

CHANCERY MONTHLY NEWSLETTER

At the start of 2021, Cushman & Wakefield's (NYSE: CWK) Senior Housing Practice Group published their Seniors Housing Overview for Canada. In the last monthly newsletter, we have excerpted the comprehensive market review of 2020 from the report, and in this Chancery Monthly, we are going to further share their industry outlook for 2021 with you.

Cushman & Wakefield Publish Seniors Housing Industry Outlook — Part II

FUNDAMENTALS

The pandemic will eventually end. As the industry sets its sights on recovery, there is a lot of work to be done to correct misconceptions about the seniors housing sector which have been reinforced through misleading portrayals of the entire industry in the media. Going forward, consumers will pay closer attention to infection control measures implemented within a residence and place a higher value on ongoing and transparent communication with the operator of their community. Most operators are well positioned to meet and exceed these expectations. Any operators who do not meet these reasonable standards will not last.

The short-term impacts on occupancy from COVID-19 have been widespread. The pandemic also introduced new cost pressures and the potential for increased government regulation. On a positive note, the implementation of an effective COVID-19 vaccine is underway, with the first doses administered in Canada in December 2020. The prospect of a fully implemented vaccine is expected to restore a sense of normalcy to the sector and will provide the foundation for a recovery in fundamentals.

Once properties are permitted to re-commence leasing in earnest, we expect residences will benefit from some pent-up demand and believe occupancy will recover within a reasonable timeframe for most properties that had previously been stabilized pre-pandemic, considering (i) the demand for seniors housing is primarily needs-driven and (ii) population demographics and projections suggest that the ‘Baby Boom’ inflection point will begin to meaningfully contribute to demand in 2021. Today we find ourselves at the leading edge of a major structural shift in Canadian population demographic trends. The age 75- plus segment of the population is poised to grow at a ~4% CAGR for the next 20 years. Few businesses have such a well-telegraphed potential demand curve.

Aside from the occupancy recovery related to COVID-19, we remain focused on monitoring development activity. In recent years, certain markets faced an excess of new supply, which contributed to a sequential decline in national occupancy from 2018 to 2020. While many developers have slowed the pace of construction starts, we can still expect a wave of deliveries from properties currently under construction which will continue to disrupt occupancy in select markets through 2021. Due to a decline in construction starts, over the short-term, we do not expect the impact from new supply to be as disruptive on a national basis as it has been over the past four years. Over the long-term, developers will have to closely match the timing of new supply with the demand curve in order to avoid ‘overbuilding’ certain markets, as we have seen in the recent past.

INVESTMENT MARKET

The degree of competitive tension in the market and the demand for property sales in 2020 was generally lower than it was in 2019. Many of the public REITs in North America traded at depressed valuations for most of the year, making the economics of completing Class “A” deals very challenging for them. While pension and private equity funds had plenty of capital available for investments, most of the capital was focused on deep-value opportunities. In retrospect, there were not many distressed assets for sale or bargains to be had in the Canadian market in 2020.

At this point, it is unclear how long it will take for property transaction activity to return to historical levels, however; we believe the investment thesis for seniors housing & care properties remains firmly intact. In terms of transaction dollar volumes, we expect 2021 to be more active than the prior year as investors look to increase allocations towards alternative real estate asset classes. For investors who have longer investment horizons or can manage some short-term volatility, we believe that this period of disruption will mark the last ‘value’ buying opportunity in this sector for the next two decades.

Original Article:

<https://www.cushmanwakefield.com/en/canada/insights/2021-canadian-seniors-housing-industry-overview>

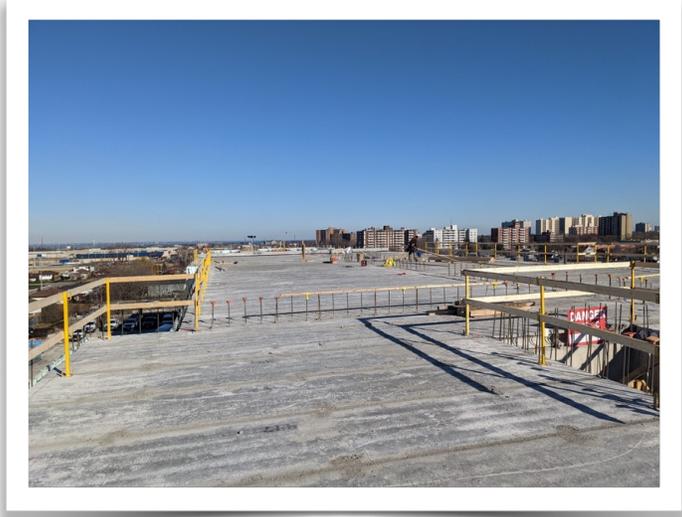
Stoney Creek Project Update

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 site servicing has been completed. The ICF exterior walls have been completed up to the 5th floor with the 6th floor precast slabs and 6th floor walls to be completed in January 2021. The mechanical and electrical rough-ins are in progress up to the 4th floor. Interior wall framing is in progress on the 2nd through 4th floors.
- The safety of our residents, staff, and local communities continues to be our top priority and guides our ongoing response. Based on the directives from Public Health and our operational knowledge, procedures and policies required to safely operate our residences and deliver resident services are continuously updated to ensure the safety of our staff and residents and maintain compliance with all regulations.
- With the implementation of the Ontario vaccination program that commenced in December of 2020, we are incredibly optimistic that retirement residences will soon be the safest living environment available for seniors in Ontario. As of today, all of our staff and residents, including family members who have been deemed essential care works, who wish to be vaccinated are expected to receive their first dose of the immunization by the end of January and the second dose by the end of February.
- The latest semi-annual distribution was made on January 7, 2021.
- Plans are underway to commence with our marketing program in the first quarter of 2021. These plans include installation of site signage, leasing of retail space for the pre-opening sales centre, launch of our website, and production of marketing materials.

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