



# **There is Unmet Demand for Independent Senior Housing in Howard County, MD – An Evidentiary Exploration**

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Submitted to:

Erickson Retirement Living Stakeholders

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## Executive Summary

### Raging Demand Growth Meets Already Strained Supply

This report concludes that the supply of independent living units for seniors in Howard County is inadequate. This inadequacy has emerged due to a confluence of forces, including the ongoing aging of the population and the county's elevated affluence.

In the year 2000, about one in six Howard County residents was 55 years or older. By 2010, that figure exceeded 21 percent, or more than one in five. By 2015, nearly a quarter (24.2%) of Howard County residents were aged 55 years or older. To put this in absolute terms, between 2000 and 2015, the number of Howard County residents 55 or older increased from 39,223 to 73,526.

One can see how this occurred. Over time, many moved to prestigious communities like Columbia, especially during the eighties and nineties when they were in their thirties, forties and fifties. Now, many of these residents are entering their fifties, sixties, seventies, and beyond. This is true of other communities, including Clarksville, Laurel, Ellicott City, and Sykesville.

Among the submarkets that comprise the Baltimore metropolitan area, Howard County is associated with the fastest projected growth in households headed by someone aged 75 or older. This population is associated with the highest income in the region for that cohort. Howard County is also associated with a population of 45 to 64 year olds marching toward retirement that enjoys an elevated level of median household income. This presages future demand for independent units.

While the availability of independent living units has declined across the Baltimore metropolitan area, the supply of independent living units has been especially strained in Howard County. There, only 780 senior living units are designed for independent living. That is a significantly lower total than in Baltimore County (7,050 units; Baltimore County has 2.7 times Howard County's total population, but 9 times as many units) and in Carroll County (1,141 units; about one-half of Howard County's population, but 46 percent more units).

A useful measure is independent living penetration, a measure defined as independent inventory divided by the number of households aged 75+. The penetration measure is approximately twice as high in Baltimore and Carroll counties. In other words, to have a penetration level as high as in these two neighboring jurisdictions, Howard County would have to nearly double its number of independent living units.

Should Howard County fail to meet growing unmet demand, it will mean:

- 1) hardship for seniors hoping to remain in Howard County as they age;
- 2) loss of tax base associated with a large and growing population of affluent seniors;
- 3) loss of economic vitality due to lost spending power;
- 4) loss of potential community volunteers who support quality of life.

# There is Unmet Demand for Independent Senior Housing in Howard County, MD – An Evidentiary Exploration

## Introduction

Erickson Retirement Living (Erickson) commissioned Sage Policy Group, Inc. (Sage) to analyze the supply of independent living senior housing in Howard County, MD relative to demand. Sage has studied issues of senior housing on a number of occasions, including previously for Erickson and the Health Facilities Association of Maryland.

This report begins with a demographic overview of Howard County and the larger Baltimore region in the context of older residents, paying specific attention to measures of wealth, the demographics of age, and consequent demand for independent senior living opportunities (as opposed to purely assisted living facilities). Characterizations of demand are juxtaposed against the existing supply of senior living facilities in Howard County and in the balance of the Baltimore metropolitan area.

At the heart of this analysis are two principal findings: 1) Howard County is home to a large and growing population of affluent seniors; and 2) Howard County supplies a relatively small number of opportunities to living independently once they have chosen to leave what had been their primary residence. The dearth of senior housing opportunities in Howard County is especially stark relative to surrounding jurisdictions.

## Demographic Overview

- **An Affluent, Aging Population**

Howard County is one of the world's most affluent communities. Situated in the heart of the Washington-Baltimore corridor (and arguably the Boston to Miami corridor), Howard County residents benefit from one of the most expansive, professional employment-oriented labor markets on Earth. The abundance of employment opportunities has helped supply the societal resources necessary to support an elevated quality of life, including in the form of what is arguably Maryland's finest public school system. That in turn has attracted additional in-migrants to the county, including affluent, highly educated families.

Over time, many have moved to Columbia, Maryland, one of America's most prestigious communities. Much of this in-migration to Columbia occurred during the eighties and nineties when they were in their thirties, forties and fifties. Now, many of these residents are entering their fifties, sixties, seventies, and beyond. This is true of other communities in Howard County, including Clarksville, Laurel, Ellicott City, and Sykesville.

In the year 2000, nearly 16 percent, or one in six residents, was 55 years or older. By 2010, that figure exceeded 21 percent, or more than one in five residents. By 2015, nearly a quarter (24.2%) of Howard County residents were aged 55 years or older. To put this in absolute terms, between 2000 and 2015, the number of Howard County residents 55 or older increased from 39,223 to 73,526, an increase approaching 88 percent.

Despite this prolific growth, Howard County actually has a lower share of residents aged 55+ relative to Maryland (26 percent) and the United States (26.5 percent). This is primarily because of the ongoing appeal of Howard County to younger families and their attending in-migration.

This will almost certainly change over the coming decade, however. As of 2015 a plurality of Howard County’s population was 45 to 54 years of age (16.4 percent). This cohort is decidedly larger in Howard County than in other geographies. Over the next decade, this population will also be over the age of 55. Exhibit 1 supplies additional relevant statistical detail.

Exhibit 1: Howard County Senior Living Demographic Growth

	2000		2010		2015	
45 to 54 years	38,322	15.50%	47,565	17.00%	49,733	16.40%
55 to 59 years	12,617	5.10%	18,121	6.50%	21,700	7.10%
60 to 64 years	8,138	3.30%	14,558	5.20%	16,296	5.40%
65 to 74 years	10,370	4.20%	15,596	5.60%	21,954	7.20%
75 to 84 years	5,955	2.40%	7,511	2.70%	9,645	3.20%
85 years and over	2,143	0.90%	3,229	1.20%	3,931	1.30%
<b>Total 55 years and over</b>	<b>39,223</b>	<b>15.9%</b>	<b>59,015</b>	<b>21.2%</b>	<b>73,526</b>	<b>24.20%</b>

Source: U.S. Census Bureau

Indeed, the Baltimore metropolitan area when considered in its totality is projected to experience greater growth in older demographic cohorts than other primary senior living markets. According to data made available by the National Association of Realtors and ESRI, the Baltimore Metro Area is associated with 1) disproportionately large older population; 2) faster projected increase in the percentage of households aged 75 years or older; and 3) a more affluent older population. That helps set the stage for findings to come. Exhibit 2 supplies relevant statistical detail.

Exhibit 2: Baltimore MSA v. Other Primary Market income and demographic growth, 2015

		Baltimore MSA	Other Primary Markets
Households aged 45 to 64 years	Percent of All Households	40.3%	39.5%
	Median Income	\$85,201	\$77,312
Households aged 75 years and over	Proj. Annual Growth (%)	2.6%	2.4%
	Percent of All Households	10.3%	9.8%
	Median Income	\$38,040	\$35,310

Source: ESRI 2015, National Association of Realtors

Among the submarkets that comprise the Baltimore metropolitan area, Howard County is associated with the fastest projected growth in households headed by someone aged 75 or older. This population is associated with the highest income in the region for that cohort. As reflected in Exhibit 3, Howard County is also associated with a population of 45 to 64 year olds that enjoys an elevated level of median household income. This population is steadily migrating toward retirement age and many will seek different housing contexts than those in which they have been living.

Exhibit 3: Baltimore Area Submarket Demographic Trends

	75+ Households				45-64 Households			
	# of Households	Proj. Annual Growth	% of All Household	Median Income	# of Households	Proj. Annual Growth	% of All Household	Median Income
Anne Arundel	19,479	3.3%	9.3%	\$49,412	86,480	-0.9%	41.4%	\$106,261
Baltimore	41,115	1.4%	12.8%	\$38,499	125,069	-1.5%	38.9%	\$80,782
Carroll	6,471	2.5%	10.7%	\$40,334	28,092	-2.1%	46.4%	\$106,902
Harford	8,913	3.1%	9.5%	\$40,491	40,358	-1.3%	43.1%	\$95,929
<b>Howard</b>	<b>8,129</b>	<b>4.4%</b>	<b>7.3%</b>	<b>\$55,175</b>	<b>50,525</b>	<b>-0.1%</b>	<b>45.2%</b>	<b>\$133,992</b>
Queen Anne's	2,143	4.4%	11.1%	\$48,005	8,732	-0.8%	45.1%	\$97,994
Baltimore City	24,098	1.4%	9.6%	\$22,824	90,333	-1.6%	35.9%	\$42,922

Source: NIC MAP Report – 3Q17

- **Income and Wealth Dynamics Suggest Elevated Demand for Independent Living Units**

In 2013, Sage conducted another analysis on behalf of Erickson with the goal of determining what income and wealth dynamics imply regarding demand for units in continuing care retirement communities. That was four years ago, before the recent surge in stock and real estate prices that have brought aggregate American household wealth to a record high.

Despite that, the 2013 study concluded that the top one-fifth of U.S. households in terms of wealth and income can sustain indefinite stays in a continuing care context even under the least optimistic of the three scenarios embodied within the report. More importantly, it also found that many people in the middle quintiles of wealth and income can afford lengthy stays in senior living facilities due largely to Social Security income and their relatively limited exposure to financial downturns.

It may seem like an odd and facially inaccurate thing to say, but given the affluence of Howard County, more than 20 percent of county residents are in the top fifth.<sup>1</sup> According to the U.S. Census Bureau, more than 55 percent of Howard County residents earn in excess of \$100,000 per year (2015 inflation adjusted dollars), while roughly 33 percent earn more than \$150,000 and 18 percent earn more than \$200,000. WorldAtlas ranks Howard County as the third wealthiest county in the U.S.

There are additional considerations. There are likely prospective seniors living in other communities who would value the opportunity to grow older in Howard County, known for its parks, its inclusive communities, and its centrality to nearby major U.S. cities. It is projected that the population of senior citizens (65 years or older) will approach 56 million by 2020. It is at that point that the demographics explode. That senior population will expand to nearly 73 million by 2030. This population represents another source of demand for independent senior units in Howard County.

### **Rising Demand for Units Meets Dwindling Available Supply**

Even before the demographic explosion to come, the Baltimore metropolitan area's supply of senior living opportunities has become strained. As indicated in Exhibit 4, the region's senior housing occupancy has risen steadily in recent years, with annual rent growth generally above 3 percent.

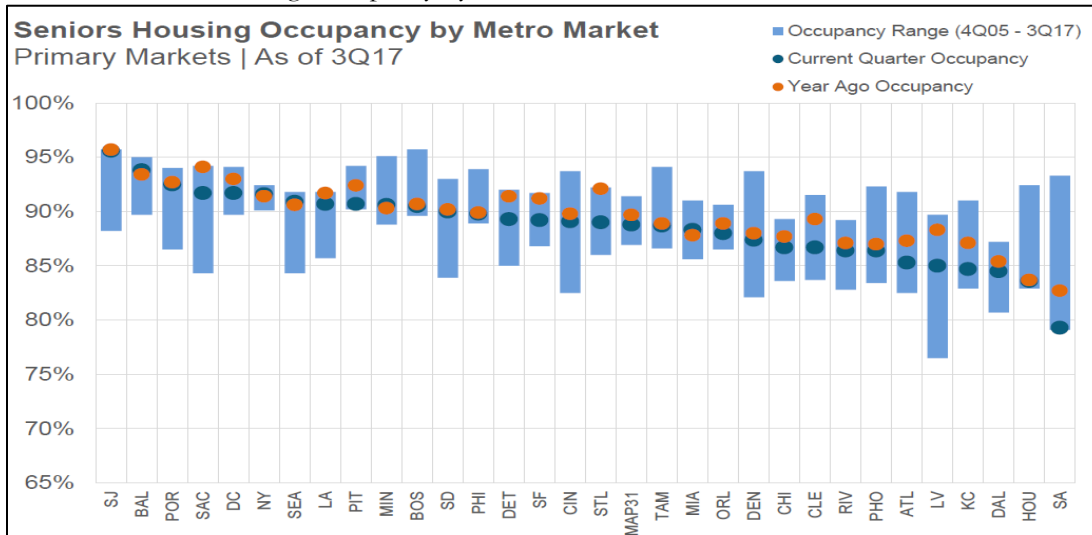
The explanation is relatively straightforward. During the housing downturn and financial crisis, relatively little new supply came online. But the Great Recession didn't slow the aging process, and with wealth and senior population on the rise, available inventory is quickly being swallowed by demand. Of the nation's 31 senior living primary markets, only San Jose is associated with higher occupancy.

The stabilized occupancy in the Baltimore region is even higher when one exclusively considers independent living facilities rather than the combination of independent, assisted living, and nursing care facilities. As of 2017:Q3, the Baltimore region's independent living facility occupancy rate was 95.2 percent and climbing. This segment encompasses fewer than 7,700 units, which means that in the entire Baltimore region, there are roughly 370 independent living units available. Please see Exhibit 5 for relevant summary detail.

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<sup>1</sup> This harkens to the apex of Garrison Keiler's career, when he suggested that every child in Lake Wobegon is "above average."

Exhibit 4: Senior Housing Occupancy by Metro Market



Source: NIC MAP Report – 3Q17

Exhibit 5: Trends by Senior Living Facility Type, Baltimore Metro Area

	Majority Independent Living			Majority Assisted Living			Majority Nursing Care		
	Units	Stabilized Occupancy	YoY Rent Growth	Units	Stabilized Occupancy	YoY Rent Growth	Units	Stabilized Occupancy	YoY Rent Growth
3Q2017	10,185	95.2%	3.1%	4,206	90.5%	5.7%	11,659	90.0%	2.3%
3Q2016	10,192	94.6%	4.3%	4,236	90.4%	2.1%	11,654	90.3%	2.6%
2015	9,975	93.9%	2.6%	4,314	92.0%	1.4%	11,658	91.7%	2.6%
2014	9,843	94.3%	2.5%	4,230	92.6%	2.5%	11,614	91.2%	4.0%
2013	9,755	92.6%	2.3%	4,230	91.2%	3.0%	11,726	89.8%	4.6%

Source: NIC MAP Report – 3Q17

- **Shortage More Severe in Howard County**

The supply of independent living units is even more strained in Howard County. There, only 780 of 1,405 senior living units are designed for independent living. That is a significantly lower total than in Baltimore County (7,050 units; Baltimore County has 2.7 times Howard County’s total population, but 9 times as many independent living units) and in Carroll County (1,141 units; a bit more than one-half of Howard County’s population, but 46 percent more units).

Exhibit 6: Senior Housing Property Information, Q32017

	All Senior Housing	Independent Living (IL) Senior Housing	Independent Living Penetration
<b>Howard County</b>	<b>1,405</b>	<b>780</b>	<b>8.7%</b>
Baltimore County	8,695	7,050	16.6%
Carroll County	1,406	1,141	16.7%

Source: NIC MAP Report – 3Q17

In this regard, a helpful measure is independent living penetration. This measure is simply defined as independent inventory divided by the number of households aged 75+. This penetration measure is approximately twice as high in Baltimore and Carroll counties than it is in Howard County. In other words, to have a penetration level as high as in these two neighboring counties, Howard County would have to experience nearly a doubling in its number of independent living units.

Howard County is presently home to just two continuing care retirement communities: Vantage House in Columbia and Miller's Grant in Ellicott City. Independent living at Miller's Grant is presently 98 percent reserved according to their own data. The 2 percent that is available equates to six units available for sale. At Vantage Point, 194 out of 205 independent living units (95%) are occupied. Even if one presumes that the other eleven units are unreserved, that means that Howard County, with a population exceeding 300,000, is home to 17 available independent living units. That translates into .0005 independent living units per Howard County resident aged 65 or older.

## **Conclusion**

Available data indicate that Howard County's supply of independent living units for seniors is inadequate. Should Howard County fail to meet unmet demand, it will mean:

- 1) hardship for seniors hoping to remain in Howard County as they age and the families that depend upon them in various ways;
- 2) a loss of tax base associated with a large and growing number of affluent seniors;
- 3) loss of economic vitality due to lost spending power;
- 4) loss of potential community volunteers who support quality of life.

Doubling the number of independent living units in Howard County (presently totaling 780) would merely serve to bring the independent living penetration measure to a level already observed in Baltimore and Carroll counties. Even that would not guarantee sufficient supply given the overwhelming Howard County-specific demographic forces described in this report.