

# Market Snapshot

Q4 2023 | East North Central Region



In this report, Plante Moran Living Forward offers an overview and analysis of the region's senior living market trends, benchmarked against comparable markets across the nation. These trends have a huge impact on your organization, especially as you plan for the future.

Regional data can help provide a pulse on the market, but we encourage you to reach out to our team before you make any decisions about your plans for growth or repositioning. Your local market, the condition of your assets, your strategic plan, and your operational health should all be considered holistically.

## Key takeaways

*Construction material prices remain elevated, and coupled with higher interest rates, are leading to more expensive projects.*

*Moderate to negative inventory growth is likely helping keep the East North Central (ENC) Region in line with demand, with occupancies steadily increasing.*

*While the ENC Region is currently behind the national averages for occupancy in both independent living (IL) and assisted living (AL), it has recovered to surpass its pandemic low and hit an all-time high in occupied units.*



The East North Central Region includes the top 21 metropolitan statistical areas (MSAs) in IL, IN, MI, OH, and WI.

Akron, OH | Ann Arbor, MI | Chicago, IL | Cincinnati, OH | Cleveland, OH | Columbus, OH | Dayton, OH | Detroit, MI | Flint, MI  
| Grand Rapids, MI | Indianapolis, IN | Janesville, WI | Lansing, MI | Madison, WI | Milwaukee, WI | Monroe, MI | Racine, WI | Rockford, IL  
| Saginaw, MI | Toledo, OH | Youngstown, OH



# Construction Costs | Nationwide

Construction material prices remain elevated, and coupled with higher interest rates, are leading to more expensive projects. Proactive, fiscally responsible planning and value engineering will be key to successful, on-budget projects.

## Construction Cost Index

The Construction Cost Index value as of December 2023 was 13,514.76 with an annual inflation rate of 2.6% and a monthly increase of 0.03%.

**+0.03%** Last Month

**+2.6%** Over Year

## Materials Cost Index

The Materials Cost Index value as of December 2023 was 6,150.35 with an annual inflation rate of 4.4% and a monthly increase of 0.1%.

**+0.1%** Last Month

**+4.4%** Over Year

## Cost of materials

Increases in the cost of construction materials and higher interest rates are leading to more expensive construction projects. As determined by the U.S. Bureau of Labor Statistics, the Producer Price Index (PPI) for concrete, lumber, and steel has increased by 35.3%, 19.0%, and 65.1%, respectively, since January 2020. Steel saw the most fluctuation since that time, hitting a high of 449.7 in December 2021. The PPI for concrete and lumber are up 7.3% to 7.8%, respectively, over last year, while steel has seen a modest 2.0% decrease. Since last month, concrete is down 0.1%, lumber is up 1.2%, and steel is up 3.3%.

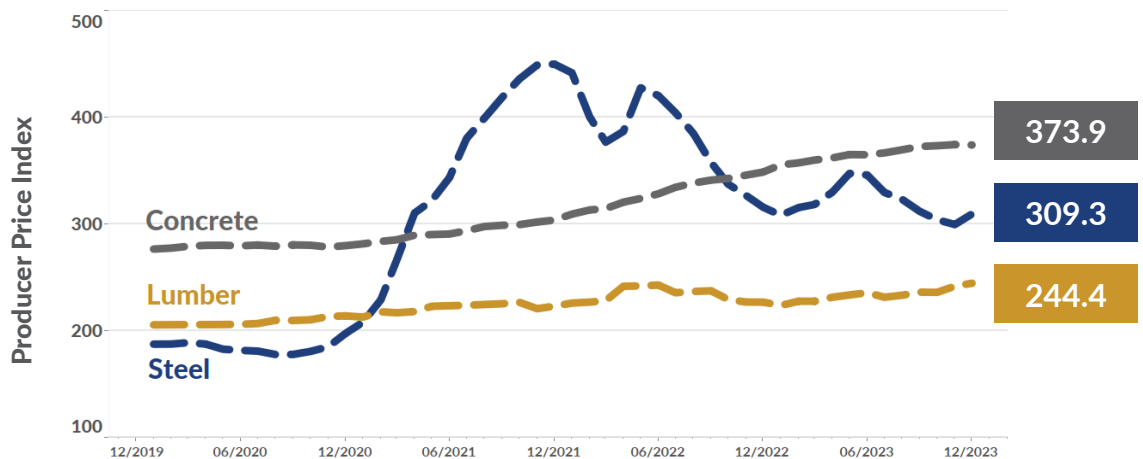
Proactive planning and value engineering are key factors when trying to make the best decisions for a successful, on-budget project. Owners should work with their development consultant to right-size their projects, understand the right amount of escalation contingency based on local market risk factors, and coordinate with suppliers early to lock in pricing, labor, or other resources when possible.

## Interest rate (SOFR)

**5.38%**

Dec. 31, 2023

The SOFR has seen an increase of 24.8% since the beginning of 2023.



**Construction costs** | The costs associated with the entire construction of the project, including all supervision, materials, supplies, labor, tools, equipment, transportation and/or other facilities furnished, used, or consumed. **Secured Overnight Financing Rate (SOFR)** | The rate banks use when financing construction projects.



# Housing Trends | Regional

IL and AL occupancy have been steadily climbing, and occupied units are at an all-time high. Inventory growth has moderated. A market study will be key to avoid overbuilding in specific MSAs.

## Occupancy & occupied units

The ENC Region’s average IL occupancy has been steadily increasing over the last seven quarters since its low point of 82.0% in 1Q2022, but as of this quarter, remains below the national average of 87.9%. The average AL occupancy has also seen a steady increase since its low point of 75.2% in 2Q2021 and now sits just below the national average of 84.5%.

While the ENC Region is currently behind the national average occupancy, the region has recovered from the pandemic in terms of occupied units and reports the highest number of occupied IL and AL units since the NIC MAP® Vision Data Service began tracking this data in 2015.

### National benchmarks: 4Q2023

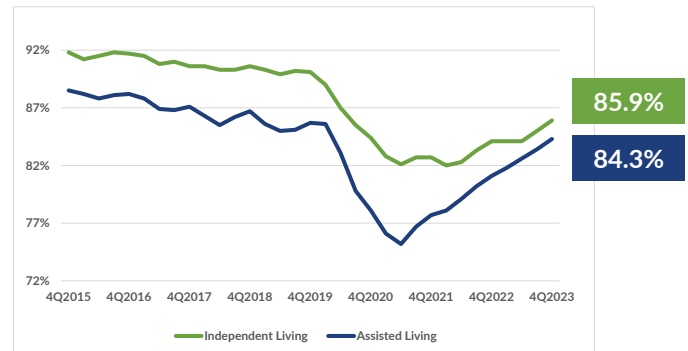
**87.9%** IL Occupancy    **84.5%** AL Occupancy

## Inventory

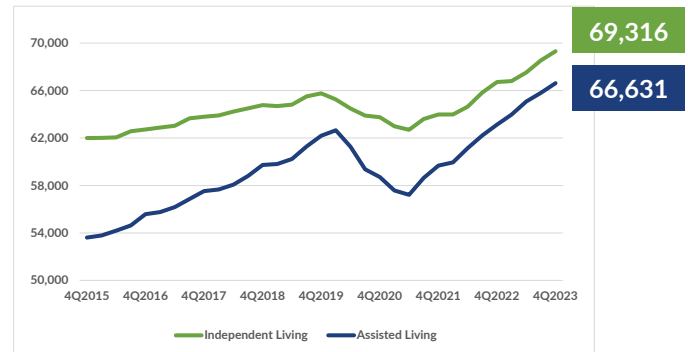
Inventory growth in the ENC Region has slowed in 2023. The region lost 7 IL units and gained a modest 95 AL units in 4Q2023. The Cleveland MSA has the highest IL inventory growth with 108 units; the Detroit MSA saw the highest AL inventory growth with 109 units. The Chicago MSA lost 196 IL and 53 AL units this quarter, the biggest decreases of any MSA in the region.

Supply seems to have kept up with demand at a regional level, but owners should be careful to assess demand and supply locally before moving forward with any repositioning or new construction to avoid overbuilding.

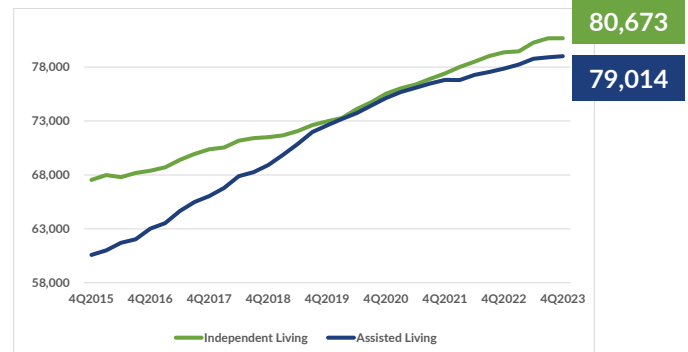
### Occupancy (%)



### Occupied Units



### Inventory (Units)



**Occupancy** | The average unit occupancy of reporting properties since last quarter. **Absorption** | Net total number of units that became occupied (or vacated) since last quarter. **Inventory** | Net total number of units that came on line (and off line) since last quarter.



Plante Moran Living Forward brings together a team of experts focused on improving the quality of life and places of care for our nation's seniors.

As a trusted development advisor, we specialize in addressing the evolving real estate, development, and construction needs of senior living communities. We help clients understand market need, determine the scope and feasibility of their capital projects, and oversee the design and construction process.

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## DEVELOPMENT ADVISORY

- Project planning & oversight
- Market & financial feasibility
- Property condition assessment
- Asset repositioning
- Site selection & transaction management
- Owner's representation

## OPERATIONAL CONSULTING

- Strategic planning
- Rent & services competitive analysis
- Operational efficiency analysis
- Regulatory research
- Marketing & sales evaluation

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[pmlivingforward.com](http://pmlivingforward.com)

The data contained in this report is obtained from the most recent data stores of NIC MAP Vision® Data Service ([www.nicmap.org](http://www.nicmap.org)), the Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)), and Engineering News Record ([www.enr.com](http://www.enr.com)). Although the information was obtained from sources deemed reliable, no warranty or representation, expressed or implied, is made as to the accuracy of the information herein.

## Client Highlight

### The client

A rural nonprofit life plan community, which was struggling operationally and financially, reached out to Plante Moran Living Forward for help repositioning to support a sustainable future. The community had aging facilities, but the site had potential for new construction if our team could help the client make a plan that allowed the community to address its financial shortcomings and still invest in a new multi-phase development in the midst of a volatile construction market riddled with disruptions from the COVID-19 pandemic.

### The solution

Plante Moran Living Forward's market study uncovered demand for AL and IL. As we developed the pro formas and ran financial models on each product type, we helped the client right-size the development to what could be financed given the client's current cash flow and financing options and ran consumer focus groups validating the project and pricing. After securing financing, we helped the client oversee the project and mitigate risk throughout design and construction, leading to a successful opening of the first phase in 2023.

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## Contact our team for a consultation.



**Dana Wollschlager, AHM, CRM, COM**

Dana.Wollschlager@plantemoran.com  
(847) 628-8903



**Jamie Timoteo**

Jamie.Timoteo@plantemoran.com  
(312) 344-2449



**Sally Heffernan, CPA, CMA**

Sally.Heffernan@plantemoran.com  
(419) 842-6127



**Eric Dumont**

Eric.Dumont@plantemoran.com  
(248) 603-5287