

# Real Valuation Group, LLC

## White Paper

### Appraising Life Care Facilities

Life-care facilities for seniors and retirees represent a new and growing segment of the real estate market. Most facilities are for-profit entities that offer consumers various levels of services and care.

General categories include:

**Independent Living Facilities (ILFs):** Targeted at seniors with minimal health care needs, ILFs offer autonomous living with an emphasis on convenience. Residents typically lease their units, often paying a substantial entry fee in order to obtain the lease. This entry fee is often equivalent to the market price of a residential condo. While some ILFs issue a prorated refund of this entry fee upon end of residency, others do not. However, many ILFs offer the option of leasing (at a much higher monthly cost) without the entry fee.

Services are generally fee-based and available a la carte or bundled into monthly or annual plans. Examples include recreational and life-enrichment programs, meal plans, home maintenance, laundry service, wellness programs, transportation, and even grocery delivery. Some facilities may also be built with their own retail space, allowing residents convenient access to on-site restaurants, hair salons, and shops.

ILFs typically offer minimal or no on-site health care, although many do offer optional plans for outsourced, third-party care. Residents must meet a resident profile that specifies certain levels of health and mobility. Residents may be required to move if their health care needs ever exceed the profile.

**Assisted Living Facilities (ALFs):** For those who desire independence yet also need daily assistance, ALFs are an attractive alternative to ILFs or nursing homes.

As in ILFs, residents usually lease their units. Services generally encompass those offered by ILFs, but go beyond them to include expanded staff and hands-on, day-to-day assistance and support. Medication assistance, special dietary help, and skilled nursing are just some of the support services routinely bundled-in with residents' costs. Other typical features include voice-alert systems and 24-hour security.

Unlike ILFs, assisted living facilities provide some level of on-site professional medical care. As a result, ALF residents typically incur much higher entry, lease, and/or maintenance costs than seen in ILFs. And unlike ILFs, ALFs usually have no refund provision for end of residency.

**Nursing Home Facilities (NHFs):** These typically serve residents whose health and mobility needs fall outside the scope of ILF or ALF facilities. NHFs more closely fit the traditional perception of senior

care facilities: residents occupy beds rather than living units, and are provided 24/7 on-site care. This may include comprehensive medical care, hospice, and even end-of-life care.

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**Life-care facilities are a new, unique, and complex real estate product. Traditional residential and commercial appraisal models do not apply. Adjusting ILF and ALF sales comparables and analyzing their revenue streams require special implementations of the market approach and income approach. We're proud to say that Real Valuation Group, LLC is on the cutting-edge of appraisal methodology in this emerging field.**

***To learn how we can help you with appraising your life-care facility, contact Ed Kling, Director of Commercial Projects, at 847-931-7447.***