



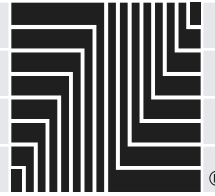
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*Lea Associates, Inc. Market Microscope
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The raw material for this little article was market data and very rudimentary notes supplied by the client. In order to tell the story, I dug up supplementary background material, then restructured and rewrote the piece.

Market Microscope™



Lea Associates, Inc.
Property Economics

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Baby Boomers Come of Age: Demand Soaring for Senior Housing

BACKGROUND

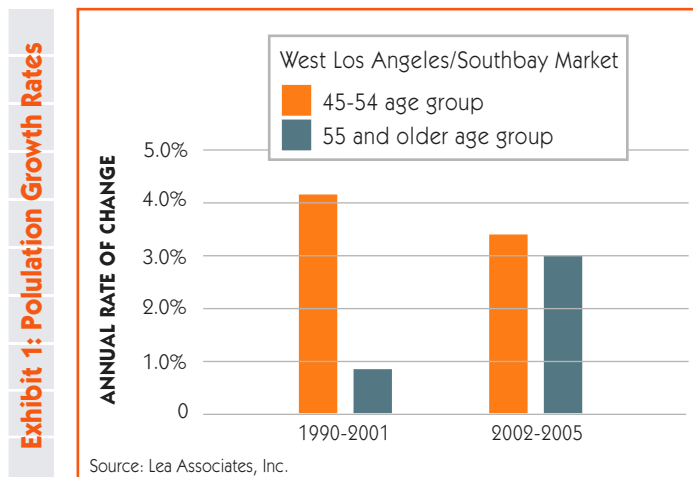
Real estate supply responses typically lag changing demographic patterns. The situation with senior housing is a timely example, where an aging population is creating significant gaps between demand and supply. Here, the aging trend is complicated by the fact that the housing needs in senior market segments are different from the general population and even differ even between senior age segments. Needs also tend to differ between geographic markets.

We recently studied elderly housing needs in the West Los Angeles/Southbay market. Currently, the trend in this market is toward independent-type units which includes apartments and independent living facilities (central dining). However, the housing need will eventually shift toward assisted-care and skilled-nursing facilities.

DEMOGRAPHIC TRENDS

In analyzing demographic patterns of the West Los Angeles/Southbay market, we found the trend to be similar to other markets we have surveyed over the past five years.

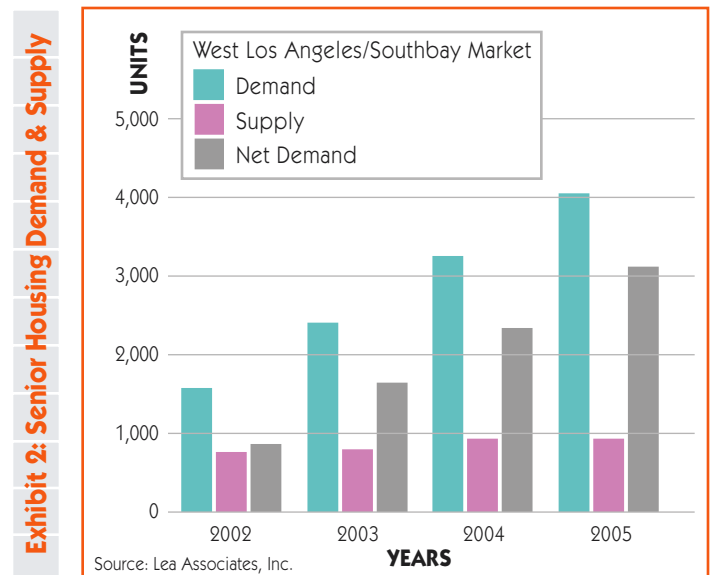
Exhibit 1 clearly shows that the driving force of population growth for the past decade in this market has the baby boomer group (age 45-54), followed by the target population of 55 years and older. The 44 and under groups had a growth rate of less than 1% during this period. The key future trend, however, is that the growth rate of the 55-up group is rising at a very rapid pace and will eventually exceed the growth rate of the 45-54 age group. This trend will have significant implications for the demand of a variety of senior housing configurations.



Within the West Los Angeles/Southbay market area, we projected total demand for senior rental units to increase from 1,550 units in 2002 to 4,107 by 2005.

MARKET SUPPLY AND DEMAND

On the supply side, we identified 22 senior projects of various configurations with a combined total of 2,314 units within the subject market. Overall vacancy is 1% and typical waiting lists range from three to five years. To estimate future supply additions, we conducted telephone interviews with the building/planning departments as well as housing departments of the various cities within the market area. No projects were identified. Exhibit 2 illustrates the pace at which net demand is projected to grow in this market over the next few years.



CONCLUSIONS

Our study points to a growing unmet demand for senior rentals in the West Los Angeles/Southbay market, a trend that is commonplace throughout California and Nevada. This demand trend has obvious implications for the housing design and construction in this market in both the near and long term.

About Market Microscope...
Our goal is to provide real information on real market segments, with each issue focusing on a different segment. We invite your comments and suggestions for markets to review.

LEA ASSOCIATES ~ RECENT ASSIGNMENTS

Valuations

- Fair market appraisal for eminent domain of 400+ acre mixed use development site in Upland, California from which approximately 40 acres will be acquired in fee for Route 210 freeway.

Litigation Support

- Entire acquisition of historic 250 room, 200,000 square foot hotel building in downtown San Diego for federal courthouse expansion. Client was U.S. Justice Department. Negotiated settlement after depositions at

within 3% of Lea Associates' opinion.

- Rent resetting for 10 year period of major telecommunications site in north of San Diego County. Client was lessee. Recommended percentage rent differential of 160% as between appraisers. Neutral arbitrator decision 30% over Lea Associates opinion or 19% of total difference sought by lessor.

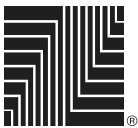
- Entire acquisition of 44-unit SRO hotel by redevelopment agency client. 117% value opinion difference between appraisers. Jury verdict within 5% of Lea Associates' testimony at trial.

CERTIFICATIONS AND DESIGNATIONS: DID YOU KNOW?

Current Requirement	State of California General Appraiser	Appraisal Institute MAI
College Education	No	4-year degree from an accredited college or university
Appraisal Education	180 hours, including 15 hours of USPAP	State requirement plus 216 hours (16 additional hours of USPAP)
Experience	3,000 hours of acceptable appraisal experience over 2.5 years	State requirement plus 3,000 hours of specialized appraisal experience
Demonstration Report	No	Must receive credit for a demonstration report on an income producing property
Examination	4-hour examination	State examination plus Appraisal Institute's General Comprehensive Examination (16 hours)

Note: Robert M. Lea, MAI, Jeffrey T. Nagasaki, MAI, and Gerald L. Chuman, MAI, have met the requirements for both State Certification and the MAI designation. The firm also has two additional analysts who have met the State Certification requirements and who are on the verge of also obtaining this designation.

VOLUME 2 NUMBER 1



Market Microscope™

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