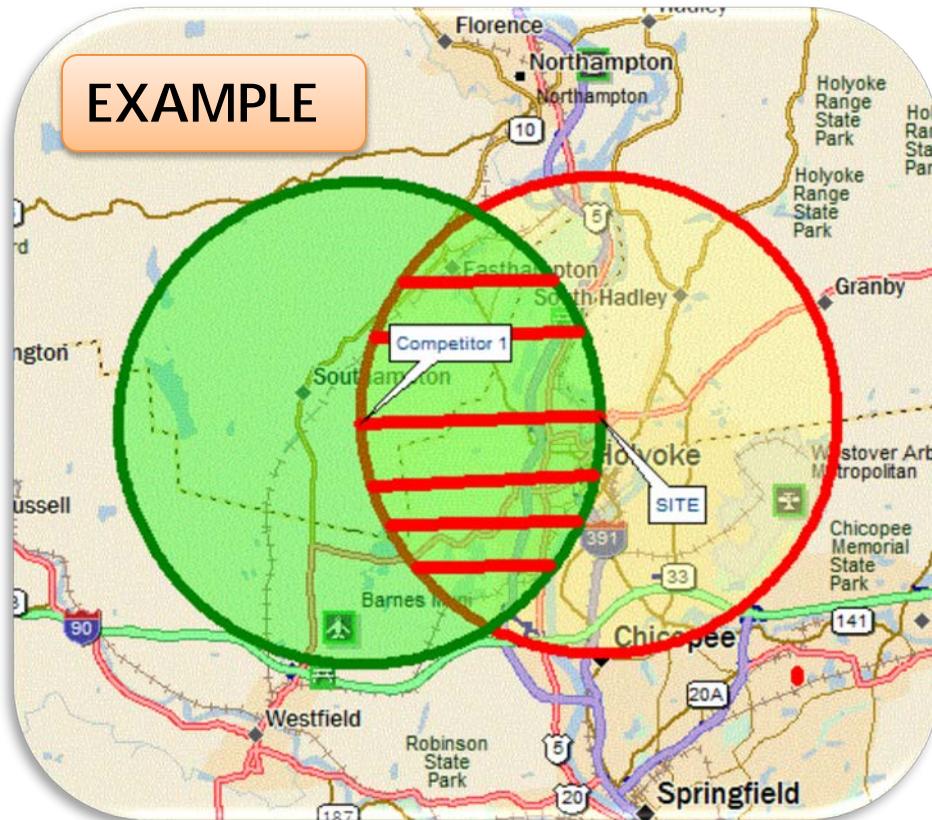
Community	Map Number	Street Address	City	Year Opened	Care Types	5-Mile PMA	10-Mile PMA
Hawthorn Lakes	8	10 E Hawthorn Pkwy	Vernon Hills	1988	IL, AL		◆
Lake Barrington Woods	1	22320 Classic Ct	Barrington	2000	IL, AL		◆
Lutheran Home, The	22	800 W Oakton St	Arlington Heights	1892	AL, SNF		◆
Moorings of Arlington Heights	23	811 E Central Rd	Arlington Heights	1988	CCRC		◆
Park at Vernon Hills	10	145 N Milwaukee Ave	Vernon Hills	2000	IL, AL		◆
Plum Creek Supportive Living	25	2801 Algonquin Rd	Rolling Meadows	2006	AL		◆
Seasons at Glenview Place	19	4501 Concord Ln	Northbrook	2000	IL, AL		◆
Sedgebrook	13	800 Audubon Way	Lincolnshire	2005	CCRC	◆	
Silverado Senior Living - Lake Zurich	5	550 America Ct	Lake Zurich	2006	MC	◆	
Spring Meadows at Libertyville	9	901 Florsheim Dr	Libertyville	2000	IL, AL, MC		◆
Sunrise of Barrington	2	510 W Northwest Hwy	Barrington	2007	AL, MC		◆
Sunrise of Buffalo Grove	12	180 W Half Day Rd	Buffalo Grove	1999	AL, MC	◆	
Sunrise of Schaumburg	26	790 N Plum Grove Rd	Schaumburg	2001	AL, MC		◆
The Wealshire and The Ponds	11	150 Jameston Lake	Lincolnshire	1988	AL, SNF		◆
Victory Centre of Vernon Hills	6	97 W Phillip Rd	Vernon Hills	2012	AL		◆

In addition to the existing facilities in the area, there are five facilities currently in the planning stages. It is unknown whether they will ultimately be constructed, but the preliminary information on each is shown below.

Exhibit 3.3. Projects in Planning in the 5 and 10-Mile PMA

Community	Street Address	City	Status	Care Types & Units Planned	5-Mile PMA	10-Mile PMA
Deer Grove Memory Care (permit originally obtained by CRL Cares)	896 N. Quentin Road	Palatine	Use was approved by Palatine Village Council in 2011	69 units 3 story MC	◆	◆
Harbor Chase	northeast corner of Old Route 53 and Route 83	Long Grove	Application filed	126 units 2 story AL and MC	◆	◆
Springs of Vernon Hills (South Bay Partners)	West side of Milwaukee Ave between North and South Woodbine	Vernon Hills	Received Preliminary Approval from P&Z Commission in Nov. 2013	70 beds single story MC		◆
Autumn Leaves of Arlington Heights (La Salle Group)	1625 S. Arlington Heights Road (north of Golf Road intersection)	Arlington Heights	Approved by Village Scheduled to break ground in 2014, projected opening in 2015	46 units single story MC		◆
Autumn Oaks (La Salle Group)	North Side of Dundee Road, east of the Post Office	Wheeling	Plans files with Village Board in April 2014	92 units 3 story AL & MC		◆

## Explanation of Market Overlap



All else being equal, prospects for age-qualified housing are likely to choose the property closest to their current residence. The closer they are to their social infrastructure (doctors, pharmacy, church, grocery, etc.), the more comfortable they are. Potential residents are less likely to choose a competitive property farther from their current residence.

Additionally, the farther two properties are from one another, the less their market areas overlap. The map illustrates two properties that are 5 miles apart. The red-striped area represents the market overlap for two properties within a 5-mile radius. Less than half the market area for Competitor 1 (in green) is also part of the market area for the site. Therefore, less than half of the competitor's units would be considered direct competition for the site.

## Market Overlap of Competitive Communities in the 5-Mile PMA

The competition is discounted based on market overlap with the proposed community within a 5-mile radius. The farther the competitor is from the proposed community, the less likely it is expected to compete.

After accounting for competitive overlap, there are 174 competitive AL units and 119 competitive MC units within the 5-mile Primary Market Area.

Exhibit 3.4. Market Overlap of Communities in the 5-Mile PMA

Community	Number of Units		Miles from Site	Percent Competitive (based on 5-mile radius)	Number of Competitive Units Based on Market Overlap	
	AL	MC			AL	MC
Addolorata Villa	39	22	4.5	55%	21	12
Belmont Village of Buffalo Grove	90	24	3.0	69%	62	17
Cedar Lake Assisted Living	62	24	4.1	59%	37	14
Harbor House In Wheeling	0	36	4.2	58%	0	21
Sedgebrook	38	0	5.0	50%	19	0
Silverado Senior Living - Lake Zurich	0	59	3.3	67%	0	40
Sunrise of Buffalo Grove	54	24	3.5	65%	35	16
<b>Total Units in 5-Mile PMA</b>	<b>283</b>	<b>189</b>			<b>174</b>	<b>119</b>

## Market Overlap of Competitive Communities in the 10-Mile Market Area

The competition is discounted based on market overlap with the proposed community within a 10-mile radius. The farther the competitor is from the proposed community, the less likely it is expected to compete.

Exhibit 3.5. Market Overlap of Communities in the 10-mile Market Area

Community	Number of Units		Miles from Site	Percent Competitive (based on 10-mile radius)	Number of Competitive Units Based on Market Overlap	
	AL	MC			AL	MC
Addolorata Villa	39	22	4.5	78%	30	17
Arden Courts - Northbrook	0	52	8.8	56%	0	29
Autumn Leaves of South Barrington		46	9.3	54%	0	25
Autumn Leaves of Vernon Hills	0	43	5.5	73%	0	31
Belmont Village of Buffalo Grove	90	24	3.0	85%	77	20
Cedar Lake Assisted Living	62	24	4.1	80%	49	19
Church Creek	13	21	7.2	64%	8	13
Covenant Village of Northbrook	58	0	9.8	51%	30	0
Emeritus at Hoffman Estates	80	24	10.2	50%	40	12
Emeritus at Prospect Heights	104	0	7.7	62%	64	0
Garlands Of Barrington	30	20	5.4	73%	22	15
Gidwitz Place For Assisted Living (The Weinberg Community)	125	35	8.0	60%	75	21
Harbor House In Wheeling	0	36	4.2	79%	0	28
Hawthorn Lakes	55	0	5.8	71%	39	0

## Market Overlap of Competitive Communities in the 10-Mile Market Area

Exhibit 3.5. (continued) Market Overlap of Communities in the 10-mile Market Area

Community	Number of Units		Miles from Site	Percent Competitive (based on 10-mile radius)	Number of Competitive Units Based on Market Overlap	
	AL	MC			AL	MC
Lake Barrington Woods	46	0	9.0	55%	25	0
Lutheran Home, The	100	0	5.3	74%	74	0
Moorings of Arlington Heights	42	0	7.5	63%	26	0
Park at Vernon Hills	54	0	5.8	71%	38	0
Plum Creek Supportive Living	101	0	7.6	62%	63	0
Seasons at Glenview Place	45	0	9.4	53%	24	0
Sedgebrook	38	0	5.0	75%	29	0
Silverado Senior Living - Lake Zurich	0	59	3.3	84%	0	49
Spring Meadows at Libertyville	28	14	7.4	63%	18	9
Sunrise of Barrington	21	24	6.4	68%	14	16
Sunrise of Buffalo Grove	54	24	3.5	83%	45	20
Sunrise of Schaumburg	52	30	9.0	55%	29	17
The Wealshire and The Ponds	94	0	5.3	74%	69	0
Victory Centre of Vernon Hills	120	0	5.6	72%	86	0
<b>TOTAL</b>	<b>1,451</b>	<b>498</b>			<b>973</b>	<b>342</b>

## Market Overlap of Planned Communities (if they are built)

The units in planning are also discounted based on market overlap with the proposed community (within either a 5-mile or 10-mile radius). The farther the planned competitor is from the proposed community, the less likely it is expected to compete.

Exhibit 3.6. Market Overlap of Planned Communities in the 5-Mile PMA

Community	Number of Units		Miles from Site	Percent Competitive (based on 5-mile radius)	Number of Competitive Units Based on Market Overlap	
	AL	MC			AL	MC
Deer Grove Memory Care	0	69	3.5	65%	0	45
Harbor Chase	80	58	1.7	83%	66	48
<b>Total PLANNED Units in the 5-Mile PMA</b>	<b>80</b>	<b>127</b>			<b>66</b>	<b>93</b>

Exhibit 3.7. Market Overlap of Planned Communities in the 10-Mile Market Area

Community	Number of Units		Miles from Site	Percent Competitive (based on 10-mile radius)	Number of Competitive Units Based on Market Overlap	
	AL	MC			AL	MC
Deer Grove Memory Care	0	69	3.5	83%	0	57
Harbor Chase	80	58	1.7	92%	73	53
Springs of Vernon Hills	0	70	5.5	73%	0	51
Autumn Leaves of Arlington	0	46	8.3	59%	0	27
Autum Oaks	60	32	5.8	71%	43	23
<b>Total PLANNED Units in 10-mile Market Area</b>	<b>140</b>	<b>275</b>			<b>116</b>	<b>210</b>

Section 4.

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## **DEMAND 5-MILE PMA**

## Methodology

Exhibit 4.1 provides estimates of market opportunity developed using the ProMatura Demand Model for assisted living apartments for the target market in the primary market area. Demand is projected for the years 2014 and 2019 using estimates for households headed by someone 75+ years of age with annual income of \$35,000+ and \$50,000+.

**Line A: Total Qualified Market:** Claritas, Inc. projects the total number of households headed by someone 75+ years of age with annual income of \$35,000+ and \$50,000+. These totals are not cumulative because the number of 75+ households with \$35,000+ in annual income includes households with income of \$50,000+.

**Line B: Total Demand from Within the Market:** Using the ProMatura Demand Model, assisted living demand is from 75+ households with incomes of \$35,000+ and \$50,000+ in the PMA.

**Line C: Placed by Family Member:** The ProMatura Demand Model was built on decisions made by 60+ households and does not take into account decisions of children to move their parents to an assisted living residence. A separate research study of 1,023 residents in 178 communities across the United States shows that of the residents, 32.8 % move to an assisted living residence as a result of the decision of someone other than themselves. To accurately project assisted living demand, the demand figures are increased by 32.8 %. Many of the 32.8% moved to the community to be closer to their adult children.

**Line D: Percent of Demand from Outside the PMA:** The ProMatura Demand Model projects an increase in demand to account for the demand created by households not currently living in the PMA. Depending on the economic characteristics of the geographical area in which the subject site is, or is going to be located, a percentage of the demand may come from households not living in the PMA. It is here also that an additional "adult child" market is recognized.

**Line E: Households Drawn from Outside the PMA:** The total demand from Lines B and C is divided by the percent of demand assumed to come from within the PMA (determined in Line D) to give the total estimated demand. The demand from within the PMA is subtracted from this total and the net difference is assumed to come from outside the PMA.

**Line F: Total Estimated Demand:** The total estimated demand for assisted living in the PMA, based on census estimates for the years 2014 and 2019 (the sum of Lines B, C and E), is projected among households headed by someone 75+ with annual income of \$35,000+ and \$50,000+.

**Line G: Number of Competitive Units in the Market Area:** The number of assisted living units currently serving the market that have been deemed to be in direct competition with the units in or proposed for the subject property.

**Line H: Forecasted Number of Competitive Units in the Market Area:** The total number of assisted living units that might be serving the market in the near future (if all planned projects are developed) that have been deemed to be in direct competition with the units in or proposed for the subject property.

**Line I: Annual Turnover of Competitive Units:** The number of units listed on Line G on Line H that will turn over each year, based on the statistics from the American Seniors Housing Association.

**Line J: Estimated Market Opportunity for Additional Units:** Projected assisted living market opportunity, or demand in excess of supply, among households 75+ with annual income of \$35,000+ and \$50,000+ for years 2014 and 2019.

Exhibit 4.1. Estimated Annual Market Opportunity for Assisted Living  
in the 5-mile PMA

		Income Segment:		\$35,000+ Annual Income		\$50,000+ Annual Income	
		Year:		2014	2019	2014	2019
A.	Total Qualified Market (75+ Households)			3,659	4,311	2,472	2,992
B.	Total Demand within the Market			157	180	88	104
C.	Placed by Family Members (32.8%)			52	59	29	34
D.	Percent of Demand from Outside PMA			30%		30%	
E.	Households Drawn from Outside the PMA			67	77	38	45
F.	<b>TOTAL ESTIMATED MARKET OPPORTUNITY (B+C+E)</b>			<b>276</b>	<b>316</b>	<b>154</b>	<b>183</b>
G.	Number of Competitive Units in Market Area			174		174	
H.	Forecasted Number of Competitive Units in Market Area (if all identified units in planning are built – additional 66 units)				240		240
I.	Annual Turnover in Competitive Units (54.4% )			95	131	95	131
J.	<b>ESTIMATED MARKET OPPORTUNITY FOR ADDITIONAL UNITS (F-I)</b>			<b>182</b>	<b>185</b>	<b>60</b>	<b>52</b>

If none of the units in planning are built, the market opportunity in 2019 would be 221 and 88 units, respectively, among households with \$35,000 income and \$50,000 income. This is calculated using line F minus the turnover in existing competitive units (95 units).

## Methodology

Demand projections for individuals with mild-to-moderate Alzheimer's symptoms among households 65+ with \$35,000+ or \$50,000+ income for the years 2014 and 2019. Need is projected using prevalence rates of Alzheimer's disease from the National Institute on Aging as presented in the *Archives of Neurology*. Each line item in Exhibit 4.2 - 4.5 is described below:

**Line A: Total Qualified Market:** Claritas, Inc. projects the number of individuals 65+ years of age with annual income of \$35,000+ or \$50,000+ in the PMA for year studied.

**Line B: Alzheimer's Prevalence Rate:** The percent of the population believed to have Alzheimer's disease or some form of dementia (Prevalence Rate) is shown for three age cohorts (65 to 74, 75 to 84 and 85+).

**Line C: Income Qualified Population with Alzheimer's Symptoms:** In the PMA, the estimated numbers of individuals 65+ years of age with annual incomes of \$35,000+ and \$50,000 or more who have Alzheimer's disease (Line A x Line B).

**Line D: Percent of Alzheimer's Patients Cared for Outside the Home:** The Alzheimer's Association estimates that 30% of those with Alzheimer's disease are cared for outside the home.

**Line E: Number of Alzheimer's Patients Cared for Outside the Home:** Total number of individuals in the PMA who are estimated to have Alzheimer's disease or a related disorder requiring care outside the home.

**Line F: Percent of Population with Alzheimer's Disease who are Classified as "Severe":** Estimates from *Archives of Neurology* show the percent by age segment of those with Alzheimer's disease whose symptoms are classified as "severe." An individual with severe Alzheimer's symptoms generally requires skilled nursing care and cannot be cared for in an assisted living Alzheimer's setting. Those who have "severe" Alzheimer's disease will likely be cared for outside the home.

**Line G: Number with "Severe" Alzheimer's:** The total number of individuals with Alzheimer's disease who have symptoms that are classified as "severe" (Line C x Line F).

**Line H: Number of Individuals in the PMA with Mild-to-Moderate Alzheimer's Disease Cared for Outside the Home:** The estimated number of individuals 65+, with annual incomes of \$35,000+ or \$50,000 or more in the PMA, who have mild-to-moderate Alzheimer's symptoms and need care outside the home (Line E – Line G).

**Line I: Demand from Outside the PMA:** Based on economic conditions and the size of the PMA, the proportion of demand/need that will come from households not currently living in the PMA.

**Line J: Total Need for Alzheimer's Care in Assisted Living:** The number of individuals who will need Alzheimer's care provided by the subject property at the designated location.

**Line K: Number of Alzheimer's Units in the Primary Market Area:** The number of memory care units currently serving the market that have been deemed to be in direct competition with the units in or proposed for the subject property. For the year 2019, this line will also include those units in the planning stages that are deemed to be in direct competition.

## Methodology (Continued)

**Line L: Annual Turnover in Competitive Units:** The number of units listed on Line K that will turn over each year, based on the statistics from the American Seniors Housing Association.

**Line M: Assisted Living Alzheimer's Need:** The total need for additional memory care units (demand in excess of supply) in an assisted living setting.

Exhibit 4.2. Estimated Annual Need in the 5-Mile PMA for Memory Care \$35,000+ (2014)

	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$35,000+</b> )	11,853	4,282	1,360	17,495
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	190	835	588	1,612
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	57	250	176	484
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	32	167	165	364
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	25	83	12	120
I. Demand from Outside the PMA (+30%)	11	36	5	51
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>171</b>
K. Number of Alzheimer's Units in the PMA				119
L. Annual Turnover in Competitive Units (50.3%)				60
<b>M. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>111</b>

Exhibit 4.3. Estimated Annual Need in the 5-Mile PMA for Memory Care \$35,000+ (2019)				
	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$35,000+</b> )	16,043	5,180	1,459	22,682
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	257	1,010	630	1,897
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	77	303	189	569
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	44	202	176	422
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	33	101	13	147
I. Demand from Outside the PMA (+30%)	14	43	5	63
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>210</b>
K. Number of Alzheimer's Units in the PMA (assuming all identified units in planning are built)				212
L. Annual Turnover in Competitive Units (50.3%)				107
<b>M. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>103</b>

If none of the units in planning are built, the market opportunity in 2019 would be 150 units. This is calculated using line J minus the turnover in existing units (line L, from exhibit 4.2).

Exhibit 4.4. Estimated Annual Need in the 5-Mile PMA for Memory Care \$50,000+ (2014)				
	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$50,000+</b> )	9,596	2,925	884	13,406
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	154	570	382	1,106
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	46	171	115	332
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	26	114	107	247
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	20	57	8	85
I. Demand from Outside the PMA (+30%)	9	24	3	36
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>121</b>
K. Number of Alzheimer's Units in the PMA				119
L. Annual Turnover in Competitive Units (50.3%)				60
<b>M. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>61</b>

Exhibit 4.5. Estimated Annual Need in the 5-Mile PMA for Memory Care \$50,000+ (2019)				
	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$50,000+</b> )	13,243	3,641	964	17,848
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	212	710	416	1,338
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	64	213	125	401
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	36	142	117	295
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	28	71	8	107
I. Demand from Outside the PMA (+30%)	12	30	4	46
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>153</b>
K. Number of Alzheimer's Units in the PMA (assuming all identified units in planning are built)				212
L. Annual Turnover in Competitive Units (50.3%)				107
<b>N. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>46</b>

If none of the units in planning are built, the market opportunity in 2019 would be 93 units. This is calculated using line J minus the turnover in existing units (line L, from exhibit 4.4).

Section 5.

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## **DEMAND 10-MILE MARKET AREA**

## Methodology

Exhibit 5.1 provides estimates of market opportunity developed using the ProMatura Demand Model for assisted living apartments for the target market in the primary market area. Demand is projected for the years 2014 and 2019 using estimates for households headed by someone 75+ years of age with annual income of \$35,000+ and \$50,000+.

**Line A: Total Qualified Market:** Claritas, Inc. projects the total number of households headed by someone 75+ years of age with annual income of \$35,000+ and \$50,000+. These totals are not cumulative because the number of 75+ households with \$35,000+ in annual income includes households with income of \$50,000+.

**Line B: Total Demand from Within the Market:** Using the ProMatura Demand Model, assisted living demand is from 75+ households with incomes of \$35,000+ and \$50,000+ in the PMA.

**Line C: Placed by Family Member:** The ProMatura Demand Model was built on decisions made by 60+ households and does not take into account decisions of children to move their parents to an assisted living residence. A separate research study of 1,023 residents in 178 communities across the United States shows that of the residents, 32.8 % move to an assisted living residence as a result of the decision of someone other than themselves. To accurately project assisted living demand, the demand figures are increased by 32.8 %. Many of the 32.8% moved to the community to be closer to their adult children.

**Line D: Percent of Demand from Outside the PMA:** The ProMatura Demand Model projects an increase in demand to account for the demand created by households not currently living in the PMA. Depending on the economic characteristics of the geographical area in which the subject site is, or is going to be located, a percentage of the demand may come from households not living in the PMA. It is here also that an additional "adult child" market is recognized.

**Line E: Households Drawn from Outside the PMA:** The total demand from Lines B and C is divided by the percent of demand assumed to come from within the PMA (determined in Line D) to give the total estimated demand. The demand from within the PMA is subtracted from this total and the net difference is assumed to come from outside the PMA.

**Line F: Total Estimated Demand:** The total estimated demand for assisted living in the PMA, based on census estimates for the years 2014 and 2019 (the sum of Lines B, C and E), is projected among households headed by someone 75+ with annual income of \$35,000+ and \$50,000+.

**Line G: Number of Competitive Units in the Market Area:** The number of assisted living units currently serving the market that have been deemed to be in direct competition with the units in or proposed for the subject property.

**Line H: Forecasted Number of Competitive Units in the Market Area:** The total number of assisted living units that might be serving the market in the near future (if all planned projects are developed) that have been deemed to be in direct competition with the units in or proposed for the subject property.

**Line I: Annual Turnover of Competitive Units:** The number of units listed on Line G on Line H that will turn over each year, based on the statistics from the American Seniors Housing Association.

**Line J: Estimated Market Opportunity for Additional Units:** Projected assisted living market opportunity, or demand in excess of supply, among households 75+ with annual income of \$35,000+ and \$50,000+ for years 2014 and 2019.

Exhibit 5.1. Estimated Annual Market Opportunity for Assisted Living  
in the 10-mile Market Area

		Income Segment:		\$35,000+ Annual Income		\$50,000+ Annual Income	
		Year:		2014	2019	2014	2019
A.	Total Qualified Market (75+ Households)	14,167	16,007	9,569	11,113		
B.	Total Demand within the Market	628	693	350	402		
C.	Placed by Family Members (32.8%)	206	227	115	132		
D.	Percent of Demand from Outside PMA	30%		30%			
E.	Households Drawn from Outside the PMA	269	297	150	172		
F.	<b>TOTAL ESTIMATED MARKET OPPORTUNITY (B+C+E)</b>	<b>1,104</b>	<b>1,217</b>	<b>616</b>	<b>706</b>		
G.	Number of Competitive Units in Market Area	973		973			
H.	Forecasted Number of Competitive Units in Market Area (if all identified units in planning are built – additional 66 units)		1,089		1,089		
I.	Annual Turnover in Competitive Units (54.4% )	529	592	529	592		
J.	<b>ESTIMATED MARKET OPPORTUNITY FOR ADDITIONAL UNITS (F-I)</b>	<b>574</b>	<b>625</b>	<b>86</b>	<b>114</b>		

If none of the units in planning are built, the market opportunity in 2019 would be 688 and 177 units, respectively, among households with \$35,000 income and \$50,000 income. This is calculated using line F minus the turnover in existing competitive units (529 units).

## Methodology

Demand projections for individuals with mild-to-moderate Alzheimer's symptoms among households 65+ with \$35,000+ or \$50,000+ income for the years 2014 and 2019. Need is projected using prevalence rates of Alzheimer's disease from the National Institute on Aging as presented in the *Archives of Neurology*. Each line item in Exhibit 5.2 - 5.5 is described below:

**Line A: Total Qualified Market:** Claritas, Inc. projects the number of individuals 65+ years of age with annual income of \$35,000+ or \$50,000+ in the PMA for year studied.

**Line B: Alzheimer's Prevalence Rate:** The percent of the population believed to have Alzheimer's disease or some form of dementia (Prevalence Rate) is shown for three age cohorts (65 to 74, 75 to 84 and 85+).

**Line C: Income Qualified Population with Alzheimer's Symptoms:** In the PMA, the estimated numbers of individuals 65+ years of age with annual incomes of \$35,000+ and \$50,000 or more who have Alzheimer's disease (Line A x Line B).

**Line D: Percent of Alzheimer's Patients Cared for Outside the Home:** The Alzheimer's Association estimates that 30% of those with Alzheimer's disease are cared for outside the home.

**Line E: Number of Alzheimer's Patients Cared for Outside the Home:** Total number of individuals in the PMA who are estimated to have Alzheimer's disease or a related disorder requiring care outside the home.

**Line F: Percent of Population with Alzheimer's Disease who are Classified as "Severe":** Estimates from *Archives of Neurology* show the percent by age segment of those with Alzheimer's disease whose symptoms are classified as "severe." An individual with severe Alzheimer's symptoms generally requires skilled nursing care and cannot be cared for in an assisted living Alzheimer's setting. Those who have "severe" Alzheimer's disease will likely be cared for outside the home.

**Line G: Number with "Severe" Alzheimer's:** The total number of individuals with Alzheimer's disease who have symptoms that are classified as "severe" (Line C x Line F).

**Line H: Number of Individuals in the PMA with Mild-to-Moderate Alzheimer's Disease Cared for Outside the Home:** The estimated number of individuals 65+, with annual incomes of \$35,000+ or \$50,000 or more in the PMA, who have mild-to-moderate Alzheimer's symptoms and need care outside the home (Line E – Line G).

**Line I: Demand from Outside the PMA:** Based on economic conditions and the size of the PMA, the proportion of demand/need that will come from households not currently living in the PMA.

**Line J: Total Need for Alzheimer's Care in Assisted Living:** The number of individuals who will need Alzheimer's care provided by the subject property at the designated location.

**Line K: Number of Alzheimer's Units in the Primary Market Area:** The number of memory care units currently serving the market that have been deemed to be in direct competition with the units in or proposed for the subject property. For the year 2019, this line will also include those units in the planning stages that are deemed to be in direct competition.

## Methodology (Continued)

**Line L: Annual Turnover in Competitive Units:** The number of units listed on Line G that will turn over each year, based on the statistics from the American Seniors Housing Association.

**Line M: Assisted Living Alzheimer's Need:** The total need for additional memory care units (demand in excess of supply) in an assisted living setting.

Exhibit 5.2. Estimated Annual Need in the 10-Mile Market Area for Memory Care \$35,000+ (2014)

	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$35,000+</b> )	40,629	15,976	5,633	62,238
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	650	3,115	2,434	6,199
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	195	935	730	1,860
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	111	623	681	1,415
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	85	312	49	445
I. Demand from Outside the PMA (+30%)	36	134	21	191
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>635</b>
K. Number of Alzheimer's Units in the PMA				342
L. Annual Turnover in Competitive Units (50.3%)				172
<b>M. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>463</b>

Exhibit 5.3. Estimated Annual Need in the 10-Mile Market Area for Memory Care \$35,000+ (2019)				
	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$35,000+</b> )	53,002	18,444	5,961	77,408
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	848	3,597	2,575	7,020
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	254	1079	773	2,106
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	144	719	721	1,585
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	110	360	52	521
I. Demand from Outside the PMA (+30%)	47	154	22	223
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>745</b>
K. Number of Alzheimer's Units in the PMA (assuming all identified units in planning are built)				552
L. Annual Turnover in Competitive Units (50.3%)				278
<b>M. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>467</b>

If none of the units in planning are built, the market opportunity in 2019 would be 573 units. This is calculated using line J minus the turnover in existing units (line L, from exhibit 5.2).

Exhibit 5.4. Estimated Annual Need in the 10-Mile Market Area for Memory Care \$50,000+ (2014)					
		65 to 74	75 to 84	85+	Total
A.	Total Qualified Market ( <b>\$50,000+</b> )	32,535	10,924	3,668	47,127
B.	Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C.	Income Qualified Population with Alzheimer's Disease	521	2,130	1,585	4,235
D.	Percent of Alzheimer's Patients Cared for Outside Home	30%			
E.	Number of Alzheimer's Patients Cared for Outside Home	156	639	475	1,271
F.	Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G.	Number with Severe Alzheimer's Disease (Line C x Line F)	88	426	444	958
H.	Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	68	213	32	312
I.	Demand from Outside the PMA (+30%)	29	91	14	134
J.	<b>Total Need for Alzheimer's Care in Assisted Living</b>				<b>446</b>
K.	Number of Alzheimer's Units in the PMA				342
L.	Annual Turnover in Competitive Units (50.3%)				172
M.	<b>Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>274</b>

Exhibit 5.5. Estimated Annual Need in the 10-Mile Market Area for Memory Care \$50,000+ (2019)				
	65 to 74	75 to 84	85+	Total
A. Total Qualified Market ( <b>\$50,000+</b> )	43,320	12,970	3,970	60,260
B. Prevalence Rate of Alzheimer's Disease	1.6%	19.5%	43.2%	
C. Income Qualified Population with Alzheimer's Disease	693	2,529	1,715	4,937
D. Percent of Alzheimer's Patients Cared for Outside Home	30%			
E. Number of Alzheimer's Patients Cared for Outside Home	208	759	515	1,481
F. Percent with Severe Alzheimer's Disease	17.0%	20.0%	28.0%	
G. Number with Severe Alzheimer's Disease (Line C x Line F)	118	506	480	1,104
H. Number of Persons with Mild-to-Moderate Alzheimer's Cared for Outside the Home (Line E - Line G)	90	253	34	377
I. Demand from Outside the PMA (+30%)	39	108	15	162
<b>J. Total Need for Alzheimer's Care in Assisted Living</b>				<b>539</b>
K. Number of Alzheimer's Units in the PMA (assuming all identified units in planning are built)				552
L. Annual Turnover in Competitive Units (50.3%)				278
<b>N. Assisted Living Alzheimer's Need (Line J- Line L)</b>				<b>261</b>

If none of the units in planning are built, the market opportunity in 2019 would be 367 units. This is calculated using line J minus the turnover in existing units (line L, from exhibit 5.4).

Section 6.

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## **CLARITAS**

### Claritas

All demographic data in this report were obtained from Claritas. Since 1971, Claritas has been the pre-eminent source of accurate, up-to-date demographic data and target marketing information about the population in any specific geographic market area in the United States.

Claritas is a Nielsen company. A global leader in demographic and market segmentation research, Nielsen includes AC Nielsen, Nielsen Media Research, Spectra Marketing Systems, and Scarborough Research, among others.