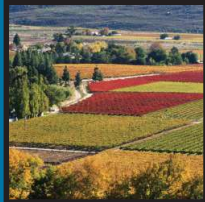


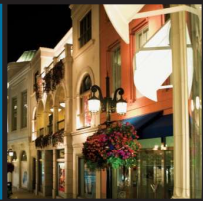
THE NATIONAL COUNCIL OF
REAL ESTATE INVESTMENT
FIDUCIARIES



Real Estate Performance Report



SECOND
QUARTER
2021



NCREIF

SECOND QUARTER 2021 SENIORS HOUSING INVESTMENT RETURNS REMAIN RELATIVELY LOW

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

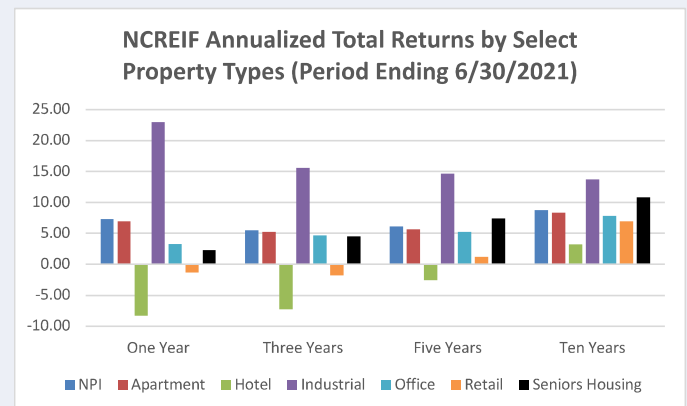
The total investment return for the seniors housing sector was a positive 0.54% in the second quarter of 2021. This marked the fourth consecutive quarterly gain after one quarter of negative returns in the second quarter of 2020 when total returns were negative 1.00%; that marked the first negative total return since 2012 and prior to that in 2009.

The income return in the second quarter was the same as in the first quarter, but at 0.78% it was the smallest quarterly gain on record as far back as 2003. The valuation (capital/appreciation) return fell 0.24%, the seventh consecutive quarterly decline. This contrasts with the NPI and apartments, where the valuation return turned positive in the fourth quarter and saw gains of 2.54% and 2.71%, respectively, in the second quarter of 2021. Many investors have reduced their appreciation expectations for seniors housing as the impact of the coronavirus has weighed heavily on their view of the sector. The valuation return is the change in value net of any capital expenditures incurred during the quarter.

The one-year valuation return for seniors housing was a positive 2.26%, the strongest annual return since the onset of the pandemic in the second quarter of 2020. The 2.26% total return compared favorably to retail (-1.32%) and hotel (-8.27%), but was smaller than the other major property types, including the overall NPI (7.37%). Meanwhile, the industrial sector enjoyed an eye-popping 22.98% appreciation return on a one-year basis.

Note that the performance measurement cited above for seniors housing reflects the returns of 149 seniors housing properties valued at \$7.9 billion in the second quarter. This represents the highest property count and market value in the NCREIF time series for seniors housing.

At the time of this writing in August 2021, the outlook for the sector is cautiously optimistic, although the COVID-19 Delta variant as well as other variants are increasingly worrisome. Second quarter 2021 market fundamentals data showed improved demand patterns, although occupancy remained flat at a very low 78.7% due to an increase in inventory in the 31 Primary Markets, according to NIC MAP® Data, powered by NIC MAP Vision. Moreover, a recent analysis by NIC Analytics found that nearly half of seniors housing properties experienced an increase in occupancy rate in second quarter 2021 compared with first quarter 2021. This was a relatively higher proportion than seen during the pandemic and the most since second quarter 2019 (pre-pandemic levels). While these statistics are promising, future occupancy improvement will be shaped by local patterns of inventory growth and demand, and will be influenced by the broad economy, consumer confidence, ease of development, the COVID-19 Delta variant, and vaccination rates.



TOTAL RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
2nd Qtr 2021	3.59	3.62	0.54
1st Qtr 2021	1.72	1.69	0.60
One Year	7.37	6.96	2.26
Three Years	5.50	5.23	4.49
Five Years	6.13	5.68	7.39
Ten Years	8.79	8.33	10.84

INCOME RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
2nd Qtr 2021	1.06	0.92	0.78
1st Qtr 2021	1.04	0.90	0.78
One Year	4.19	3.66	3.45
Three Years	4.37	4.05	4.64
Five Years	4.49	4.20	5.08
Ten Years	4.96	4.62	5.79

APPRECIATION RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
2nd Qtr 2021	2.54	2.71	-0.24
1st Qtr 2021	0.67	0.79	-0.17
One Year	3.08	3.22	-1.16
Three Years	1.09	1.14	-0.14
Five Years	1.59	1.44	2.24
Ten Years	3.69	3.58	4.85

Source: NCREIF, NIC Research & Analytics