



Community and Economic Development in North Carolina and Beyond Blog: Finding the Hard Numbers for a Rising Problem: A Method of Calculating Demand for Affordable Senior Housing

By CED Program Interns & Students

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The supply of affordable senior rental housing is a growing concern across North Carolina. The source of this problem is linked to North Carolina's growing senior population and a rising overall demand for affordable rental housing. As mentioned in a previous blog post, by the year 2050, according to the US Census, the nation's senior population is expected to almost double. At the same time, North Carolina is one of the top states in relative baby boomer growth; a fact that comes as no surprise to those choosing to relocate to North Carolina for retirement.

Throughout the country's slow recovery from the Great Recession, the housing market has gained steam mostly because of rental demand. According to a report from the Joint Center for Housing Studies of Harvard, the nation's share of renter's is 36%, and the current rental housing market is at its tightest since the 1960's. Vacancy rates are at a five-year low. During the beginning of the housing market recovery, a significant share of new rental properties resulted from the conversion of former owner-occupied dwellings. Today, this reconfiguration has slowed and new building is picking up, though newer rental housing is mostly targeted towards those with higher incomes.

Affordable housing construction, on the other hand, has not picked up to the same degree. The number of cost-burdened renter households (households paying more than 30% of their income for housing) has risen to historic levels, increasing by 3.6 million from 2008 to 2014. During this time, those paying 50% or more of their income for housing jumped by 2.1 million. Rudimentary supply and demand economic theory gives us an explanation for this phenomenon. A rise in the price of rents reflects an increase in demand for this type of housing. Using the benchmark for housing affordability provided by the US Department of Housing and Urban Development at 30% of one's income, it is apparent that housing supply and its current demand are not at equilibrium. Affordable renter housing supply is constrained.

Types of Senior Housing

In trying to address the lack of affordable housing for seniors, many communities are seeking proper ways to define the problem with hard numbers. To do so requires knowledge of senior housing types and an analysis of senior housing demand. The American Seniors Housing Association classifies seniors housing into the following six types:

1. **Active Adult Communities:** Active Adult Communities are homes that are for sale with no special services and are restricted to adults over the age of 55.
2. **Senior Apartments:** Senior Apartments are properties that may or may not offer limited rental amenities and are also age restricted.
3. **Independent Living Communities:** For a monthly fee, Independent Living Communities include amenities such as access to meals, transportation, and they often include assistance with daily living activities. Independent Living Communities may also offer support for residents who suffer from forms of dementia.
4. **Assisted Living Residence:** Assisted Living Residences are properties that are state regulated and have trained professionals to help with daily living activities.
5. **Nursing homes:** Nursing homes are senior facilities for individuals who require 24-hour nursing or medical care.
6. **CCRCs, or Continuing Care Retirement Communities:** CCRCs are properties that typically includes a mixture of services listed in the types above. Many, however, do not include licensed skilled nursing beds.



Knowledge of different property types allows for communities to know what to look for when inquiring about the current senior housing stock. This, in turn, allows for a targeted investigation into various types of senior housing demand.

Calculating Need

An analysis for calculating the need of senior housing demand in a specific market area can be done in many ways but what follows is one method curated from a number of industry experts specifically for calculating demand for affordable senior apartments, which are age restricted rental apartments that typically offer limited amenities. This analysis can essentially be broken down into three phases: a compilation of information of the current senior apartment housing stock, a compilation of economic and demographic data, and a synthesis or mathematical framework of the two sets of information. The table below illustrates an analysis of demand for affordable senior apartments in Lenoir County, North Carolina.

Lenoir County Example

Lenoir County: Senior Households with income less than \$24,999			
Age Cohort of Household	Assumptions	2015 Households	2020 Households (Projected)
55-64		1,761	1,487
65-74		1,388	1,413
75+		1,568	1,559
Assistance with Daily Living (ADL) not required			
55-64	93%	1,645	1,389
65-74	69%	952	969
75+(blended)	40%	630	627
% Renter Households	35%	1,136	1,051
Total Potential Market Base		1,136	1,051
Minus Existing Supply of Affordable Senior Units		- 471	- 471
Projected Demand for Affordable Senior Housing		665 units	580 units

Stratify by age and income

This example analyzes supply and demand for rental housing among a very specific submarket – seniors 55 and older with incomes of less than \$25,000. These parameters were chosen based on the income and age limitation of existing affordable senior apartments in Lenoir County. Lenoir County, like many other rural counties in North Carolina, is losing population overall. However, the number of seniors in Lenoir County aged 65 to 74 is expected to increase slightly.

Narrow by senior housing type

This analysis seeks to understand demand for affordable senior rental apartments. Unlike some of the other senior housing types described above, such as nursing homes or assisted living, senior apartments, the subject of the example analysis above, do not provide its residents with assistance with instrumental activities of daily living or ADL. Examples of



ADL include meal preparation, assistance with taking medication, or bathing. The Agency for Healthcare Policy and Research provides estimates as to what percent of seniors, by age cohort, require assistance with activities of daily living. In the example above, these assumptions are applied to Lenoir County low-income senior households in order to estimate what percent of seniors, by age cohort, would be able to live independently in senior rental apartments.

The resulting number is multiplied by the county's percentage of renters, in this case 35%. This figure reveals the total potential market base for senior apartments in the county.

Analyzing supply

This analysis requires an inquiry into both demand and supply. In order to analyze supply, one must survey all of the existing senior apartments in Lenoir County. This analysis found that Lenoir County had 471 existing affordable senior rental apartments, with an average occupancy rate of 95%. There were no new affordable senior rental apartments in the pipeline for the future. The existing supply is then subtracted from the total potential market base.

Conclusion

This method for calculating affordable senior housing need is useful to many who occupy different roles in the community development process and should be checked against other demand indicators such as senior housing waiting lists. As with any method for calculating demand, certain assumptions were made that affect the numbers presented. It is important for each community to establish its own method of calculation for who needs affordable housing as to be comfortable with the assumptions inherent within.

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