PLANTE MORAN LIVING forward™

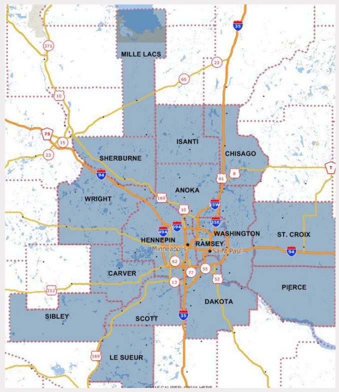
Market Snapshot

Q1 2017 | Minneapolis, Minnesota

Senior living trends can have a huge impact on your organization, especially as you plan for your future.

In this report, Plante Moran Living Forward™ offers an overview and analysis of a target market, benchmarked against comparable markets and its region.

This quarter we are highlighting the **Minneapolis Metropolitan Statistical Area (MSA)**.



The Minneapolis MSA is made up of 15 counties surrounding the city of Minneapolis, Minnesota.

- Anoka County, MN
- Carver County, MN
- Chisago County, MN
- Dakota County, MN
- Hennepin County, MN
- Isanti County, MN
- La Sueur County, MN
- Mille Lacs County, MN
- Pierce County, WI
- Ramsey County, MN
- Scott County, MN
- Sibley County, MN
- St. Croix County, WI
- Washington County, MN
- Wright County, MN

Absorption, Occupancy, and Inventory Growth

Independent Living

Occupancy: **93.9%**

Last QT: 94.6%
Last YR: 94.5%

Absorption: **(14)** UNITS

Last QT: 114 Units
Last YR: 166 Units

Inventory Growth: **50** UNITS

Last QT: 144 Units
Last YR: 142 Units

100% | 50% | 0%

All figures are down compared to last quarter and last year. Occupancy has decreased slightly, but inventory growth and absorption are both significantly lower.

Midwest: This quarter, the Minneapolis MSA's occupancy was above the Midwest's average (**92.0%**) but absorption lagged significantly behind (**207 units**).

Primary Markets: The Minneapolis MSA has a slightly higher occupancy than the primary markets' average (**91.6%**). However, the primary markets saw significantly more absorption (**1,236 units**).

Assisted Living

Compared to last quarter, AL absorption has waned, inventory growth fell sharply, and occupancy increased slightly. Occupancy is comparable to last year, but absorption and inventory growth are not.

Midwest: The Midwest lagged behind the Minneapolis MSA in occupancy (**89.6%**) and absorption (**157 units**) this quarter.

Primary Markets: The primary markets lagged behind the Minneapolis MSA in occupancy (**89.4%**), but they showed a much higher absorption rate (**1,080 units**).

100% | 50% | 0%

Occupancy: **91.7%**

Last QT: 91.0%
Last YR: 91.3%

Absorption: **235** UNITS

Last QT: 319 Units
Last YR: 52 Units

Inventory Growth: **(13)** UNITS

Last QT: 791 Units
Last YR: 46 Units

Inventory Growth | *Net total number of units that came online (and offline) since last quarter*
Occupancy | *Percentage of units occupied by residents, as measured at the end of the quarter*
Absorption | *Net total number of units that became occupied (or vacated) since last quarter*

Construction

Units Under Construction

	IL	AL
Current Quarter	280	1,130
Last Quarter	331	1,130
Last Year	668	1,321

The Minneapolis MSA showed an inventory growth of 50 IL units and (13) AL units this quarter; 280 IL units and 1,130 AL units are still under construction.

The decreasing number of units under construction last quarter and last year, coupled with the respectable growth in inventory during those times and a fairly steady absorption rate, altogether seem to indicate that the Minneapolis MSA was showing healthy demand for the IL and AL products coming online. However, that demand seems to have slowed this quarter.

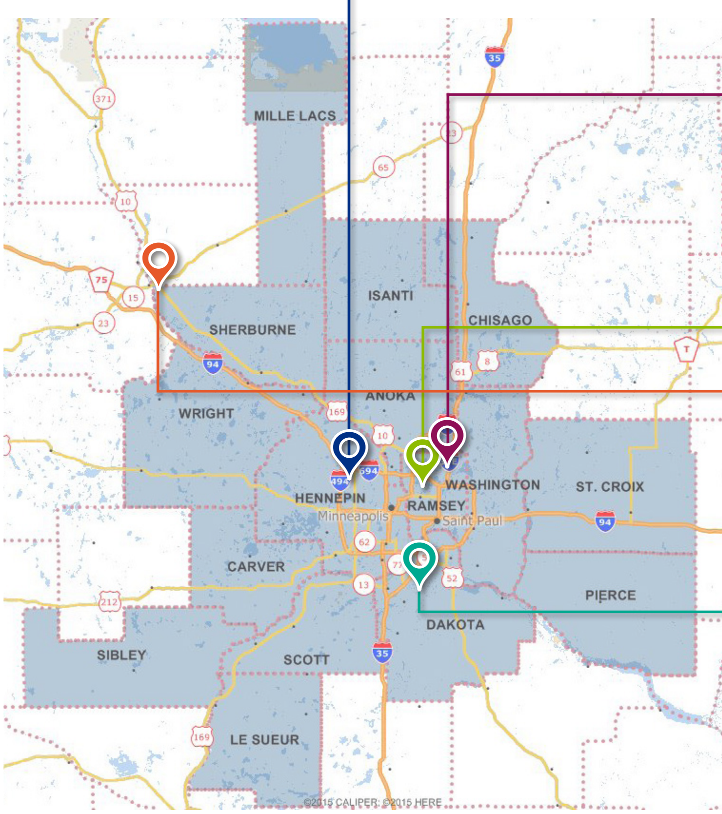
For IL, the top three Midwest cities under construction are **Chicago, IL**; **Columbus, OH**; and **Detroit, MI**.

For AL, the top three Midwest cities under construction are **Chicago, IL**; **Detroit, MI**; and **Minneapolis, MN**.

Units Under Construction | *Number of units that have broken ground but are not online, as measured at the end of the quarter*

Top Construction Projects

The five largest construction projects in the Minneapolis MSA include:



5 ***Cherrywood Pointe of Minnetonka***
AL/IL COMBINED – 106 UNITS

IL	30
AL	76
NC	0

4 ***White Bear Heights Senior Living***
AL/IL COMBINED – 112 UNITS

IL	36
AL	76
NC	0

3 ***Cherrywood Pointe of Roseville***
AL/IL COMBINED – 115 UNITS

IL	45
AL	70
NC	0

2 ***The Sanctuary at St. Cloud***
AL/IL COMBINED – 137 UNITS

IL	0
AL	137
NC	0

1 ***Orchard Path***
AL/IL COMBINED – 193 UNITS

IL	115
AL	78
NC	0

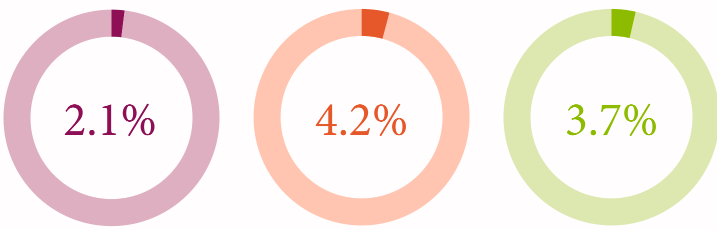
PLANTE MORAN LIVING forward™

Market Snapshot | Q1 2017 | Minneapolis, Minnesota

Construction as a Percent of Inventory

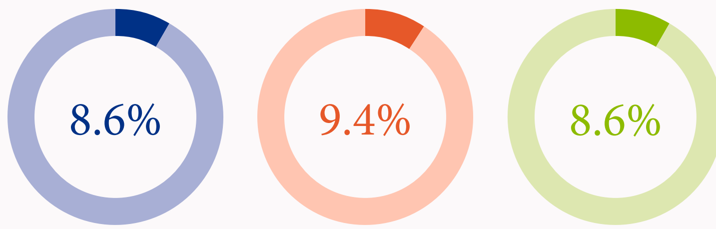
The Minneapolis MSA's IL construction as a percent of inventory is much lower than the averages for the Midwest and the primary markets this quarter. Its AL construction as a percent of inventory is lower than the Midwest but on par with the primary markets. However, the Minneapolis MSA is significantly below the highest IL and AL cities in the primary markets, whose numbers rest at **13.8%** and **31.5%**, respectively.

Independent Living



Minneapolis	**Midwest**	**Primary Markets**
Last QT: *2.5%* ***Last YR:*** *5.2%*		***HIGHEST IL:*** ***Orlando, FL*** *13.8%*

Assisted Living

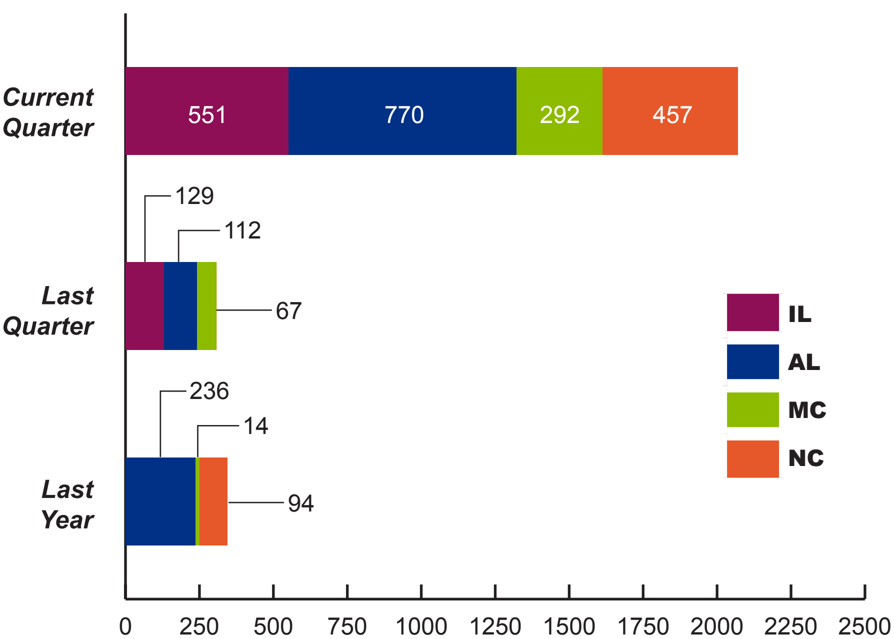


Minneapolis	**Midwest**	**Primary Markets**
Last QT: *8.6%* ***Last YR:*** *11.0%*		***HIGHEST AL:*** ***Denver, CO*** *31.5%*

Construction as a Percent of Inventory | *Percentage of the total inventory of units that are still under construction*

Sales Transactions

Minneapolis MSA Transactions by Unit/Bed Type



More units were sold overall and in each product type this quarter compared to both the previous quarter and last year. This quarter's 17 transactions included 2,244 units: 551 IL, 770 AL, 292 memory care (MC), and 457 nursing care (NC). Unspecified units accounted for 174 of the total (not reflected in the bar graph).

This compares to last quarter's 308 units, which sold in 3 transactions with no NC units, and last year's 344 units, which sold in 4 transactions with no IL units.

	TOTAL # OF UNITS SOLD	# OF TRANSACTIONS
Current Quarter	2,244	17
Last Quarter	308	3
Last Year	344	4

PLANTE MORAN LIVING forward™

Market Snapshot | Q1 2017 | Minneapolis, Minnesota

Labor & Employment

The average hourly wage for Nursing and Residential Care Facilities in the Minneapolis MSA is $12.14. This is significantly below the average of the Education and Health Services industry, which was reported at $20.31 for the Minneapolis MSA.

Low unemployment rates combined with low wage rates in the Minneapolis MSA's senior living sector may make it challenging to attract future employees for a new project.

	Education & Health Services		Nursing & Residential Care Facilities*	
	HOURLY WAGES	YEARLY WAGES	HOURLY WAGES	YEARLY WAGES
Minneapolis MSA	$20.31	$42,253.71	$12.14	$25,249.71
Minnesota	$24.43	$50,804.00	$13.93	$28,964.00
United States	$23.95	$49,816.00	$15.08	$31,356.00

*included in Education & Health Services

Most recent data for
Unemployment Rates:

Minneapolis MSA:
5.2%

Minnesota:
4.8%

United States:
4.5%

About Plante Moran Living Forward™

Feasibility
Our full range of market and feasibility services gives you a clearer view of your options, and the risks vs. rewards of those options.

Site Selection
Completely unbiased, independent analysis and counsel that will identify the perfect space for your senior living facility and ensure your long-term success.

Development
Decades of experience acting as owner's representatives will safeguard your projects and keep them managed efficiently and effectively.

Unbiased, Value-Driven Senior Living Consulting

From concept to completion to operation, we provide strategic vision that helps you see the big picture more clearly. Learn more at pmlivingforward.com.

Subscribe to our blog at: **pmlivingforward.com/blog** Follow us at: **@pmlivingforward**

"Midwest" data refers to an aggregate of the following MSAs: Minneapolis, MO; Kansas City, MO; and St. Louis, MO. The data contained in this report is obtained from NIC MAP® Data and Analysis Service (www.nicmap.org) and the Bureau of Labor Statistics (www.bls.gov). Although the information was obtained from sources deemed reliable, no warranty or representation, expressed or implied, is made as to the accuracy of the information herein.