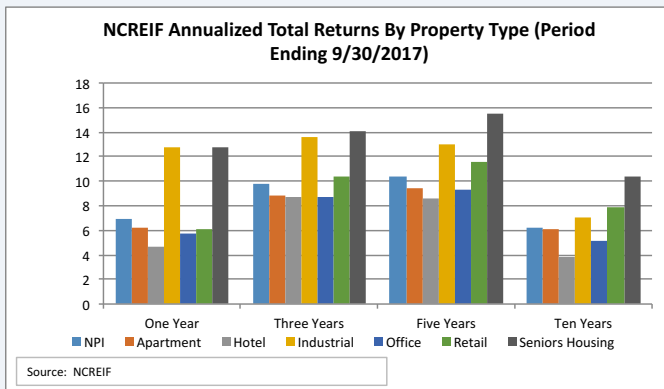


## SENIORS HOUSING ANNUAL TOTAL RETURNS EQUAL 12.72% IN Q3 2017

By Beth Burnham Mace, Chief Economist, National Investment Center for Seniors Housing & Care (NIC)

**Returns Strong.** Third-quarter investment return data for the NCREIF-reported seniors housing properties equaled 2.73%, composed of a 1.38% capital return and a 1.36% income return. The annual total return through the first quarter of 2017 was 12.72%, overshadowing the NCREIF Property Index (NPI) result of 6.89% and the apartment result of 6.22%. However, industrial total returns slightly outpaced seniors housing at 12.80%. Despite the relatively strong showing, the total annual return for seniors housing has been trending down since mid-2014 when it peaked at 20.37%. This pattern can also be seen in the broader index.

On a 10-year basis, total returns for seniors housing exceeded both the NPI and apartments by more than 400 basis points. The difference with hotel was even larger at 656 basis points (10.40% versus 3.84%), while the difference with retail was the smallest of the other five main property types at 257 basis points (10.40% versus 7.83%). On a one-year basis, the widest differential was between hotel and seniors housing at 810 basis points.



These performance measurements reflect the returns of 102 seniors housing stabilized properties, valued at \$4.9 billion in the first quarter. This is the first quarter that the property count of the NCREIF universe of seniors housing exceeded 100 properties.

**Softer Occupancy Rates.** Occupancy rates for seniors housing steadied in the third quarter of 2017 at 88.8%, unchanged from the prior quarter, but down 0.9 percentage point from year-earlier levels. Seniors housing annual absorption was 3.2% as of the third quarter of 2017, unchanged from the second quarter of 2017 and remained the fastest pace since NIC began reporting the data in 2006. The seniors housing annual inventory growth rate in the third quarter of 2017

was 4.1%, down 0.1 percentage point from the second quarter, when it had reached its fastest pace since NIC began reporting the data in 2006.

During the past year, there have been almost 38,000 units added to inventory among the nation's largest 99 CBSAs. Roughly one-third of this growth was majority independent living properties and two-thirds was majority assisted living properties. Nearly one quarter of the increase in seniors housing inventory occurred in seven metro areas: Dallas, Chicago, Minneapolis, Atlanta, Phoenix, Austin and Miami. Dallas alone accounted for 7% of all new seniors housing inventory in the past 12 months.

TOTAL RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	1.70	1.66	2.73
2nd Qtr 2017	1.75	1.45	3.24
One Year	6.89	6.22	12.72
Three Years	9.83	8.87	14.04
Five Years	10.35	9.47	15.49
Ten Years	6.23	6.10	10.40

INCOME RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	1.14	1.07	1.36
2nd Qtr 2017	1.16	1.10	1.42
One Year	4.66	4.45	5.89
Three Years	4.86	4.63	5.94
Five Years	5.14	4.82	6.29
Ten Years	5.56	5.05	6.65

APPRECIATION RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	0.56	0.59	1.38
2nd Qtr 2017	0.59	0.35	1.82
One Year	2.15	1.71	6.56
Three Years	4.80	4.11	7.76
Five Years	5.02	4.49	8.80
Ten Years	0.64	1.02	3.57

Source: NCREIF, NIC Research & Analytics

# SENIOR HOUSING PROPERTY TYPES

Senior Housing can be classified according to the level of healthcare services provided.

	Multi-Family	Congregate Care			Healthcare
	Senior Apartments	Independent Living	Assisted Living	Memory Care	Nursing Care
Building Facility	Similar to apartments but may have special access and common area designs.	Similar to apartments but has commercial kitchen, dining room and additional common area amenities.	Most units do not have a full kitchen, only dorm room size refrigerator and microwave. Many units are studios.	Units do not have a full kitchen, only dorm room size refrigerator and microwave. Many units are studios.	Units resemble hotel rooms and many rooms have shared occupancy.
Ideal Building Size	60 to 200 Units	100 to 150 Units	80+ Units	24 to 36 Units	120 Beds (70 Units)
Resident Entry Age <sup>(1)</sup>	55 to 75	75 to 84 (avg. 80.6)	75 to 85 (avg. 87)	Included with assisted living	80 to 90
Percent Revenue from Services <sup>(2)</sup>	0%	45%	65%	Included with assisted living	75%
Typical Services Provided	Organized social activities	Restaurant-style dining, social activities, weekly housekeeping, laundry and transportation.	Independent living services plus assistance with bathing, eating and dressing; medication reminders (no administration of medicine).	Assisted living services plus special behavior/memory care, secured access only.	Assisted living services plus administration of medications. 24 hour care by RA, RN licensed personnel.
Average Length of Stay <sup>(3)</sup>	5 to 12 Years	2.0 to 3.6 Years	1.2 to 3.0 Years	1.3 to 2.7 Years	30 Days to 2 Years
Average Monthly Rent <sup>(4)</sup>		\$3,183	\$4,820	\$6,434	\$9,632
Trailing 47 Quarter Avg. Stabilized Occupancy / Avg. Current Quarter Stabilized <sup>(4)</sup> Occupancy		90.3%/92.0%	90.4%/89.5%	90.3%/87.9%	89.0%/86.6%
Total Units/Beds in Inventory <sup>(4)</sup>		268,435	230,570	72,994	583,302
Number of Units/Beds Under Construction <sup>(4)</sup>		11,358	14,740	7,862	3,721
Construction vs. Inventory <sup>(4)</sup>		4.2%	6.4%	10.8%	0.6%
Penetration Rate of 75+ Households <sup>(5) (6)</sup>		6.1% IL/4.5% CCRC	4.9%	Included with assisted living	11.0%

**Notes:**

- (1) IL Data-“Retirement Living Communities: How They Are Changing the Way People Retire,” Senior Homes, accessed October 15, 2015 <http://www.seniorhomes.com/p/retirement-living-communities/>. AL Data- Centers for Disease Control and Prevention, Residents Living in Residential Care Facilities: United States, 2010 Christine Caffrey, Manisha Sengupta, Eunice Park-Lee, Abigail Moss, and Lauren Harris-Kojetin, NCHS data brief, no 91. Hyattsville, MD: National Center for Health Statistics. 2012., <http://www.cdc.gov/nchs/data/databriefs/db91.pdf> (accessed October 15, 2015).
- (2) A Case for Investment: Seniors Housing” NIC MAP Data & Analysis Service (September 2009).
- (3) The State of Seniors Housing 2016.” (Table 8.2) ASHA American Seniors Housing Association (2016).
- (4) Q2 2017 Primary Markets, Segment Type Data” NIC MAP Data & Analysis Service (Q2 2017).
- (5) Q2 2017 NIC MAP 31 Market Performance Report (Primary Markets Property Type Data)” NIC MAP Data & Analysis Service (Q2 2017).
- (6) Ibid. Note: Penetration rate equals inventory divided by the number of households headed by an individual at least 75 years old.