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The NIC Bluebook: An Update on the Seniors Housing and Care Sectors

Presented at the 2020 NIC Spring Conference
San Diego, CA

March 6, 2020



National Investment Center for Seniors Housing & Care (NIC)

NIC is a 501(c)3 organization whose mission is to enable access and choice by providing data, analytics and connections that bring together investors and providers.



NIC: Advancing Transparency on Seniors Housing & Care

- Tracks and reports on seniors housing and care data across more than 14,000 properties within 140 U.S. metropolitan markets.
- 13+ years of quarterly time series data for the 31 Primary Markets.

The Outlook: Cautiously Optimistic



Source: Livingwellwithparkinsonsdisease.com

Today's Presentation

- Broad Influences on the Seniors Housing Sector
 - The economy
 - Demographics and the longevity revolution
 - Technology
 - Healthcare payment and delivery disruption
- Seniors Housing Market Fundamentals
 - National Trends
 - Skilled Nursing Update
 - A Deeper Dive: Minneapolis and West North Central

The Economy: Cautiously Optimistic...for now

In July 2019, Longest U.S. Expansion EVER...

HISTORY OF U.S. RECESSIONS AND EXPANSIONS

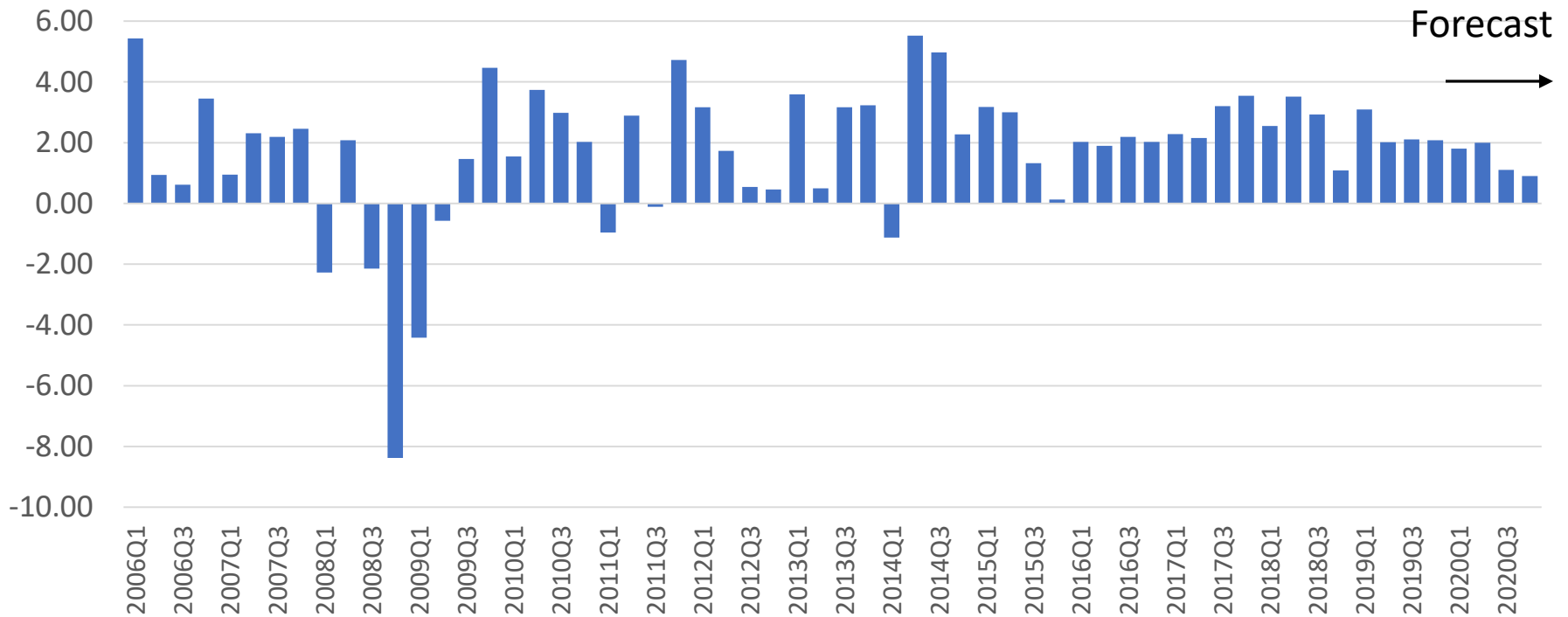
Recessions	Duration (Months)	Expansions	Duration (Months)
1945	8	1945-48	37
1948-1949	11	1949-53	45
1953-54	10	1954-57	39
1957-58	8	1958-60	24
1960-61	10	1961-69	106
1970	11	1970-73	36
1973-75	16	1975-80	58
1980	6	1980-81	12
1981-82	16	1982-90	92
1990-91	8	1991-2001	120
2001	8	2001-07	73
2008-09	18	2009-*	128
Average 1945-2009	11		58

Source: NBER

*As of February 2020

...with GDP Projected to Only Slow in 2020

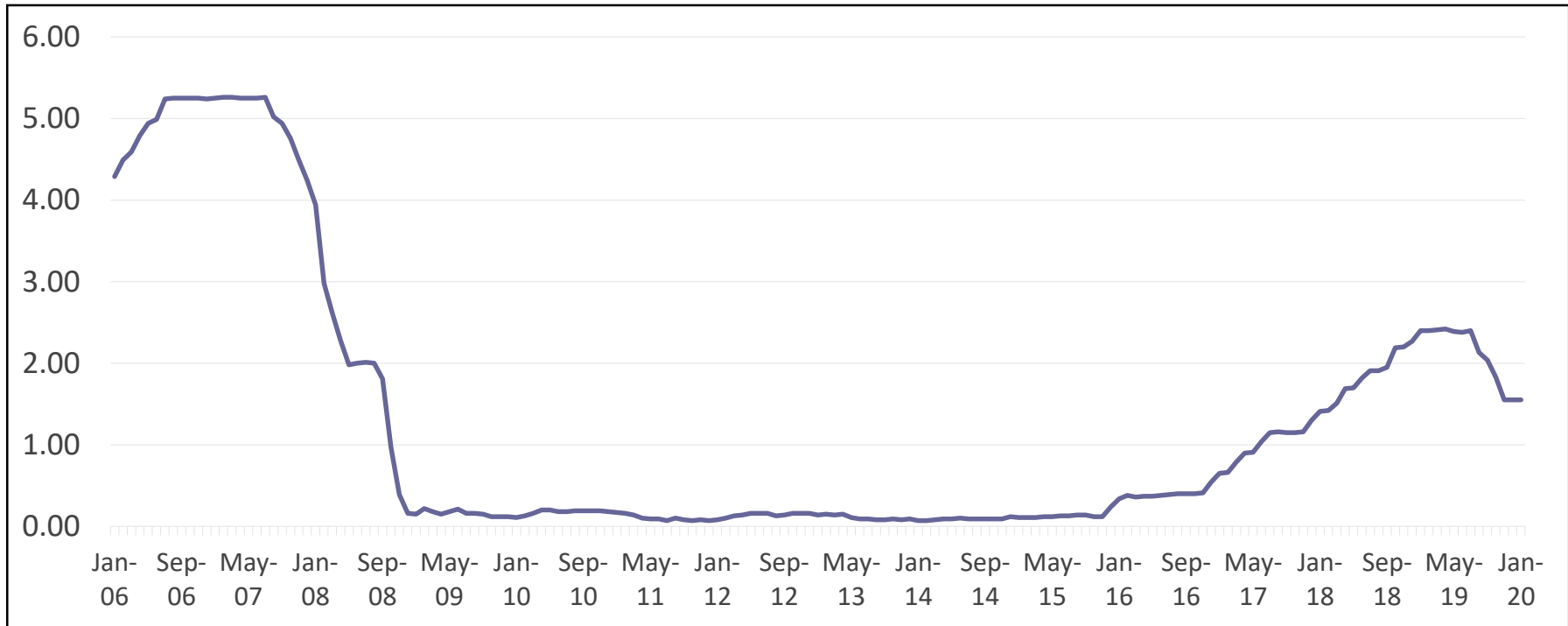
GDP, SAAR (%)
January 2006 – January 2020



Source: U.S. Bureau of Economic Analysis (BEA) and Projections from Moody's Analytics

After the Fed's U-Turn, Will Rates Stay Flat Now?

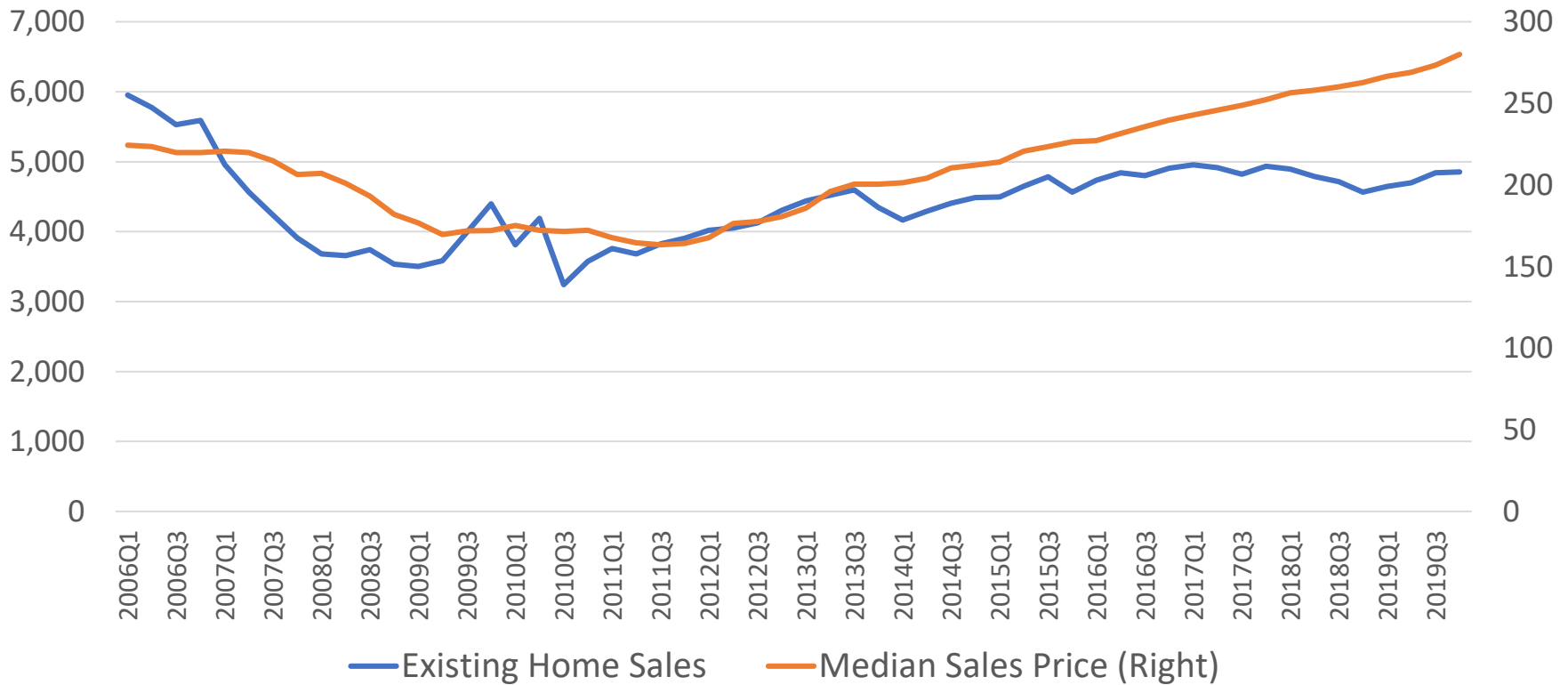
Federal Funds Effective Rate (%)
January 2006 – January 2020



Source: U.S. Bureau of Economic Analysis (BEA) and Projections from Moody's Analytics

Will Low Interest Rates Help the Housing Market?

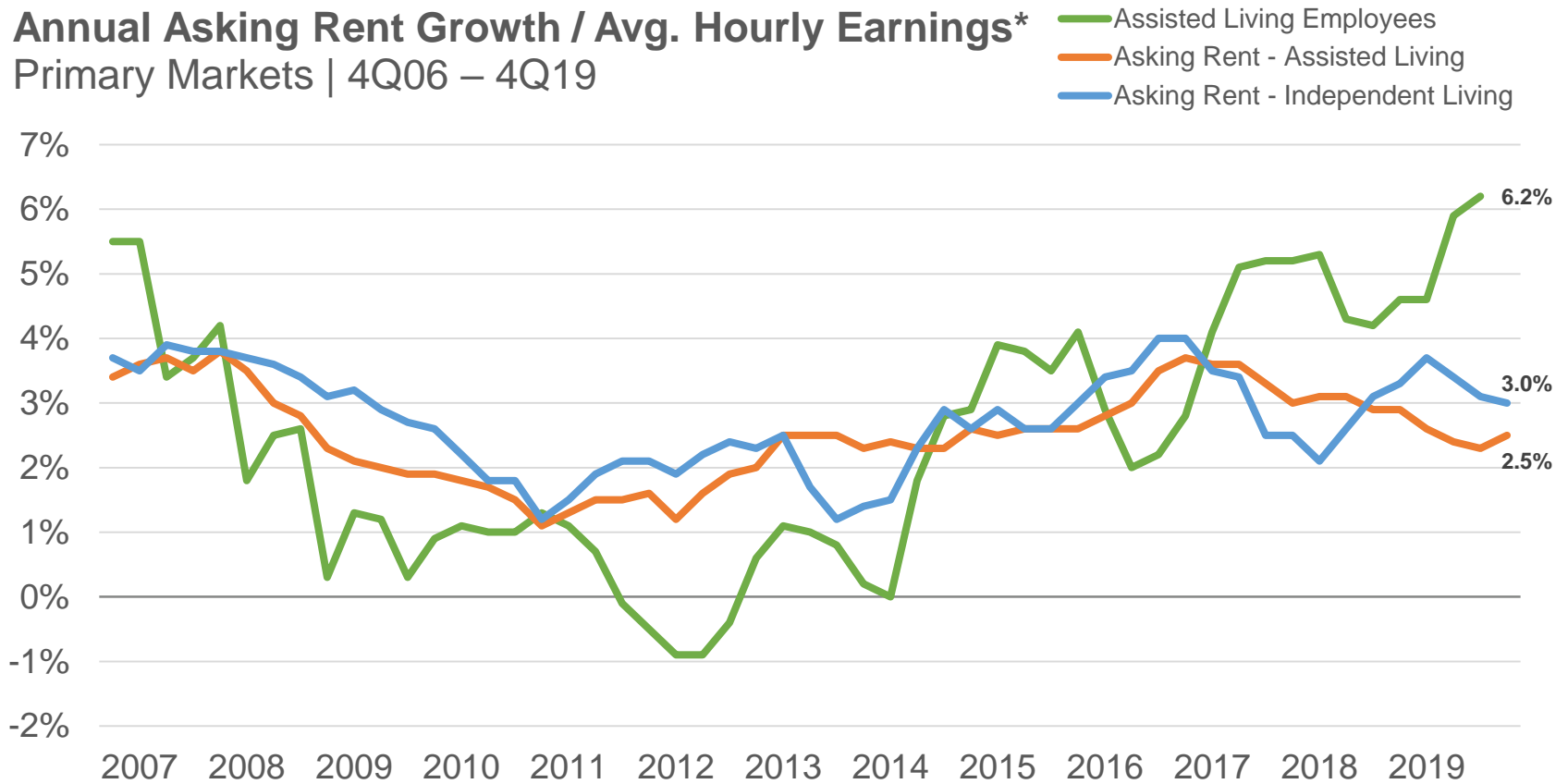
Existing Home Sales (Single Family, 000s, SAAR) vs, Median Sales Price (\$, 000s)
Q1 2006 – Q4 2019



Source: National Association of Realtors

Wage Growth Exceeds Annual Same-Store Rent Growth

Annual Asking Rent Growth / Avg. Hourly Earnings*
Primary Markets | 4Q06 – 4Q19



Source: : NIC MAP® Data Service, Bureau of Labor Statistics

Labor Markets are Tight, but a Few Cohorts may be Approachable

U.S. Unemployment Rate (%) December 2018 and December 2019

	Dec-19	Dec-18
Total, 16 years and over	3.5	3.9
16 to 19 years	12.6	12.6
25 to 54	3.0	3.2
55 Plus	2.4	2.9
Men 20 to 24 years	7.2	7.9
Women 20 to 24	5.5	6.4
Married Women, Spouse present	2.1	2.4
Women residing with one or more family members, but not an opposite sex spouse	4.2	4.5

Source: US Bureau of Labor Statistics

Demographics and the Longevity Revolution

We All Focused on Aging...



Source: Cartoon Bank

...but if this is the New 50, what happens at 80?

50 years old in
1985



50 years old in
2020



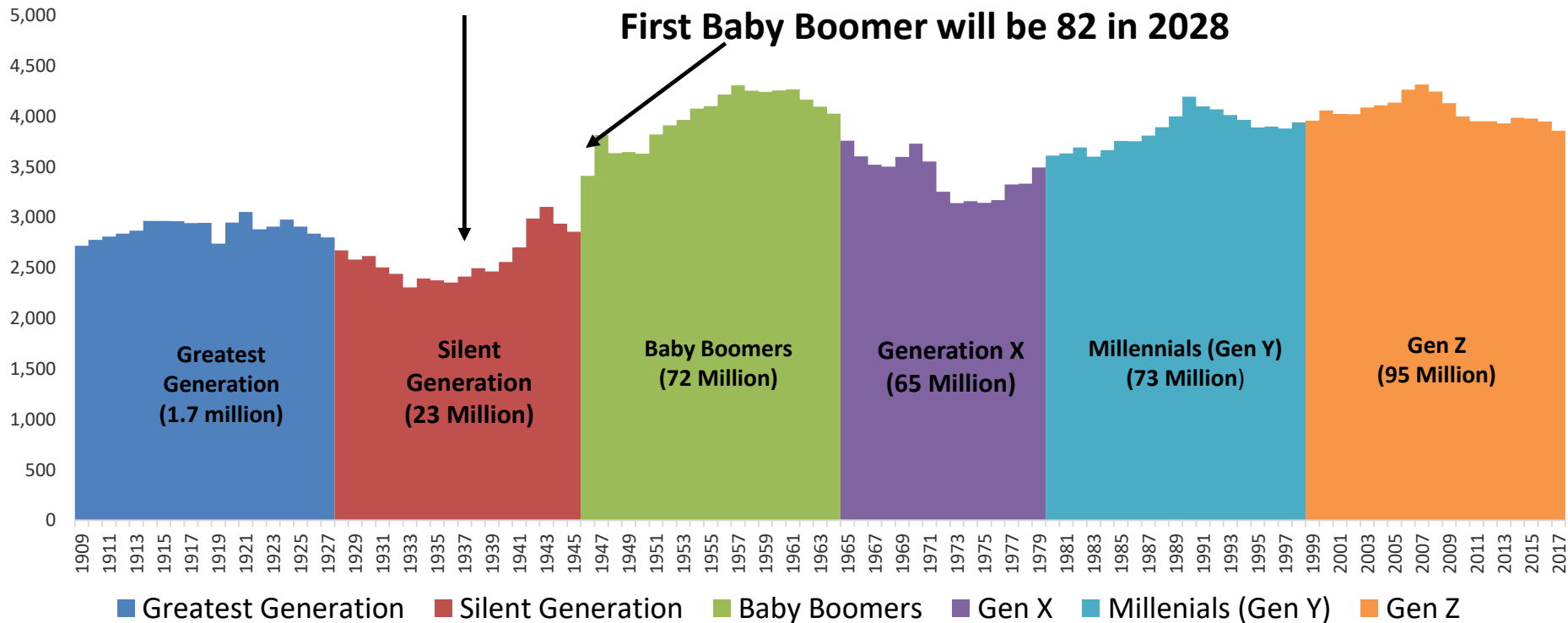
Source: Mike Rose Meme, Feb 2, 2020

Demographics Are Destiny but Preferences Matter

Number of Live Births (1909 to 2017, 000s, Numbers in Parenthesis are number of that cohort alive in 2019))

Today's 82 Year Old Resident was Born in 1938

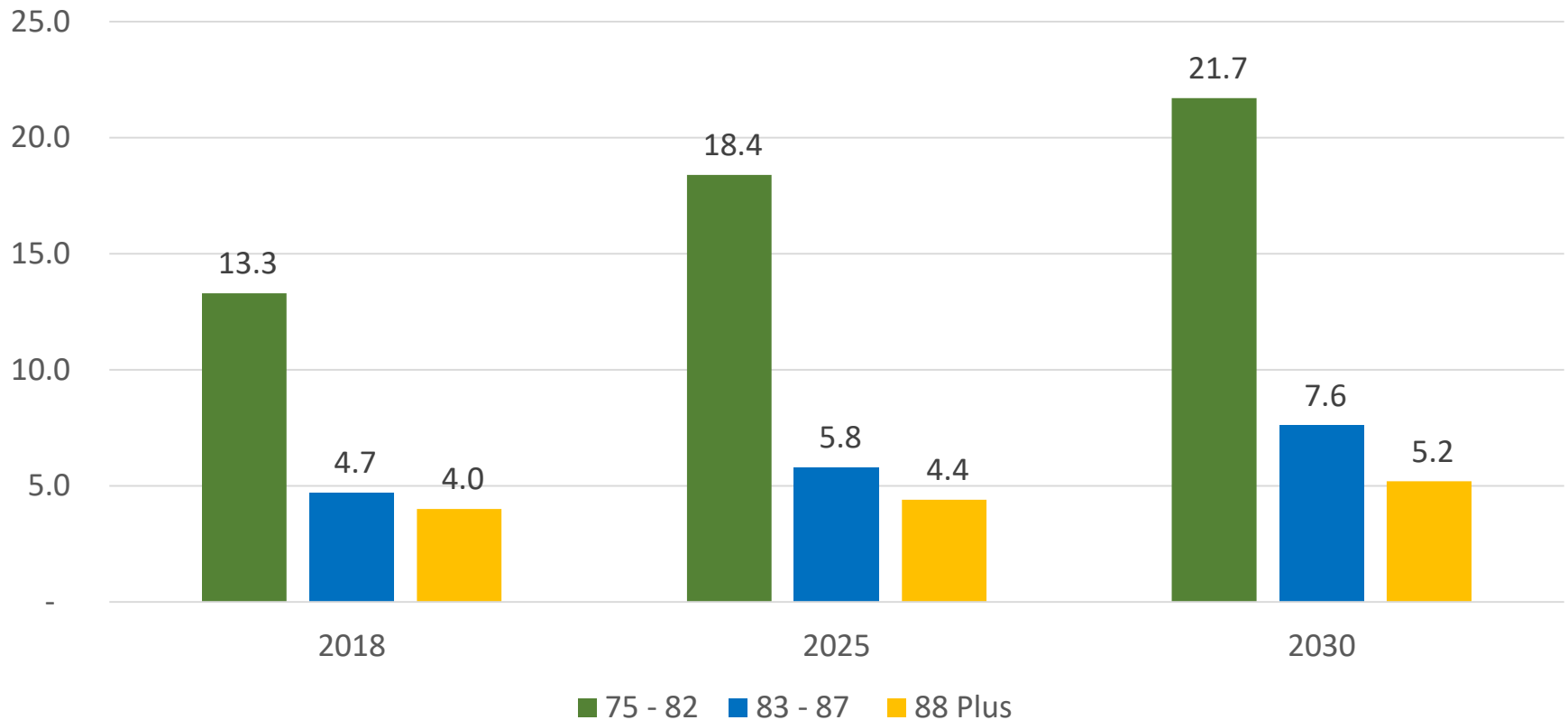
First Baby Boomer will be 82 in 2028



Source: U.S. Census, NIC MAP® Data Service

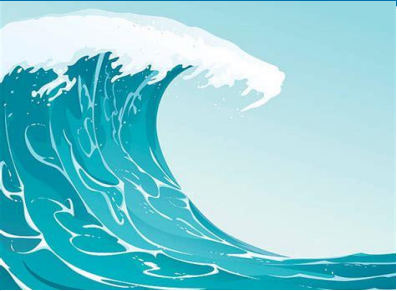
Growth in Younger Old Outstrips Other Older Cohorts

Growth in 75-Plus Population by Select Cohorts 2017 - 2040



Source: U.S. Census Bureau Projections, 2017

Demographics and the Longevity Revolution



Silver
Tsunami or
Silver
Wave?

- Demographics/psychographics
- A new and demanding consumer
 - Demand for full service, retail “life management” – aging services solutions
- Age-friendly communities
- Redefining aging and retirement
 - Old view of retirement: to go away—*Disengage, Disappear, Decline, Disconnect*
 - Emerging view of retirement: *Engage, Enrich, Experience, Enjoy, REBOOT*
- Living longer, but healthier or less healthy??
- Declining numbers of caregivers, putting more demands on those that remain

Technology

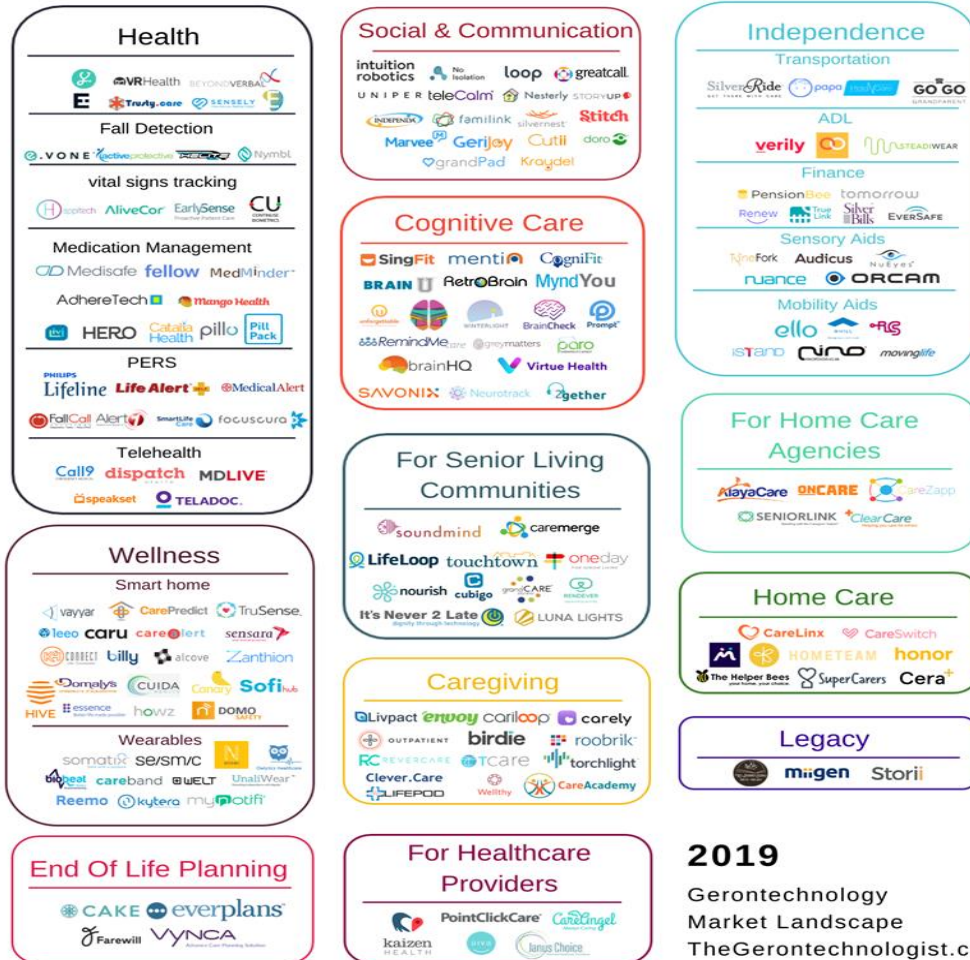
Aging and Technology



Aging 2.0's Eight Grand Challenges & Innovation Priorities

- Engagement and Purpose
- Financial Wellness
- Mobility and Movement
- Daily Living and Lifestyle
- Caregiving
- Care Coordination
- Brain Health
- End of Life

Age-Tech Market Map by TheGerontechnologist.com



Technology



- Big data, analysis, interpretation and implementation
- Wearables for resident monitoring of heart rate, medication management, exercise, safety
- Instant connectivity, rapid flow of information
 - Telemedicine
 - Social Isolation
- On-demand economy—Uberization of healthcare and senior care services
- Smart rooms, robotics, virtual assistants and artificial intelligence (AI)

Healthcare and Delivery Models

Healthcare Payment and Delivery Disruption



- Massive shift in health care delivery and payment model
- Siloed, fee-based (volume) FFS system to integrated, outcomes-driven, value-based system
- Changing role of acute care hospital
- Accountability for what happens before and after the hospital



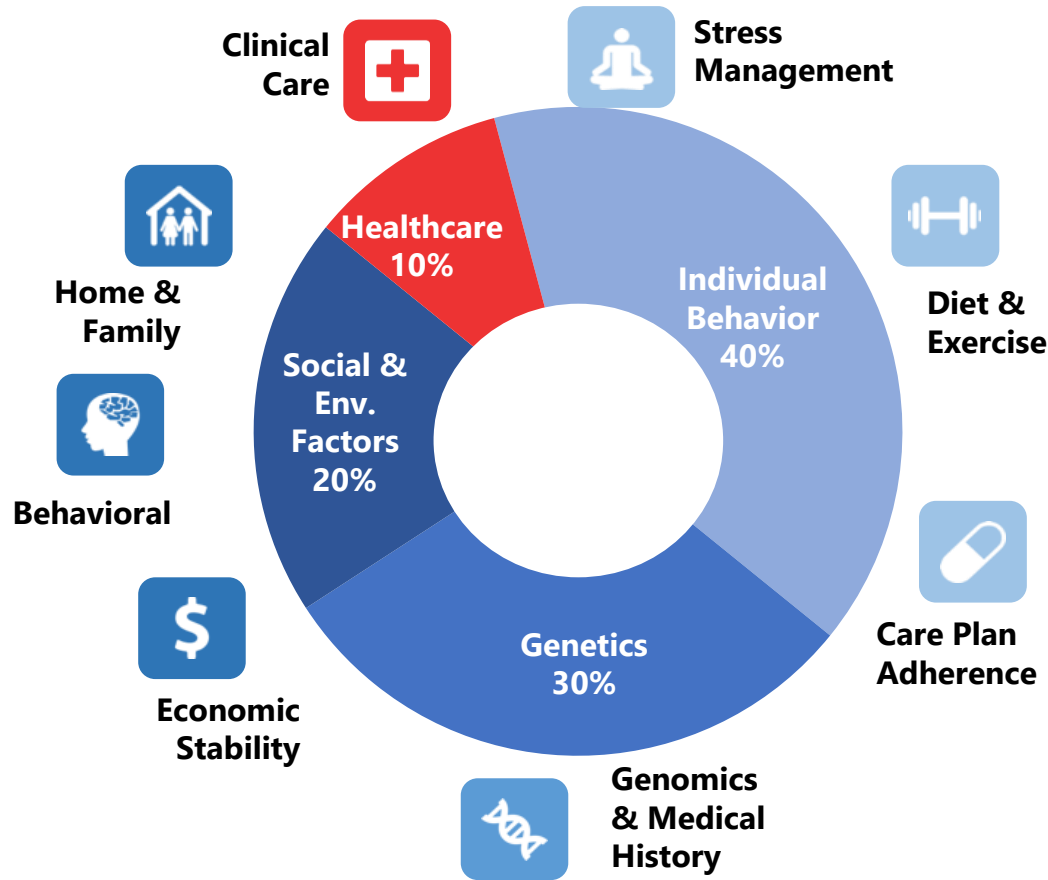
Competitors or Partners?



- Seniors housing and healthcare collaboration
- Seniors Housing as an integrative platform for healthcare delivery
- Seniors Housing is home to more than 2 million seniors
- Better integration of acute care, post-acute care, long-term care and seniors housing
- More conversations, greater understanding

Age-Tech Market Map by TheGerontechnologist.com

Health care delivery is not the largest determinant of health...¹



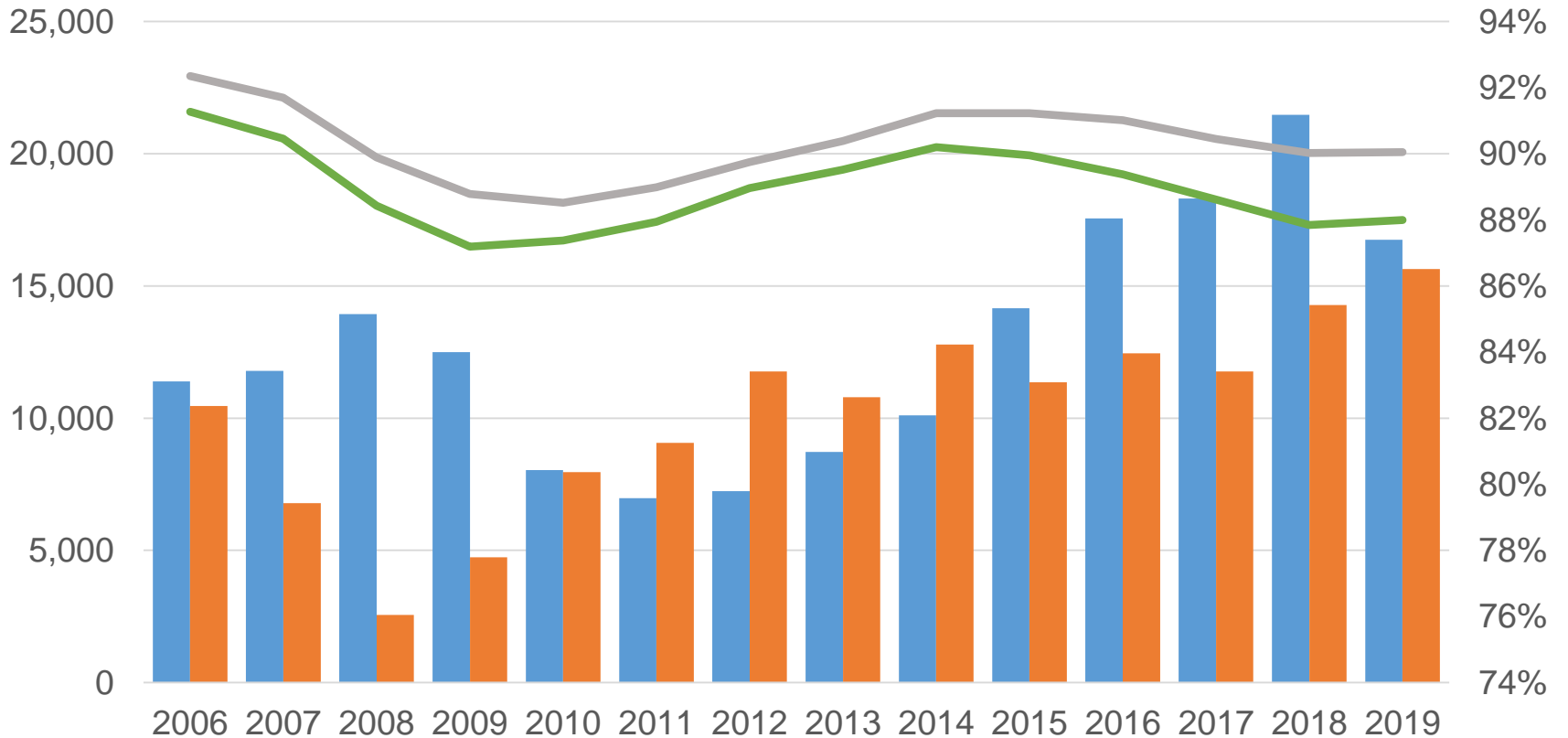
(1) Source: Kaiser Family Foundation (Research depicted conducted on US population; similar studies in other countries show similar distributions)

Seniors Housing Market Fundamentals

Seniors Housing Demand Strong, but New Supply Stronger

Seniors Housing Fundamentals Primary Markets | 1Q06-4Q19

■ Inventory Growth ■ Absorption
— All Occupancy (4Q) — Stabilized Occupancy (4Q)

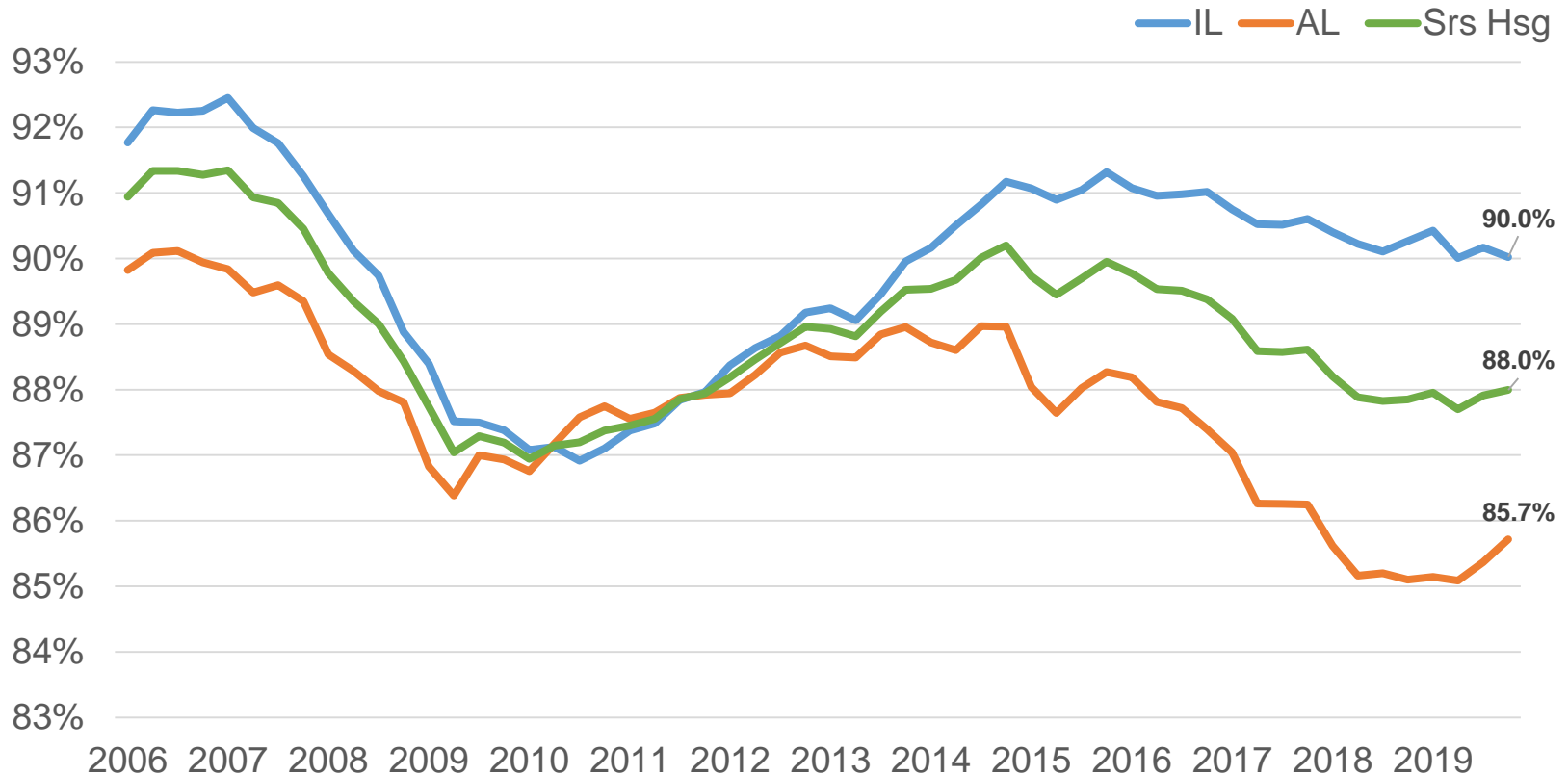


Source : : NIC MAP® Data Service

Assisted Living Occupancy Improving

Occupancy

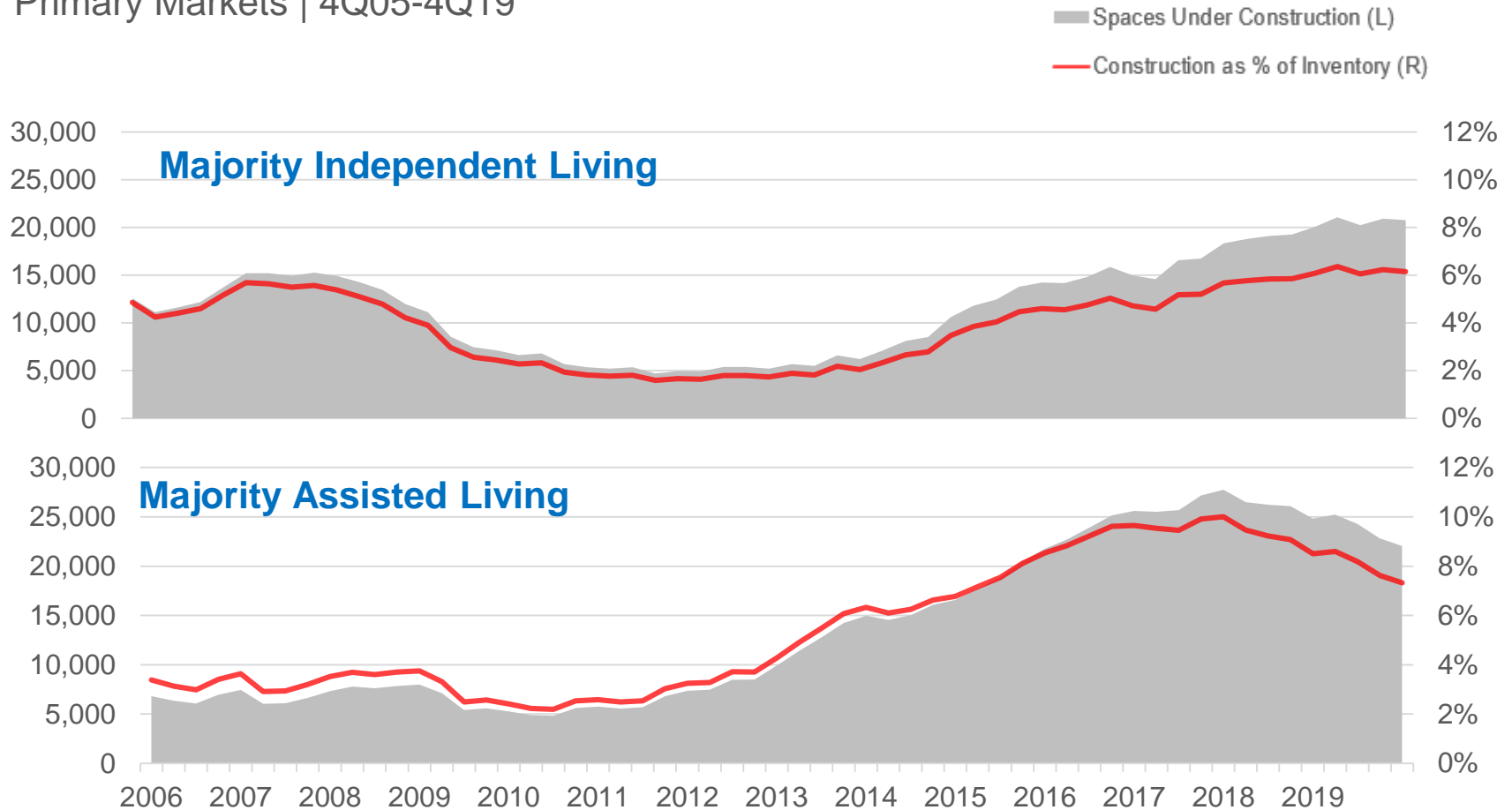
Primary Markets | 1Q06 – 4Q19



Source: : NIC MAP® Data Service

AL Units Under Construction Still High, but Trending Lower

Seniors Housing Construction Primary Markets | 4Q05-4Q19



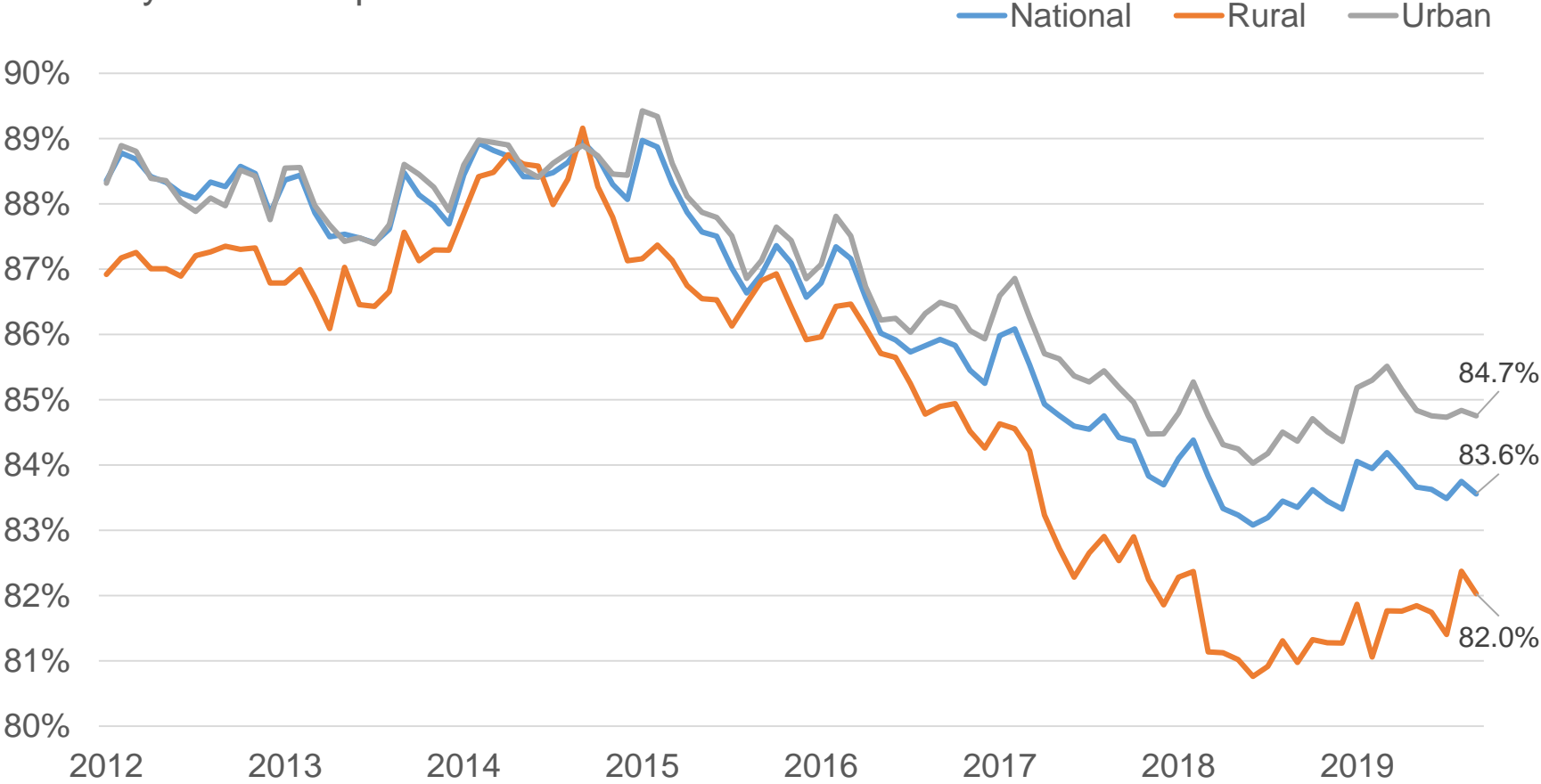
Source: : NIC MAP® Data Service

Skilled Nursing Update

Rural Occupancy Lower than Urban

Occupancy | Urban and Rural Trends

January 2012 – September 2019

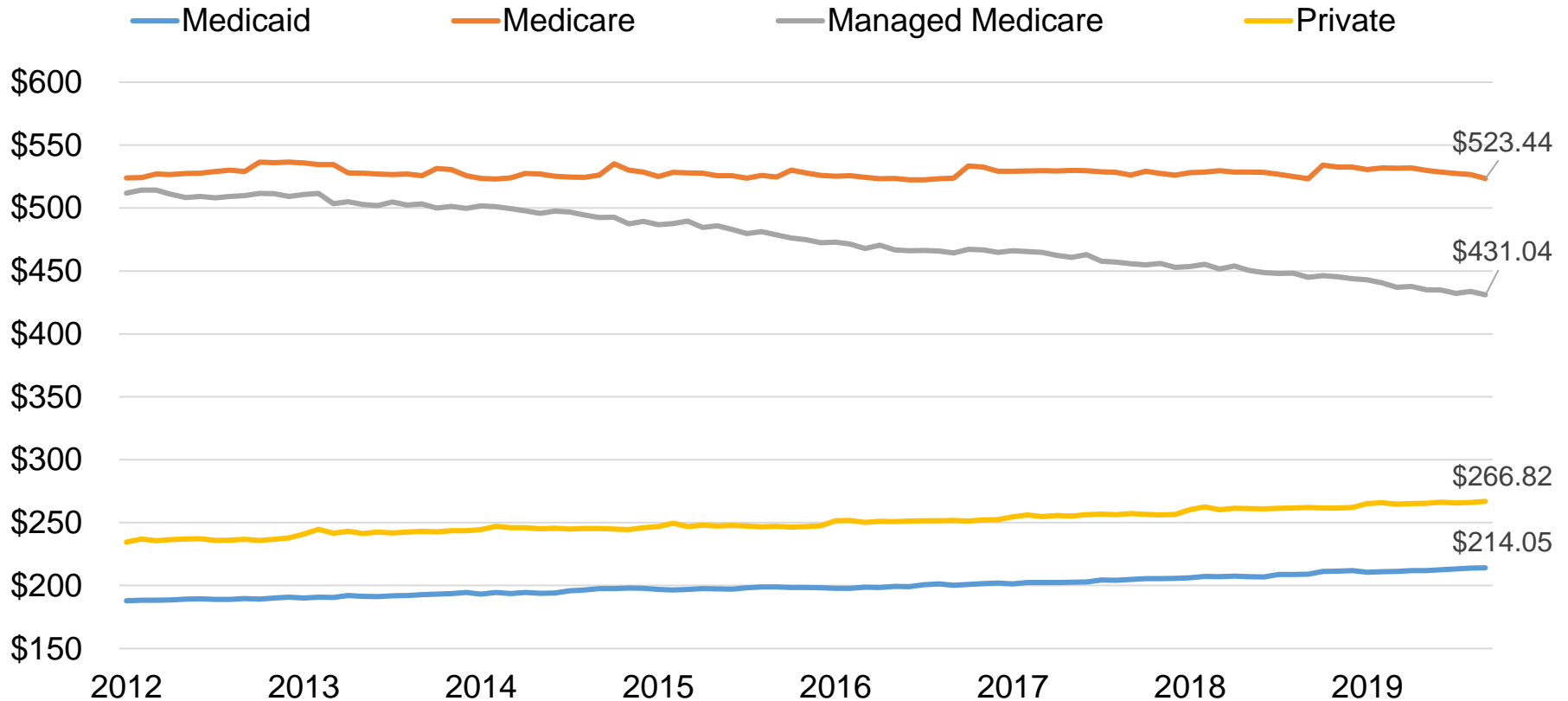


Source: : NIC Skilled Nursing Initiative

Medicare and Managed Medicare RPPD Trending Lower

Revenue Per Patient Day (RPPD)

January 2012 – September 2019

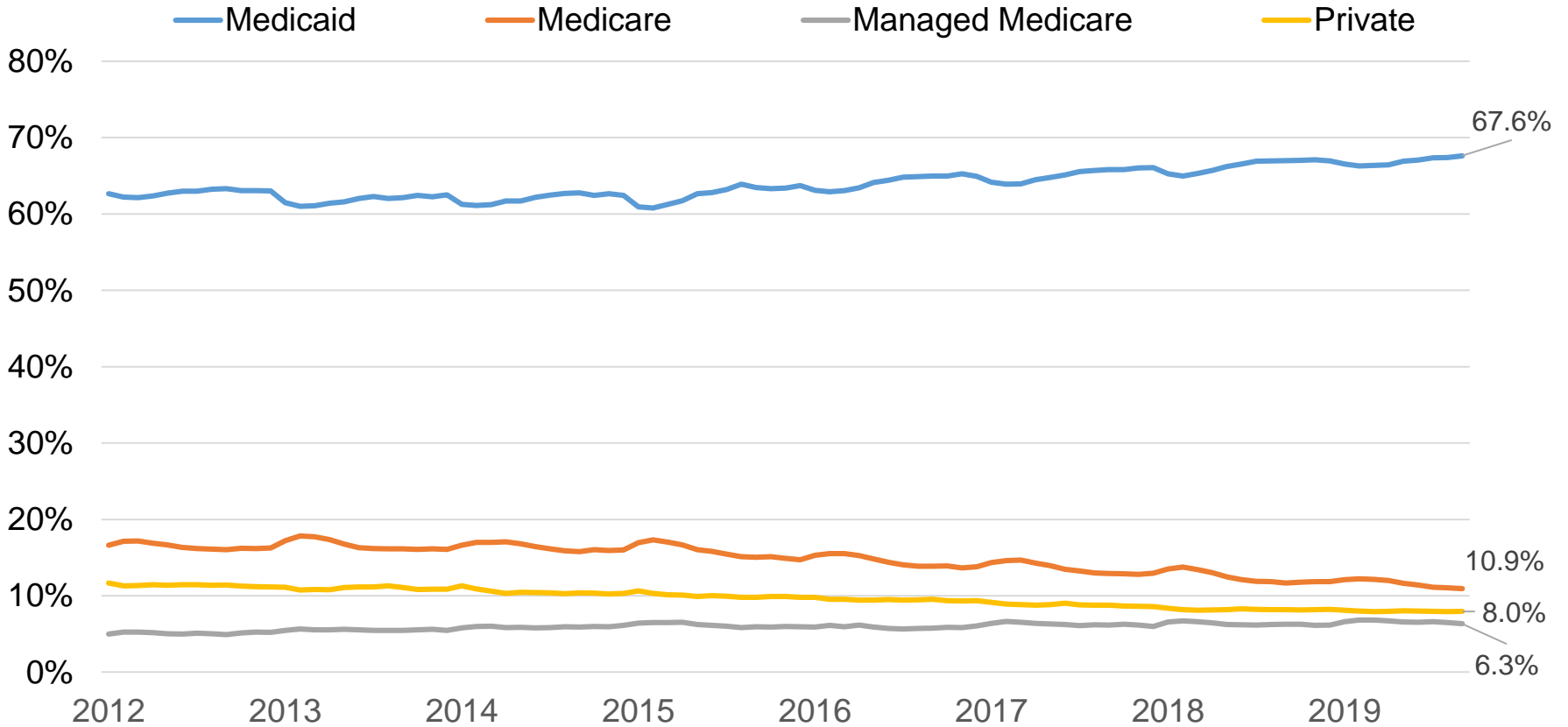


Source: : NIC Skilled Nursing Initiative

Medicaid Share of Patient Days Highest

Share of Patient Day Mix

January 2012 – September 2019

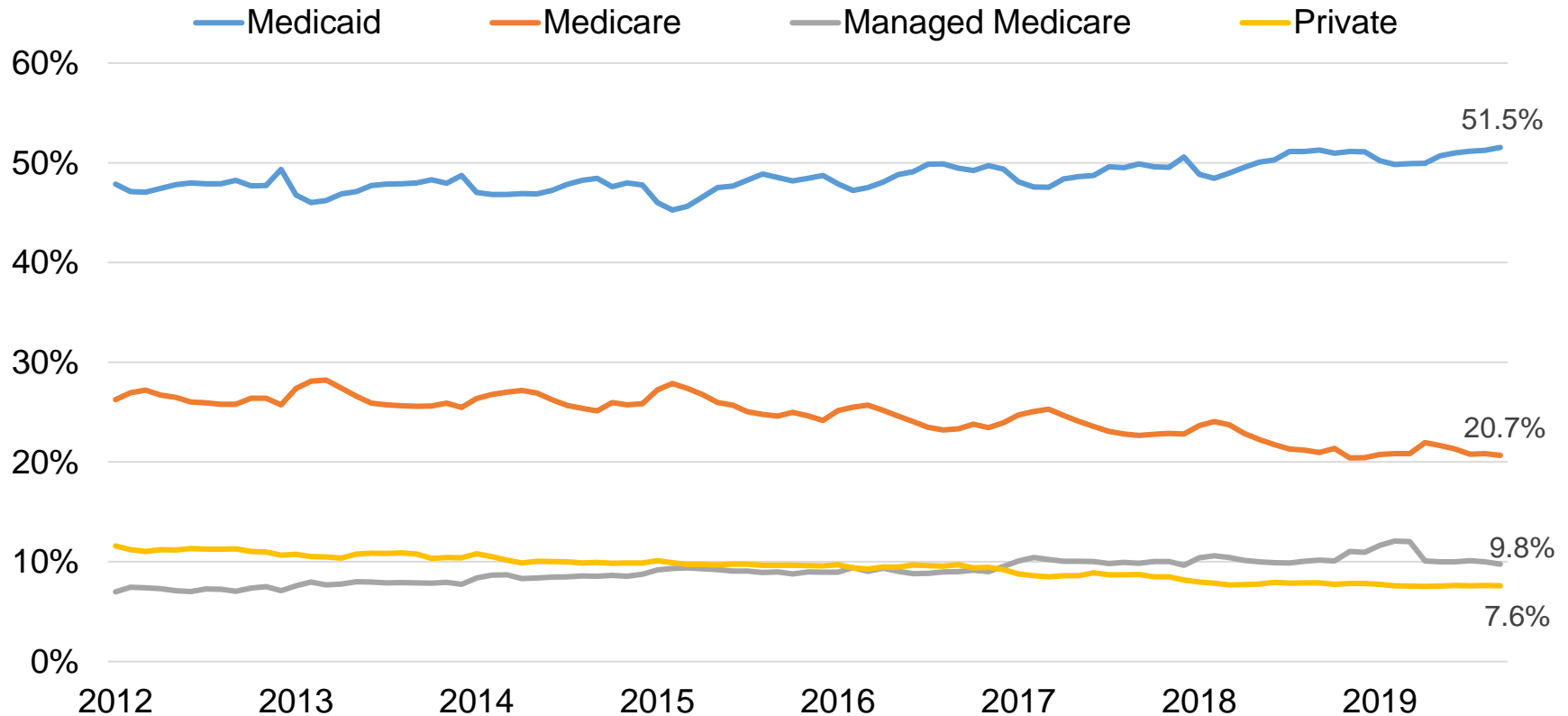


Source: : NIC Skilled Nursing Initiative

Medicaid Share of Revenue Mix Highest and Trending Upward

Share of Revenue Mix

January 2012 – September 2019

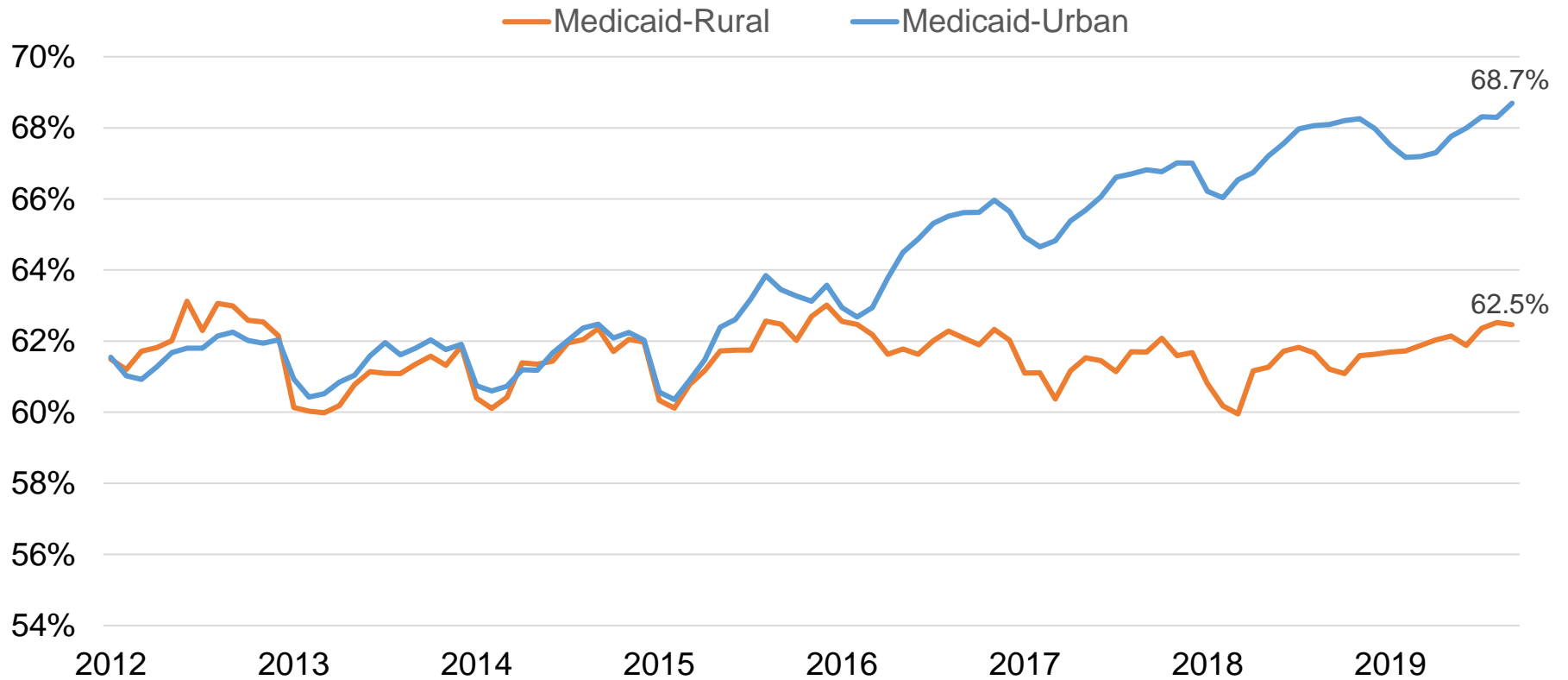


Source: : NIC Skilled Nursing Initiative

Urban Medicaid Share of Patient Days Outpacing Rural

Medicaid Share of Patient Day Mix | Urban and Rural Trends

January 2012 – September 2019

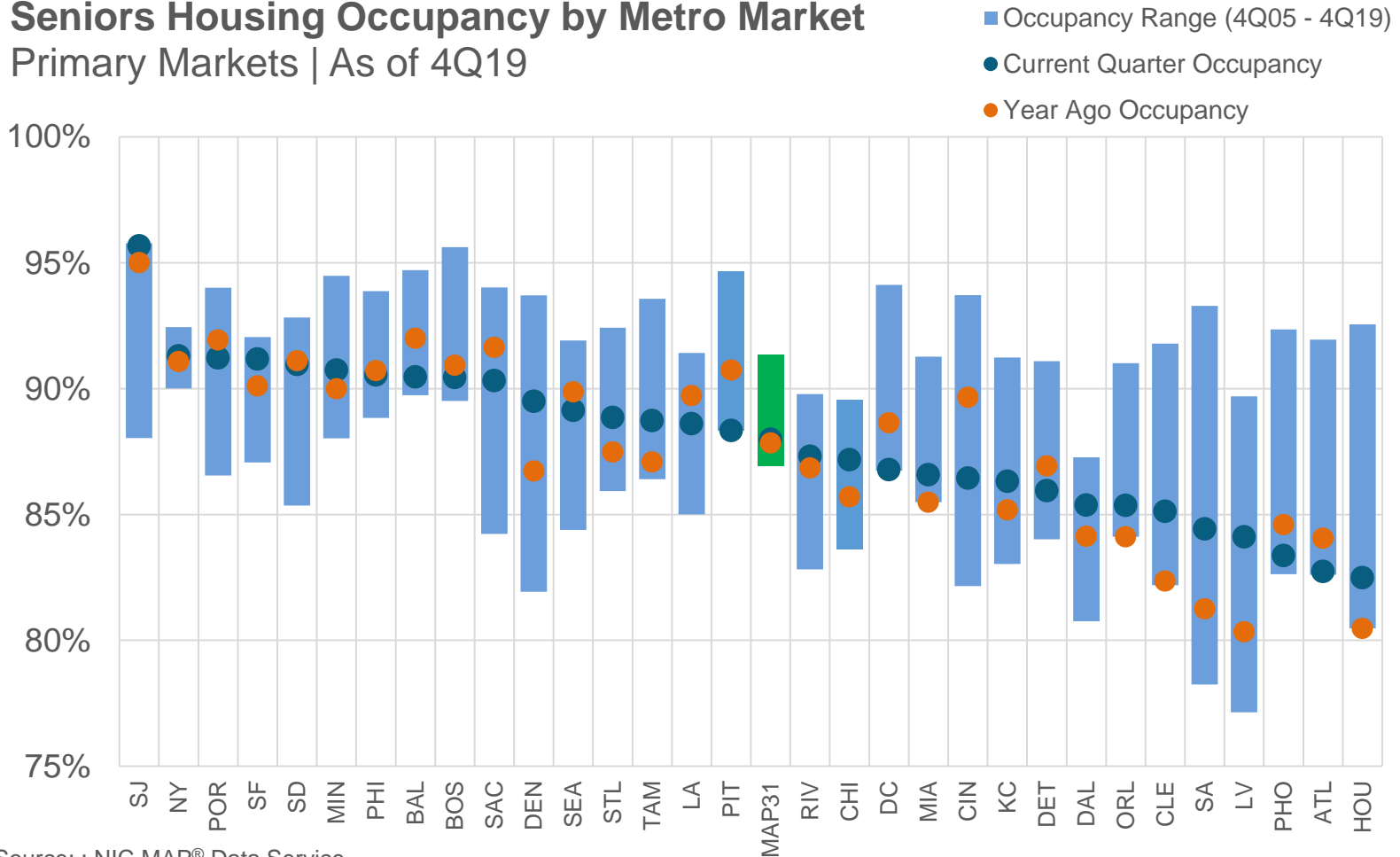


Source: : NIC Skilled Nursing Initiative

A Deeper Dive into the West North Central Region and Minneapolis

Occupancy Rates Vary Across the Nation

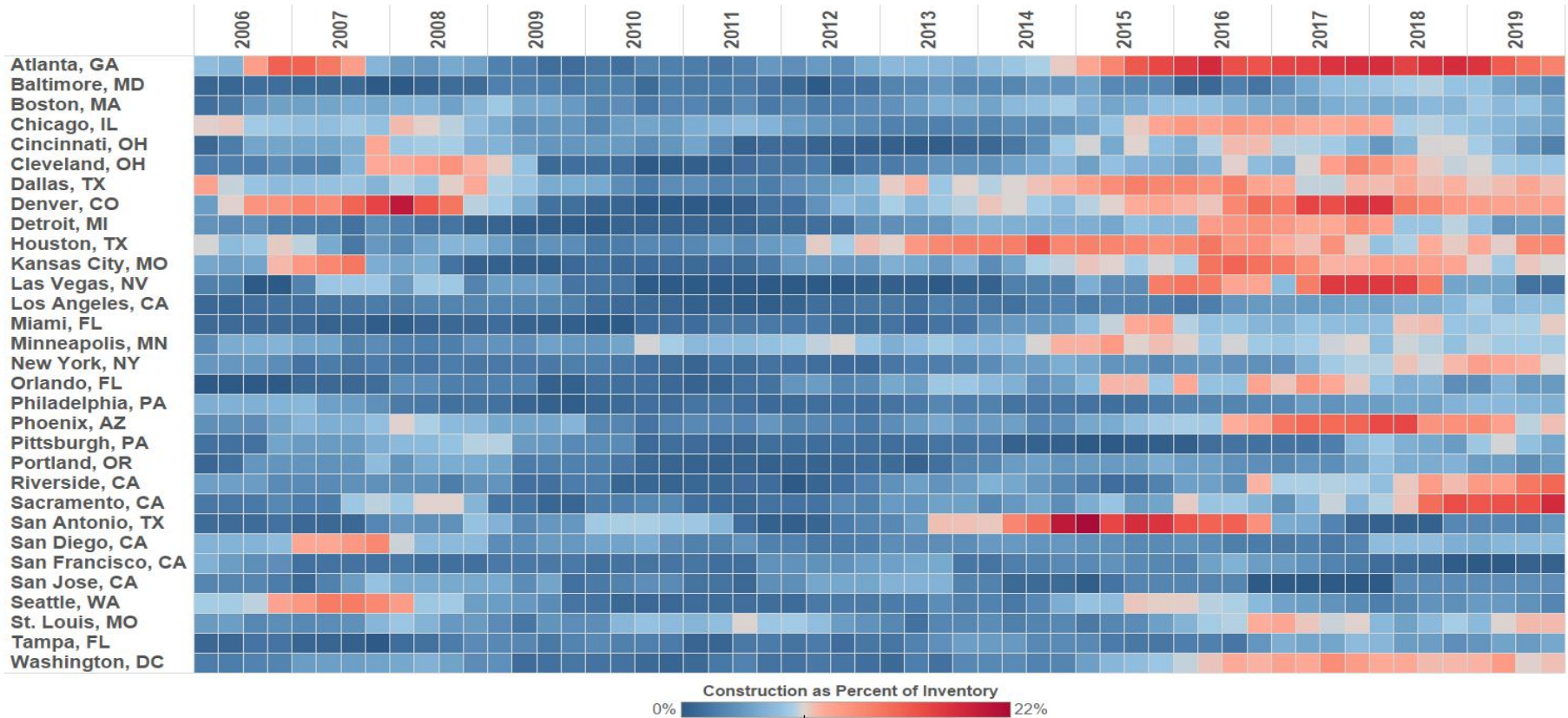
Seniors Housing Occupancy by Metro Market Primary Markets | As of 4Q19



Source: : NIC MAP® Data Service

Development Cycles Vary Across the Nation

Seniors Housing Construction as Percent of Inventory Primary Markets | 1Q06 – 4Q19



Source: : NIC MAP® Data Service

Strong Performing Markets in West North Central

West North Central Senior Housing Performance Primary and Secondary Markets | 4Q19

Metro	Properties	Units	Occupancy	Construction vs. Inventory	AMR	Annual Rent Growth	Penetration
Des Moines, IA	38	4,360	91.2%	2.6%	\$3,300	3.1%	17.4%
Kansas City, MO	113	14,650	86.3%	7.9%	\$3,514	5.8%	16.7%
Minneapolis, MN	260	29,965	90.7%	7.0%	\$3,778	3.0%	22.0%
Omaha, NE	60	6,004	91.2%	5.0%	\$3,838	2.6%	16.1%
St. Louis, MO	146	16,109	88.9%	8.7%	\$3,621	1.9%	12.2%
Wichita, KS	40	3,961	91.8%	0.0%	\$3,386	0.1%	14.5%
Primary and Secondary 99 Markets	7,996	985,865	87.9%	6.2%	\$4,088	2.7%	11.2%

Source: : NIC MAP® Data Service

CCRCs Outperform Non-CCRCs

CCRC vs. Non-CCRC Performance by Care Segment Primary and Secondary Markets | 4Q19

	Inventory		Occupancy		YoY Rent Growth	
	CCRC	Non-CCRC	CCRC	Non-CCRC	CCRC	Non-CCRC
Independent Living	205,906	213,103	92.8%	88.3%	3.0%	2.3%
Assisted Living	51,026	363,761	91.7%	85.8%	3.0%	2.4%
Memory Care	13,963	126,342	90.5%	83.8%	1.9%	2.0%
Nursing Care	100,620	790,861	88.5%	86.1%	2.4%	2.2%
All	371,515	1,494,067	91.4%	86.1%	3.3%	2.5%

Source: : NIC MAP® Data Service

Not for Profits Have Higher Occupancy Rates in WNC

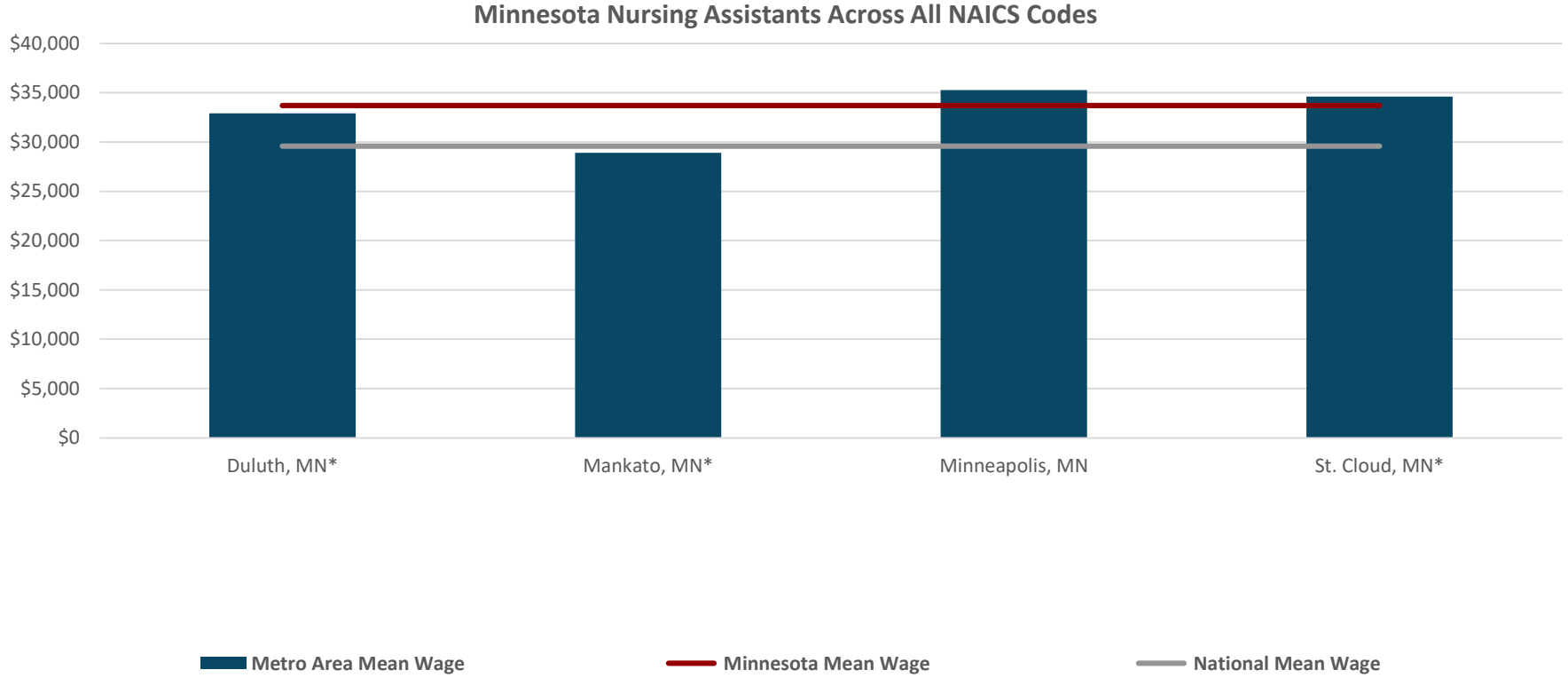
West North Central Senior Housing Performance Profit Status and Payment Types | 4Q19

Metric	Profit Status		Payment Types		Total
	Not For Profit	For Profit	Entrance Fee	Rent	
Number Properties	162	495	50	607	657
Inventory	29,474	45,575	15,150	59,899	75,049
Properties Under Construction	12	38	6	44	50
Occupancy	91.6%	88.3%	92.4%	88.9%	89.6%
AMR	\$3,076	\$3,973	\$3,044	\$3,785	\$3,647
AMR Rent Growth	5.1%	1.9%	6.2%	2.4%	3.1%
Penetration 75+	6.6%	10.2%	3.4%	13.4%	16.8%

Source: : NIC MAP® Data Service

Relatively High Wage Rates for Nursing Assistants in Minneapolis

Average Wage Rates for Nursing Assistants U.S., Minnesota and Select Metro Areas, as of 5/18



Source: U.S. Bureau of Labor Statistics, NIC



Upcoming NIC Events:

1Q20 NIC MAP[®] Data Service Client Webinar

Thursday, April 16, 2020 at 11:00 AM ET

NIC 2020 Fall Conference

Investing in Seniors Housing & Care Properties

October 7-9 | Washington, DC