

NIC Investment Guide

Investing in Seniors Housing &
Care Properties

EXECUTIVE SUMMARY





Everleigh
San Clemente, CA

*The complete NIC Investment Guide, Seventh Edition
is available for purchase at store.nic.org.*

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Introduction

The NIC Investment Guide: Investing in Seniors Housing & Care Properties, Seventh Edition provides an overview of the seniors housing and care sector based on year-end 2023 time-series data. This edition of the Investment Guide was prepared and reviewed by NIC staff, a subgroup of industry professionals within NIC's Future Leaders Council (FLC) and select external experts. The Investment Guide helps fulfill NIC's mission to enable access and choice of seniors housing and care by providing data, analytics, and connections that bring together investors and providers.

Purpose

The Investment Guide is designed as a seniors housing and care primer that investors can use to investigate the opportunities, challenges, and risks of investing in the sector and help formulate an investment thesis. It serves as an introduction to the industry's investment characteristics, performance, leading players and key trends unfolding in the sector. Wherever possible, it also provides information on seniors housing compared to other commercial real estate properties. Sources are listed in an appendix, which readers can utilize to review more detailed information on specific issues that interest them.

NIC MAP Vision Data Source

The Investment Guide content is supported by a variety of robust data sources, including the NIC MAP Vision platform. The NIC MAP® Data Service (NIC MAP), which first released industry-specific data in 2005, was established to create transparency for investors by offering credible and objective market-level information. In 2021, NIC MAP and Vision LTC merged to create NIC MAP Vision. This enhanced platform is the industry's leading data source, with a nationwide database of more than 40,000 seniors housing properties across 140 of the nation's metropolitan markets. Core industry performance metrics include sector occupancy, rent growth, supply, as well as construction data and enhanced analytical tools. The NIC MAP Vision database provided many of the data points included in this publication. For time-series data, unless otherwise noted, the report

uses aggregates for the NIC MAP Primary Markets (e.g., metropolitan markets) because data from those markets is available back to 4Q05. For point-in-time comparisons, year-end 2023 data for the NIC MAP 99 Primary and Secondary Markets is used since it is more representative of the overall seniors housing and care market. The various exhibits are sourced and noted accordingly.

(See Appendix O for a listing of all the metropolitan markets tracked by NIC MAP Vision.)

NIC remains committed to working with other industry professionals to build upon existing data and fill gaps, if needed, for future editions of this publication. Comments and feedback for future editions of the publication are always welcome.

Organization of the Report

The Investment Guide begins with an executive summary that provides an overview and roadmap to the entire report. The report also includes a forward-looking component, the *Emerging Trends and Observations* section. While much of the publication relies on data to review past performance, the Emerging Trends and Observations section integrates perspectives from industry experts to provide a forward-looking view of the sector.

The initial chapters of the Investment Guide begin with a detailed description of each seniors housing and care community type covered in Sections 3-8. In this 7th edition, Active Adult was moved from the appendices to a core section to reflect the growth of that property type and increased availability of related metrics to describe the offering fully. These core property-type sections include information such as resident profiles, supply data, industry operating structures, operating economics, and current trends. Section 9 discusses the development and construction of new properties and the acquisition of existing properties. Section 10 provides an overview of debt and equity sources of capital for the seniors housing and care industry. Finally, Section 11 discusses valuations, returns, and loan performance.

NIC has included a comprehensive set of appendices with information that is of interest to investors in seniors housing and care properties, such as demand-related factors (*Appendix B*). The appendices also include detailed information on lender underwriting standards (*Appendix H*), as well as housing and healthcare collaboration (*Appendix K*).

Notes on Data Sources and Footnotes

Appendix P includes a list of all data sources referenced in the Investment Guide. Numbered footnotes throughout the report refer to the data sources in Appendix P. Sources are listed in order of those most frequently referenced in the Investment Guide. The numbering of the footnotes is often not sequential. We have attempted to use the most timely, accurate, and reliable data available.

Acknowledgments

NIC would like to express our sincere appreciation to the following groups and individuals whose efforts were instrumental in the development and production of the Investment Guide. First, many thanks to members of NIC's Future Leaders Council (FLC), whose responsibilities included taking lead roles in updating the text and data across a number of key sections and appendices. Members of the FLC task force included:

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- Kyle Gardner (NIC MAP Vision)
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The Mather
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Section 1: Executive Summary

The NIC Investment Guide: Investing in Seniors Housing & Care Properties serves as a primer for understanding the seniors housing and care property sector. The Investment Guide covers the investment characteristics of the sector, as well as its performance and the leading players. The overarching goal is to provide the most current and reliable industry data for investors to help them evaluate opportunities, risks, and potential returns, as well as fine-tune their individual investment strategies. The Investment Guide reflects NIC's mission to provide data, analytics, and connections, all of which advance the access and choice of seniors housing and care for America's older adults.

1.1 Seniors Housing and Care Properties

The seniors housing and care industry provides both housing and an array of services to seniors, generally to those over the age of 75. Care segments are commonly divided into four main categories:

- Independent living (IL)
- Memory care (MC)
- Assisted living (AL)
- Nursing care (NC)

Nursing care has traditionally been provided in an institutional-style setting, although there is a growing movement toward a more home-like design and environment. The other care segments typically are provided in a multifamily-like setting. Seniors housing and care properties also include continuing care retirement communities (CCRCs), often referred to as life plan communities (LPCs), which must offer at least independent living and nursing care in a single community. For purposes of this report, the term “seniors housing” excludes nursing care properties and active adult rental properties (sometimes referred to as 55+ senior apartments), whereas the term “seniors housing and care properties” includes all the properties providing the care segments outlined previously except for active adult rental. This year's Investment Guide calls greater attention to the active adult rental property type, moving it from an appendix to a core section. For purposes of the core property overview however, the focus will primarily be on the four key categories of independent living, assisted living, memory care and nursing care.

In the U.S., there currently are approximately 24,900 investment-grade seniors housing and care properties containing 3.2 million units. NIC uses the term “investment grade” to define age-restricted properties with at least 25 units/beds that charge market rates for the housing and services offered. These estimates do not include many smaller “board and care” properties, which are not considered for purchase by the typical institutional investor yet serve a sizable population of seniors. The total implied value of this investment-grade seniors housing and care property market is estimated at \$477.8 billion.¹

Exhibit 1.a shows the number of properties and units offered within the core community types, campus types, and care segments.

Exhibit 1.a Supply of Investment-Grade* Senior Housing and Care Properties in the U.S.

By Property and Unit Counts Across Community Types, Campus Types, and Care Segments
Estimates as of 4Q23**

By Community Type	# Properties	# Units***
Independent Living (IL)	3,400	540,700
Assisted Living (AL)	8,100	714,300
Memory Care (MC)	1,600	86,000
Nursing Care (NC)	9,900	1,269,000
CCRC/Life Plan Community	1,900	623,100
Total	24,900	3,233,100
By Campus Type	# Properties*	# Units***
CCRC/Life Plan Community	1,900	623,100
Combined	8,400	1,046,500
Freestanding	14,600	1,563,500
Total	24,900	3,233,100
By Care Segment	# Properties*	# Units***
Independent Living (IL)		782,500
Assisted Living (AL)		768,400
Memory Care (MC)		280,600
Nursing Care (NC)		1,401,600
Total	24,900	3,233,100

*Current estimates are not comparable to estimates from prior years due to different estimation techniques.

**Estimates are representative of properties with at least 25 units/beds that charge market rates and/or accept Medicaid for the housing and services offered.

***One nursing bed is equivalent to one unit.

Source: NIC MAP® Data, powered by NIC MAP Vision

Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

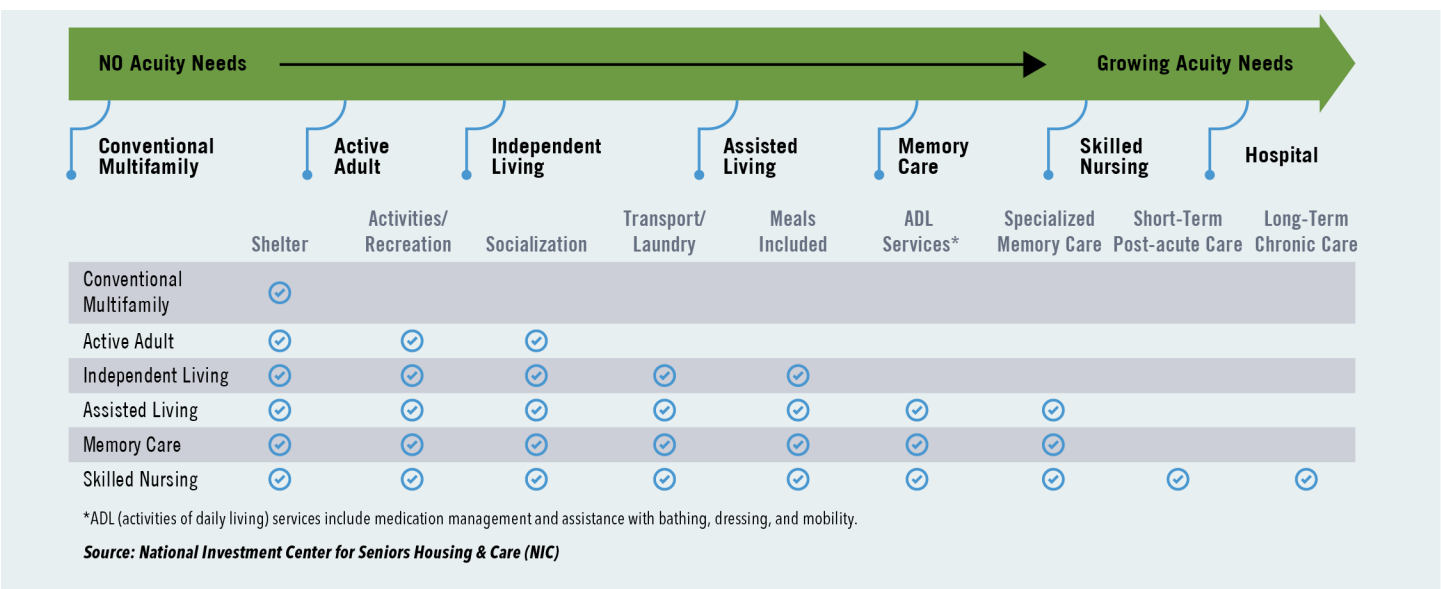
Care segments are defined as the type and level of services offered by properties. Community types are classified by the plurality of units and care segments offered. For example, an assisted living community with 10 independent living units, 60 assisted living units, and 30 nursing care beds is classified as an assisted living community, as is any combined property with a plurality of assisted living units or a freestanding assisted living property.

The campus type of a property depends on the number and possible combination of care segments offered:

- CCRCs, also known as life plan communities (LPCs), offer independent living and nursing care at the same property, although assisted living and memory care are generally offered as well.
- Combined campuses offer at least two different care segments—e.g., independent living and assisted living. However, these do not include properties that offer independent living and nursing care because they are considered CCRCs/LPCs.
- Freestanding campuses offer only one type of care segment—e.g., independent living only.

Exhibit 1.b highlights the array of services offered across the different property types.

Exhibit 1.b
Progression of Needs



Besides housing, including both shelter and amenities, senior housing and care properties offer residents a number of different services:

- Hospitality services—meals, transportation, housekeeping, entertainment, and concierge services
- Care services—assistance with bathing, grooming, dressing, eating, medication management, and other activities of daily living (ADLs)
- Medical services—skilled nursing, rehab therapy, and chronic care

The care and medical service mix at each property increases with residents’ needs. Typically, independent living serves the most able residents and offers primarily hospitality services and social engagement opportunities. On the other hand, nursing care serves residents with the greatest medical needs by providing the most intensive services. A continuing trend in seniors housing and care has been the rising acuity levels of residents upon initial move-in across all care segments. As a result, independent living and assisted living operators often provide support services for residents who already have some ADL needs. In addition, skilled nursing operators are increasingly serving residents in need of short-term rehabilitation services or those with high-acuity medical care needs who were previously served for a more extended period in an acute care hospital, a long-term acute care hospital, or an in-patient rehabilitation facility.

Full Executive Summary continues in the
NIC Investment Guide, Seventh Edition.

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