

# PUBLICATION

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## Long Term Care Construction Opportunities

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Based on the long term care projects with which we have recently been involved, there appears to be great opportunity for growth in the construction of long term care facilities. This is attributed to the ever-growing aging population and a general rebound in the market post-recession. The difference in new construction (versus existing long term care facilities) is the demand for projects with higher degrees of quality and specialization. Developers must be careful in the management of long term care construction projects to accommodate these requirements.

Aging Population. It is no secret that the U.S. population is shifting toward an older demographic. Longer life spans and aging baby boomers are largely cited for the shift. The implications of this on long term care construction are obvious; however, some additional statistics put the potential into perspective:<sup>1</sup>

- 70 percent of people age 65 or older are expected to use some form of long term care;
- Every day for the 20 years following January 1, 2011 about 10,000 people will celebrate their 65<sup>th</sup> birthday;
- In 2012 the population age 65 or older was 43.1 million;
- In the next 25 years the population of people age 65 years or older will grow to 72 million;
- By 2030 the older demographic will account for 20 percent of the population;
- By 2060 the population age 65 or older is expected to reach 92 million people.

Increased Number of Projects. To accommodate this demographic shift, construction of long term care facilities appears to be moving forward as follows:<sup>2</sup>

- Construction starts and ongoing projects for long term care have almost returned to pre-recession levels;
- From 2012 to 2013 there has been an increase of 24 percent in units/beds construction;
- Third quarter 2013 long term care units/beds under construction were up 39 percent over the previous year;
- In the top 100 metropolitan markets there were 21,462 units/beds under construction as of March 2013;
- In the top 100 metropolitan markets 23,479 units/beds started construction in 2013.

Changed Development. Traditionally, long term care facilities were constructed to model a medical facility. This trend appears to be ending since long term care facility residents have different desires and needs than patients of traditional medical facilities, and rightfully so. The changes are not merely aesthetic, but may result in an improved experience of long term care facility residents. Some of the differences between traditional medical facilities and long term care facilities that residents are demanding are as follows:<sup>3</sup>

- Sleep with noise abatement and exposure to daylight;
- Mobility with diverse architecture and use of colors for orientation;
- Access to natural light and the outdoors;
- Social interaction with intimate public spaces and carpeting in private areas;

- Physical activity with indoor and outdoor facilities;
- Safety with changes to flooring and lighting.

What can you do? Due to the economic downturn, there has been consolidation and loss of contractors and specialty subcontractors with the experience to bring a long term care project to completion on time and on budget. As the market improves one must be mindful of the experience that the contractor has with specialized long term care facility construction. In addition, because of the uniqueness of the facilities, a design professional must have experience to address the needs of the ultimate users of the finished project. Good projects with a strong prospect of success can be easily undercut by an inexperienced contractor, specialty subcontractor or design professional attempting to deliver the unique requirements of a long term care facility.

Some of the items a developer should consider before and during construction, in addition to reducing risk and protecting their own interests, include:

- Negotiating a fair contract with contractors and design professionals;
- Engaging design professionals and contractors with experience in long term care construction;
- An understanding of the uniqueness of the projects and the required finished result;
- An accounting for governmental regulations;
- Requiring fees be a negotiated lump sum and not tied to the costs of the project.

<sup>1</sup> <http://longtermcare.gov/the-basics/who-needs-care/>;

<http://news.morningstar.com/articlenet/article.aspx?id=564139>;

<http://www.census.gov/newsroom/releases/archives/population/cb12-243.html>; Centers for Disease Control and Prevention. The State of Aging and Health in America 2013. Atlanta, GA: Centers for Disease Control and Prevention, US Dept. of Health and Human Services; 2013.

<sup>2</sup> National Investment Center for the Seniors Housing & Care Industry, *Seniors Housing Construction Trends Reports 2013*.

<sup>3</sup> <http://www.healthdesign.org/chd/research/health-promotion-design-long-term-care-settings>