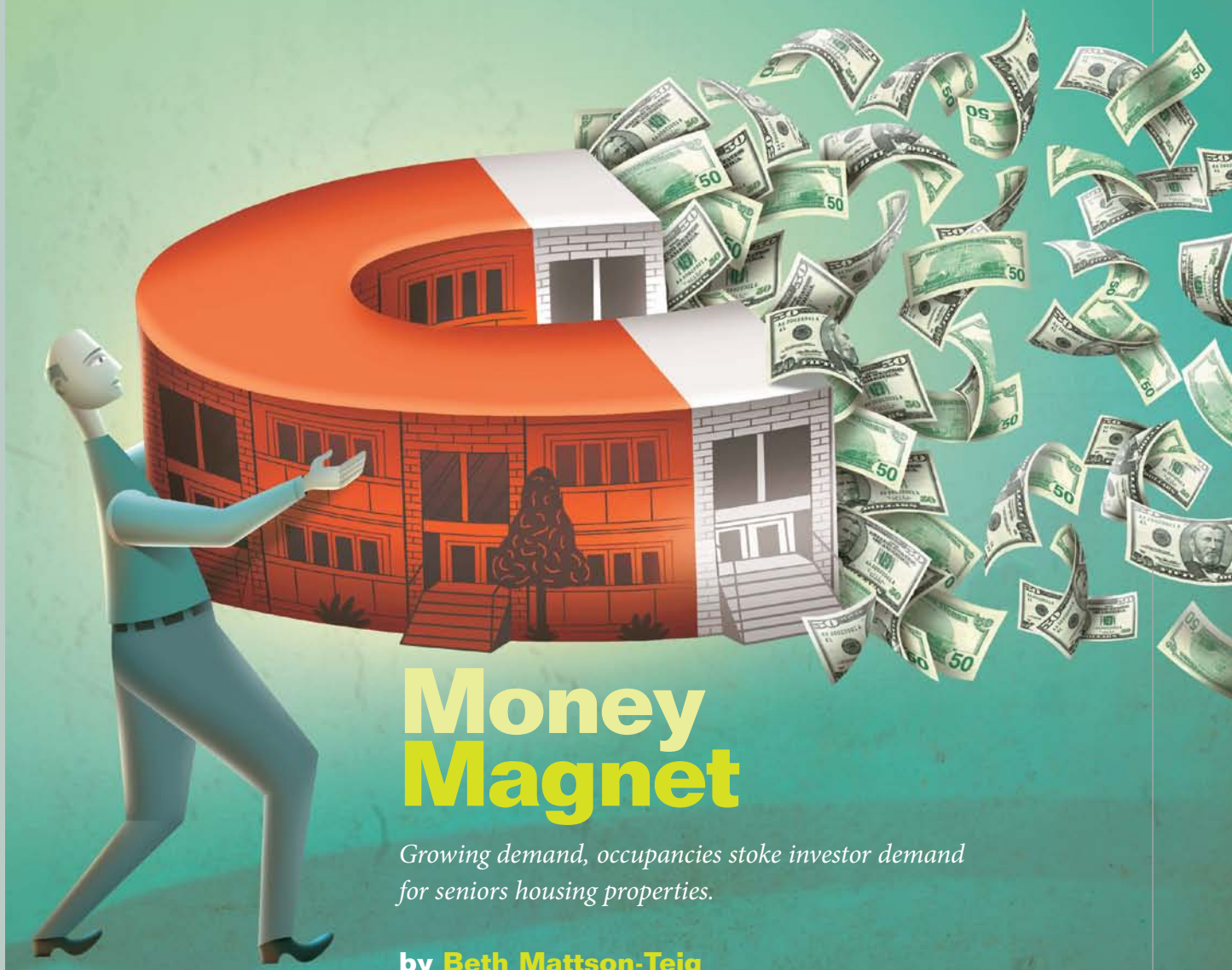


Money Magnet

Growing demand, occupancies stoke investor demand for seniors housing properties.

by Beth Mattson-Teig
Illustration by Shane McGowan

The stars appear to be lining up in favor of a bull run in the seniors housing sector. Exclusive results from a study conducted jointly by *NREI* and the National Investment Center for the Seniors Housing & Care Industry (NIC) shows that respondents are optimistic on their outlook for the sector. Market fundamentals are expected to continue to improve and most believe that capital will be readily available for acquisitions, refinancing and new construction. Those factors are helping to fuel investor appetites for additional seniors housing properties.

Meeting Client Needs in a Changing Environment

Tom Goodsite is a managing director with Prudential Mortgage Capital Company. In this role, he is responsible for growing and expanding Prudential's leadership position in senior housing lending.

Q. What is the most important message you would like the senior housing market to know about Prudential Mortgage Capital Company?

A We are one of the top lenders in the commercial mortgage market. Prudential Mortgage Capital Company was responsible for $15.8 billion in financing in 2013— with 25 percent of our total production coming from agency originations. We have been a consistent and active lender in senior housing since 1991 having lent $487 million in the space last year and over $1.6 billion over the last three years. We bring a lot to the table, offering our clients unique products and unparalleled assets.

Q What are your thoughts on the "value-added" strategies we are seeing in the market, specifically, the investor/developer trend to buy older, existing, properties in need of modest renovations or add additional memory care wings in order to make them more competitive with newer properties?

A There are many properties in the market in need of moderate renovation or expansion. Here at Prudential Mortgage Capital, we began to see these opportunities a few years ago in the multifamily space, and while we have always selectively provided construction or repositioning loans, in 2013 we launched our Expanded Agency Gateway Program, essentially a bridge lending program for apartments. It offers low-rate, interest-only, non-recourse financing for moderate renovations. We are currently looking to expand this program to include senior housing loans to better address the financial needs of our clients within that segment of the market. Typical loan terms are two-to-three years with extension options available.

Q How is Prudential Mortgage Capital addressing the changing dynamics in the marketplace?

A Changing market trends have led to a decline in the number of senior living property owners seeking debt. That has decreased supply of product available to finance. Nevertheless, Fannie Mae and Freddie Mac increased 2013 production in seniors to $1.6 billion and $900 million respectively relative to their 2012 production of approximately $1.2 billion and $650 million. Additionally Prudential Mortgage Capital's GSE and general account production volumes have steadily increased during the last three years to more than $15 billion for 2013.

Q How has Prudential Mortgage Capital Company differentiated itself in the market?

A The real strength of Prudential Mortgage Capital is the broad range of products that we can offer our clients. Our suite of products ranges from traditional Fannie Mae and Freddie Mac to FHA, conduit, and other proprietary programs across all asset classes and property types. In 2013, we provided loans on senior living properties ranging from $5 million to our largest senior living transaction of over $200 million on a prestabilized portfolio of assets.

Our strategy is to provide the financial resources our clients need, whether it's a bridge loan to add value to an existing building, a refinance, or funding for new construction, Prudential Mortgage Capital understands that each client has different needs. Our job is to listen and find the solution that "green lights" their next project.

Tom Goodsite
Managing Director
Prudential Mortgage Capital Company

"Every day there are more and more people getting into the marketplace," says David Rothschild, an executive vice president and leader of the CBRE National Senior Housing Group in San Diego. REITs, public and private equity firms, and foreign investors are all chasing acquisition opportunities. There is a tremendous amount of capital in the marketplace; the demographics of an aging population are setting the stage for overwhelming demand; and new development remains in check. Added to that is the fact that seniors housing yields are very attractive compared to some other asset classes. "Couple that with the fact that we have become more of an acceptable core asset, and the level of activity is very strong," says Rothschild.

Seniors housing property sales reached $15 billion last year, according to data from Real Capital Analytics. The majority of respondents to the joint survey expect the pace of activity to meet or even exceed that level in the coming 12 months. Nearly half of respondents (49 percent) expect the volume of seniors housing property sales transactions to increase over the next 12 months, while a nearly equal amount (46 percent) expect transaction volume to remain about the same. Only 5 percent expect investment sales to decline.

"It appears that investors in other asset types are seeing the benefit of the baby boomer demographic aging into the seniors housing marketplace, thereby making the decision to include seniors housing in their real estate portfolio," says Ken Carriero, CCIM, a senior vice president and national director of the Colliers International Seniors Housing Group in Clearwater, Fla.

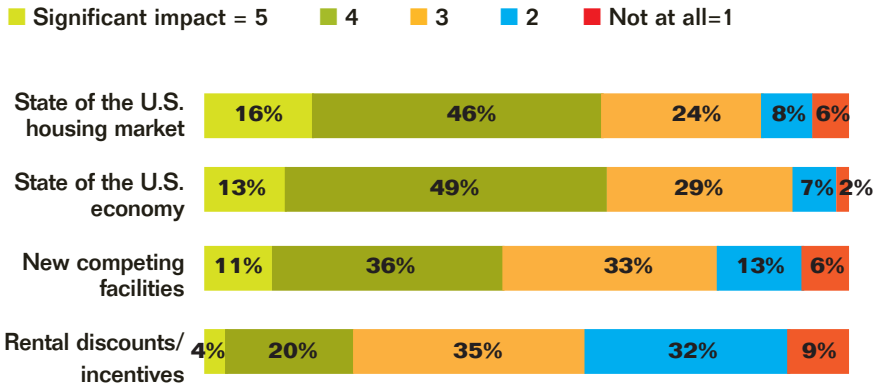
That existing and new interest in the sector is fueling stiff competition for acquisitions. There are more investors and owner-operators seeking to purchase seniors housing assets with a limited amount of competitively priced and stabilized properties available for acquisition. "In my estimation, if there were more viable assets available for purchase it could surpass the buying frenzy we experienced before the real estate meltdown in 2008," says Carriero. For every facility Carriero brings to the market, he is attracting 30 to 40 interested buyers within the first week.

"In my estimation, if there were more viable assets available for purchase it could surpass the buying frenzy we experienced before the real estate meltdown in 2008."

Extenuating Factors

The state of the U.S. housing market and U.S. economy in general have had the biggest impact on occupancy rates at seniors housing facilities.

To what extent have each of the following factors affected the occupancy rates at seniors housing facilities in the past six months?



Base all respondents (number of respondents varies from 213–214)

Sources: NREI, NIC

Buyer demand grows

Nearly half of survey respondents (45 percent) said they plan to buy more seniors housing properties over the next 12 months, while 40 percent plan to hold and only 15 percent plan to sell property.

Certainly, REITs have been an active acquirer of seniors housing properties. "This has been a very aggressive growth period for us for the last four to five years," says Charles J. Herman, Jr., an executive vice president at Toledo, Ohio-based Health Care REIT Inc. and president of the company's Seniors Housing and Post-Acute division. Last year, the company completed $5 billion in acquisitions and that pace has continued into 2014. The company completed $1.4 billion in acquisitions during the first half of the year and had a flurry of new deal announcements in August that totaled a further $1.5 billion. For example, the company recently announced plans to

acquire HealthLease Properties REIT and its 53-property portfolio for $950 million.

"There is a lot of capital flowing into the sector, and it has been that way for a couple of years," says Herman. Seniors housing has been one of the top performing asset classes on the NCREIF Property Index. Also, there are great demographics and there is a shortage of good product for seniors, he adds.

The competition is putting pressure on cap rates. Although nearly one in three respondents (39 percent) expect an increase in cap rates in the coming 12 months, the majority of respondents expect cap rates to decline further (28 percent) or remain the same (33 percent).

Cap rates in primary markets have been hovering in the 7.0 to 7.5-percent range, while cap rates in the secondary markets are in the high 7 percent to low 8 percent range, notes Carriero. For example, he recently brokered the sale of a 200-bed independent living and assisted living facility in upstate New York. The class-C property sold for $10 million and a cap rate of 7.9 percent.

Occupancies notch gains

The seniors housing sector weathered the recession well compared to other property types and it continues to have a strong outlook thanks to favorable demographics. The nation's 65-and-older population is expanding and projected to reach 83.7 million in the year 2050, almost double the 2012 level of 43.1 million, according to the U.S. Census Bureau. Seniors housing also was one of the best-performing asset classes during the financial crisis and has very favorable risk-return characteristics. "I think people have really begun to understand the great fundamentals in the business," Lori Wittman, senior vice president of capital markets and investor relations at Ventas Inc. in Chicago.

According to NIC data, the occupancy rate for independent living properties and assisted living properties averaged 90.5 percent and 89.0 percent respectively during the second quarter of 2014. Independent living occupancy increased by 0.3 percentage points, while assisted living occupancy decreased by 0.1 percentage points compared to the prior quarter. The occupancy rate for independent living is now 3.7 percentage points above its cyclical low, while the occupancy rate of assisted living is 2.4 percentage points above its low point, according to NIC.

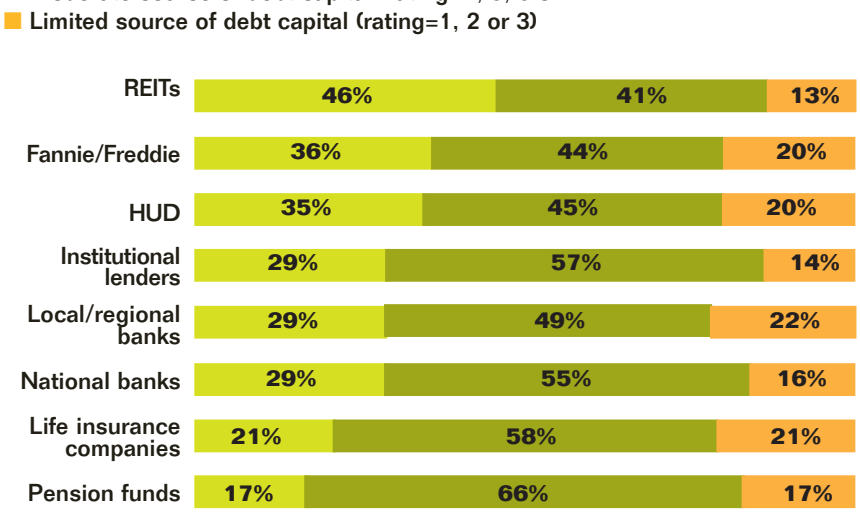
Survey respondents predict continued improvement in core fundamentals. An overwhelming majority (88 percent) predict an increase in rents, while 81 percent anticipate a rise in occupancies over the next 12 months. However, the expected change is modest compared with the sector's recent history. Respondents expect occupancies to climb 37.5 basis points and rents to improve 46.5 basis points.

Respondents believe that the state of the U.S. housing market and U.S. economy have had the biggest impact on occupancy rates at seniors housing facilities over the past six months, while rental discounts/incentives have had the least impact.

Ample Funds

REITs, Fannie/Freddie and HUD are considered to be the most significant sources of debt capital for the seniors housing sector.

To what extent are each of the following a source for seniors housing debt capital?



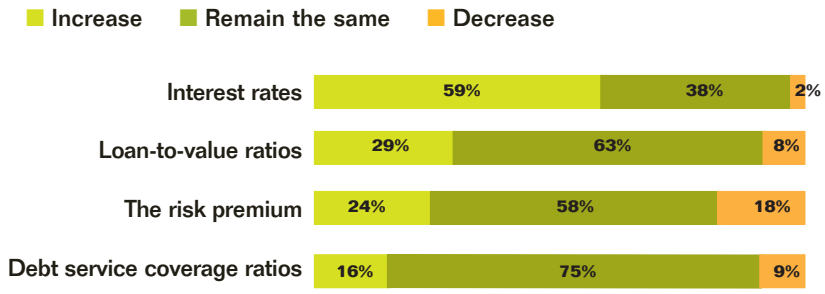
Base all respondents (number of respondents varies from 190-203)

Sources: NREI, NIC

Sober Expectations

While interest rates for seniors housing are expected to increase over the next 12 months, loan-to-value ratios, risk premiums and debt coverage ratios are expected to remain the same.

How do you expect the following aspects of financing for seniors housing to change in the next 12 months?



How do you expect underwriting standards to change over the next 12 months?

Base all respondents (number of respondents varies from 203–211)

Sources: NREI, NIC

Historically, rental rates have increased at a rate on par with inflation. During the second quarter of 2014, the rate of seniors housing annual asking rent growth accelerated to 2.0 percent from 1.7 percent in the prior quarter, and was 0.2 percentage points below its pace one year earlier during the second quarter of 2013.

Occupancies are forecast to rise even with an uptick in new construction. NIC expects occupancies to continue to improve over the next 12 months with a 70 point basis point jump in independent living facilities. Meanwhile, NIC projects occupancies to rise 30 basis points at assisted living facilities. The lower rate of growth is due to more new supply coming online in that property type.

"We're about two-thirds of the way recovered in terms of occupancy," says Chris McGraw, NIC senior research analyst. Occupancies peaked at 91.5 percent in 2007. McGraw expects the market to still be about 100 basis points away from the peak by second quar-

ter 2015. Ultimately, that means more potential upside for existing owners and investors.

Respondents believe that the state of the U.S. housing market and U.S. economy have had the biggest impact on occupancy rates at seniors housing facilities over the past six months, while rental discounts/incentives have had the least impact. Nearly two-thirds of respondents believe the state of the U.S. housing market has had a strong impact on the seniors housing market over the past six months. All told, 64 percent of respondents rated the impact as a 4 or 5 on a 5-point scale with 5 representing significant impact and 1 being no impact.

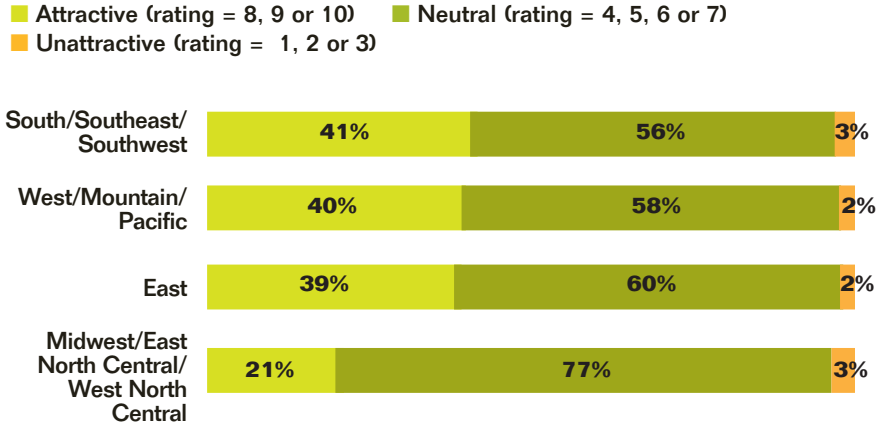
Construction remains modest

Recent development activity has sparked some concern about how the added supply of new product will impact absorption and occupancy rates. Current construction as a share of existing inventory for seniors

Looking Bright in the Sun Belt

The South and West regions are viewed as the most strongest regions by seniors housing operators.

How would you rate the strength of the market fundamentals in each of the following regions for the seniors housing sector?



Base all respondents (number of respondents varies from 176-191)

Sources: NREI, NIC

housing was at 3.2 percent in second quarter, according to NIC. The majority of construction occurring is in the assisted living and memory care sectors. In fact, the construction volume for assisted living is at 5 percent of current inventory.

At face value, it does look like construction is at an elevated level, especially considering that assisted living construction peaked at about 3 percent during the last development cycle, notes McGraw. For example, Houston has 1,200 assisted living units under construction—more than 10 percent of the total construction pipeline of 10,500. The short list of most active construction markets also includes New York City, Dallas, Austin and Boston, among others.

Respondents were split on their views of how new competing facilities are impacting the market, with nearly half (47 percent) saying the new facilities have had at least some impact. One-third of respondents were neutral in their opinions and a further 21 percent believe the new competition has had little or no impact.

Most investors are looking beyond construction numbers as a percentage of inventory to get a clear picture when analyzing investment opportunities. "You have to really look at it market by market and really peel back the onion," says Wittman. It is also important to take into account the growth in the market, existing occupancy and the type of product being built, she adds.

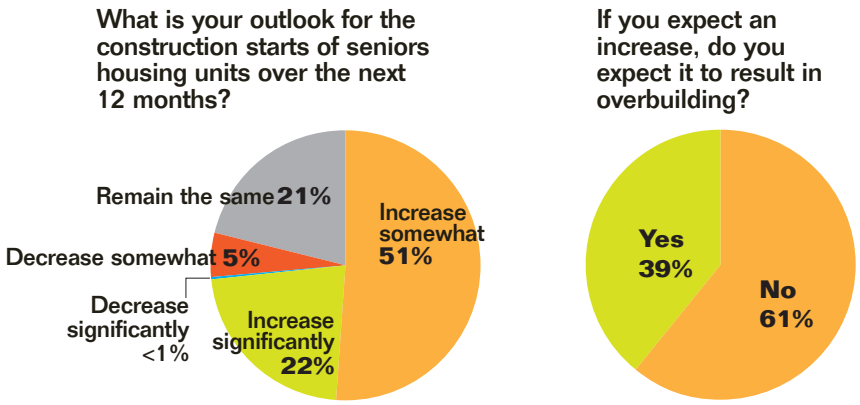
The majority of respondents (73 percent) expect to see construction starts increase somewhat or significantly over the next 12 months, while 21 percent expect it to remain the same and only 6 percent predict a decline. Of those respondents that do expect an increase, about one in three expects the new construction to result in overbuilding.

"We did see construction accelerating through last year, but the last few quarters, construction starts did slow down a little bit," says McGraw. The overall construction pipeline has actually declined since the third quarter of 2013. "It is too soon to tell if construction is going to come back, but it has at least tempered a little bit from where it was going," he adds.

...the lender pool is continuing to grow as lenders, much like investors, look to expand or diversify portfolios with seniors housing properties.

Gauging the Pipeline

The majority of respondents expect to see an increase in seniors housing construction starts over the next 12 months. Of those respondents, more than one in three expects the new construction to result in overbuilding.



Base for chart on left: all respondents (215)
Base for chart on right: respondents who expect an increase (157)

Sources: NREI, NIC

Capital flow widens

Similar to the broader commercial real estate market, both debt and equity sources have become more aggressive in pursuing seniors housing loans over the past few years. That is especially true as it relates to winning business from top-tier owner-operators. For those borrowers that have that proven history, there tends to be more options out there in terms of additional lenders and more flexibility on how loans are structured, notes Cary Tremper, managing director at Greystone, a leading apartment and healthcare mortgage provider based in Dallas.

More than half of survey respondents expect to see an increase in the availability of both debt and equity capital over the next 12 months. Overall, 55 percent of respondents believe that the availability of debt will improve further, while 35 percent expect no change and 10 percent expect it to tighten. On the equity side, 52 percent of respondents predict an increase in availability, while 41 percent expect no change and 7 percent think access to debt financing will tighten.

One of the factors that has helped to improve liquidity in the seniors housing sector in recent years is a greater focus on improving transparency. Groups such as NIC and the American Seniors Housing Association (ASHA) have done a good job of educating the lending market and the institutional equity mar-

ket, notes Tremper. "There also are a number of lenders out there who want to diversify their real estate lending, and this is one way to do it," he says.

Historically, the largest sources of capital for permanent financing have been Fannie Mae and Freddie Mac, while HUD has played a key role in providing financing on skilled nursing and assisted living facilities. Those three still command a lot of loyalty from borrowers due to their history and consistency in providing capital to the industry. REITs, Fannie/Freddie and HUD are considered to be the most significant sources of debt capital for the seniors housing sector. Nearly half of respondents (46 percent) believe that REITs provide ample debt capital, followed by Fannie/Freddie at 36 percent and HUD at 35 percent.

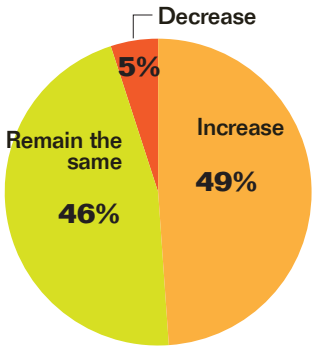
However, the lender pool is continuing to grow as lenders, much like investors, look to expand or diversify portfolios with seniors housing properties. For example, Greystone has typically shopped its permanent loans to Fannie, Freddie and HUD for the best pricing and terms. "Now you're seeing that competition has gone to a new level where you are getting quotes from life companies and even CMBS in addition to Fannie and Freddie," says Tremper. Commercial banks also are willing to do more five-, seven- and 10-year terms for seniors housing, he adds.

Independent living facilities in particular are closely tied to the single-family housing market. Some seniors stayed in their homes longer until property values recovered and they were able to sell their homes in an improved market.

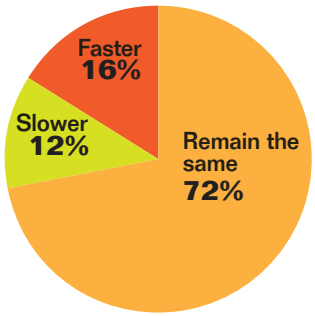
Transactional Velocity

While nearly half of respondents expect the volume of seniors housing property sales transactions to increase over the next 12 months, the majority expect the time to close to remain the same.

What is your outlook for the property sales transactions volume over the next 12 months?



How do you expect the time to close seniors housing property transactions to change over the next 12 months?



Base for chart on left all respondents (215)
Base for chart on right all respondents (157)

Sources: NREI, NIC

Lenders compete for deals

While interest rates remain near historic lows, the increased lender competition is having some impact on loan terms. As it relates to permanent loans, lenders are using perks such as interest only periods and flexibility in pre-pay to win deals. For example, a couple of years ago a lender might have put a permanent loan in place with amortization starting from the very first day. Now lenders are offering top borrowers two to three years of interest only, says Tremper. "There are probably more bells and whistles today, but the fundamental underwriting is still extremely strong," he adds.

Respondents are divided on their expectations for underwriting standards, as 27 percent expect looser standards while 24 percent expect tighter standards and 49 percent expect no change. However, most respondents expect key factors such as loan-to-value ratios, risk premiums and debt coverage ratios to remain the same in the coming year. The majority of respondents (75 percent) expect debt service coverage to remain the same, 16 percent expect an increase and 9 percent believe there will be a decrease.

Leverage that is currently at 70 to 75 percent for most borrowers also is not likely to change significantly in the coming year. Nearly two-thirds of investors (63 percent) expect loan-to-values to remain the same, while 29 percent expect an increase and 8 percent predict a decrease.

Given the fact that interest rates have enjoyed an extended stay at near-record lows, it is no surprise that respondents expect interest rates to climb higher in the coming year. More than half of respondents (59 percent) anticipate that interest rates will increase over the next 12 months, while 38 percent believe rates will remain the same and 2 percent predict a decline.

Lenders are already building in more

Ultimately, the abundant capital in the market and strong demographics will continue to buoy investment sales in the seniors housing sector in the short term.

of a "cushion" into their underwriting for that interest rate risk, both on the equity side and on the debt side, notes Tremper. "You can't think that interest rates are going to stay the same as they are now in 12 or 24 months," he adds.

Investors look coast-to-coast

Although investors and lenders alike tend to focus on properties within the top 30 MSAs, demand for seniors housing properties remains widespread across the country. During the recession, markets such as Las Vegas, Phoenix and Florida were hit hard due to the severe drop in the single-family home market. Independent living facilities in particular are closely tied to the single-family housing market. Some seniors stayed in their homes longer until property values recovered and they were able to sell their homes in an improved market. But markets across the country from California to the northeast are strong and even Florida is once again a sought-after market, says Rothschild.

Respondents were asked to rate each of four regions on the strength of market fundamentals for the seniors housing sector. Respondents who currently operate in each location are more likely to see their region as the most favorable for new investment. As such, 70 percent of those in the South/Southeast/Southwest see the region as attractive. The same is true for respondents in the Midwest/East North Central/West North Central (68 percent), West/Mountain/Pacific (67 percent) and East (63 percent).

Investors often follow seniors to the Sunbelt region of the country. That being said, many operators are willing to consider a variety of different regions. For example, the New York metro has provided to be a great market for Ventas. Approximately one-fourth of the NOI from the company's seniors housing operating portfolio consists of properties in the New York metro, which has very good population density and demographics and high barriers to entry.

Ultimately, the abundant capital in the market and strong demographics will continue to buoy investment sales in the seniors housing sector in the short term. "There has always been demand for our asset class. But it is clearly increasing and there is definitely a lot of competition," says Wittman.

Despite the increased competition, buyers such as Ventas are continuing to find ample buying opportunities as more operators realize that now is a good time to sell. For example, the company announced in June that it would acquire American Realty Capital Healthcare REIT for $2.6 billion. The portfolio includes medical office buildings, as well as 29 seniors housing communities. "The seniors housing market is still a pretty fragmented market and while there has been a lot of activity, there is still a lot of real estate held in smaller company and private operator hands that could continue to come to market," adds Wittman. ■

METHODOLOGY: *The seniors housing study is based on a survey of 233 respondents conducted in July and August. Respondents' firms represent various facets of the commercial real estate industry, from owners, managers and developers to lenders and financers. Over half of respondents hold a senior management position within their firm. Respondents are most likely to be a seniors housing owner, operator or developer (44 percent), while 25 percent provide financing or financial services to the sector.*

Join the Crowd

Seniors housing is the latest real estate sector to try crowdfunding.

by Robert Carr

Originally created to provide capital to startup companies, online investing has grown so successful that it's starting to hit the seniors housing market, with first crowdfunded seniors housing project breaking ground this year in Bloomington, Ind.

To boost the online investing, Congress passed a collection of bills in early 2012 called the Jumpstart Our Business Startups Act, or JOBS Act, which exempted or altered a number of investing laws for crowdfunding. While some parts of the act have not yet been implemented due to SEC concerns, other sections, particularly Section II, have allowed firms, including real estate companies, to advertise to raise capital from accredited investors.

The seniors sector is somewhat late to the crowdfunding party, since the office, industrial and retail sectors have already enjoyed successful crowdfunding deals. For example, Los Angeles–based Realty Mogul recently raised $1.5 million for Kittridge Hotels and Resorts to help finance the Hard Rock Hotel in Palm Springs, Calif., and helped JOSS Realty Partners with its $26.8 million purchase of the 150,100-sq.-ft. Georgetown Plaza office facility in Washington, D.C.

Mainstreet, one of the largest developers of seniors properties, may be the first seniors property company to dunk its toe in the crowdfunding waters by raising money for its new seniors care facility in Bloomington, Ind. Mainstreet also followed the JOBS Act requirement to solicit only from accredited investors.

Through a partnership with Portland, Ore.–based CrowdStreet, Mainstreet was able to expand upon its usual marketing campaign by running television commercials and Web advertisements—the types of solicitation that were traditionally forbidden with private placement funds. Scott White, executive vice president with Mainstreet, says his firm raised more than $1.6 million in three weeks for its 66,197-sq.-ft., 100-suite

Bloomington seniors housing project. The investors are projected to earn a 14 percent annualized yield, with 10 percent paid quarterly and a 4 percent special distribution when the project is complete in May 2015, White says.

"Normally our projects are about $15 million to $16 million, which is usually raised completely with private placement, but we've decided to experiment with different ways to raise capital," White says. "I think we're the first seniors housing company to use the crowdfunding platform, and it worked really well."

Usually, it takes longer to raise $1 million for seniors housing, says White, due to advertising rules and contacts restricted to private placement investors. "I think seniors property is a great candidate for crowdfunding, because it's compelling," White says. "Everyone has a relative who has had to use a nursing home, they know how these old facilities are and being a part of improving the model generates massive interest."

White says Mainstreet looks forward to alterations of the JOBS Act that would allow the firm to gain funding from any investor, but he's not sure the strategy will replace all current equity methods. "I think it's too early to know how much we'll use crowdfunding," he says. "We're very pleased with the response we got, and while we'll still seek funds through traditional means, this will definitely be a tool in our belt going forward."

According to Jilliene Helman, CEO of Realty Mogul, private placement investing traditionally required hitting the country-club circuit, finding high-net worth individuals through friends and family contacts. But through website marketing, education and software tools, the crowdfunding concept greatly expands the borrower's reach to many more people who can participate, she says. Realty Mogul operates as a conduit through a broker-dealer.

"Investors can sign up for an account and, all while still online, read about the business, do the entire transaction cost and even sign the legal documents," Helman says. "Plus you can track your investment using the online tools. You've got the 1,000-ft. view of the investment all in one place. Nothing has really changed about the properties involved; it's the process that's different."

Crowdfunding for seniors housing also presents some challenges, Helman says. For instance, it costs money to remain in compliance with the regulations and advocate for legislative changes. Also, while institutional participation might be limited to 100 or so investors, crowdfunding brings a much higher multiple, perhaps 11,000 or so individual investors, each of whom brings his or her own concerns to the table.

Nonetheless, Helman says she believes crowdfunding for property is the wave of the future. "I can see traditional real estate syndication being replaced by crowdfunding," she says. "The ability to invest online provides a much more transparent investment experience."

Priced-Out?

Retirees prefer cities, but increasingly find them unaffordable.

by Robert Carr


The Hodge

Priced out or willing to sacrifice? Seniors are now more likely to want to retire in a big city, but less likely to be able to afford it.

It's been known for some time that the baby boom will directly lead to an increase in the numbers of elderly residents in the United States. What still isn't known for certain is where these seniors will want to live. Different theories are still being debated, including whether seniors will want to remain in the suburbs or join the urbanization movement, selling their homes and moving into big city high-rises with shops and public transportation nearby.

That is, assuming the seniors can even get into the city. Recently, the AARP (the American Association of Retired Persons) released a poll it conducted in 2013 with New York City seniors. According to the study, 35 percent of the 1.3 million soon-to-be seniors already say it's extremely likely they will move out of New York City to retire. Another 29 percent said it's "somewhat likely," leaving only 34 percent saying they are sure they will remain in the Big Apple.

One of the big reasons to leave, the seniors said in the poll, is that they think they'll be priced out of over-55 rental housing. More than half of the seniors surveyed said they don't believe that there will be enough affordable housing available by their retirement.

Rodney Harrell, director of livable communities and lead housing director for the AARP, says affordability is a huge problem in some markets. A few large cities such as Washington, D.C., have already canceled waiting lists for seniors rentals because the lists just got too large, he notes. "There's this perception that seniors are all wealthy, that they own their homes outright and they've saved for retirement," Harrell says. "Many haven't gotten ready, especially in the lower-income groups. There are huge

housing-cost issues ahead."

He says cities need to ensure that they are planning enough affordable housing options for their residents, or at least when building new housing ensure that, if it had to be, the building could be converted or used by seniors. Universal design elements, such as a zero-step entrance and bedrooms all on the first floor, could be another way to meet the coming tide, Harrell says. "It's an efficiency play. It's going to happen sooner or later, the market will demand it," he says.

Manny Gonzalez, a principal with Santa Monica, Calif.–based seniors housing design firm KTGY, says he's not sure that any city could do enough to make enough affordable housing available for the coming wave. The firm renovated the 1,100-unit Angelus Plaza in Los Angeles, and had more than 4,200 applications. "It seems like every time one of the affordable senior apartment communities we design opens up, it is leased up almost immediately," Gonzalez says.

According to a study by John Burns Real Estate Consulting, even if only 5 percent of seniors want to live in an urban environment, then, out of the 10,000 people each day turning 65, there is still another 500 people who want to live in a big city. "Probably the most important thing big cities can do to keep seniors from leaving, beyond just generating more affordable units, is to ensure a safe living environment for the seniors," Gonzalez says. "Walking has always been the number one activity for seniors, and providing a safe, walkable city will make urban living more appealing to that market."

Harrell agrees, saying that the new Millennial push to live in urban areas is mirrored by retiring seniors. "They want the same things—they don't want to drive anymore, and they need close-by restaurants and shopping. However, if an area is gentrifying, then the rents will go up," he says.

Richard Lake, a founding partner at Washington, D.C.–based Roadside Development LLC, says anyone living on a fixed income today is having trouble because of rising rents. His firm developed affordable properties locally, such as City Market at O and the Hodge on 7th to try to provide amenity-rich housing that bases rents on income. "The need is great and only going to continue to grow as the population ages," Lake says. "Cities not only need to make more capital available for affordable housing, but must also streamline the process to make it much more efficient."

Bruce Gerhart, regional director of Love Funding, says the lack of saving is what will cause an epidemic of seniors being priced out of cities such as Washington, D.C., and San Francisco, where housing is mostly created for 20-to-40-year-old careerists. His concern is matched by a recent survey of more than 1,003 people by Bankrate.com, which showed that 36 percent of people have no savings for retirement.

"The answer to whether seniors are getting priced out in big cities is yes, and it's only going to get worse," he says. ■