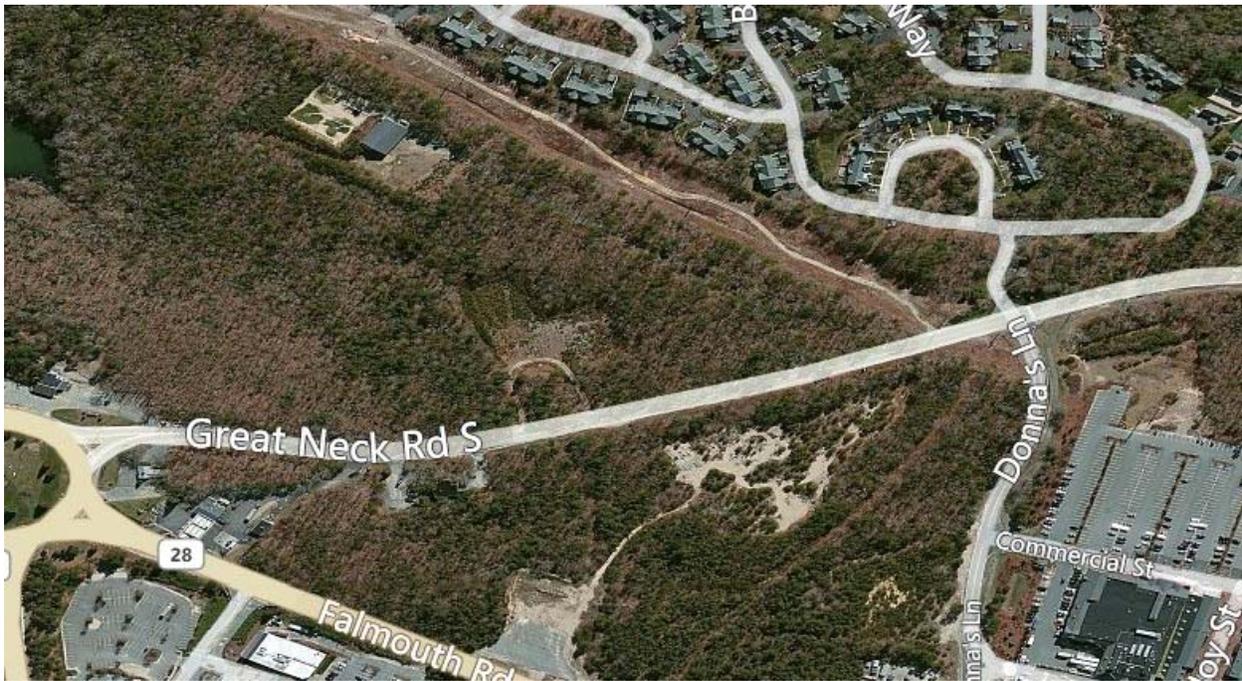


*A Limited-Scope Restricted-Use Market Feasibility Analysis & Study
of*

Proposed Seniors Housing Facility

Great Neck Road South
Mashpee, Massachusetts



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*A Limited Scope Restricted-Use Market Feasibility Analysis & Study
of*

Proposed Seniors Housing Facility

Great Neck Road South
Mashpee, Massachusetts

Prepared For: Mr. Stephen Ordway
Director of Acquisitions & Development
The Northbridge Companies
71 Third Avenue
Burlington, MA 01803

Prepared By: Raymond A. Dennehy, III, President
Andrew J. Van Hazinga, Consultant
Health Care Valuation Advisors, Inc.
PO Box 227
Princeton, Massachusetts 01541

As Of: 25 April 2014

15 August 2014

Mr. Stephen Ordway
Director of Acquisitions & Development
The Northbridge Companies
71 Third Avenue
Burlington, MA 01803

Dear Mr. Ordway:

In accordance with your request, we have prepared a limited-scope, restricted-use market feasibility analysis and study for a proposed seniors housing facility to be located on Great Neck Road South close to its intersection with Donnas Lane in Mashpee, Massachusetts, we have examined the subject property and corresponding market and submit herewith our report. The following limited-scope report is intended to examine the competitive supply and quantify the demographic support and potential for the development of the proposed seniors housing facility offering both traditional assisted living and memory care assisted living services.

The purpose of this market analysis is for the client's use in determining the feasibility of the proposed seniors housing facility for both internal planning purposes and during submissions for development approvals for the proposed project. We understand that the client is familiar with the location of the proposed development and the market in which it is located. As such, this report has been limited in scope to include descriptions of the most comparable and competitive facilities in the market area as well as an analysis of the demographic demand for the proposed use. This report is restricted for use only for internal decision-making purposes and during submissions for development approvals for the proposed project. It is not intended to be suitable for use by any other outside party, including supporting a financing request. This limited-scope restricted-use market feasibility analysis and study has been completed in conformity with and subject to the requirements of the uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board.

This report includes a description of the comparable assisted living facilities located in the local market and an analysis of the demographic support for the proposed development in the subject's estimated market area. The following pages will include a brief description of the likely primary market area for the proposed development, a survey of the comparable facilities, a discussion of the general market for assisted living facilities, and a demographic analysis of the feasibility of the proposed seniors housing facility. The contents of this report have been shaped by the limited scope and intended restricted use of the study.

Our opinions and conclusions are subject to the assumptions, contingencies, and limitations as set forth in the following report. Our analysis is based on estimates and assumptions developed in

connection with the market study. Over the course of the holding period some assumptions inexorably will not occur and unanticipated events and circumstances will take place. The actual results achieved during the holding period will vary from our estimates and could be material. Our analysis assumes competent management. However, we have not been engaged to evaluate the effectiveness of management, and we are not responsible for management's actions, including marketing efforts.

Our analysis and conclusions are based on the descriptions of the proposed facility supplied by the client. Very limited details concerning this proposed seniors housing facility are available as of the effective date of the report. We understand that details such as the actual physical arrangement, pricing structure, and care plan of the proposed facility are not finalized at this time. We have based our analysis on the best information available as of the effective date of the report. We assume the proposed seniors housing facility will be typical of other assisted living facilities in the area. As detailed characteristics of the proposed facility become available, our opinions, conclusions, and the form of our analysis may change.

Our analysis of the expected demand for traditional assisted living and memory care assisted living services reflects any other seniors housing developments proposed for the area. However, these proposed developments have not yet been constructed. The number and type of units in these proposed developments may change before they are fully developed, and they may not even be developed at all. We have based our current analysis on the best information available. If circumstances regarding these proposed facilities changes in the future, our conclusions may also change.

After considering the current market for assisted living in the Mashpee area and the demographics of the likely primary market area, it is our opinion that as of 25 April 2014, there is demographic demand for the following:

ONE HUNDRED SIXTY (160) TRADITIONAL ASSISTED LIVING UNITS

THIRTY FIVE (35) MEMORY CARE ASSISTED LIVING UNITS

Very truly yours,

HEALTH CARE VALUATION ADVISORS, INC.



Raymond A. Dennehy, III
MA Certified General Appraiser #2019
President



Andrew J. Van Hazinga
MA Certified General Appraiser #75408
Consultant

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SCOPE & INTENDED USE OF MARKET STUDY

The scope of work of this market analysis reflects its function and intended use. The purpose of this market study is for the client's use in determining the feasibility of a proposed seniors housing development providing traditional assisted living and memory care assisted living services, both internally and during submissions for approvals for development. It is not intended to be suitable for use by any other outside party, including supporting a financing request.

We understand that the client is familiar with the location of the proposed development and the market in which it is located. As such, this report has been limited in scope to include descriptions of the most comparable and competitive facilities in the market area as well as an analysis of the demographic demand for the proposed use.

The subject property consists of a proposed seniors housing development on two lots totaling approximately five acres on the east side of Great Neck Road South just north of its intersection with Donna's Lane. Initial proposals are for a 70-unit facility with 52 traditional assisted living units and 18 specialized memory care assisted living units.

In order to complete a credible report, the consultant must achieve a thorough understanding of the market in which the subject property is located, other competitive properties in the local market, the pipeline of future competitive development, and the demographics of the primary market area.

The location of the proposed subject development was physically inspected by Andrew J. Van Hazinga on 25 April 2014. Messrs. Dennehy and Van Hazinga have previously completed appraisal assignments on Cape Cod and are familiar with the local seniors housing market. We have researched and analyzed the characteristics of Mashpee and the local market area. This includes data from the U.S. Census Bureau and ESRI provided by the Site To Do Business as well as resident extract data provided directly by the communities. Additional data has also been researched from other sources.

We have researched independent and assisted living facilities serving the local market area. The characteristics and current fees at these facilities were researched through websites and promotional materials prepared by the facilities as well as interviews with leasing and/or administrative staff at the facilities. The exteriors of these competitive facilities were inspected by Raymond A. Dennehy, III and/or Andrew J. Van Hazinga for the purposes of this market study or on prior occasions.

We have completed an analysis of the demographic demand for traditional assisted living and memory care assisted living services in the proposed market area using resident extract data provided by the individual towns as well as other demographic information.

Our assumptions and conclusions are based on market information researched for the purposes of this market study as well as our extensive experience with other senior housing facilities in the Greater Boston and New England areas.

COMPETENCY

Raymond A. Dennehy, III and Andrew J. Van Hazinga, signatories to this report, are Certified General Appraisers in the Commonwealth of Massachusetts (#2019 & #75408) and are appropriately licensed to appraise this property.

In order to establish competency in establishing market feasibility for this property, we have gained a thorough understanding of the subject neighborhood and the municipality in which it sits. We have previously completed appraisal assignments on Cape Cod and are familiar with the local seniors housing market. We have researched information in the subject market area as it relates to the subject property. This research includes but is not limited to the Massachusetts Departments of Public Health and Elder Affairs, the Massachusetts Assisted Living Facilities Association, owners and managers of competitive assisted living facilities, owners and administrators of nursing homes, and healthcare finance professionals.

Additionally, knowledge of independent and assisted living facilities as well as other health care properties has been achieved through appraising and analyzing similar properties over the years. We have completed several similar market studies and feasibility analyses for independent and assisted living units in recent years. We also rely on our many years of experience in appraising and analyzing a wide range of properties throughout Massachusetts and New England. Finally, we conform to USPAP (Uniform Standards of Professional Appraisal Practice) as adopted by the Appraisal Foundation

GENERAL ASSUMPTIONS

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the consultant and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the consultant.
5. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.
11. The value is estimated under the assumption that there will be no international or domestic, political, economic, or military actions that will seriously affect real estate values throughout the country.

GENERAL LIMITING CONDITIONS

1. The consultant will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefore.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the consultant, and in any event only with proper written qualification and only in its entirety.
3. The distribution of the total valuation in this report between land and improvements applied only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and the consultant hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.
5. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media without written consent and approval of the consultant. Nor shall the consultant, firm, or professional organization of which the consultant is a member be identified without written consent of the consultant.
6. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and general limiting conditions.
7. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the consultant become aware of such during the consultant's inspection. The consultant has no knowledge of the existence of such materials on or in the property unless otherwise stated. The consultant, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.
8. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such

conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

9. Unless otherwise stated in this report, we have not considered possible non-compliance with the requirements of the "ADA" (Americans with Disabilities Act). We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the ADA requirements, could reveal that the property is not in compliance with one or more of the requirements of the Act, and if so, this fact could have a negative effect upon value.

CERTIFICATION

I certify to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, conclusions and recommendations.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this market study.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Raymond A. Dennehy, III, and Andrew J. Van Hazinga have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.
- As of the date of this report, Raymond A. Dennehy, III has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

HEALTH CARE VALUATION ADVISORS, INC.



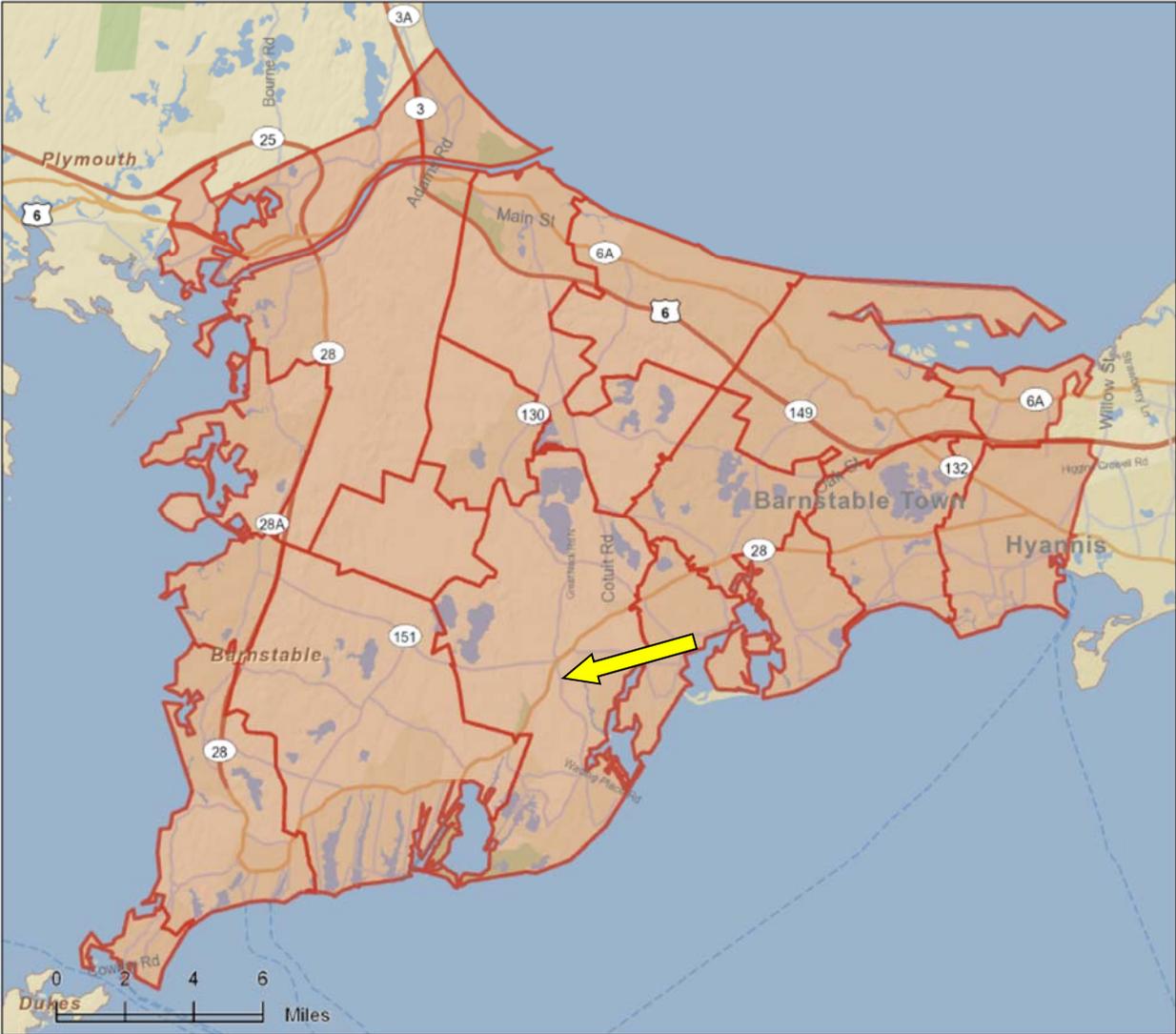
Raymond A. Dennehy, III
MA Certified General Appraiser #2019
President



Andrew J. Van Hazinga
MA Certified General Appraiser #75408
Consultant

MARKET AREA OF PROPOSED DEVELOPMENT

We have estimated the primary market area of the proposed subject property to consist of the communities of Mashpee, Barnstable, Falmouth, Bourne, and Sandwich at the lower end of Cape Cod. In addition, the subject property will likely also attract some residents in communities lower on the Cape as well as those living off the Cape who have adult children living locally. The estimated primary market area for memory care assisted living services is estimated to be consistent with the primary market area for traditional assisted living services at the subject property. The approximate location of the primary market area is illustrated by zip code in the following map.



Estimated Primary Market Area for the Proposed Subject Property

In determining the likely market areas for the proposed subject property, we have considered the location of the subject site in regards to transportation infrastructure and the location of competitive facilities in the Cape Cod area, the characteristics of the residents at the comparable facilities, general characteristics of traditional and memory care assisted living, and our experience with other senior housing developments.

We have summarized some demographic characteristics of the communities of the primary market area in the following table. As shown, Mashpee is one of the smaller communities in the area, but is positioned between two larger towns; Barnstable and Falmouth.

Community Summary - 2013 Data							
	<i>Population</i>	<i>Age 75+</i>	<i>Age 75+ Household Growth 2013 - 2018</i>	<i>Age 75+ Owner-Occupied Housing Units</i>	<i>Median Home Value</i>	<i>Median Household Income</i>	<i>Age 75+ Median Income</i>
PMA	132,159	10.7%	5.9%	82%	\$392,661	\$74,405	\$37,563
Mashpee	14,002	11.9%	2.9%	88%	\$365,315	\$65,184	\$36,148
Barnstable	45,591	10.6%	4.6%	82%	\$375,281	\$75,197	\$41,812
Falmouth	31,737	13.4%	7.7%	82%	\$451,055	\$68,159	\$33,157
Bourne	19,915	9.8%	6.4%	79%	\$374,570	\$69,624	\$35,342
Sandwich	20,914	7.1%	7.9%	83%	\$389,334	\$89,750	\$41,411

Source: Site To Do Business; ESRI forecasts for current year

The target market for the subject property will be discussed in greater detail later in the report, but consists of seniors over the age of 75 who live alone and own their own home as well as single seniors living with adult children. We have summarized the number of seniors living in each community in the following table.

Assisted Living Target Households in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	499	538	793	1,830
Bourne	252	245	332	829
Falmouth	463	488	674	1,625
Mashpee	210	201	270	681
Sandwich	<u>152</u>	<u>162</u>	<u>254</u>	<u>568</u>
Total	1,576	1,634	2,323	5,533

Source: Residents Extract Data obtained from respective towns

COMPARABLE ASSISTED LIVING FACILITIES

We have summarized the most competitive facilities to the proposed subject property in the following section. These facilities are located to the southwest in Falmouth, west in Pocasset, northwest in Sandwich, and northeast in Barnstable. These are all of the assisted living facilities located in the primary market area. We have also included a facility in West Yarmouth as it is located very close to the primary market area and draws a significant number of residents from this area.

Cape Cod Senior Residences is entirely reserved as affordable housing for lower-income seniors. However, this comparable has been included as a significant portion of the elderly population falls under the income limits at this facility. Atria Woodbriar and Emeritus Cape Cod also have a proportion of affordable units and new residential developments of significant size on the Cape are generally required to include at least 10% affordable units.

Market Occupancy Trends

Occupancy at the comparable facilities is generally strong. While the overall occupancy at Atria Woodbriar is currently low, this facility has a new building that is currently leasing up and a significant number of units in the older building have been taken off line during a renovation of the property. All of the other comparables are between 90% and 100% occupied.

Summary of Competitive Assisted Living Occupancy						
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>						
<i>Facility</i>	<i>Location</i>	<i>Opened</i>	<i>AL Units</i>	<i>Occupancy</i>	<i>ALZ Units</i>	<i>Occupancy</i>
Heritage at Falmouth	Falmouth	1994	56	98%	-	-
Atria Woodbriar*	Falmouth	1999/2013	180	77%	44	80%
Cape Cod Senior Residences	Pocasset	2005	60	100%	-	-
Decatur House	Sandwich	1999/2014	23	91%	-	-
Mayflower Place	Yarmouth	1989	10	100%	-	-
Emeritus at Cape Cod	Hyannis	1999	60	95%	20	100%
Brookside at Regency	Centerville	2009	-	-	29	90%
Harbor Point at Centerville	Centerville	1998	-	-	65	NA
Total Units - Weighted Average Occupancy			333	86%	158	87%

* This property includes a new 125-unit building in the process of leasing up and currently 75% full, & an older building with about 20% of the units off-line during renovations to the property.

Area operators generally report that while there are a number of competing facilities in the area and several new facilities in development, there is significant demographic demand in the market that is expected to grow significantly in the coming years as the Baby Boomer generation ages. This will likely lead to a significant spike in demand for assisted living. However, some of the

marketing staff interviewed for the purposes of this facility report some concerns that the market is being over-developed.

Most of the comparable facilities experience turnover of about a third of their units each year, but many report the frailty of residents has been increasing as they wait longer before moving to assisted living because of concern over the cost as well as a desire to remain in their homes as long as possible. As they are generally frailer when they arrive, the typical length of stay has been declining and annual turnover has been increasing the last few years.

Market Observations

Most of the traditional assisted living units at the comparables consist of private studio and one-bedroom apartments. Some comparables include two-bedroom units, but they are often marketed as a one-bedroom with a den. Patricia Herlihy, the executive director of Emeritus Cape Cod, reports that companion units occupied by two unrelated seniors do not fit the expectations of the local market and are a very tough sell. While the facility has tried to market companion units, most of the residents occupy private apartments. While companion units are commonly found in other parts of the state as a way to keep the monthly cost down, particularly for GAFC residents, this facility has found them to be very unpopular in the local market. Ms. Herlihy reports that even GAFC residents who are receiving a subsidized stay at the facility will avoid sharing a unit with a stranger if possible.

Most of the memory care assisted living units at the comparable facilities are studio apartments. This tends to simplify living conditions for the residents and helps avoid them from feeling lost or overwhelmed in their apartment. Memory care facilities also have a constant stream of specialized programs and activities during the day to keep the residents occupied and attentive. The smaller units help motivate the residents to leave their apartments to participate in the programs and interact with other residents. Private units are typically preferred for memory care residents as two residents suffering from dementia sharing a small living space can lead to often lead to problems and health concerns. However, there is demand for semi-private units in the market as a way to reduce the cost of memory care assisted living care. Recently constructed semi-private units typically are arranged with the unit divided into two distinct living areas joined by a common entrance and bathroom. This helps provide some privacy for the residents, but still allows for some cost savings in construction.

The memory care neighborhoods are secure units within the facilities to prevent residents from wandering away and injuring themselves. They will typically have their own common areas separate from the rest of the facility and will take their meals in a common dining room within the unit.

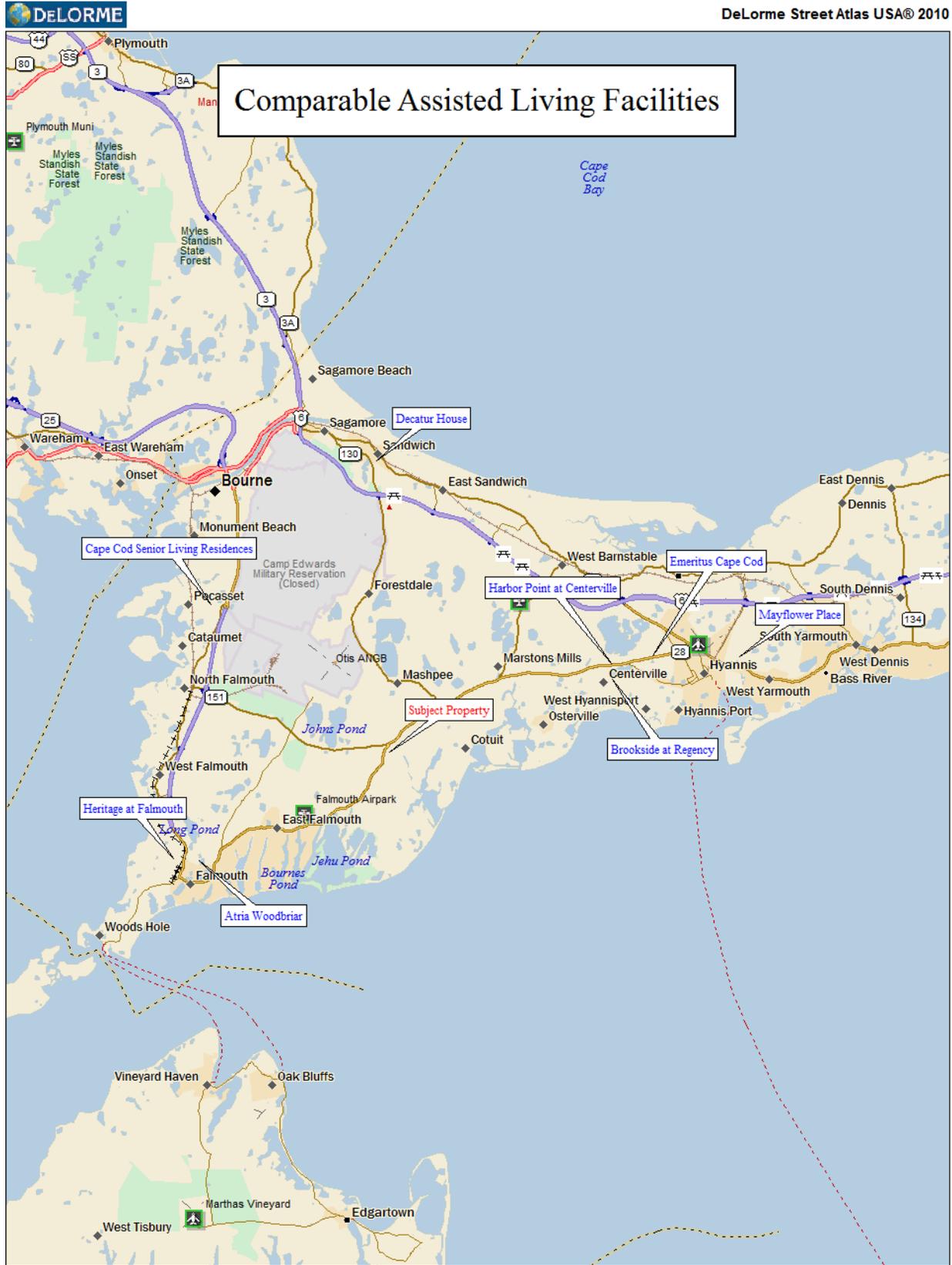
Facilities that are specifically designed for the care of memory care residents suffering from Alzheimer's disease or other related forms of dementia often feature many specialized environmental cues in their design and furnishings to increase orientation and a feeling of safety. The environmental surroundings of a memory care resident can have a significant effect on their

mood and behavior. Some of the design cues some specialized memory care facilities have incorporated include the following:

- Enhanced lighting & sound control to limit anxiety, sun-downing, & reactive behavior
- Color & pattern selections that reduce confusion & camouflage exits
- Safety handrails
- Specialized healthcare flooring
- Door handles versus door knobs
- Private bedrooms with private bathrooms
- Color schemes in bathroom to highlight fixtures
- Storage hidden from resident
- Small closets diminishing confusion
- Special tableware & furniture for those with Alzheimer's
- Artwork as therapy in the common areas
- Gardens with raised beds
- Walking paths - both interior and exterior
- Avoidance of dead-end hallways as well as endless loops for wandering residents
- Memory boxes outside each unit
- Centralized control of heat & cooling
- Motion sensors to monitor resident activity

Traditional assisted living facilities with special care units for memory care residents typically care for residents in the early to mid-stages of Alzheimer's or dementia and often do not have the expertise to handle residents in the later stages of memory impairment. In contrast, a dementia-specific facility such as Harbor Point is better equipped to care for these more acute residents and will provide end of life care for memory care residents.

Exhibit 1 – Map of Comparable Facilities



Comparable Facility 1



Heritage at Falmouth

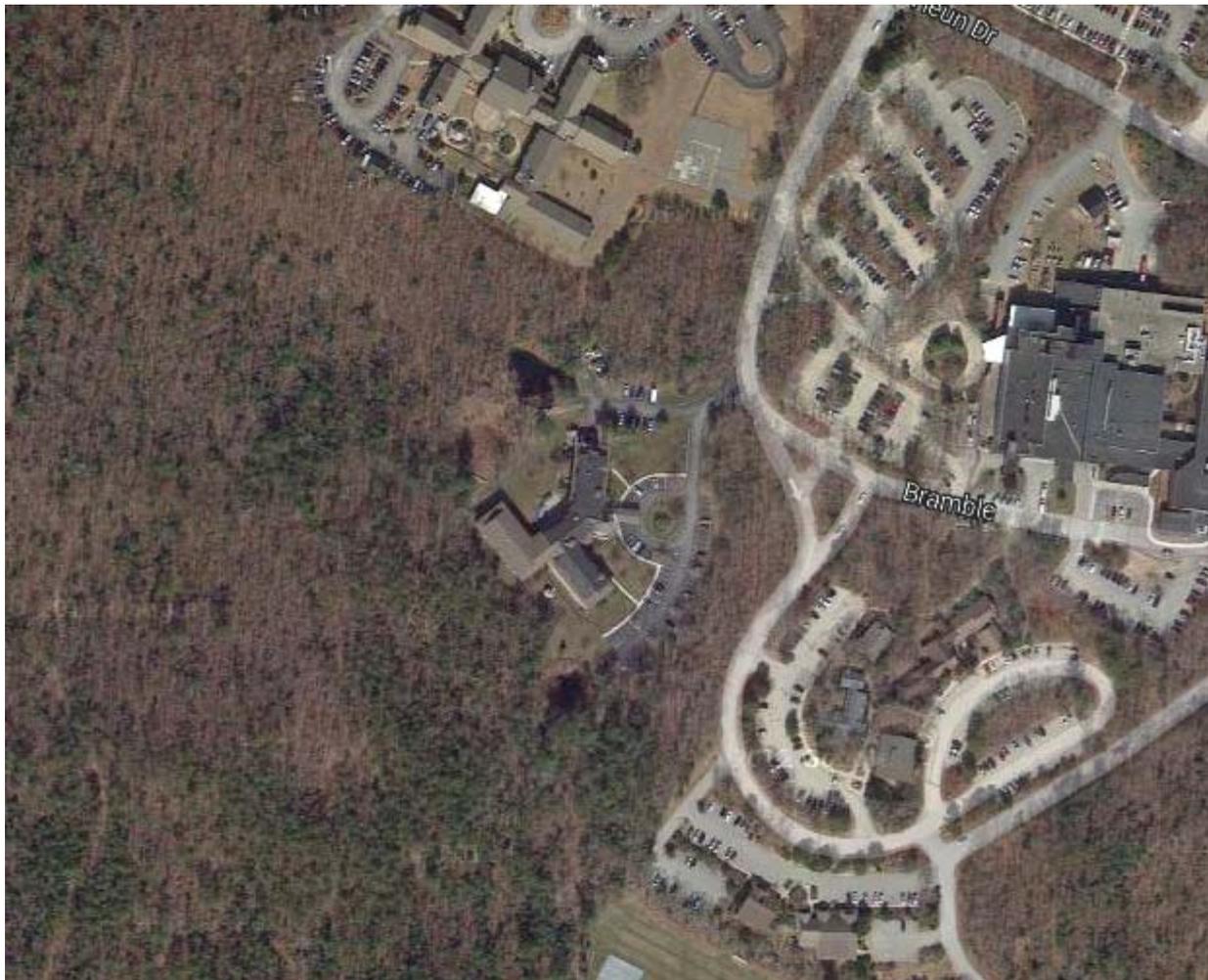
140 Ter Heun Drive
Falmouth, MA 02540
508-457-6400

Contact Christine Davidson, Ancillary Services Director - 2014

Unit Summary 56 Assisted Living units

Property Description

This facility is located just north of downtown Falmouth on the western side of the Falmouth Hospital campus. Heritage at Falmouth is operated by Cape Cod Healthcare in conjunction with the adjacent hospital and skilled nursing facility. The hospital is currently constructed a 25,000 square foot addition to the emergency center on the west side of the building. However, Heritage at Falmouth is located on a 9.5-acre lot that is sufficiently buffered from the hospital. Beebe Woods, over 300 acres of preserved forest and walking trails are located to the west of the site. Route 28 is located just to the east and provides access to points north. It is improved with a mix of residential and small-scale commercial uses. The three-story, wood-frame building was constructed in 1994 for its current use. According to Falmouth Assessor records, the building has a total finished area of 47,394 square feet, or about 846 square feet per unit.



Google Maps

The on-site amenities available to all residents include the following:

- Restaurant-style dining room
- Community & activity rooms
- Library
- Media room
- Game room w/ billiards table
- Resident kitchen
- Exercise room
- General store & bank
- Beauty salon
- Three-season porch
- Patio

Heritage at Falmouth has a mix of studio (6 units), one-bedroom (47 units), and two-bedroom apartments (3 units). The studio and one-bedroom units are similar in size. The units have a kitchenette with a refrigerator, microwave, and bar sink, although meals are served in an on-site dining room. The units also have individual heating and air conditioning controls as well as an emergency call system.

Services Description

The following services are provided at the facility as part of the monthly fee:

- Three meals daily
- Weekly housekeeping
- Weekly linen service
- All utilities except for telephone & television
- Scheduled transportation for shopping & medical appointments
- Personal care assistance with activities of daily living

The facility has a strong activities program to keep the residents active and engaged. The staff makes a concerted effort to encourage social interaction between the residents to avoid isolation and depression. Programs include games such as croquet, group exercise classes, cocktails in the club room, cooking activities

Pricing

The typical monthly fee for a studio or one-bedroom unit is about \$5,000 per month. All of the residents are private-pay and the facility does not utilize the GAFC program.

There is a community fee of \$5,000 for new residents moving to the facility.

Occupancy Trends

The facility currently has one available unit, although our contact reports that it is in the process of being leased and should be off the market shortly.

Our contact reports that the facility typically operates at high occupancy. This reflects the small size of the facility as well as its connection to the Cape Cod Healthcare network, which provides a steady source of referrals.

Resident Profile

Residents at the facility come from the surrounding towns as well as elsewhere on the Cape. As part of the Cape Cod Healthcare network, the facility receives referrals from physicians located throughout the Cape and this works to broaden its geographic appeal. In addition, it is common for CCH doctors to arrange for their parents to live at the facility when needed. A significant proportion of residents also come from off the Cape, but they typically have adult children living locally.

About 90% of the residents had previously lived in their own home before moving to the facility. It is common for residents to use the proceeds from the sale of their home to pay for their care on a long term basis. Our contact reports that in recent years the average length of stay has dropped from five to seven years to three to five years. This is a result of seniors waiting longer before moving to assisted living as they often want to stay in their homes as long as possible. Correspondingly, the typical age of residents has increased from the early 80s to around 85.

As residents are waiting longer before moving to the facility, they also often have more complex service needs. Through its proximity to Falmouth Hospital and connection to the Cape Cod Healthcare network, the facility is able to arrange for the provision of additional services on site ranging from rehabilitative care to assistance for seniors suffering from dementia to hospice services. This is seen as an advantage in the market as residents are reassured to know that they do not have to leave the facility if they require a higher level of care.

Management/Ownership

Heritage at Falmouth is operated by Cape Cod Healthcare in conjunction with a number of hospitals and other medical facilities on the Cape.

Comparable Facility 2



Atria Woodbriar Place & Terrace

339 & 389 Gifford Street
Falmouth, MA 02540
508-444-0340

Contact Michael Kolesar, Community Sales Director – 2014

Unit Summary	Woodbriar Place	125 Traditional Assisted Living units (including 25 affordable units)
	Woodbriar Terrace	55 Traditional Assisted living units 44 Memory Care units 99 Total units

Property Description

This facility is located just north of downtown Falmouth by the intersection of Gifford Street and Jones Road. Route 28 is located less than a mile to both the east and west. A number of commercial uses are located on either side of this section of Gifford Street while a residential neighborhood is located south of Jones Road. A sand and gravel pit is located a short distance to the north. Woodbriar Terrace opened about 15 years ago and consists of a 99-unit building originally constructed in 1968. A complete renovation of the property is scheduled to begin this

month. Woodbriar Place is a LEED Gold-certified building that opened in 2013 on an adjacent site previously improved with a nine-hole golf course. This facility has 125 units, including 25 units reserved as affordable housing for seniors earning less than 50% of the area median income. This was a requirement of its approval for development from the Board of Appeals. According to Falmouth Assessor records, the building has a total finished area of 111,807 square feet, or about 894 square feet per unit. The two buildings are located on about eight acres overlooking Jones Pond. As part of the approval for the development of Woodbriar Place, a 15-acre parcel is preserved as open space.



Google Maps

The on-site amenities available to all residents include the following:

- Restaurant-style dining room
- Private dining room
- Café
- Community & activity rooms
- Indoor swimming pool
- Computer room
- Theater

- Library
- Fitness center
- Beauty salon
- Laundry facilities
- Walking paths & gardens

Woodbriar Terrace consists of studio units while Woodbriar Place has a mix of studio (20 units), one-bedroom (100 units), and two-bedroom apartments (5 units), some with balconies. Some of the units are shared suites where separate residents occupy a private bedroom and bathroom, but share a common living room and kitchenette. The units have a kitchenette with a full-size refrigerator, microwave, and granite countertops as well as an emergency call system. The unit areas for the new building are summarized as follows:

Studio	400 to 470 square feet
One-Bedroom w/ Balcony	530 to 575 square feet
One-Bedroom	560 to 840 square feet
Two-Bedroom w/ Balcony	690 to 720 square feet
Two-Bedroom Share Suite	850 square feet

Services Description

The following services are included in the base monthly fee:

- Three meals daily served restaurant-style
- Weekly housekeeping service
- Weekly linen service
- Regular maintenance of building & grounds
- All utilities, except television & telephone
- Scheduled transportation to shopping & medical appointments
- Daily program of social, musical, fitness, educational, & religious activities

The facility's Engage Life program is tailored to resident's interests targeting eight dimensions of engagement: lifelong learning, health & fitness, entertainment & fun, connection, inspiration & spirituality, personal achievement, creative expression, and civic engagement. Our contact reports that this sense of social community is a very important reason why residents choose to move to the facility. Even if they were able to remain in their home with the support of home care services, they would not get the benefit of social interaction with their peers that is available at an assisted living facility.

Residents requiring assistance with activities with daily living may enroll in the assisted living program. Three tiers of service are available with a set time of assistance provided, although

additional personal care of up to 21 hours each week is available at an additional charge. Residents may also receive medication reminders for an additional monthly fee. The facility will also coordinate with outside providers to arrange for the provision of rehabilitation services on site when needed by a resident. This is of particular reassurance to the residents that they can get the care they need at the facility and may be able to avoid moving to a new setting if they require rehabilitation from an accident.

The goal of the facility is to assist residents as they age in place and allow them to live independently as long as possible at a high quality of life. Not all of the residents at the facility require regular assistance with ADLs, but they often draw reassurance from the availability of this support if it is needed.

The memory care unit is a secure area with separate common areas. The unit is specifically designed for residents suffering from dementia. Meals are served in a more intimate setting and the unit has a secure outdoor entertainment area. The unit has specialized programming designed to emphasize familiar routines, structured involvement, and reminiscence activities. The unit also has weekly staff-supervised outings. Memory care residents typically receive about two hours of personal care assistance with activities of daily living each day, including cueing and directional assistance.

Pricing

The base monthly fees at the facility are summarized as follows:

Studio (Terrace)	\$5,600+
Studio (Place)	\$5,000+
One-Bedroom	\$6,400+
Memory Care Studio	\$7,600+

The new facility has 25 units reserved as affordable housing and many of these residents are enrolled in the GAFC program.

The facility does not currently charge a community fee for new residents, which reflects that the new building is still undergoing its initial lease up. It is common for Atria facilities to have a community fee ranging from a couple thousand dollars to around one month's rent, depending on the local market.

Occupancy Trends

The new Woodbriar Place building opened in August 2013 and is about 75% full as of the beginning of May 2014. This indicates an absorption rate of a little over 10 units per month.

Woodbriar Terrace does not currently have any units available, but some of the units have been taken off line during a significant renovation of the property (estimated at about 20% of the units).

Resident Profile

Residents at the facility primarily come from Falmouth and the surrounding towns, but the property also draws residents from elsewhere along the Cape. Many residents also come from off the Cape or out of state, but typically have adult children living locally. It is common for family members to bring parents closer to where they live when they require greater assistance and supervision.

Management/Ownership

Woodbriar Place is operated by Atria Senior Living Group, which is one of the largest assisted living operators in the U.S. with 16,000 residents in over 120 communities in 27 states.

Comparable Facility 3



Cape Cod Senior Residences at Pocasset

100 Dr. Julius Kelley Drive
Bourne, MA 02559
508-564-4474

Contact Heather MacBride, Administrative Assistant – 2014

Unit Summary 60 Traditional Assisted Living units
24 Independent Living units
84 Total units

All of the units are reserved as affordable housing for seniors earning less than 60% of the area median income.

Property Description

This facility is located in Pocasset, which is located in the southwestern part of Bourne. It is situated in a lightly-developed residential area and the property is well buffered on a wooded 15-acre site. An older medical office building and a couple dwellings are also located on the parcel, which was formerly the site of the Barnstable County Hospital. About 8.5-acres are allocated to the facility. Route 28 is located about a half mile to the east and the facility is a little over four

miles south of the Bourne Bridge to Cape Cod. The two-story, wood-frame building was constructed about 2005 for its current use. According to Bourne Assessor records, the building has a total area of 68,882 square feet, or about 820 square feet per unit.



Google Maps

The on-site amenities available to all residents include the following:

- Restaurant-style dining room
- Private dining room
- Fitness room
- Country kitchens
- Library
- Media room
- Community living room
- Laundry facilities
- Beauty salon
- Screened porch
- Community garden w/ raised planting beds

- Patio w/ gazebo
- Walking paths & hiking trails through conservation land

Most of the assisted living units are studios, but there are about a dozen one-bedroom apartments. The studios are 405 square feet in size and the one-bedroom units are about 594 square feet in size. The units each have a private bathroom with a walk-in shower with safety grab bars. The units do not have a full kitchen, but are equipped with a kitchenette with a refrigerator, microwave, and a small bar sink. All of the units have an emergency call system.

The independent living units consist of one and two-bedroom apartments about 648 square feet and 910 square feet in size, respectively. They all have a private bathroom and a full kitchen as well as an emergency call system.

Services Description

The following services are included in the base assisted living monthly fee:

- Continental breakfast as well as lunch & dinner served restaurant-style
- Weekly housekeeping
- Weekly linen service
- Daily bed making & trash removal
- Apartment maintenance & utilities
- Scheduled transportation service for shopping, medical appointments, & outings

The facility offers an extensive program of activities called the EnrichedLIFE program and is considered an important amenity to the residents to help them maintain their emotional and physical well-being. This program is tailored to the interests of the residents, but includes the following areas and activity examples:

- Artful adventures – concerts, chorus, drama, museum visits, poetry, painting, quilting, ceramics, “brain health” cooking classes
- Knowledge Connection – adult education lectures, by outside speakers & residents, current event discussions, book clubs
- Movement – walking club, gardening, strength training, dance, yoga, tai chi, chair aerobics
- Spiritual nourishment – on-site religious services, clergy visits, bible study, discussion groups, meditation
- GetConnected – group computer instruction, one-on-one assistance with email, facebook, internet searches, and Skype
- Volunteer & intergenerational opportunities
- Strictly for fun – live musical entertainment, parties, seasonal events, grab your passport days, movies, bridge, bingo, group word games, trivia nights

The following wellness services are also available to assisted living residents:

- Certified resident care associates available 24 hours per day
- Wellness oversight by a community nurse
- Customized wellness plan tailored to meet individual personal care needs & preferences
- Semi-annual health assessments
- Licensed social work services
- Personal care assistance with activities of daily living
- Assistance arranging transportation to local medical appointments

Some of the services available to residents for additional fees include the following:

- Self-administered medication management
- Medication delivery
- Guest meals & catering for private parties
- Personal laundry service
- Additional housekeeping
- On-site healthcare services, including physician visits, temporary agency skilled nursing, podiatry, and physical, occupational, & speech therapies

Independent living residents are not provided meals or services as part of the monthly fee.

Pricing

Occupancy is limited to seniors age 65 and older earning no more than 60% of the area median income. For 2014, an individual's gross income (such as social security, pensions, etc.) and 2% of assets (such as home, bank accounts, CDs, etc.) cannot exceed \$36,240. For a couple, the income limit is \$41,400.

The current monthly fees are summarized as follows:

Assisted Living	Studio	\$4,750 per month
	One-Bedroom	\$5,195 per month
	2 nd Occupant	\$1,400 per month
Independent Living	One-Bedroom	\$970 per month
	Two-Bedroom	\$1,164 per month

There are no community fees for new residents.

Occupancy Trends

The subject property is fully leased and typically maintains a waiting list of prospective residents, particularly for the independent living units.

Resident Profile

Residents at the facility are typically come from the Upper Cape, but some also come from communities located farther to the east. Our contact estimates that about a quarter of the residents come from off the Cape, both from neighboring communities such as Wareham, Carver, and Plymouth as well as farther away. It is common for seniors moving to the facility from out of state to have adult children living locally.

It is common for residents to come to the facility from their own homes and “market-rate” residents typically use the proceeds from the sale of their home to pay for their care. The subject also has a number of residents with minimal income and assets that use the GAFC program to help pay for their care, estimated to be about half.

The age of the residents varies greatly and it is common for the independent living residents to move to the facility at relatively younger ages. The typical length of stay also varies greatly and independent living residents are often at the facility long term. Most of the residents are single and often move to the facility to avoid isolation.

Management/Ownership

The facility was developed through a public-private partnership of the Barnstable County Commission, non-profit Housing Assistance Corporation of Hyannis, and developer Realty Resources Chartered of Maine. It is managed by Senior Living Residences, which owns and/or manages 12 independent or assisted living communities and five memory-care facilities.

Comparable Assisted Living Facility 4



Decatur House

176 Main Street
Sandwich, MA 02563
508-888-6404

Contact Linda Austin, Executive Director – 2011 & 2014

Unit Summary 23 Traditional Assisted Living units

Property Description

Decatur House is located close to the town center in Sandwich, on Cape Cod. An interchange with the Mid-Cape Highway (Route 6) is located about 1.3 miles to the south. The surrounding neighborhood consists of single-family dwellings and small-scale commercial uses, particularly a couple blocks to the west. A public school is located about two blocks to the south. The original facility opened in 1999 and is located on a 0.71-acre site and consists of a converted residential dwelling with a large addition to the rear. A new eight-unit building has recently been constructed on an adjacent 0.49-acre parcel and should receive an occupancy permit shortly. Most of the units have been pre-leased with only two still available. All of the units will continue to provide traditional assisted living services and the facility will not have a specialized memory care unit.

The owner reports that the facility may continue to expand in the future on a small scale if they are able to gain control of adjacent lots.



Google Earth

Most of the facility’s common areas are located on the first floor of the original section of the building. The building has an elevator providing access to the second level. The on-site amenities available to all residents include the following:

- Traditional dining room
- Garden dining room
- Family room with game & puzzle area
- Formal living room with library & gas fireplace
- Two outside covered seating areas with garden views
- Various interior seating areas with garden views

The units are arranged with a sitting area and a separate bedroom area, although these spaces are not physically divided by a door. The units have a kitchenette with sink, microwave, and refrigerator. Each unit also has a private bathroom with a shower. A typical unit is estimated to

be about 390 square feet in size. A couple of units are larger with an additional room and are estimated to be about 800 square feet in size. These end units are arranged so that the resident must walk through each room to get to the next. The kitchenette is located in the middle room and a large bathroom is located off the third room. The larger units are intended for occupancy by single resident or a couple, and are not rented to two unrelated residents as a companion unit.

Services Description

The following services are provided at the facility as part of the monthly fee:

- Three meals & snacks daily
- Laundering of linens & personal laundry
- Housekeeping services
- Scheduled social programs & outings
- Transportation to & from appointments
- Wellness program & daily exercise program
- 24-hour awake staffing
- Safety checks
- Emergency response system
- All utilities, excluding telephone & cable television

As part of the monthly fee, up to one hour of assistance with activities of daily living is provided each day. Residents needing additional assistance can purchase additional time. Assistance with self-administered medications is also provided as part of the daily fee.

Pricing:

The pricing at Decatur House is structured with a large, partially-refundable entrance fee of \$95,000. After moving to the facility, the refundable portion of the entrance fee is reduced by 1% each month for the first 10 months. After this time, 90% of the entrance fee is refunded after a resident leaves the facility.

In addition to the entrance fee, a resident also pays a monthly service fee, typically about \$5,500.

Occupancy Trends

The original facility is currently full with no available units and six of the eight units in the new building are pre-leased. The executive director reports that the facility typically experiences strong demand. When units become available, they are typically filled quickly. As a need-driven senior

housing option, the executive director reports that demand has remained strong even during recent declines in the housing market and economy as a whole.

Resident Profile

The executive director reports that residents at the facility come from all over the Cape. The market area for the facility is widened by the property's good access to Route 6, the Cape's main highway. She reports that a significant proportion of residents come from off the Cape as well. These residents typically have family members living locally who bring their parents closer as they need additional care.

A senior's home is typically their primary asset used to pay for assisted living care. While there have been recent declines in the housing market on the Cape (and wider region), the executive director reports that her residents have continued to have sufficient means to pay for their care. Even though they may sell their home for less than it was nominally worth five years ago, it is still sufficient to pay for the buy-in and monthly fees at the facility.

The average age of residents at the facility has typically been in the mid-80s. However, the executive director reports that residents moving to the facility have gotten older in recent years, many in their 90s. While the executive director reports that people are still moving to the facility, she says that they are waiting longer to do so in response to the recent declines in the economy and housing market. People are waiting longer before moving to an assisted living facility in the hopes of saving their financial resources until this level of care is most needed. While new residents are getting older, the executive director reports that they are also living longer and are at the facility for a longer period of time. She estimates the average length of stay to be four to six years, which is longer than typically found at most facilities. The facility currently has one married couple, which is typical.

The executive director reports that the property is successful as a small facility offering very intimate and personalized care. While the general trend in the industry has been to construct larger facilities with a broad range of care options, the residents at Decatur House often seek out a more intimate setting and some have moved to the property from larger assisted living facilities.

Management/Ownership

Decatur House is independently owned and operated by Linda and Steve Austin.

Comparable Assisted Living Facility 5



Mayflower Place

579 Buck Island Road
West Yarmouth, MA 02673
508-790-0200

Contact Janice Hewins, Marketing Associate – 2014
Peg Holmes, Executive Director – 2011
Susan Hassett, Director of Marketing – 2011
Theresa Fellows, Director of Marketing – 2000

Unit Summary 116 Independent Living Units
10 Independent/Assisted Living Units
72 Skilled Nursing beds

Property Description

This continuing care retirement community facility is located in West Yarmouth close to the Hyannis town line. It is situated in a lightly-developed residential area north of Route 28 and about two miles from an interchange with the Mid-Cape Highway (Route 6). The 40-acre site is attractively landscaped and ample outdoor parking is available. The property initially opened in 1989 with a later addition of 26 units. Most of the units at the facility are independent living, but

up to 10 units are licensed as assisted living and these residents may receive personal care assistance from facility staff to help them age in place. According to the Yarmouth Assessor, the 126-unit independent/assisted living building has a gross living area of 145,892 square feet, or about 1,158 per unit.

In 2013, Mayflower Place received approval for the expansion of its facility consisting of a 50-unit independent living addition to the existing facility and a free-standing 7 memory care facility on an adjacent site. This building will have a total of 75 studio units and a gross floor area of 58,490 square feet, or about 780 square feet per unit. As a condition of its approvals for development, 10% of the new units will be reserved as affordable housing for households earning up to 80% of the area median income, including five independent living one-bedroom units and eight memory care units. Construction of the new facilities has not yet begun, but is expected to begin this year.

The on-site amenities available to all residents include the following:

- Central dining room
- Private dining rooms
- Grill room café & outdoor dining patio
- Greenhouse
- Library
- Banking services
- Post office
- Theater & meeting rooms
- Beauty & barber shop
- General store
- Crafts center
- Gazebo courtyard & walking trails
- Wellness spa
- Indoor heated swimming pool
- Lounges & game rooms
- Gardens

The independent/assisted living facility is comprised of one-bedroom apartments with either 1.5 or 2 baths. The size of the units ranges from 598 square feet to 884 square feet. There is no physical distinction between the independent and assisted units as the level of services provided varies with the needs of the resident. The individual unit features are summarized as follows:

- Eat-in kitchen with range and oven, refrigerator, dishwasher, & garbage disposal
- Wall-to-wall carpeting in living areas & vinyl floors in the kitchen
- Window treatments
- Individually controlled heat & air conditioning
- Washer & dryer in each unit

- Emergency call system
- Either 1.5 or 2 bathrooms with safety support bars

All of the units in the memory care facility are studio apartments. They are smaller in size to encourage residents to socialize with other residents and take part in planned activities. For the safety of the residents, the units do not have cooking facilities in the units and all meals are served communally.

Services Description

The following services are provided at the facility as part of the base monthly fee for independent living:

- Choice of lunch or dinner each day
- Semi-monthly housekeeping & flat linen service
- Dwelling unit & grounds maintenance
- Utilities except for telephone
- Basic cable TV service
- Scheduled transportation to shopping, recreation, and churches
- 24 Hour security & emergency response
- Planned recreation program
- Priority admission to the Health Care Center
- Comprehensive wellness program

Residents requiring additional personal care assistance can enroll in the assisted living program. In addition to the services provided to independent living residents, the assisted living package also provides for three meals each day and weekly light housekeeping and flat linen services. Assisted living residents are also provided up to one hour a day of personal care services. Additional personal care assistance can be purchased on an a la carte basis. Additional health care services can be purchased through the Wellness Center, which is staffed daily by a licensed nurse and visiting medical professionals.

Pricing

The fee structure for the independent living units at the facility involves a large entrance fee that is 60% refundable and a monthly service fee. The fees at the facility depend on the size, arrangement, and location within the building. The larger and more desirable units have higher fees. The current entrance fees for independent living units range from \$159,900 to \$188,400 with a monthly service fee of \$3,740 to \$3,840.

The assisted living units and skilled nursing beds are rented at a conventional monthly fee with no entrance fee, although the current pricing is not available.

Occupancy Trends

Our contact reports that occupancy has been very strong in the local market and the facility currently only has one unit available.

Resident Characteristics

The executive director reports that residents come to the facility from both the Mid and Lower Cape, but are mainly from the communities of Yarmouth, Barnstable and Dennis. A smaller portion of the population is from east of Yarmouth including Orleans and Chatham. A significant number of residents also come from off the Cape, although our contact was not able to estimate this proportion of residents. Residents from off the Cape typically move to the facility to be close to family living in the area. The Cape has a high proportion of seniors, many of which have retired to the area and do not have adult children living locally. The executive director reports that a senior moving to a facility that provides a lower level of care, such as Mayflower, is likely to stay in the area even if they do not have family living close by. As their frailty increases and they need more assistance on a regular basis, seniors are often moved to assisted living facilities in the Boston area to be closer to adult children.

Residents typically sell their home before moving to the facility. The income and savings of the residents varies greatly with some seniors able to pay for their care out of pocket. However, most rely on the proceeds of their home to pay for the large entrance fee. All of the residents are private pay and the facility does not have any GAFC or subsidized slots.

Residents range in age from their mid-70s to the late 90s. The average age of the residents is in the mid-80s. There are a relatively high proportion of married couples in this facility. This figure is higher than most assisted living facilities because of the independent living component which draws many couples.

The continuum of care offered at the facility ranging from independent living units to a skilled nursing facility is considered a significant marketing advantage. This appeals to residents knowing that if the need for additional care were to arise, they do not have to leave the facility. The skilled nursing facility also works as a referral source for residents who have received rehabilitation services. Mayflower often works with Brewster Place, a local assisted living facility operated under common ownership and management, to refer residents who need assisted living services and wish to stay in the area.

Management/Ownership

Management of the business is by EPOCH Senior Living and Sydney Insoft owns the real estate. EPOCH Senior Living is a New England-based company concentrates on skilled nursing and assisted living services in addition to providing independent living, rehabilitation, memory care, home care, and hospice services. Mr. Insoft also owns and/or manages the abutting Mayflower Place Brewster Manor skilled nursing facility, Sharon Manor Nursing & Rehabilitation Center, Norumbega Point assisted living facility, Weston Manor skilled nursing facility, and Brewster Manor skilled nursing and assisted living facility. Brewster Manor is located within the Cape Cod market, but caters more to residents needing personal assistance and does not include independent living accommodations.

Comparable Assisted Living Facility 6



Emeritus Cape Cod (fka Whitehall Estates)

790 Falmouth Road (Route 28)
Barnstable (Hyannis), MA 02601
508-790-7666

Contact Patricia Herlihy, Executive Director – 2011 & 2014
Penny Leesa, Director of Marketing – 2000

Unit Summary 60 Independent/Assisted Living units
20 Memory-Impaired Assisted Living units
80 Total Assisted Living units

Property Description

This facility is located on a 7 acre lot on busy Route 28 in a low density commercial area about 1.5 miles from the center of Hyannis, and 2.5 miles from an interchange with the Mid-Cape Highway (Route 6). It is within one mile of the Cape Cod Mall, and two miles from Cape Cod Hospital. The property is convenient to shopping, medical offices, public transportation, and the Barnstable Municipal Airport. A skilled nursing facility is also located close to the facility. The building is set back from the highway with an access driveway and adequate parking. The building

is well constructed with typical design and materials. The exterior has an asphalt shingle roof with vinyl siding and double hung windows. The two story building with a gross building area of 66,132 square feet was opened in 1999 as an 80-unit assisted living facility. It sold in 2005 from the original developer, Parkside Senior Services, to the current owner, Emeritus Senior Living for \$10,000,000, according to the deed. A dedicated unit for memory-impaired assisted living residents was created at the facility in 2010. As a condition of its approval for development, the facility must have 17 units reserved for low income seniors. These residents are primarily funded through the Group Adult Foster Care (GAFC) in conjunction with the Massachusetts Division of Medical Assistance.



Google Maps

The on-site amenities available to all residents include the following:

- Restaurant-style dining room
- Private dining room
- Country kitchen
- Formal living room
- Lounge and pub
- Game room

- Fitness center
- Beauty salon
- Library
- General store
- Computer access
- Billiards
- Washer and dryer every floor
- Outdoor courtyard, gardens, and walking trail

The facility consists of a mix of studio, one-bedroom, and two-bedroom units. All of the units are privately occupied by single seniors or couples. The executive director reports that companion units occupied by two unrelated seniors do not fit the expectations of the local market and are a very tough sell. While the facility has tried to market companion units, most of the residents occupy private apartments. While companion units are commonly found in other parts of the state as a way to keep the monthly cost down, particularly for GAFC residents, this facility has found them to be very unpopular in the local market. The executive director reports that even GAFC residents who are receiving a subsidized stay at the facility will avoid sharing a unit with a stranger if possible.

The individual unit features are summarized as follows:

- Kitchenettes with stove top, microwave, & refrigerator
- Bathrooms with grab bars
- Individually controlled heat & air conditioning
- Wall-to-wall carpeting

Services Description

The following services are provided at the facility as part of the monthly fee:

- Three meals daily
- Housekeeping services weekly
- Linen services weekly
- Personal laundry weekly
- Utilities except for telephone & cable
- Comprehensive assistance plan
- Licensed nurses on staff
- 24 Hour emergency response & security
- 24 Hour staffing
- Building and grounds maintenance
- Health & wellness checks
- Social, cultural, & recreational programs

- Outings to local attractions & cultural events
- Scheduled transportation to medical appointments

Other services available for an additional fee include the following:

- Medication management
- Coordination and scheduling of medical appointments
- Personal care

Personalized care plans are developed for each resident based on an evaluation by the resident care director and input from the family. The evaluation is completed upon moving to the facility and every six months thereafter to ensure that the resident receives the care they require. A point system based on the number and types of activities of daily living the resident needs assistance with determines the care level appropriate for each resident. As the care level for a resident increases, they receive a greater amount of assistance with ADLs.

Pricing

The starting base fees at the facility are summarized in the following table.

Studio	\$5,150 per month
One-Bedroom	\$6,125 per month
Two-Bedroom	\$8,175 per month
Companion Unit	\$4,100 per month
Second Person Fee	\$750 per month
Medication Management	\$280 per month

The cost assisted living services depend on the needs of the individual residents and are arranged in the following tiers:

Level 1	\$800 per month
Level 2	\$1,000 per month
Level 3	\$1,300 per month
Level 4	\$1,600 per month
Level 5	\$1,800 per month
Level 6	\$2,200 per month

The starting base fees for memory care units and service plans are summarized in the following table.

Studio	\$6,975 per month
One-Bedroom	\$7,600 per month
Companion Unit	\$5,100 per month
Medication Management	\$590 per month
Level 1	\$925 per month
Level 2	\$1,285 per month
Level 3	\$1,685 per month
Level 4	\$2,085 per month

New residents are responsible for a one-time community fee of \$5,000.

Occupancy Trends

The facility currently has three traditional assisted living units available. The executive director reports that the memory care section of the facility experiences strong demand and is typically full. The specialized memory care unit with 20 apartments opened in September 2010 and was completely occupied six weeks later. This indicates a very fast absorption rate of over 13 units per month. She reports that the traditional assisted living units typically have one or two vacancies.

Resident Profile

Residents at the facility generally come from a 10 to 20 mile radius surrounding Hyannis. However, our contact reports that the facility has seen an increasing number of residents move to the facility from off Cape Cod in recent years. They typically have ties to the region, including adult children or other family members or friends. Our contact reports that a senior’s first move to a senior housing development is often to a facility close to where they live and have a social network of friends. As a senior grows frailer, it is more likely that they will be moved to wherever their adult children are located. As the Cape has traditionally been a retirement destination, seniors will often stay locally to be near their friends, but also may move closer to Boston to be near adult children.

Residents at the facility have traditionally sold their homes and used the proceeds from the sale to pay for their assisted living care. However, many recent residents have not sold their homes right away and have been waiting for the housing market to improve. After a recent housing boom that has since collapsed with falling real estate values, families are hesitant to sell their parent’s home for less than they were nominally worth at the height of the bubble five to six years ago. However, most seniors originally purchased their homes many years ago and have seen significant appreciation in value over this time. While many seniors have sufficient savings and investments to supplement their income and pay for assisted living initially, most will be eventually forced to sell their homes to pay for their care in the long term.

Residents at the facility are typically in their mid-80s, with the memory-impaired residents typically three to five years younger than the traditional assisted living residents. The memory-impaired residents are usually in better physical condition, but lack the cognitive ability to live independently. Traditional residents typically require a lower level of assistance when entering the facility; usually help with managing medications and showering. As they age and grow frailer, they often require more assistance. The typical length of stay at the facility is about two years with annual turnover of about 30% to 35%. There are currently six couples at the facility, but none in the memory care unit.

According to the executive director, it can be a long process to move a prospective resident to the facility and vacancies can take some time to fill. The move to assisted living is seen as a big financial commitment and seniors (and their families) often wait as long as possible. While the Cape has a large segment of older adults in the Baby Boomer generation, they have not yet begun to move into assisted living facilities. This demographic wave is expected to significantly increase the demand for seniors housing in the area.

There are a limited number of assisted living facilities in this area of Cape Cod that offer specialized memory care services, including this facility and two others located in Barnstable. None of the assisted living facilities to the east in the neighboring communities of the Lower Cape offer specialized memory care services.

Management/Ownership

Emeritus Senior Living is one of the largest networks of assisted living and retirement communities in North America. Emeritus owns and operates over 289 communities in 37 states across the country.

Comparable Assisted Living Facility 7



Brookside at Regency

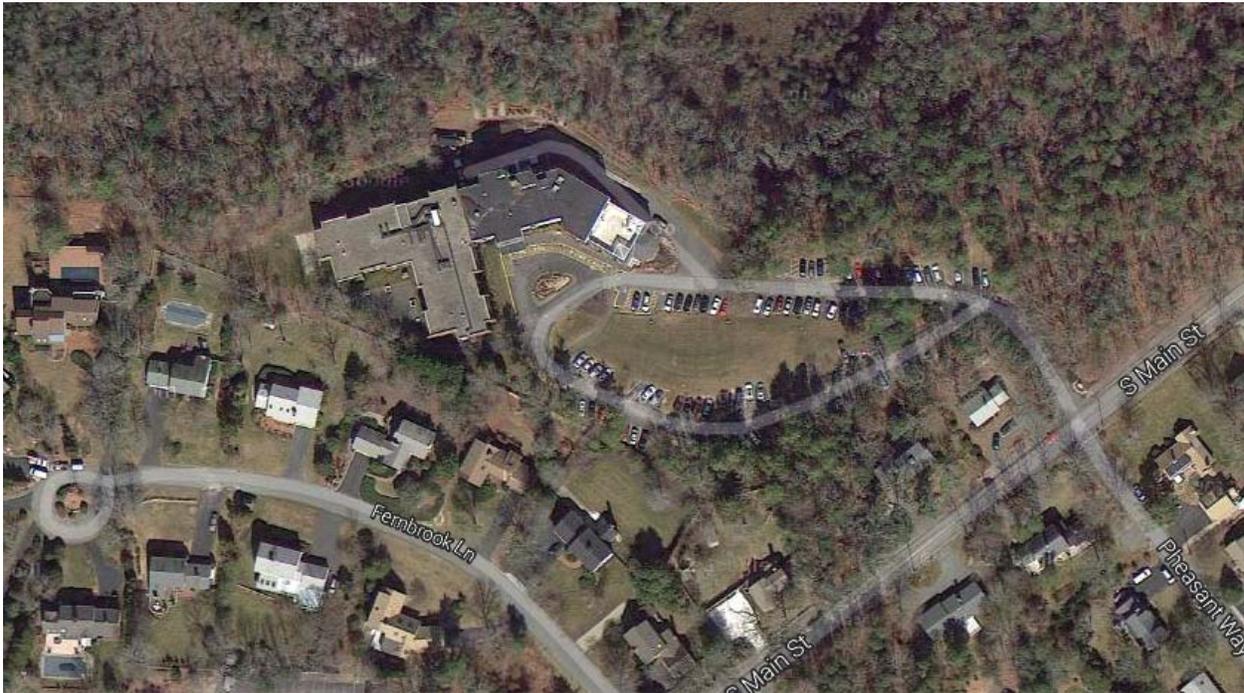
120 South Main Street
Barnstable (Centerville), MA 02632
508-790-5800

Contact Mary Ann Liatsis, Executive Director – 2014
Sylvia Foster, Sales & Marketing Director – 2011

Unit Summary 29 Memory Care Assisted Living units
120 Skilled Nursing beds

Property Description

Brookside is located in the Barnstable village of Centerville about one mile from Route 28 in a residential neighborhood. It is about 4 miles from an interchange with the Mid-Cape Highway (Route 6) and 3 miles from Cape Cod Hospital. The surrounding neighborhood mostly consists of residential dwellings with an area of undeveloped woodland located to the north of the building. This facility is located on a 19.54 acre campus together with the 120-bed Cape Regency skilled nursing facility. The property was initially developed as a nursing home and the assisted living facility was constructed in a new addition that opened in September 2009.



Google Earth

The facility is specifically designed for seniors suffering from Alzheimer’s disease, dementia, and other memory impairments. It incorporates many environmental features and cues designed to protect the safety of the residents and promote their orientation. The facility is arranged with a semi-autonomous unit on each floor. The on-site amenities available to all residents include the following:

- Country kitchen on each floor
- Living rooms
- Dining room
- Secure landscaped outdoor terrace

Most of the apartments at the facility are studio units, although the property does have two larger one-bedroom units. The facility has two different floor plans which vary in size and arrangement. Each apartment has a kitchenette with microwave and refrigerator, flat-screen television, private bathroom, and individually controlled heating and air conditioning.

Services Description

The facility is structured on an all-inclusive basis with all needed personal care included in the monthly fee. There is no scoring system or levels of care with varying monthly fees. The following services are provided at the facility as part of the monthly fee:

- Three meals daily
- 24-hour staffing
- Social, recreational, & fitness programs
- Wellness programs
- Self-administered medication management program
- Emergency response system
- Transportation for recreational activities
- Housekeeping & flat linen service
- Personal laundry (one load per week)
- Utilities
- Basic cable TV service
- Individual assessment plans

Pricing

The current fees at the facility were not available. However, we have included the monthly fees from 2011 for the sake of comparison.

<i>Unit Type</i>	<i>Monthly Fee</i>
Studio	\$6,950
Studio Deluxe	\$7,500
One-Bedroom	\$8,450
Second Person Service Fee	\$2,000
Respite Fee (14 days minimum)	\$300 per day

The Care Transitions Program allows prospective residents to stay at the facility for 90 days at the rate of \$5,500 per month. If they choose to stay at the facility, they would move from a furnished respite unit to their own unit at the normal rate.

New residents are usually responsible for an entrance fee of \$3,000. However, this fee is often waived in an effort to attract new residents.

Occupancy Trends

The executive director reports that the facility currently has a few vacant units available for lease. As a small facility with only 26 memory care units, vacancy often fluctuates up and down significantly as units turn over.

The memory-impaired assisted living unit opened in September 2009 and was filled by December 2010. This indicates an overall absorption rate of close to two units per month.

Resident Profile

Residents at the facility are typically from Barnstable and the surrounding communities. Our contact reports that the local market experiences significant geographic segmentation between the different areas of the Cape. Most of the residents at this facility reside in the Mid-Cape (typically defined as Barnstable, Yarmouth, and Dennis). While geographically close, residents of the Lower Cape in Harwich, Brewster, Chatham and Orleans will typically choose facilities located to the east. However, there are no assisted living facilities providing specialized memory care in this section of the Cape so the market area of Brookside has been widened. The only other assisted living facilities with memory care units in this area are Whitehall and Harbor Point in Barnstable. A very small proportion of residents at the facility originate from off the Cape, estimated at less than 5% of the residents.

While senior do have some savings and investments available to supplement their income to pay for their care, they typically rely on the proceeds from the sale of their home to pay their monthly fee over the long term. As a specialized memory care facility, the property has higher monthly fees than typically found in traditional assisted living facilities.

Residents at the facility are typically over the age of 80. As a specialized memory care facility, the property is often able to provide end of life care to residents. Residents who do have to leave the facility typically go to a skilled nursing center.

Our contact reports that the location of the facility adjacent to a skilled nursing center is a significant advantage in the market as it allows for “one-stop shopping”. Seniors, and their families, are reassured that if they require a higher level of care, they do not have to be uprooted and moved to another facility. The nursing facility also acts as a referral source for the assisted living units.

Management/Ownership

Brookside at Regency assisted living and Cape Regency skilled nursing are owned and operated by Athena Health Care Systems, which operates 33 nursing homes in Connecticut, Massachusetts, and Rhode Island. Athena acquired this facility from Radius Health Care in 2012 along with five other nursing facilities.

Comparable Assisted Living Facility 8



Harbor Point at Centerville

22 Richardson Road
Barnstable (Centerville), MA 02632
508-827-2422

Contact Debbie Hyson, Director of Community Relations – 2014
Patti Mullaney, Director of Community Relations – 2011
Tammy, Program Director – 2011
Sandra L. West, Director of Marketing – 2000

Unit Summary 65 Memory-Impaired Assisted Living units

Property Description

Harbor Point is located in the Barnstable village of Centerville. This facility is located in on a 4.39 acre site in a commercial area at the intersection of Route 28 and Richardson Road, next to a shopping center. Route 28 has a very high flow of traffic, especially in summer. However, this facility is set back from the road and traffic does not appear to be a detrimental condition at this site. It is about 3.5 miles from an interchange with the Mid-Cape Highway (Route 6), and two miles from Hyannis and the Cape Cod Hospital. The single story building has 39,189 square feet of gross building area and was originally built in 1962 as a nursing home. After major renovations

it opened as an assisted living facility in 1998. There is ample parking on several sides of the building. This development has two fenced in landscaped courtyards with concrete walking paths designed for resident use. The building has state of the art design specific to residents with memory impairment issues, such as special lighting, color schemes, and design cues to protect the safety and orientation of the residents. It does not have any traditional assisted living units. It also has a Harbor Day Program for people with dementia in a separate building on the same site. Harbor Point was the first facility on Cape Cod completely devoted to memory care assisted living. It was also Benchmark's first dedicated memory care assisted living facility and serves as a model for their later Alzheimer's facilities (typically named Atrium).



Google Maps

The on-site amenities available to all residents include the following:

- Living room with piano & fireplace
- Private dining rooms
- TV room
- Landscaping with greenhouse, flower gardens, & secure outdoor walking paths
- Beauty & barber salon
- Library

- Country kitchen
- Specialized lighting
- Color cues for resident orientation

The facility has two main floor plans. Most of the studio units are about 596 square feet in size, although the property has 11 deluxe studio apartments about 682 square feet in size. The units have been designed with features specifically designed for memory-impaired seniors, both to protect their safety and help with their orientation. The individual unit features are summarized as follows:

- Individually controlled heat
- Memory boxes
- Bathrooms with step in shower with handrails & seat
- Secure areas in bathrooms for medications, razors, & toiletries

Services Description

The following services are provided at the facility as part of the monthly fee:

- Three meals daily
- Housekeeping & daily trash removal
- Linens & personal laundry
- Medication management
- Continence management
- 24 Hour staffing
- Scheduled transportation
- Outings to local attractions
- Religious and spiritual programs and celebrations
- Harbor Helping Hands service projects

There is no daily allotment of personal care time and the residents receive as much assistance as they require. However, as a resident progresses through the disease and requires more assistance, they are moved to a higher level of care. Residents are placed into one of three care levels based on an initial assessment by the staff and ongoing re-evaluations of their condition. The facility has a specially designed activity program for memory-impaired residents that encourages activity and engagement of the residents. In addition to a care staff specially trained to assist memory-impaired residents, the facility has designated program coordinators to lead activities. The facility employs a higher ratio of staff to residents than is typically found at a traditional assisted living facility.

Pricing

Our contact declined to share the current pricing at the facility. However, the fees in 2011 ranged from \$197 to \$210 per day, or about \$5,910 to \$6,300 per month (based on a 30-day month).

New residents are responsible for a community fee equivalent to the fee for 30 days.

Occupancy Trends

Our contact declined to share the current occupancy at the facility. She reports that while there are a number of competing facilities in the area and several new facilities in development, there is significant demographic demand in the market that is expected to grow significantly in the coming years as the Baby Boomer generation ages.

Resident Profile

Residents at the facility typically come from the Barnstable area as well as other communities on the Cape. A significant portion of residents come from out of the area, estimated at about 30% of the total. They typically used to live in the area and have returned to be closer to adult children that are living locally. The only other assisted living facilities in this area of the Cape with dedicated memory care facilities are Whitehall Estate and Brookside at Regency in Barnstable.

Traditionally, seniors typically relied on the sale of their home to pay for assisted living care. However, the housing market on the Cape and Greater Boston area as a whole has declined significantly over the past several years with declining prices and a slowing rate of sales. Our contact reports that most seniors moving to the facility recently are holding onto their homes in the hope that the housing market will improve and they will be able to sell their house for more. Seniors typically have sufficient savings and investments to supplement their income and pay the monthly fees at the facility. However, many residents will eventually be forced to sell their homes to pay for their care over the long term. Residents are also increasingly relying on VA benefits and long-term care insurance to pay for their assisted living care.

The average age of the residents is about 83, but our contact reports that people have been moving to the facility at a younger age in recent years as there has been increased awareness about Alzheimer's disease and other forms of dementia. Families are now more knowledgeable about the disease and quicker to recognize the difficulties in caring for a memory-impaired parent. Many families will make the decision to move the parent to a specialized facility sooner than would typically happen in the past to ensure they are getting the care and supervision they require.

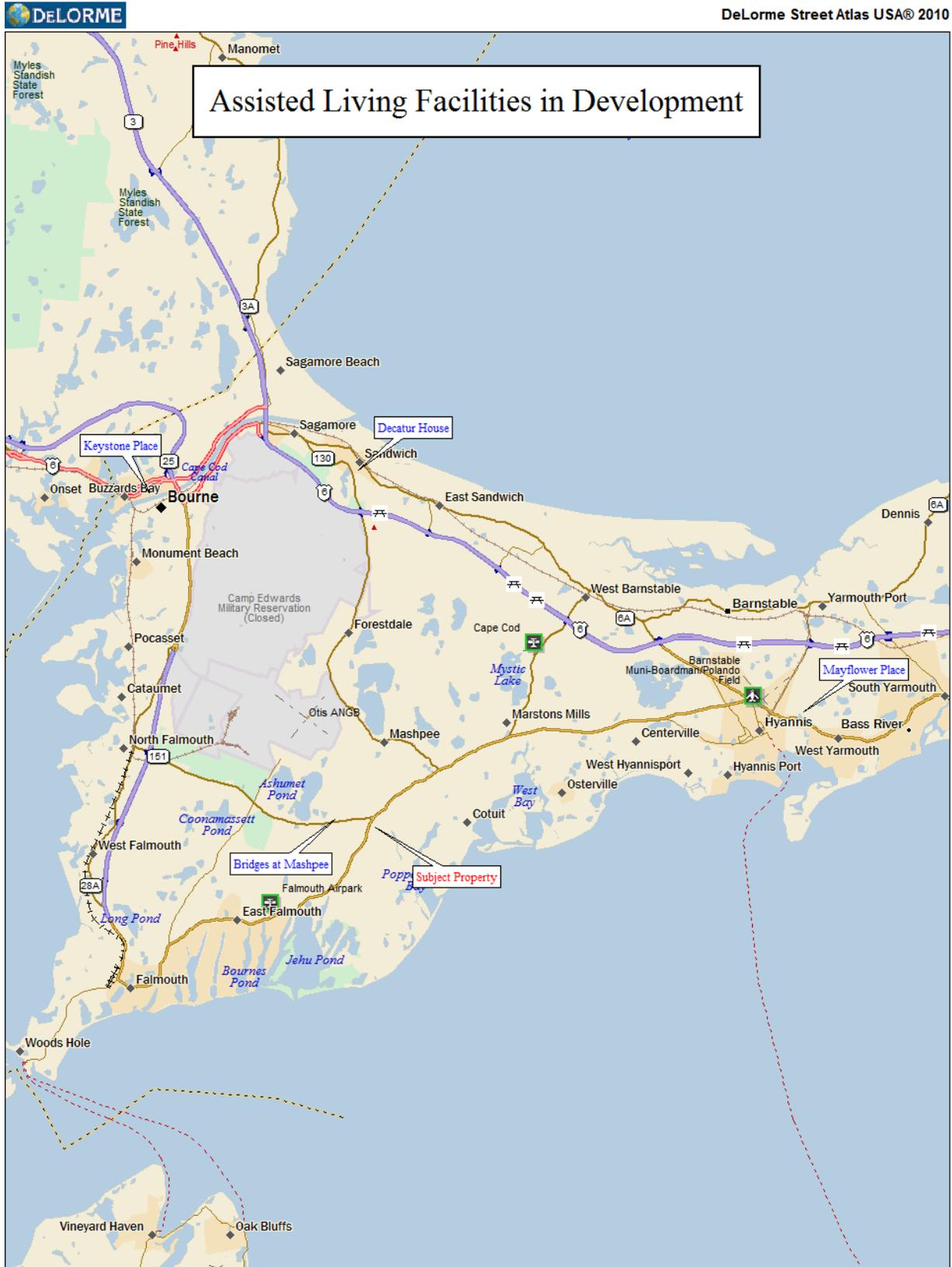
Some of the residents have common frailty issues including vision, hearing, mobility, ambulation, dressing and bathing. It is common for residents at this stage to suffer from a common associative medical problem of depression. However, the main diagnosis must be a memory related disease. Residents are typically admitted at the beginning to mid stages of a memory impairment disease

and most of the residents are in the middle level of care. Our contact states that most of the residents are admitted when there are both safety and nutrition issues at home. Usually the person has been involved with several incidents where their actions make personal safety is an issue or the use of tools or appliances puts them in jeopardy. Nutrition issues occur when diet deteriorates or the desire to eat diminishes. At this stage prospective residents usually suffer from isolation and depression. Assuming that the prospective resident is medically stable they benefit the most from the program at this facility during this stage. At the later stages of the disease Harbor Point accepts prospective residents with bladder and bowel incontinence. Residents who require two person transfers or who require pureed or spoon fed food are usually referred to skilled nursing facilities. This usually occurs in the later stages of the disease. At this stage of the disease residents usually lose spatial concepts and are subject to falling. Falls usually trigger some type of medical problem that skilled nursing can handle better than an assisted living setting. Our contact states that most residents who will leave this facility will likely go on to skilled nursing. Currently, about 26% of the residents are in the end stage of the disease at the facility.

Management/Ownership

Harbor Point is operated by Benchmark Senior Living, the largest provider of senior living in New England with about 50 communities in the region.

Exhibit 2 – Map of Assisted Living Facilities in Development



ASSISTED LIVING FACILITIES IN DEVELOPMENT

Planning departments in the communities comprising the subject’s likely primary market area were interviewed to determine if any development is underway which would add competitive assisted living inventory to the local market. Facilities under development in the primary market area include the following:

Summary of Assisted Living Facilities in Development Pipeline					
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>					
<i>Facility</i>	<i>Community</i>	<i>IL Units</i>	<i>AL Units</i>	<i>ALZ Units</i>	<i>Status</i>
Decatur House	Sandwich	-	8	-	Constructed, 6 pre-leased
Keystone Place	Bourne	31	55	20	Broke ground, 2015 completion
Mayflower Place	West Yarmouth	50	-	75	Approved in 2013
Bridges at Mashpee	Mashpee	-	-	60	Approved in 2014
Subject Property	Mashpee	-	50	20	In approval process
Total		81	113	175	
Village at Barnstable	Barnstable	340 IL/AL units		-	Approved, but development stalled

Decatur House, a small 15-unit assisted living facility in Sandwich is expanding their facility with an additional eight-unit building. The owner reports that construction of the building is completed and they will receive an occupancy permit shortly. Most of the units have been pre-leased with only two still available. All of the units will continue to provide traditional assisted living services and the facility will not have a specialized memory care unit. The facility may continue to expand in the future on a small scale if they are able to gain control of adjacent lots.

Keystone Living, LLC broke ground in February 2014 on the Keystone Place senior housing development in Bourne. It is located behind the post office on Main Street on the mainland side of the Cape Cod Canal. The project was originally proposed to have a total of 140 units, including 50 independent living, 70 traditional assisted living, and 20 memory care units. However, concerns over the feasibility of a project this large led to a reduction to 105 units, although the building could be expanded in the future to the original 140 units. The planning office reports that the developer intends to amend their prior approval to 106 units, including 31 independent living, 55 traditional assisted living, and 20 memory care units. The project was improved by the town under the Growth Incentive Zone. It is expected to be completed in 2015.

In 2013, Mayflower Place received approval for the expansion of its facility in West Yarmouth, which currently consists of 116 independent living units, 10 assisted living units, and 72 skilled nursing beds. An addition to the existing building is planned with a total of 50 independent living units and a caretaker unit. A free-standing memory care building is also planned for an adjacent site improved nightclub and four dwellings that will be razed for this development. This building will have a total of 75 studio units and will only consist of specialized assisted living units for individuals suffering from Alzheimer’s disease or other forms of dementia. This project will use

the wastewater treatment plant at the existing Mayflower Place facility. Thirteen units of the units (10% of the total) will be reserved as affordable housing, including five independent living one-bedroom units and eight memory care units. Eligible households may earn no more than 80% of the area median income. The maximum rent and service charge for the affordable independent living units is based on 64% of the income of a 1.5-person household at 80% of the area median income and 75% of the income of a one-person household at 80% of the area median income for the memory care units.

National Development received approval for a memory care assisted living development in Mashpee in January 2014. Bridges at Mashpee will be operated by EPOCH senior living and will be a specialized facility for individuals with Alzheimer's disease or other forms of dementia. EPOCH has recently developed two other Bridges-branded memory care facilities in Hingham and Westford, Massachusetts, and also operates a memory care facility attached to a skilled nursing facility in Weston. The facility will have a total of 48 studio units and six semi-private companion units for a total of 60 residents. As a condition of its approval for development, six beds (or 10% of the total) must be reserved as affordable housing for households earning no more than 80% of the area median income. The maximum rent and service charge for the affordable units is based on 75% of the income of a one-person household at 80% of the area median income. Based upon 2013 income levels published by HUD, the monthly fee for these units would be \$2,819. The project will be located on a 24-acre site with about 19 acres preserved as open space under a conservation restriction. The site is located at the intersection of Old Barnstable Road and Route 151 close to Mashpee High School.

The Village of Barnstable is proposed with a total of 340 independent/assisted living units and a skilled nursing facility. The project will consist of six buildings located on a 25.9-acre site located adjacent to Communications Way. Phase I will involve the development of 174 one and two-bedroom independent/assisted living units. The units will not be strictly defined as either independent or assisted living, but the care level and services will be adapted to the needs of each resident on an a la carte basis. Phase II calls for the development of an additional 166 independent/assisted units with a similar a la carte service arrangement for a total of 340 independent/assisted living units. Phase III will be the development of a skilled nursing facility with between 40 and 60 beds. Initial plans have called for 40 regular skilled nursing beds and a 20-bed memory care center. The final arrangement of the nursing beds has not yet been determined and plans may be altered before construction. The project will also involve the development of at least 41 non-age restricted affordable housing units off site at the location of a former nursing home. The Barnstable Planning Office reports that the project received approvals, but the developers have not yet broken ground. They are not sure whether the original approvals have expired, but the project likely falls under the Permit Extension Act, which would extend deadlines for the project by four years. However, the planning office reports that the developers have not requested an extension. Ellen Swiniarski of the Barnstable Planning Office reports that it does not appear that the developers intend to continue with the facility and considers the project to be dead.

DEFINITION OF THE TARGET MARKET

The purpose of this market study is to investigate the feasibility of a proposed seniors housing development offering traditional assisted living and memory care assisted living services in Mashpee. In order to estimate the likely demand for these services, it is important to first identify the target resident that is likely to be served by such a facility.

In defining the likely target market for the proposed subject property, we have considered the characteristics of residents likely to choose traditional and memory care assisted living in the local area. These include characteristics such as age, household size, need for a supportive living environment, and the ability to pay for this type of housing. Information used in this analysis is based on our interviews with competitive facilities in the local area, our experience with other independent and assisted living facilities in New England, and research with industry and scholarly publications.

Age

The age of residents currently residing in assisted living facilities will first be analyzed. The following table summarizes the age of residents of traditional assisted living units and special care assisted living units in Massachusetts as of the end of 2008, the most recent year available. Special care units are typically segregated neighborhoods of larger assisted living facilities that provide additional supervision and assistance for memory-impaired residents.

Massachusetts Assisted Living Resident Profile as of 31 December 2008						
<i>Age Group</i>	<i>Special Care Units</i>		<i>Traditional AL</i>		<i>Total Assisted Living</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
under 50 years	9	- 0.4%	23	- 0.2%	32	- 0.3%
50 to 54 years	5	- 0.2%	51	- 0.5%	56	- 0.5%
55 to 59 years	13	- 0.5%	79	- 0.8%	92	- 0.7%
60 to 64 years	23	- 1.0%	191	- 1.9%	214	- 1.7%
65 to 69 years	56	- 2.3%	271	- 2.7%	327	- 2.6%
70 to 74 years	100	- 4.2%	477	- 4.8%	577	- 4.7%
75 to 79 years	274	- 11.4%	860	- 8.6%	1,134	- 9.2%
80 to 84 years	581	- 24.3%	2,064	- 20.7%	2,645	- 21.4%
85 to 89 years	728	- 30.4%	2,972	- 29.9%	3,700	- 30.0%
90 to 94 years	443	- 18.5%	2,100	- 21.1%	2,543	- 20.6%
95 to 99 years	152	- 6.3%	749	- 7.5%	901	- 7.3%
100 years and over	11	- 0.5%	113	- 1.1%	124	- 1.0%
Total	2,395	- 19.4%	9,950	- 80.6%	12,345	- 100.0%
Source: Massachusetts Executive Office of Elder Affairs, Assisted Living Residence Certification Program, 2008 Annual Report - Resident Aggregate Information						

Most assisted living residents are elderly individuals, although there are also a limited number of younger residents who have suffered a debilitating injury or illness. About 89% of all assisted living residents are age 75 or older, and almost 97% are age 65 and older. About 98% of all memory care residents are age 65 and older, which is a slightly higher proportion than traditional assisted living residents. The most common age range of traditional assisted living residents is from age 80 to 94, which accounts for 72% of all residents.

For the purpose of this analysis, the target resident is considered to be age 75 or older. Based on interviews conducted for this market study as well as our experience with other facilities, traditional assisted living and memory care residents are typically consistent in age. The principal difference between the two types of residents is what motivates their need for a supportive living environment.

Household Size

It is rare that married couples need assisted living care as a household. The comparable facilities interviewed for this analysis generally report a small proportion of married couples and this is consistent with our experience with other assisted living facilities in New England. When one member of a couple requires assistance with ADLs, their spouse often provides sufficient assistance for them to continue to live independently and it is rare for both members of a couple to require such assistance. Therefore, the assisted living target market is considered to be single seniors, both for traditional and memory care residents.

Financial Means

An important factor to consider in defining the target resident for the proposed subject property is the ability to afford this type of care. Marketing representatives at the comparable properties indicate a prospective resident typically needs to show the ability to pay for at least two years at the facility prior to moving in. The typical assisted living resident will spend approximately 80% of household income on room, board and basic services in support of the resident's living circumstances. With monthly rents for traditional assisted living units typically around \$6,000 per month, the annual income necessary to support a full year of private pay rent alone is about \$72,000. Associated living expenses increase the required annual income to about \$90,000, or about \$7,500 per month.

We have summarized the median income for households in the primary market area age 75 and older in the following table. As shown, the median household income is well below the amount needed to pay for assisted living out of pocket in the local market area. Therefore, seniors in assisted living facilities typically rely on savings and assets to help pay for their care.

Median Income for Households Age 75+ <i>Proposed Seniors Housing Facility, Mashpee, MA</i>					
Primary Market Area	Mashpee	Barnstable	Falmouth	Bourne	Sandwich
	\$37,563	\$36,148	\$41,812	\$33,157	\$35,342
					\$41,411

Source: Site To Do Business: ESRI forecasts for 2013

The primary asset of most seniors is their home and most often a prospective resident will sell their home in order to supplement their ability to pay for assisted living. Area facilities report that residents often have savings and investments that can be drawn on to initially pay for assisted living care. However, residents most often eventually rely on the proceeds from the sale of their home for an extended stay in an assisted living facility. Seniors have typically lived in their own home before moving to an assisted living facility or had previously sold it in a prior downsizing move. They most often sell their home after moving to an assisted living facility as it is no longer needed and use the proceeds to pay for their care on a long term basis. Seniors typically live in older homes at least 30 years old, but most often own the house outright or have significant equity. According to the Bay State Multiple Listing Service (MLS), the median selling price for houses built 30 or more years ago in the primary market area has been summarized in the following table.

2013 Median Sales Price Homes 30+ Years Old <i>Proposed Seniors Housing Facility, Mashpee, MA</i>	
Primary Market Area	\$298,000
Mashpee	\$299,000
Barnstable	\$285,000
Falmouth	\$371,750
Bourne	\$274,000
Sandwich	\$285,000

Source: Bay State Multiple Listing Service

An important factor in determining a senior’s ability to pay for assisted living care is how long they will likely stay at the facility. Comparable facilities serving the primary market area report that the typical length of stay is most often about three years. The Executive Office of Elder Affairs reports that of the 5,277 residents who left an assisted living facility in Massachusetts during 2008, 85% had remained at the facility for a period of four years of less

Length of Residency for AL Resident Tenancies Concluded in 2008		
<i>Length of Residency</i>	<i>No. of Residents</i>	<i>% of Residents</i>
Less than 1 year	2,064	39%
1 to 2 years	1,123	21%
2 to 3 years	808	15%
3 to 4 years	487	9%
4 to 5 years	301	6%
5 to 6 years	198	4%
6 to 7 years	104	2%
7 to 8 years	95	2%
8 to 9 years	44	1%
9 to 10 years	15	0%
10 to 15 years	38	1%
15 years or more	0	0%
Total	5,277	100%

Source: Massachusetts Executive Office of Elder Affairs, Assisted Living Residence Certification Program, 2008 Annual Report - Resident Aggregate Information

Traditional Assisted Living Affordability Analysis			
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>			
		<i>Assisted Living</i>	<i>Memory Care</i>
Proceeds from the Sale of a Home*		\$ 298,000	\$ 298,000
Length of Stay at Facility (years)		4	4
Monthly Income from Sale of House		\$ 6,208	\$ 6,208
Median Monthly Income Age 75+	\$37,563	\$ 3,130	\$ 3,130
Total Available Monthly Income		\$ 9,339	\$ 9,339
Monthly Subject Cost	80%	\$ (6,000)	\$ (7,000)
Other Living Expenses	20%	\$ (1,500)	\$ (1,750)
Total Monthly Living Expenses		\$ (7,500)	\$ (8,750)
Monthly Income Surplus/Deficit		\$ 1,839	\$ 589

* Median sale price of a 30+ year old home in PMA less sales commission of 5%.

The previous analysis evaluates a senior's ability to pay for traditional assisted living care at the subject property for a period of four years using the median elderly household income supplemented by the proceeds from the sale of a 30+ year old home. This results in a total monthly income of \$9,339. The estimated cost of a typical unit is estimated \$6,000 per month for traditional

assisted living and \$7,000 per month for memory care. It is estimated that about 20% of a senior's income will be allotted to other miscellaneous living expenses. This shows that the typical elderly household in the primary market area who owns a home has more than sufficient income and assets to pay for assisted living.

While this is a significant cushion, the actual length of tenancy, annual income, and home value of a senior in the primary market area will vary. This significant difference between the income of area seniors and the cost of living at the subject indicates that there is significant wiggle room for a high proportion of seniors in the primary market area to afford the subject property.

While seniors typically rely on the proceeds from the sale of their home to pay for assisted living care, they often do not move directly from their home to the facility. Staff at the comparables report that there is often an intermediary step between living alone and moving to an assisted living facility. Many residents come from a stay in a rehabilitation facility following an injury or had previously moved in with children as they became less able to live independently. However, they typically still maintain the proceeds from the sale of their home and rely on this asset to pay for their care. This is supported by admissions personnel in the subject market area as well.

This analysis does not reflect that seniors typically have additional savings and investments that can be drawn upon to help pay for their care. Adult children also may help pay for their parents care at an assisted living facility. However, these sources of income are difficult to quantify for the purposes of this analysis and retirement savings drawn upon by seniors and income on investments is typically included in their calculated annual income. Therefore, we have been conservative and not include the potential for seniors to have savings or other assets.

Based on the previous analysis, residents of assisted living facilities are likely to own a home and use the proceeds from the sale of this home to pay for their care over the long term. However, one alternative is that a senior that had previously lived alone has moved in with family as they have become unable to live independently. This often happens as an initial downsizing move. As the strains of caring for an elderly parent grow, families will often then take the next step of moving their elderly parent to an assisted living facility. Therefore, we have included both seniors currently living in their home as well as those who previously owned their own home before a recent downsizing move.

Need for Assistance with Activities of Daily Living

The principal difference between independent and assisted living is the level of services provided to the residents. Assisted living residents typically receive assistance with ADLs such as bathing, dressing, grooming, and eating as well as other services such as supervision and reminders with medication. As assisted living is significantly more expensive than conventional rental housing, it is less likely that a senior would pay the rental premium for assisted living if they did not require the assistance provided in this housing option. Therefore, the assisted living target market consists of individuals who require some assistance with activities of daily living.

While traditional assisted living residents need assistance with ADLs because of general frailty, memory care residents suffer from Alzheimer's disease or other forms of dementia. Memory-impaired residents typically require significant supervision to prevent wandering and accidents as well as cueing to make sure they are eating regularly and maintaining proper hygiene.

Conclusion

The primary target market for traditional assisted living services is comprised of seniors who meet the following criteria:

1. Age 75 or older
2. Live alone
3. Own their own home or previously did so before a prior downsizing move
4. Require some assistance with ADLs

The primary target market for memory care assisted living services is comprised of seniors who meet the following criteria:

1. Age 75 or older
2. Live alone
3. Own their own home or previously did so before a prior downsizing move
4. Suffer from Alzheimer's disease or other forms of dementia

While it is likely that a seniors housing facility on the subject property would serve some additional individuals not included in the above criteria, this definition of the target market includes the majority of the likely residents at the subject property.

DEMAND ESTIMATE & ANALYSIS

The demographics of the estimated primary market area are analyzed in the following sections to determine the likely demand for traditional assisted living and memory care assisted living at the proposed subject development. The target market for each housing model has been analyzed in the previous section of the report.

First, the number of households in the primary market area that meet the characteristics of the target market are identified. Then the characteristics of the target market will be used to quantify demand in terms of the proportion of households statistically likely to require traditional assisted living or memory care services. The total number of potential consumers of traditional assisted living and memory care services within the primary market area will then be increased to reflect potential consumers originating from outside the primary market area. This total will be then reduced to reflect units currently vacant at existing facilities or new units likely to enter the market. The capture/penetration rates of each age group for the subject property will then be estimated to produce the resulting demand for the proposed subject property.

This analysis will be separated between seniors who require assistance with ADLs due to general frailty (traditional assisted living demand) and seniors who suffer from Alzheimer's disease or other forms of dementia (memory care demand).

For the purposes of this demand analysis, we have relied upon resident extract data provided by the individual communities located in the primary market area as of April 2014. Resident extract data provides actual census information or resident data at a specific point in time for each individual community within the subject's primary market area. It consists of the most accurate data for this type of analysis. This analysis also relies on Environmental Systems Research Institute (ESRI) demographic estimates for 2013 and projections for 2018 for supporting data. This is the most recent data available. Whenever possible, the most current and relevant information has been relied upon to produce a consistent and reliable analysis.

TRADITIONAL ASSISTED LIVING DEMAND ANALYSIS

As discussed in the previous section, the subject property's target market for assisted living is summarized as follows:

1. Age 75 or older
2. Live alone
3. Require some assistance with ADLs
4. Own their own home or previously did so before a prior downsizing move

In the following sections, we will discuss how screens have been applied to the resident extract data analyzed in order to estimate the net demand for traditional assisted living units at the subject property.

Screening by Age, Household Size, & Housing Tenure

As previously discussed, assisted living residents are typically over the age of 75 with the highest proportion over the age of 85. Therefore, we have screened the resident extract data to only include households with a member age 75 and older. As older seniors are more likely to be in assisted living, we have also divided this eligible section of the population by age group.

Assisted living residents are also likely to be living alone. Therefore, only households with a single person at an address have been included. This has also identified seniors who own their home. When there is a single household at an address, it is likely to be a single-family home, which is most often owner-occupied.

This segment of the population of the primary market area consisting of single-person households over the age of 75 in their own home is summarized as follows:

Single-Person Senior Households in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	374	377	505	1,256
Bourne	198	184	209	591
Falmouth	337	353	467	1,157
Mashpee	173	162	191	526
Sandwich	<u>107</u>	<u>114</u>	<u>133</u>	<u>354</u>
Total	1,189	1,190	1,505	3,884
Source: Residents Extract Data obtained from respective towns				

However, one alternative is that a senior that had previously lived alone has moved in with family in an initial downsizing move as they have become unable to live independently. Therefore, single seniors living with family such as adult children are also included in the subject property’s target market. To identify this segment of the target market living in the primary market area, we have analyzed the resident extract data to identify households with a single person over the age of 75 who is at least 20 years older than the next oldest member of the household as a way to identify a senior living with adult children. Only households with two to five people at an address have been included so as to exclude seniors living in a multi-family property with other unrelated people. This would account for households with a single adult child and an elderly parent as well as a senior living with a married child and two adult children who are still at home. The resident extract data does not include children below the age of 17.

This segment of the population in the primary market area consisting of seniors over the age of 75 living with adult children is summarized as follows:

Single Seniors Living With Adult Children in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	125	161	288	574
Bourne	54	61	123	238
Falmouth	126	135	207	468
Mashpee	37	39	79	155
Sandwich	<u>45</u>	<u>48</u>	<u>121</u>	<u>214</u>
Total	387	444	818	1,649
Source: Residents Extract Data obtained from respective towns				

Qualifying Target Households Conclusion

The resident extract data is screened to only include seniors age 75 or older who live alone and own their own home as well as single seniors living with adult children. The resident extract data includes all adult residents in each community of the primary market area. This initial population list is sorted by age to only include residents age 75 or older. Then households with more than one resident at an address are removed to isolate single-person households. This also removes seniors living at addresses with more than one living unit as seniors living in a single-family dwelling are likely to own the home. We have also included single seniors of appropriate age living with adult children.

The total number of target households in the primary market area is summarized in the following table.

Assisted Living Target Households in Primary Market Area <i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	499	538	793	1,830
Bourne	252	245	332	829
Falmouth	463	488	674	1,625
Mashpee	210	201	270	681
Sandwich	<u>152</u>	<u>162</u>	<u>254</u>	<u>568</u>
Total	1,576	1,634	2,323	5,533
Source: Residents Extract Data obtained from respective towns				

This analysis has been based on resident extract data as of April 2014. In order to estimate demand for the subject services five years into the future, the current qualified target population estimate is adjusted to reflect future projections.

The projected change in each segment of the target population over the next five years is calculated using projections of future population changes estimated by ESRI. The projected change in the population of each elderly age group over the next five years is summarized in the following table.

Elderly Population Trends - Primary Market Area			
	<i>2013</i>	<i>2018</i>	<i>Change</i>
Total Population	132,159	133,868	1.3%
Age 65 - 69	9,025	10,490	16.2%
Age 70 - 74	7,014	8,389	19.6%
Age 75 - 79	5,461	6,155	12.7%
Age 80 - 84	4,377	4,263	-2.6%
Age 85+	4,365	4,627	6.0%
Age 75+	14,203	15,045	5.9%
Source: Site To Do Business: ESRI forecasts for current year & 5-year projection			

We have then applied the projected population change for seniors age 75+ to our previous estimate of the target market to estimate the demand for the subject property five years in the future in a separate table. As shown, the number of seniors in most age groups is projected to increase over the next five years. In addition, significant growth is projected for younger seniors as the Baby Boomer generation ages.

Screening by Statistical Likelihood of Need for Traditional Assisted Living Services

A senior’s move to an assisted living facility is typically driven by their declining ability to live independently and need for supervision and assistance with activities of daily living (ADLs). Families are typically an important factor in the decision to move to an assisted living facility and can often be the driving force behind this decision. There is often a specific event that convinces a family that their parent or other relative can no longer safely live alone and requires the supervision and assistance provided by an assisted living facility.

Information found in the National Center for Health Statistics Report indicates that the incidence of need for assistance varies by age cohort. The following table shows what percentages of individuals in different age cohorts are likely to need assistance with activities of daily living.

While the move to an assisted living facility is typically “need-driven”, in contrast the decision to move to an independent living facility is often a lifestyle choice. Seniors often choose this type of housing as a way to live in proximity to other people their age that share their interests, which can be important to elders living alone after years of marriage. It is also a way to downsize and reduce maintenance responsibilities around their home. The availability of personal care assistance on a temporary basis can also be reassuring to seniors. However, as a life-style choice, seniors can be more selective when choosing if, when, and where to move to an independent living facility. Residents of assisted living facilities are there because of their need for supervision and assistance, and this is often driven by the concerns of family members.

Incidence of Dependence by Age Cohort

<i>Age Cohort</i>	<i>1 – 2 ADL</i>	<i>3 – 4 ADL</i>
75 – 84	17.4%	3.3%
85+	23.6%	8.9%

Source: National Center for Health Statistics; Series 13: Data on Health Resources Utilization; No. 104 Long Term Care for the Functionally Dependent Elderly

Therefore, the likely incidence of need for assistance with ADLs has been applied to each age group of the target market. This indicates the number of households in each community that are likely to need assisted living. These estimates are aggregated to estimate the total potential demand for assisted living units in the primary market area.

Likely Incidence of Need for Assistance with ADLs						
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>						
2014 Data	2014 Data			2019 Projection		
Age Group	<i>75-84</i>	<i>85+</i>	<i>Total</i>	<i>75-84</i>	<i>85+</i>	<i>Total</i>
Qualified Households	3,210	+ 2,323	= 5,533	3,400	+ 2,461	= 5,861
Incidence of 1-2 ADLs	<u>17.4%</u>	<u>23.6%</u>		<u>17.4%</u>	<u>23.6%</u>	
Indicated Need for AL	559	+ 548	= 1107	592	+ 581	= 1172
Incidence of 3-4 ADLs	<u>3.3%</u>	<u>8.9%</u>		<u>3.3%</u>	<u>8.9%</u>	
Indicated Need for AL	106	+ 207	= 313	112	+ 219	= 331
Potential Demand in PMA	664	+ 755	= 1,419	704	+ 800	= 1,504

Adjustment for Demand from Outside the Primary Market Area

It is well documented that adult children can impact senior housing developments by moving a relative close to them. Some market participants have identified adult children as the driving force in the decision for seniors to move to an assisted living facility. Adult children sometimes also help offset the cost of maintaining a resident from the resources available to them. The next adjustment in this analysis attempts to reconcile the effects of in-migration due to placements occurring from outside the primary marketing area of the subject property. The experience of the competitors within the primary market area has shown the major decision-making role for moving into an assisted living facility is played, in large part, by adult children residing in proximity to the facility.

Administrators and marketing personnel at the comparables indicate that around a quarter of the assisted living residents at the facilities come from outside the primary market area. This is consistent with our experience with other similar facilities in New England. Therefore, we have increased our estimate of the potential demand for assisted living units to reflect that a quarter of the households come from outside the primary market area.

Adjustment for Existing Vacancies & New Development

The resulting estimate of potential demand is then reduced by the number of vacancies in the current market supply. However, not all of the vacant units are likely be filled by residents from the primary market area. Comparables located outside the subject’s primary market area will likely draw residents from outside the subject’s primary market area and all of the facilities draw residents from out of the region who return to be near adult children. Therefore, demand has been reduced to reflect the vacancies at the existing competitors that are likely to be filled from the subject’s primary market area.

Summary of Competitive Traditional Assisted Living Vacancy				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Facility</i>	<i>Vacant</i>	<i>Location</i>	<i>Estimated</i>	<i>Units</i>
Heritage at Falmouth	1	Predominately from PMA	75%	1
Atria Woodbriar	42	Predominately from PMA	75%	32
Cape Cod Senior Residences	0	Predominately from PMA	75%	0
Decatur House	2	Predominately from PMA	75%	2
Mayflower Place	0	Many from PMA	40%	0
Emeritus at Cape Cod	3	Most from PMA	60%	2
Total Vacant Traditional AL Units	48	Total to be Filled from PMA		37
Note: Vacancies likely to be filled from PMA have been rounded to the nearest unit of 1 or more				

This analysis is summarized in the previous table. It reflects that a new building at Atria Woodbriar is still leasing up and the existing building has a significant number of units off line during significant renovations. Mayflower Place is located just outside of the primary market area but still draws a significant number of residents from the area.

The resulting estimate of potential demand is then also reduced by the number of new beds being introduced into the primary market area by other competing facilities in development. According to planning staff at each of the communities of the primary market area, there are a number of assisted living facilities in development. Keystone Place has traditional assisted living units and will likely draw a significant number of residents from the primary market area. However, it will likely draw a significant portion of residents from communities off the Cape as it is located on the mainland side of the Cape Cod Canal. While a large development was previously proposed in the Village at Barnstable, planning staff report that this development appears to be dead and it has not been included.

Analysis of Traditional Assisted Living Pipeline Development				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Facility</i>	<i>AL Units</i>	<i>Market Area</i>	<i>Estimated</i>	<i>Units</i>
Keystone Place	55	Most from PMA	60%	33
Total New Units	55	Total to be Filled from PMA		33
As most of the new units at Decatur House have already been pre-leased, these units have been considered to be current inventory.				

After accounting for residents originating from outside of the primary market area as well as available inventory from existing vacancies and new developments planned for the primary market are, the potential demand for traditional assisted living housing has been adjusted as follows:

Adjustment for Demand from Outside PMA, Vacancies, & New Development						
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>						
2014 Data	2014 Data			2019 Projection		
Age Group	<i>75-84</i>	<i>85+</i>	<i>Total</i>	<i>75-84</i>	<i>85+</i>	<i>Total</i>
Potential Demand in PMA	664	+	755	=	1,419	704 + 800 = 1,504
Plus: Demand From Outside PMA			25%		473	25% 501
Less: Vacant AL Units in PMA					-37	-37
Less: New AL Units in PMA					<u>-33</u>	<u>-33</u>
Total Potential Demand for AL					1,823	1,935

Capture Rates

The capture rate for the subject property is based upon the capture rates indicated by the competitors within the existing market and our experience with other assisted living developments. The capture rate is calculated as the proportion of the total estimated demand for assisted living that is captured by a particular facility or all of the facilities in a market as a whole. Penetration rates are similar, but are slightly different than capture rates. A capture rate reflects that a particular segment of the population has a need for assisted living and measure what proportion of this demand is filled by the facility. Penetration rates do not identify specific demand, but instead measure what proportion of qualified households are served by a facility.¹ As a capture rate is applied to the potential demand for assisted living services rather than the wider pool of households that are qualified, it is reasonable that they are higher than comparable penetration rates.

Industry standards for capture and penetration rates vary greatly by region, type of housing, competitive alternatives, and most importantly, how the potential demand or qualified population is defined and measured. It is important to make sure that two different calculations of capture or penetration rates are relying on the same definition of potential demand or qualified households.

It is important to note that while we have estimated the potential number of households with demand for assisted living, not all of these households will choose to actually move to an assisted living facility, and of those that do, many will choose to go to a different assisted living facility. Home care is increasing in popularity as a care option that allows seniors to remain at home. However, as a senior's need for assistance and supervision increases, it becomes less practical for them to remain in their home safely and the cost of constant supervision and assistance makes home care less financially viable. There are also a number of competing facilities offering similar services to seniors in the primary market area. As these facilities experience turnover of units, they will be competing with the proposed subject property for residents. Therefore, our estimated capture rates have been reduced to reflect the characteristics of the market area and prevalence of existing competition.

We have assigned a higher capture rate for the older, higher acuity potential residents as it is less likely that home care services or family assistance can effectively care for these seniors. Conversely, a lower rate is used for the younger residents who have more care options in the market. Therefore, we have estimated the overall blended capture rate by weighing the individual capture rates for each age and frailty cohort. Our overall estimated capture rate of about 9% is considered reasonable. We recognize that the proposed units at the subject site will likely compete with vacant units, the turnover of the existing units currently filled, any new units in development, and competitive alternative senior services. The capture rates are low enough to accommodate these possible alternatives for the lower age and frailty cohorts.

¹ Herbert J. Sims & Co. and American Association of Homes and Services for the Aging, *"From Start Up to Success: A Statistical Analysis of Emerging Continuing Care Retirement Communities,"* 1999, p. 25.

Conclusion of Traditional Assisted Living Demand

We have estimated there to currently be demand for 160 assisted living units at the proposed subject property, increasing to 170 units in the next five years. This estimate is based on the weighted capture of about 9% of the estimated demand for assisted living services and indicates a penetration rate of 2.9% of the age and income-qualified households. These assumptions are considered reasonable.

The analysis of the demand for traditional assisted living at the subject property has been summarized in the following table.

Private Pay Traditional Assisted Living Demand Analysis						
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>						
	2014 Data			2019 Projection		
Age Group	75-84	85+	Total	75-84	85+	Total
Qualified Households	3,210	+ 2,323	= 5,533	3,400	+ 2,461	= 5,861
Incidence of 1-2 ADLs	<u>17.4%</u>	<u>23.6%</u>		<u>17.4%</u>	<u>23.6%</u>	
Indicated Need for AL	559	+ 548	= 1107	592	+ 581	= 1172
<i>Estimated Capture Rate</i>	5%	10%		5%	10%	
Incidence of 3-4 ADLs	<u>3.3%</u>	<u>8.9%</u>		<u>3.3%</u>	<u>8.9%</u>	
Indicated Need for AL	106	+ 207	= 313	112	+ 219	= 331
<i>Estimated Capture Rate</i>	10%	15%		10%	15%	
Potential Demand in PMA	664	+ 755	= 1,419	704	+ 800	= 1,504
Plus: Demand From Outside PMA		25%	473			501
Less: Vacant AL Units in PMA			-37			-37
Less: New AL Units in PMA			<u>-33</u>			<u>-33</u>
Total Potential Demand for AL			1,823			1,935
Indicated Overall Capture Rate			9%			9%
Resulting Net Demand for Subject Property			160			170
Indicated Penetration Rate of Qualified HH			2.9%			2.9%

While this analysis is useful in determining the demographic support for the proposed assisted living development, it does have limitations. For practical purposes this analysis relies on a number of assumptions required by the availability of data. While most potential residents will own a home, this assumption does exclude some potentially qualifying individuals. Some households that do not own homes will still be able to afford this type of assisted living. They may have previously sold their primary residence and currently rent an apartment in an initial downsizing step. While married couples are less likely to qualify for this type of housing, some do live in assisted living developments. Therefore, it is our opinion that the preceding analysis reflects a conservative estimate of demographic demand for the proposed subject property.

MEMORY CARE ASSISTED LIVING DEMAND ANALYSIS

As discussed in the previous section, the subject property’s primary target market for memory care assisted living services is comprised of seniors who meet the following criteria:

1. Age 75 or older
2. Live alone
3. Own their own home or previously did so before a prior downsizing move
4. Suffer from Alzheimer’s disease or other forms of dementia

In the following sections, we will discuss how screens have been applied to the resident extract data analyzed in order to estimate the net demand for traditional assisted living units at the subject property.

Screening by Age, Household Size, & Housing Tenure

As previously discussed, assisted living residents are typically over the age of 75 with the highest proportion over the age of 85. Therefore, we have screened the resident extract data to only include households with a member age 75 and older. As older seniors are more likely to be in assisted living, we have also divided this eligible section of the population by age group.

Assisted living residents are also likely to be living alone. Therefore, only households with a single person at an address have been included. This has also identified seniors who own their home. When there is a single household at an address, it is likely to be a single-family home, which is most often owner-occupied.

This segment of the population of the primary market area consisting of single-person households over the age of 75 in their own home is summarized as follows:

Single-Person Senior Households in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	374	377	505	1,256
Bourne	198	184	209	591
Falmouth	337	353	467	1,157
Mashpee	173	162	191	526
Sandwich	<u>107</u>	<u>114</u>	<u>133</u>	<u>354</u>
Total	1,189	1,190	1,505	3,884
Source: Residents Extract Data obtained from respective towns				

However, one alternative is that a senior that had previously lived alone has moved in with family in an initial downsizing move as they have become unable to live independently. Therefore, single seniors living with family such as adult children are also included in the subject property’s target market. To identify this segment of the target market living in the primary market area, we have analyzed the resident extract data to identify households with a single person over the age of 75 who is at least 20 years older than the next oldest member of the household as a way to identify a senior living with adult children. Only households with two to five people at an address have been included so as to exclude seniors living in a multi-family property with other unrelated people. This would account for households with a single adult child and an elderly parent as well as a senior living with a married child and two adult children who are still at home. The resident extract data does not include children below the age of 17.

This segment of the population in the primary market area consisting of seniors over the age of 75 living with adult children is summarized as follows:

Single Seniors Living With Adult Children in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	125	161	288	574
Bourne	54	61	123	238
Falmouth	126	135	207	468
Mashpee	37	39	79	155
Sandwich	<u>45</u>	<u>48</u>	<u>121</u>	<u>214</u>
Total	387	444	818	1,649
Source: Residents Extract Data obtained from respective towns				

Qualifying Target Households Conclusion

The resident extract data is screened to only include seniors age 75 or older who live alone and own their own home as well as single seniors living with adult children. The resident extract data includes all adult residents in each community of the primary market area. This initial population list is sorted by age to only include residents age 75 or older. Then households with more than one resident at an address are removed to isolate single-person households. This also removes seniors living at addresses with more than one living unit as seniors living in a single-family dwelling are likely to own the home. We have also included single seniors of appropriate age living with adult children.

The total number of target households in the primary market area is summarized in the following table.

Assisted Living Target Households in Primary Market Area				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Community</i>	<i>Age 75-79</i>	<i>Age 80-84</i>	<i>Age 85+</i>	<i>Total</i>
Barnstable	499	538	793	1,830
Bourne	252	245	332	829
Falmouth	463	488	674	1,625
Mashpee	210	201	270	681
Sandwich	<u>152</u>	<u>162</u>	<u>254</u>	<u>568</u>
Total	1,576	1,634	2,323	5,533
Source: Residents Extract Data obtained from respective towns				

This analysis has been based on resident extract data as of April 2014. In order to estimate demand for the subject services five years into the future, the current qualified target population estimate is adjusted to reflect future projections.

The projected change in each segment of the target population over the next five years is calculated using projections of future population changes estimated by ESRI. The projected change in the population of each elderly age group over the next five years is summarized in the following table.

Elderly Population Trends - Primary Market Area			
	<i>2013</i>	<i>2018</i>	<i>Change</i>
Total Population	132,159	133,868	1.3%
Age 65 - 69	9,025	10,490	16.2%
Age 70 - 74	7,014	8,389	19.6%
Age 75 - 79	5,461	6,155	12.7%
Age 80 - 84	4,377	4,263	-2.6%
Age 85+	4,365	4,627	6.0%
Age 75+	14,203	15,045	5.9%
Source: Site To Do Business: ESRI forecasts for current year & 5-year projection			

We have then applied the projected population change for seniors age 75+ to our previous estimate of the target market to estimate the demand for the subject property five years in the future in a separate table. As shown, the number of seniors in most age groups is projected to increase over

the next five years. In addition, significant growth is projected for younger seniors as the Baby Boomer generation ages.

Screening by Statistical Likelihood of Need for Memory Care Assisted Living Services

It is difficult to accurately understand the rates of incidence for dementia. As the onset of Alzheimer's disease is gradual, setting a point to distinguish disease from normality can be difficult, and this point can vary among studies using the same disease criteria. Some studies indicate that at least half of all assisted living residents have dementia or cognitive impairment (US General Accounting Office, 1997; Kopetz, et al., 2000). The Massachusetts Executive Office of Elder Affairs states in their 2008 Annual Report that 39% of all assisted living residents in the state as of 31 December 2008 have a medical diagnosis of Alzheimer's disease or related dementia.

Reported incidence rates of the disease have varied widely. At least in part, this variation is likely due to methodological difficulties particular to Alzheimer's disease. Accurate estimation of incidence rates requires a defined population that is initially disease free and of sufficient size to obtain stable estimates, a specified period during which subjects are at risk of developing the illness, and complete ascertainment of new disease using consistently applied criteria. Other studies have examined the incidence rates for the population over age 65 relative to moderate to heavy dementia. Incidence rates increase steeply with age from 0.6% per year among persons aged 65 to 69 years to 8.4% per year among persons aged 85 and older.² The following table details the rates of incidence for Alzheimer's disease in an elderly population.

Table 2.—Incidence of Clinically Diagnosed Alzheimer's Disease by Age Group Among Residents 65 Years of Age and Older of a Geographically Defined Community

Age Group, y*	No. of Cases in Clinical Evaluation Sample	Annual Incidence Rate, %	95% Confidence Interval
65-69	1	0.6	0.3-0.9
70-74	18	1.0	0.6-1.4
75-79	27	2.0	1.3-2.7
80-84	20	3.3	2.2-4.4
≥85	29	8.4	3.7-13.1

*Age at midpoint of period of observation for incident disease.

Source: Hebert: JAMA, Volume 273(17).May 3, 1995.1354-1359

Furthermore, the incidence of moderate to heavy dementia does not plateau at 80 to 85 years. The single-year standardized estimates continue to increase through 90 years of age (Hebert 1995).

Special care units in assisted living facilities are specifically designed for residents suffering from moderate to heavy dementia. Assisted living developments specializing in dementia care have been surveyed to understand the resident profile for this type of care. Results of the survey indicate that specialized assisted living facilities mainly serve residents with an intermediate level of

² Hebert LE, et al.; *Age Specific Incidence of Alzheimer's Disease in a Community Population*, JAMA, 273(17).May 1995.1354-1359.

dementia and moderate care needs (Kopetz, et al., 2000). The State of Maine has studied incidence of dementia specific residential care patients. As of December 1996, there were 8,102 residents in Maine nursing facilities and 67.4% (5,459 residents) were defined as cognitively impaired. Of those who were defined as cognitively impaired, 360 residents (or 6.6%) were in Alzheimer’s/dementia special care units. In residential care facilities, there were 940 residents out of 2,562 total residents (36.7%) who were defined as cognitively impaired. Of the 940 residents who were defined as cognitively impaired 258 (or 27%) were in special care units (Fralich et al., 1998). This study indicates that while the prevalence of dementia in Maine is high (36.7% of the residential care residents are defined as cognitively impaired) the incidence of moderate to heavy dementia is smaller (10.1% of the resident care population).

This study done for the State of Maine Bureau of Elder and Adult Services (BEAS) also indicates that the dementia specific residential care facilities are caring for cognitively impaired residents who are more impaired in their level of cognition and in their ADL levels than cognitively impaired residents who are in geriatric residential care facilities. Dementia specific assisted living facilities also appear to target those who have behavior problems and/or wander, and are therefore not suitable for a traditional assisted living environment.

The rates of incidence of Alzheimer’s disease in an elderly population indicated in the previous table have been applied to the qualified target population by age group. This analysis indicates the number of seniors in the primary market area who are likely to suffer from Alzheimer’s or dementia and will be able to afford memory care assisted living. This analysis has been summarized in the following table.

Likely Incidence Alzheimer's Disease or Dementia		
	2014 Data	2019 Projection
Population 75 - 79	1,576	1,669
Rate of Incidence of ALZ	2.0%	2.0%
Likely Incidences of ALZ	32	33
Population 80 - 84	1,634	1,731
Rate of Incidence of ALZ	3.3%	3.3%
Likely Incidences of ALZ	54	57
Population 85+	2,323	2,461
Estimated Rate of Incidence of ALZ	8.4%	8.4%
Likely Incidences of ALZ	195	207
Potential Demand for ALZ in PMA	281	297

Adjustment for Demand from Outside the Primary Market Area

It is well documented that adult children can impact senior housing developments by moving a relative close to them. Some market participants have identified adult children as the driving force in the decision for seniors to move to an assisted living facility. Adult children sometimes also help offset the cost of maintaining a resident from the resources available to them. The next adjustment in this analysis attempts to reconcile the effects of in-migration due to placements occurring from outside the primary marketing area of the subject property. The experience of the competitors within the primary market area has shown the major decision-making role for moving into an assisted living facility is played, in large part, by adult children residing in proximity to the facility.

Administrators and marketing personnel at the comparables indicate that around a quarter of the assisted living residents at the facilities come from outside the primary market area. This is consistent with our experience with other similar facilities in New England. Therefore, we have increased our estimate of the potential demand for assisted living units to reflect that a quarter of the households come from outside the primary market area.

Adjustment for Existing Vacancies & New Development

The resulting estimate of potential demand is then reduced by the number of vacancies in the current market supply. However, not all of the vacant units are likely be filled by residents from the primary market area. Comparables located outside the subject's primary market area will likely draw residents from outside the subject's primary market area and all of the facilities draw residents from out of the region who return to be near adult children. Therefore, demand has been reduced to reflect the vacancies at the existing competitors that are likely to be filled from the subject's primary market area.

Summary of Competitive Memory Care Vacancy				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Facility</i>	<i>Vacant</i>	<i>Location</i>	<i>Estimated</i>	<i>Units</i>
Atria Woodbriar*	9	Predominately from PMA	75%	7
Emeritus at Cape Cod	0	Most from PMA	60%	0
Brookside at Regency	3	Most from PMA	80%	2
Harbor Point at Centerville*	7	Some from PMA	70%	5
Total Vacant Traditional AL Units	19	Total to be Filled from PMA		14
Note: Vacancies likely to be filled from PMA have been rounded to the nearest unit of 1 or more				
* Vacancy has been conservatively estimated at 10%				

This analysis is summarized in the previous table. It reflects that one building at Atria Woodbriar has a significant number of units off line during renovations to the property. As it is located farther to the east, Emeritus Cape Cod has a higher proportion of residents from outside the subject’s primary market area.

The resulting estimate of potential demand is then also reduced by the number of new beds being introduced into the primary market area by other competing facilities in development. According to planning staff at each of the communities of the primary market area, there are a number of assisted living facilities in development. Keystone Place has memory care assisted living units and will likely draw a significant number of residents from the primary market area. However, it will likely draw a significant portion of residents from communities off the Cape as it is located on the mainland side of the Cape Cod Canal. Mayflower Place is located just outside of the primary market area but still draws a significant number of residents from the area. Bridges at Mashpee is located close to the subject property.

Analysis of Memory Care Pipeline Development				
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>				
<i>Facility</i>	<i>AL Units</i>	<i>Market Area</i>	<i>Estimated</i>	<i>Units</i>
Keystone Place	20	Most from PMA	60%	12
Mayflower Place	75	Many from PMA	40%	30
Bridges at Mashpee	60	Predominately from PMA	75%	45
Total New Units	155	Total to be Filled from PMA		87

After accounting for residents originating from outside of the primary market area as well as available inventory from existing vacancies and new developments planned for the primary market are, the potential demand for memory care assisted living housing has been adjusted as follows:

Adjustment for Demand from Outside PMA, Vacancies, & New Development														
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>														
	2014 Data					2019 Projection								
	<i>75-79</i>	<i>80-84</i>	<i>85+</i>	<i>Total</i>		<i>75-79</i>	<i>80-84</i>	<i>85+</i>	<i>Total</i>					
Age Group														
Potential Demand for ALZ in PMA	32	+	54	+	195	=	281	33	+	57	+	207	=	297
Plus: Demand From Outside PMA				25%	94				25%	99				
Less: Vacant AL Units in PMA					-14									
Less: New AL Units in PMA					<u>-87</u>								<u>-87</u>	
Total Potential Demand for ALZ					273								295	

Capture Rates

The capture rate for the subject property is based upon the capture rates indicated by the competitors within the existing market and our experience with other assisted living developments. The capture rate is calculated as the proportion of the total estimated demand for memory care assisted living that is captured by a particular facility or all of the facilities in a market as a whole. Penetration rates are similar, but are slightly different than capture rates. A capture rate reflects that a particular segment of the population has a need for assisted living and measure what proportion of this demand is filled by the facility. Penetration rates do not identify specific demand, but instead measure what proportion of qualified households are served by a facility.³ As a capture rate is applied to the potential demand for assisted living services rather than the wider pool of households that are qualified, it is reasonable that they are higher than comparable penetration rates.

Industry standards for capture and penetration rates vary greatly by region, type of housing, competitive alternatives, and most importantly, how the potential demand or qualified population is defined and measured. It is important to make sure that two different calculations of capture or penetration rates are relying on the same definition of potential demand or qualified households.

It is important to note that while we have estimated the potential number of households with demand for memory care assisted living, not all of these households will choose to actually move to an assisted living facility, and of those that do, many will choose to go to a different assisted living facility. Home care is increasing in popularity as a care option that allows seniors to remain at home. However, as a senior's need for assistance and supervision increases, it becomes less practical for them to remain in their home safely and the cost of constant supervision and assistance makes home care less financially viable. There are also a number of competing facilities offering similar services to seniors in the primary market area. As these facilities experience turnover of units, they will be competing with the proposed subject property for residents. Therefore, our estimated capture rates have been reduced to reflect the characteristics of the market area and prevalence of existing competition.

We have assigned a higher capture rate for the older, higher acuity potential residents as it is less likely that home care services or family assistance can effectively care for these seniors. Conversely, a lower rate is used for the younger residents who have more care options in the market. Therefore, we have estimated the overall blended capture rate by weighing the individual capture rates for each age and frailty cohort. Our overall estimated capture rate of about 13% is considered reasonable. We recognize that the proposed units at the subject site will likely compete with vacant units, the turnover of the existing units currently filled, any new units in development, and competitive alternative senior services. The capture rates are low enough to accommodate these possible alternatives for the lower age and frailty cohorts.

³ Herbert J. Sims & Co. and American Association of Homes and Services for the Aging, *“From Start Up to Success: A Statistical Analysis of Emerging Continuing Care Retirement Communities,”* 1999, p. 25.

Conclusion of Memory Care Assisted Living Demand

We have estimated there to currently be demand for 35 memory care assisted living units at the proposed subject property, increasing to 38 units in the next five years. This estimate is based on the weighted capture of about 13% of the estimated demand for memory care assisted living services and indicates a penetration rate of 0.6% to 0.7% of the age and income-qualified households. These assumptions are considered reasonable.

The analysis of the demand for memory care assisted living at the subject property has been summarized in the following table.

Private Pay Memory-Impaired Assisted Living Demand Analysis								
<i>Proposed Seniors Housing Facility, Mashpee, MA</i>								
	2014 Data				2019 Projection			
Age Group	75-79	80-84	85+	Total	75-79	80-84	85+	Total
Qualified Households	1,576	+ 1,634	+ 2,323	= 5,533	1,669	+ 1,731	+ 2,461	= 5,861
Population 75 - 79	1,576				1,669			
Rate of Incidence of ALZ	2.0%		Capture Rate		2.0%		Capture Rate	
Likely Incidences of ALZ	32		5.0%		33		5.0%	
Population 80 - 84	1,634				1,731			
Rate of Incidence of ALZ	3.3%		Capture Rate		3.3%		Capture Rate	
Likely Incidences of ALZ	54		10.0%		57		10.0%	
Population 85+	2,323				2,461			
Estimated Rate of Incidence of ALZ	8.4%		Capture Rate		8.4%		Capture Rate	
Likely Incidences of ALZ	195		15.0%		207		15.0%	
Potential Demand for ALZ in PMA	281				297			
Plus: Demand From Outside PMA	25%		94		25%		99	
Less: Vacant AL Units in PMA	-14				-14			
Less: New AL Units in PMA	<u>-87</u>				<u>-87</u>			
Total Potential Demand for ALZ	273				295			
Indicated Overall Capture Rate	13%				13%			
Resulting Subject ALZ Demand	35				38			
Indicated Penetration Rate of Qualified HH	0.6%				0.7%			

While this analysis is useful in determining the demographic support for the proposed assisted living development, it does have limitations. For practical purposes this analysis relies on a number of assumptions required by the availability of data. While most potential residents will own a home, this assumption does exclude some potentially qualifying individuals. Some households that do not own homes will still be able to afford this type of assisted living. They

may have previously sold their primary residence and currently rent an apartment in an initial downsizing step. While married couples are less likely to qualify for this type of housing, some do live in assisted living developments. Therefore, it is our opinion that the preceding analysis reflects a conservative estimate of demographic demand for the proposed subject property.

ADDENDA

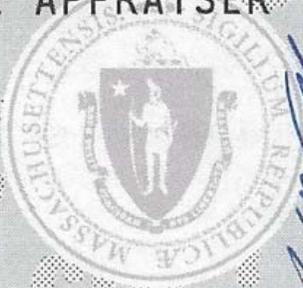
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ISSUES THE FOLLOWING LICENSE AS A
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LICENSEE SIGNATURE

**Qualifications of
RAYMOND A. DENNEHY, III
Real Estate Appraiser & Consultant**

Raymond Dennehy specializes in the appraisal and consulting of management intensive elderly housing, most specifically, the valuation and analysis of skilled nursing facilities and assisted living facilities throughout the United States. He also has experience with market and financial analysis for other types of senior housing properties such as age restricted congregate housing, dementia specific assisted living and hospitals. He is qualified and active as an expert witness, feasibility consultant, and has assisted clients in the acquisition and disposition of management intensive housing. Additionally, Mr. Dennehy has experience appraising analytically complex properties such as health clubs, landfills and multi parcel eminent domain assignments.

BUSINESS AFFILIATIONS

Health Care Valuation Advisors, Inc.
President - 2000 - Present

Lubershane Associates, Inc.
Independent Contractor – 1996 - 2000

Foster Appraisal & Consulting Co., Inc.
Independent Contractor – 1996 - 2000
Vice President, Real Estate Appraisal - 1991-1996
Real Estate Appraiser - 1986-1991

Town of Princeton, Massachusetts
Board of Selectmen – Elected Member – 2005 - 2012 (Chairman – 2008– 09, 2011-12)
Planning Board – Elected Member - 2000 – 2005 (Chairman – 2002 - 2005)

Alpine Ski Racing
Burke Mountain Academy, East Burke, VT – U-12 Coach – 2011 - Present
Stratton Training Ctr., Stratton Mountain, VT–J-III Head Coach 02-03, J I/II, ‘03- ‘11
Wachusett Mountain Junior Race Team, Princeton, MA – JI/II Coach 1998-2002
NASTAR Pacesetter, Wachusett Mountain – 1996-2008

North Central Massachusetts Chamber of Commerce
Chamber Leadership Council – 2005 - 2010
Business & Industry Political Action Committee- Trustee, (Chairman–1998, 2001-2005)

Massachusetts Senior Care Association – Associate Member
Appraisal Institute – Associate Member
Adventcare, Inc., Haverhill, MA – Director
HealthAlliance Home Health & Hospice, Inc., Leominster, MA – Trustee, (Chairman–2013)
HealthAlliance Realty Corporation, Leominster, MA – Director

EDUCATION

University of Denver - BSBA Finance-Marketing
Appraisal Institute - Various Appraisal Courses

Massachusetts Certified General Appraiser – 2019 – Expires 22 December 2015
Maine Certified General Appraiser – CG 1562 – Expires 31 December 2014
Connecticut Certified General Appraiser – RCG 917 – Expires 30 April 2014
Texas Certified General Appraiser – TX-1336301-G – Expires 31 December 2012
California Certified General Appraiser – AG042621 – Expires 22 February 2011
New York Certified General Appraiser – 46000048120 – Expires 24 July 2013
New Hampshire Certified General Appraiser – NHCG 753 – Expires 31 December 2015
Pennsylvania Certified General Appraiser – GA 003717 – Expires 30 June 2015
Colorado Certified General Appraiser – CGO1321148 – Expires 31 December 1993

Qualifications of

Andrew J. Van Hazinga

Real Estate Appraiser & Consultant

Andrew Van Hazinga has completed a wide range of real estate appraisal and consulting projects in New England and other areas of the country. Since 2007, Mr. Van Hazinga has concentrated on the appraisal of multi-family, seniors housing, and health care properties, including subsidized and market-rate rental properties, services-enriched elderly housing, independent, assisted, and dementia-specific assisted living developments, and skilled nursing facilities, as well as the analysis of the feasibility of proposed projects.

The principal focus of Mr. Van Hazinga's experience has been the preparation of appraisal and consulting assignments meeting the requirements of the HUD MAP and LEAN guidelines, but he has also completed assignments for a wide range of clients, including developers, operators, private lenders, municipalities, and governmental agencies.

Mr. Van Hazinga has appraised many types of income-producing properties ranging from single-tenant industrial buildings to shopping plazas. He has experience in the appraisal of many different types of special purpose properties, including religious institutions, educational facilities, and gas stations. Mr. Van Hazinga has completed appraisals for eminent domain projects in Boston, Springfield, Westfield, Somerset, Malden, and Lowell, Massachusetts. These assignments include before and after valuations, partial takings, and the acquisition of temporary and permanent easements. Mr. Van Hazinga is also experienced with land valuation, including industrial and commercial parcels, residential lots, raw acreage, single-family subdivisions, multi-family developments, and low-utility parcels. He has also completed before and after appraisals of land proposed for Agricultural Preservation Restrictions and Conservation Restrictions.

Experience & Affiliations

Health Care Valuation Advisors, Inc.

Real Estate Appraiser & Consultant – 2007 to Present

Foster Appraisal & Consulting Co., Inc.

Real Estate Appraiser & Consultant – 2003 to 2007

City of Fitchburg, Massachusetts

Planning Board – Appointed Member – 2010 to Present

Twin Cities Community Development Corporation

Director – 2011 to Present

Real Estate Committee Member – 2008 to Present

Education & Licensure

Massachusetts Certified General Appraiser – No. 75408 – Expires 8 November 2014

Numerous courses administered by the Appraisal Institute, Massachusetts Board of Real Estate Appraisers, and other providers.

Clark University (2003) – B.A. in Government & International Relations