

# Smart growth

**D**wayne Clark founded Aegis Living in 1997 after a career including positions at Sunrise Senior Living and Leisure Care. The company's first community opened in 1998, and today, the Bellevue, WA-based assisted living and memory care provider has 32 communities in three states, with projects underway that will see its reach grow even bigger. The CEO recently shared details of Aegis' growth strategy with McKnight's Senior Living Editor Lois A. Bowers.

**Q: Aegis Living has 32 communities right now and plans to double in size over the next decade. Did you know how big you wanted the company to grow when you founded it in 1997?**

**A:** I wrote the business plan for this company 24 years ago, when I was looking at the first 20 years. Our first business announcement said we wanted to be 20 to 25 properties in the next 20 years. So, mission accomplished on that. I've always believed that what I call "super regionals" are the companies that will dictate our industry. It's not the companies that have 500 units, but the companies that have 25 to 75 units [per community] that will dominate our industry, because they're most in touch with the neighborhoods in which they build, in the clientele, the state licensing, the food, the idiosyncrasies and so on. I've had that belief for 30 years. It's one of the reasons that I don't think public companies will ever be successful in our industry.

**Q: You're in three states right now — California, Nevada and Washington. Do you have any plans right now to grow**



Photos: Aegis Living

**beyond those three states?**

**A:** Well, I will never say never. We've looked at Oregon because it makes sense geographically. But

the reality of the situation is, we're a metro developer. And what I mean by that is, we like to create brand awareness and create operational

efficiencies within a metro area. With things that we have in the works, we'll probably be close to 30 properties just in Seattle, and we'll probably go north of that. I could see us having 70 properties, with half of those being in Seattle and half of those being in California. What we often overlook is the fact that California is not really a state. It's more like a country. It's got a top-five gross domestic product. It's essentially the size of Spain. So you can do lots and lots of stuff in that state. Between California and Washington, there are north of 50 million people. It's one-sixth of the country. So we essentially have a lot of growth in very fertile metro markets that we feel good about.

**Q: What have you found to be the keys to choosing your next location, and then the one after that?**

**A:** We're very focused in terms of our demographic profile, site location, what the neighborhoods need to look like, proximity to certain retail and so on. So there's not one answer to that question. I recently was in San Francisco, Oakland and Santa Cruz, and we looked at nine sites. We look at a lot of things a lot of people look at. We look at average household income and average house value, because those are indicators of wealth. We look at the density of the senior population, because that proves the depth of market. And then we'll look at rates that "like kind" — and I put the emphasis on "like kind" — providers are getting in terms of, are they getting a community fee? If so, how much? What is the rate? What are they charging for Alzheimer's units? And so on. We look at the drive-by possibility, because almost

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50% of our clientele come through driving past the site and looking at it and having a curiosity about it. So drive-by is a big factor for us. We look at proximity to medical facilities. But we also look at proximity to retail factors that are emblematic of our clientele demographics. For instance, Nordstrom is a great anchor. They have a propensity of wealthy middle-aged women who go there. So if a Nordstrom is doing well within three to five miles, that's an indicator that our property would probably do well there as well. And we have other retail stores that we look for.

**Q: How do you know when it's the right time to expand the number of properties?**

**A:** A variety of factors go into that decision. You have to have the bandwidth in terms of your staff, equity, debt financing and the market. You don't try to grow if you're not doing well with the properties you have right now. I say that, but a lot of operators I know have done that, and that's why they haven't had tremendous success.

But if you look at the market as a whole, we're headed for this "hockey stick" growth that is quite compelling. The first baby boomer will be 80 years old in 2026, and that trend, that aging, will continue for 18 years. Everyone who is in our market is looking at that trend. We're looking for areas that are underserved markets. I've talked to some people in our industry and researchers and analysts who have said, "In five or six years, people will have to be put on a wait list two years in advance to get into assisted living." We see that kind of demand happening. We're not supplying units fast enough for the growth of the demographic.

**Q: What kind of "growing pains" type of lessons have you learned over the years as you've expanded?**

**A:** You're not in business for 23 years unless you have growing pains. The



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important thing is that they not be catastrophic, and we have not had catastrophic growing pains. We've had buildings that have filled more slowly than we projected them to fill, but they eventually filled. We've had places where we've gotten rent that has been less than we thought it would be, but we eventually got the rents that we planned.

A couple of years ago, we built in a market that we thought was one of the best markets in the country. At the exact same time that we built, two other buildings were being built, and another older building went through a complete remodel. So the absorption scenario ramped up. So when our 100-and-some units came on, the building filled more slowly. That wasn't indicative that the market was bad. What that was indicative of

was that the market just swallowed 200 extra units, plus there was a renewed appetite for the building that was being remodeled. You have things like that happen, but I think we're pretty sophisticated, and I've been involved in about 230 or 240 properties. At some point, it becomes both science and art, but you get pretty good at making sure you're on the right site at the right time with the right demographic and the right performance.

**Q: You recently added to your board of managers in advance of a plan to deliver more health and wellness services. Could talk about how your newest member rounds out the board compared with other skills that already are represented on your board?**

**A:** Nader Naini is one of the smartest guys I know. He's a very close friend of mine that I met through YPO, the Young Presidents Organization, and he's also my neighbor. So I know a lot of things about him in terms of his character, his business dealings and his capacity. I'm also impressed that he's done more healthcare deals than probably anyone I know in terms of having funds, raising capital and doing various ventures in the healthcare space. We're a company that wants to grow, and Nader has the capacity to help us be creative about where we grow. We may at some point acquire a company. He would be very helpful in that regard. So that's a skill that we find very refreshing. We will continue to grow our board and bring on people who represent things that we think are strategic to our growth. ■