

# Senior housing projects planned

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Development company MacKenzie House LLC plans to break ground on three senior living projects worth more than \$120 million in the next year, marking the Englewood firm's entry into a new sector of the housing market.

MacKenzie House, founded by Don MacKenzie in 1999, specializes in multifamily and for-sale residential housing. Recently, the company has started developing and renovating high-end, single-family homes, mostly in the Cherry Hills neighborhood.

Getting into the growing senior housing market is a way to diversify at a time when other real estate sectors — particularly apartments — remain relatively soft in Colorado.

The company, which has 11 employees, also is working on both for-sale and rental multifamily projects in Kansas City.

In 2000, MacKenzie sold his company to national developer Greystar and went to work for it.

In 2003, he left Greystar, took back MacKenzie House and founded MacKenzie House Senior Housing Group.

Greystar had become more focused on property management and MacKenzie wanted to develop real estate, he said. As part of the deal, MacKenzie House took over the development projects MacKenzie had worked on at Greystar but weren't yet started.

"When I left Greystar, I really thought about what I wanted to focus on," MacKenzie said.

"Our mission is to be in housing and have a diverse and flexible focus. We don't see the demand for multifamily like we did in the past, so we analyzed what was out there and looked at the growing demographic of the baby boomers," MacKenzie said.

Regardless of type, he said he wants to develop high-quality, high-end housing.

MacKenzie plans to hold onto the properties his company builds.

In developing senior housing, MacKenzie House has entered into a joint venture with Englewood-based operator MorningStar Senior Living. MorningStar will manage the properties and share in the ownership. There also will be some outside investors, said Tim Yeager, a project manager with MacKenzie House.

The first development will be a \$15 million, 85-unit assisted living project in Littleton that will break ground in early 2005.

The second project, a continuing care campus in Colorado Springs, will include independent living, assisted living and skilled nursing components.

The \$55 million project will include 240 homes and is scheduled to break ground in late 2005.

MacKenzie House and MorningStar also plan a \$49 million, 235-unit continuing care campus in Fort Collins, which is slated to break ground in 2006.

The Colorado Springs and Fort Collins campuses are likely to include some single-family patio homes for sale to seniors living independently.

Senior living became overbuilt in the late 1990s in part because public companies saw the growing market and got into the industry. Since then, fewer developments have been built, but the demand has continued.

"The supply stopped in the late '90s but the demographic bubble moved ahead," Yeager said.

"In the mid-'90s, there was a dramatic



Rendering shows the project in Littleton that will break ground early next year.

growth cycle," said Ken Jaeger, president and CEO of MorningStar. "It was primarily due to real estate companies getting into the industry and not understanding the industry. Now companies that understand operations have done very well and continue to grow."

Jaeger has worked in the senior housing industry for 17 years. Before founding MorningStar three years ago, he worked for Virginia-based Sunrise Senior Living (NYSE:SRZ), where he helped develop the company's western region.

"It's a \$100 billion industry now," Jaeger said. "The 85-and-up market will be the fastest-growing age segment between 2005 and 2025. Now it's right around 3.5 [million] to 4 million; by 2020 it will be 8 million and by 2050 it will be 20 million."



Jaeger

According to Jaeger, a recent AARP survey found that 80 percent of seniors said if they weren't living alone near their children, they'd like to live in retirement housing where they could be near friends.

MacKenzie House's Yeager said they chose to partner with MorningStar because while they know about real estate development, senior living operations are new to them.

"We're not going to fool anyone that we've done this before — but we're good at joint venturing," he said. "It was pretty evident that we needed a management team and some long-standing veterans in senior living."

MorningStar manages approximately 50 senior living developments nationwide. Its agreement with MacKenzie House is its first such joint venture. Jaeger said they hope to do up to 12 projects nationwide.

He said he's committed to providing personalized and professional care to seniors.

Jaeger also believes the design of the new communities is very important.

"I want to create my grandmother's house," he said. "A place where you can go and feel a sense of family rather than alone in an institution. My main goal is to create a sense of family within a residential style of housing. You do that through design and interior design."

MGA Interiors of Phoenix and Denver-based Lantz-Boggio Architects PC are working on the Colorado projects.

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