

CHANCERY MONTHLY NEWSLETTER

This article indicates that a survey by BBG found that most senior housing investors do not expect margins to improve despite rate increases in 2023. Expenses are expected to rise in line with rate increases, and investors anticipate active adult communities will have the highest stabilized occupancy.

Senior Living Investors See Rising Expenses, Flat Margins Ahead in 2023

Despite historic rate increases taking effect in 2023, the majority of investors believe that margins will continue to remain flat or even decline in 2023.

Investors also believe that expenses will continue to rise in tandem with rate increases, according to the results of a new survey conducted by commercial real estate services firm BBG.

For its inaugural senior housing sentiment survey, BBG spoke with investors across the care continuum in January and asked them questions on the outlook of the senior living industry.

Nearly a quarter of respondents were in the capital markets/financial intermediary sector, 19% were identified as developers, 16% were brokers or investors, 14% were institutional investors or private equity, 14% were owner/operators, 9% were real estate investment trusts (REIT) and the remaining 5% were categorized as “other.”

One big takeaway from the survey is the fact that respondents are not particularly optimistic about margins this year.

Only 23% of respondents believe that margins will expand in 2023, while the remaining 77% responded that they expect a net compression of operating margin (35%) or no change in operating margin (42%).

A little more than three-quarters of respondents said they expect expenses will increase by 3% to 5% in the next 12 months.

Nearly all of the respondents (90%) said they expect rental rate growth in 2023 between 1% and 5% for all property types, excluding skilled nursing.

“Given the recent increase in Social Security, a rate increase between 5%-10% is reasonable,” BBG Managing Director R.J. DeBee told Senior Housing News.

Rate increases for 2024 are expected to be the highest in assisted living and memory care, with about 62% of respondents expecting an increase of 5% or higher in AL. Another 64% said they are expecting a similar increase in memory care.

The survey’s respondents said they expect active adult properties will carry the highest stabilized occupancy at between 91% and 95%. On the other end of the senior living spectrum were CCRCs and life plan communities, which carried a wider stabilized occupancy spread of 85% to 93%.

	Independent				Skilled	CCRC/LPC
	Active Adult	Living	Assisted Living	Memory Care	Nursing	
Compress 25+ bps	4.62%	5.48%	5.19%	3.95%	3.57%	4.17%
Compress 0-25 bps	12.31%	12.33%	5.19%	3.95%	3.57%	2.08%
No change	36.92%	26.03%	25.97%	28.95%	37.50%	39.58%
Expand 0-25 bps	29.23%	34.25%	37.66%	31.58%	28.57%	22.92%
Expand 25+ bps	16.92%	21.92%	25.97%	31.58%	26.79%	31.25%
No change to Expand 25 bps+	83.08%	82.19%	89.61%	92.11%	92.86%	93.75%

**Percentage of respondents.*

Among senior living investors who participated in an inaugural industry survey, the vast majority believe that capitalization rates would either expand by 25 basis points or stay the same in 2023 – and that sentiment only got stronger as the acuity level rose.

Overall, respondents believe that capitalization expansion will follow acuity level with about 46% of respondents believing there will be at least some expansion of capitalization in the active adult segment. This compares to about 56% in independent living and about 63% in both assisted living and memory care, respectively.

Original Article:

<https://seniorhousingnews.com/2023/03/07/senior-living-investors-see-rising-expenses-flat-margins-ahead-in-2023/>

Stoney Creek Update

The Grandview Retirement Residence is a 159-suite building, designed to provide seniors with accommodation in a beautiful neighbourhood with a host of services and amenities. It is located in downtown Hamilton, Ontario, adjacent to the affluent Stoney Creek neighbourhood, and is at the central location with access to retail, restaurants, parks and health care providers.

- The addition of outdoor signage attracted the attention of seniors in the community, many of whom booked tours to gather information about our services and amenities. In addition, we finalized an online and print resident testimonial campaign, a building photoshoot, a video virtual tour and a google review campaign to strengthen our online presence.
- A direct mail campaign reached 20,000 homes within a 15 km radius of Grandview. The “call to action” included a special promotion to encourage clients to select and take possession of their selected suites.

CHANCERY MONTHLY

PROJECT UPDATE



Chancery Seniors Housing Investments Inc. is a private real-estate investment firm with a focus on seniors housing. Powered by its two strong founding partners, Suske Capital Inc. and LD Capital Corp., Chancery creates a team with the expertise and experience of over 55 years in real estate and seniors housing developments with an estimated completion value of over \$5 billion.

For more information about our company and projects, please visit www.chanceryseniors.com