



## REPOSITIONING: SALVATION FOR AGING OFFERINGS

### Reviving the Returns on Your Longest-Term Investments



## What is repositioning?

It's no mystery that a building begins aging the moment it is put into service. Wear and tear take their toll. Tastes shift and make what once seemed modern feel mundane. Plus, functional needs of the market evolve, often beyond the scope of what a building can adequately support. While remodeling can lessen the perceived decline of a building's usefulness, the reality is that a fresh coat of paint can only cover up structural and strategic deficiencies for so long. In the end, the wise decision is to reposition the building and give it a literal new lease on life.

Repositioning has emerged as a crucial strategy for revitalizing aging properties. It is, in simplest terms, a combination of refurbishing, reimagining, and repurposing a building with the goal of keeping it useful—and financially viable—for years to come. Naturally, much strategic research, thought, and decision-making must be part of the process for repositioning to succeed. This white paper explores the importance of repositioning aging buildings, the numerous benefits it offers, the steps involved, and the consequences of inaction. It also highlights GSI's unique approach to this challenging yet vitally important process.

## What are the benefits of repositioning?

While people tend to grow in experience, insight, and wisdom as we age, buildings simply become less valuable. This depreciation goes beyond a mere accounting function as it not only impacts the physical condition of the building but also its attractiveness to potential residents and investors. In the senior living sector—where modern amenities are essential to attract residents—such aging infrastructure can quickly become a deterrent.

While the depreciation of a building is typically set at 40 years, this number obscures two important facts. First, in the non-profit senior living space, it is common for buildings to be well over 50 years old. Not only is this well past the threshold for what might be considered adequately useful, the market perceptions in which the communities utilizing these buildings reside have all shifted—no longer matching the original building program. Demographics, psychographics, tastes, needs, and expectations aren't what they were decades ago. Second, buildings start to appear outdated and less desirable after just 10 years. It doesn't matter if this judgment is subjective when it creates the objective result of lower residency rates and decreased attractiveness to investors.

Repositioning addresses these challenges by modernizing infrastructure, upgrading amenities, and optimizing space utilization. For example, the amenities desired by independent and assisted living residents evolve rather rapidly on a 10- to 15-year cycle. Where once a large, single dining room was seen as an attractive norm, today's residents prefer multiple dining venues with different meal options and price points. And if a community is still touting a large computer room in this age of smart phones, tablets, and notebooks, it's signaling an obsolete mode of thinking while promoting a wasteful use of square footage (that could, for instance, be used for a new bistro-style dining option).

Similarly, the desired individual residences of today are a cut above those of even the recent past. A shift in the unit mix away from smaller units to larger 1- and 2-bedroom units with open floor plans, high-end appliances, in-unit washers and dryers, and individually controlled HVAC, among other things, are no longer niceties but must-haves.

By revitalizing aging properties, repositioning attracts new residents, increases occupancy rates, and enhances overall satisfaction. Modern amenities, updated interiors, and improved infrastructure contribute to a more attractive living environment, driving demand and enhancing the property's market competitiveness. This naturally leads to improved financial performance and increased value in the eyes of investors, as well as higher appraisal values and a greater return on investment.

## What does the repositioning process look like?

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### Master Planning

Master planning serves as the foundation for informed decision-making and long-term sustainability. By developing a comprehensive master plan that aligns stakeholders regarding program, market, and financial objectives, GSI ensures that repositioning efforts are strategic, cohesive, and integrated with the long-term vision for the property. Master planning helps identify opportunities for improvement, prioritize investments, and optimize resources to achieve maximum impact and long-term success. Typically, the planning process follows these steps, although their timing often overlaps to varying degrees:

## Market Analysis

This includes a thorough analysis of market dynamics, including demographic trends, competitor offerings, and current preferences of potential residents. Is the market ascending or descending? Understanding how the building's age, life cycle position, and price point compare with those in the surrounding market—as well as in light of forecasted trends—is essential for setting goals that are not only achievable, but desirable.

## Financial Review

Repositioning is very capital-intensive. Does the community have adequate savings already on hand? Is the building currently operating on a refundable entrance fee model that limits access to using what savings exist? By carefully analyzing the implications of these questions and more, GSI and property owners can make precise decisions and develop a more realistic budget for current needs and future projects.

## Plan Creation

This process ultimately results in the development of the master plan report. This report integrates design, programming, phasing, and economic data with a focus on strategic direction and project viability. The master plan report translates the community's repositioning aspirations into actionable steps, playing a foundational role in guaranteeing successful short-term revitalization and fostering a flourishing community in the long term.

## Building Assessment

A detailed assessment of the building's physical condition, infrastructure, and amenities is conducted to identify areas in need of upgrade or repurposing. Are major changes needed, such as seismic-related or energy efficiency upgrades? How do current codes and accessibility needs affect plans? This assessment helps prioritize repositioning efforts and ensures that resources are allocated effectively to address the most pressing needs and opportunities for enhancement.

## Stakeholder Unity

It's vital that consensus is reached among the project's true stakeholders. This process is not always swift, but it must be achieved for the project to get off the ground with the best possible chance of success. As every community has a different culture and different method of reaching strategic decisions, GSI works to understand each community's specific modes in order to bring everyone into alignment in a collaborative way where all feel involved, listened to, and considered.



# Implementation

Once the repositioning master plan is developed and approved, implementation begins. This typically involves physical renovations, infrastructure upgrades, and amenity enhancements. GSI manages the implementation by coordinating with contractors, architects, and vendors, as well as by liaising with other stakeholders to ensure that the project is completed on time, on budget, and to the highest standards. Implementation generally proceeds as follows:

## Pre-Finance Efforts

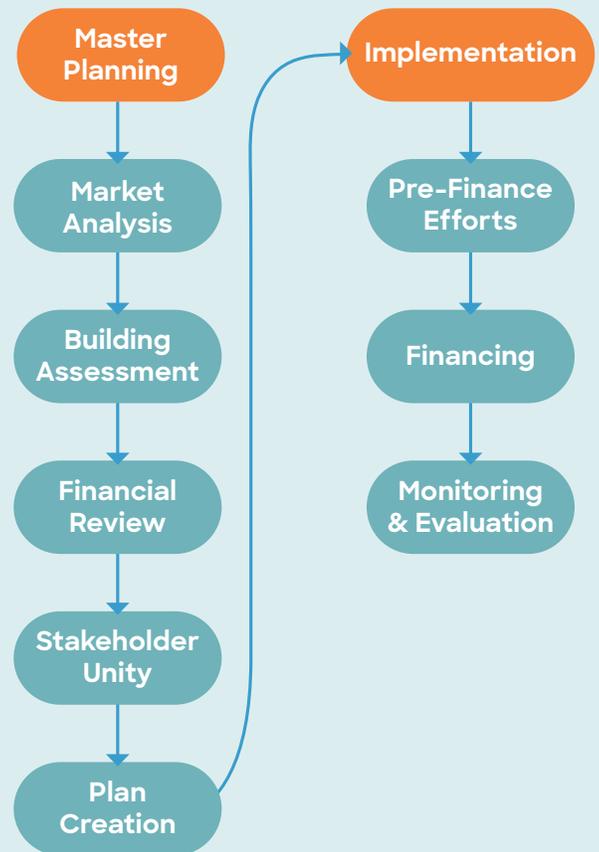
Tasks undertaken at this stage include increasing the level of design and drawing, land and building engineer work, construction estimates, and marketing. Pre-sales efforts begin in an effort to test and nurture the market—generating an initial level of deposits while laying the foundation for the more intensive marketing efforts to come.

## Monitoring and Evaluation

Mitigating construction risk (supply delays, cost overruns, scope creep, etc.) and fill-up risk (securing enough new residents to make the project viable) are among major items that must be addressed. Continuous evaluation is essential to ensure that the repositioning project is on track and achieving its objectives related to scope, schedule, and cost. GSI continuously assesses progress, gathers feedback, and—in partnership with the owner—makes necessary adjustments to optimize outcomes and maximize success. Given our experience, GSI has often been able to proactively identify areas for improvement, thus reducing downstream obstacles and further ensuring on-budget and on-time project completion.

## Financing

Securing financing is vital, but a process that GSI knows exceptionally well. GSI works closely with many debt and equity partners. The other professional team members, financing schedule, and project metrics are well understood. Also, GSI has the unique flexibility of bringing the Transforming Age balance sheet to a project when appropriate.



# What are the consequences of not repositioning or doing so to a poor standard?

Failure to reposition aging buildings can have significant consequences for both property owners and residents. While a community can often maintain high occupancy rates without repositioning, it is next to impossible to maintain those levels at a strong price point. In this case, a vicious cycle begins, with lower margins leading to a decreased cash flow, which in turn eats into the community's savings. This cycle is exacerbated as the building's infrastructure and amenities fall out of alignment with market demands—not to mention the cost of maintaining an aging building only accelerates with time. If this situation is allowed to continue for too long, the community may suffer irreversible losses and not have the financial ability to reposition.

If not repositioned correctly—such as failing to be properly realigned with market desires—a building can become a financial drain on the community, suffering lower-than-forecasted occupancy rates and slim margins with increased debt service. A common way such misalignment occurs is when a community begins the overall process by only focusing on architecture. Regardless of an architecture firm's expertise, they are not qualified to determine the appropriate program for the building, analyze the market environment, or properly judge other financial considerations.

Repositioning isn't solely about a building's architecture or infrastructure. The programs offered by the community must also keep pace with market demands. This may mean shifting from an independent living program to a more contemporary active adult community—a type of programming that did not exist when many repositioned buildings were first constructed. Additionally, the community as a whole may need its brand refreshed or completely overhauled. Just as aesthetics in architecture evolve over the years, so too do they in the world of brand design. It is of little use to reposition a building as improved and modern if the community's branding fails to reflect it.

Communities may also attempt a repositioning that is overly ambitious, stretching their resources beyond what they can safely bear should unexpected challenges arise—which they almost always do. This is but one reason why GSI always starts the repositioning process with a master plan.



# Case Study: Parkshore Senior Living

Located along the shores of Lake Washington in Seattle's picturesque Madison Park neighborhood, Parkshore Senior Living had been a popular community since its opening in 1962. However, as the decades wore on, its early-60s style, small unit mix, and outdated amenities were becoming a real liability. For decades, its residents endured cramped studio apartments, communal laundry facilities, and a dearth of modern conveniences. Recognizing the untapped potential of this lakeside gem, GSI partnered with Parkshore to breathe new life and longevity into the community.

GSI understood that repositioning Parkshore required more than a mere facelift—it demanded a complete reimagining of the community's identity. To accomplish this, GSI and Parkshore first developed a master plan that all involved agreed would—and should—take years to implement. The ambitious plan had to manage the delicate task of transforming Parkshore into a contemporary community while maintaining good relations with both the residents and surrounding neighborhood. To that end, GSI established a resident liaison committee to ensure that everyone's concerns were dealt with in constructive ways that enhanced affinity for the community even as construction and other factors caused periods of inconvenience.

Transforming the studio-heavy building into a modern offering with one- and two-bedroom residences took time. As studios were vacated, Parkshore would hold onto the empty apartment until a neighboring unit became available, at which time they were converted into a new, larger residence. Over the span of a five years, GSI executed their long-tail master plan, investing over \$30 million to reshape Parkshore into a vibrant, modern community. Embracing the community's rich heritage, GSI orchestrated events and outings to foster camaraderie among residents, reinforcing Parkshore's status as not just a residence but a thriving neighborhood hub—a position that was further strengthened by the accompanying rebranding efforts.

This partnership underscores the importance of clear-minded goal-setting and strategic planning. GSI's comprehensive approach helped Parkshore overcome its occupancy challenges and establish itself as a sought-after community within the Madison Park neighborhood. While long in development, the resulting repositioning has put Parkshore in prime position to succeed in a competitive market for years to come.



Repositioning buildings within senior living communities is vital to the long-term health and success of those communities, allowing them to continue their mission of serving seniors and bringing joy, purpose, and community to their lives. GSI is part of the Transforming Age family, a non-profit dedicated to the same goals as the communities we serve. After dozens of repositioning engagements for clients and Transforming Age communities alike, we understand that repositioning aging buildings is not merely the addition of a few new amenities or a name change—it is a strategic undertaking with inherent risks that require expertise, collaboration, and vision to overcome. But the rewards for doing it well far outweigh the guaranteed, albeit gradual, failure of doing nothing. For communities hoping to serve seniors for generations to come, repositioning done right is the clear path forward.



1980 112th Avenue NE, Suite 210  
Bellevue, WA 98004

(425) 559-6335  
[GSIRESEARCH.COM](http://GSIRESEARCH.COM)

