

Trends in Seniors Housing

Online Survey | June 2022



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Introduction & Methodology

OVERVIEW

Methodology, data collection and analysis by WMRE and Informa Engage on behalf of NIC.

Data collected June 2, through June 7, 2022.

Methodology conforms to accepted marketing research methods, practices and procedures.

METHODOLOGY

On June 2, 2022, Informa Engage emailed invitations to participate in an online survey to users of WMRE.

By June 7, 2022, Informa Engage had received 420 completed surveys. Of those, 208 reported involvement in Seniors Housing. The following analyses are based on those 208 respondents.

RESPONSIVE MOTIVATION

To encourage prompt response and increase the response rate overall, a live link to the survey was included in the email invitation to route respondents directly to the online survey.

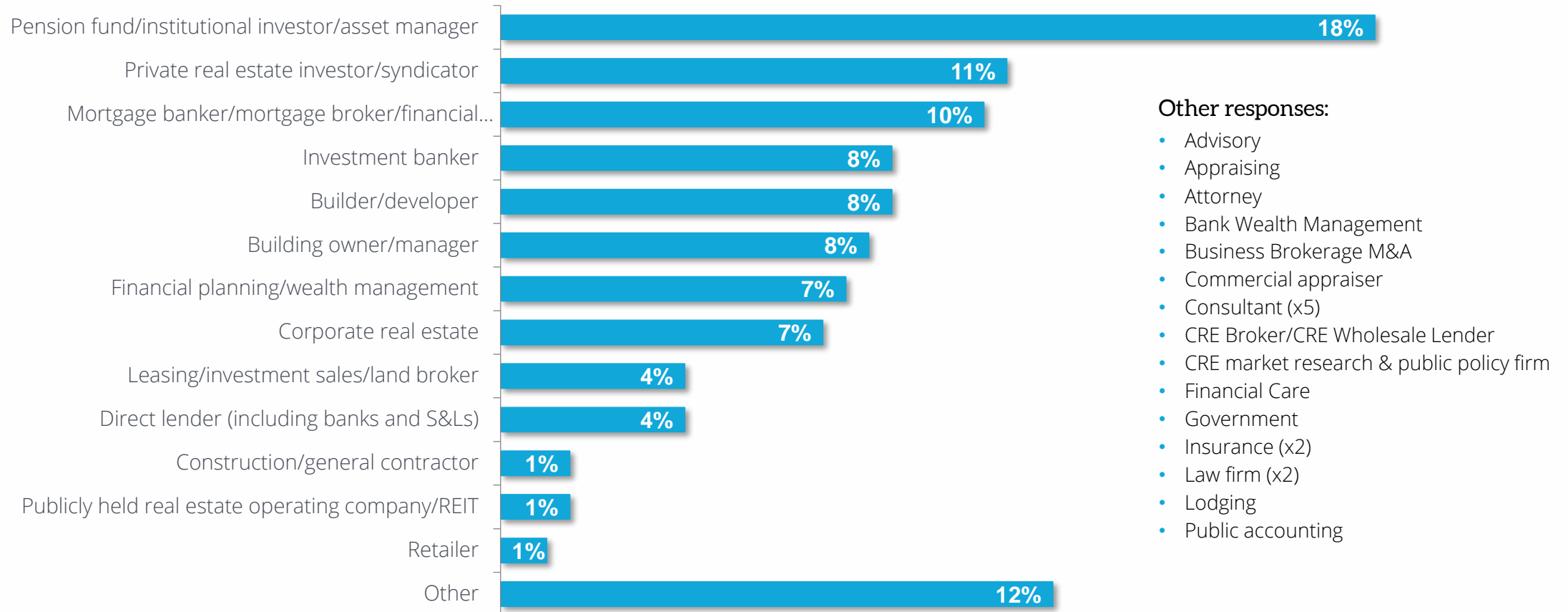
The invitations and survey were branded with either the WMRE brand name and logo in an effort to capitalize on user affinity for this valued brand.

Each respondent was afforded the opportunity to enter a drawing for a YETI Tundra 75 Cooler, valued at \$450.

Respondent Profile

Primary Business

Respondent firms represent various facets of the commercial real estate industry.

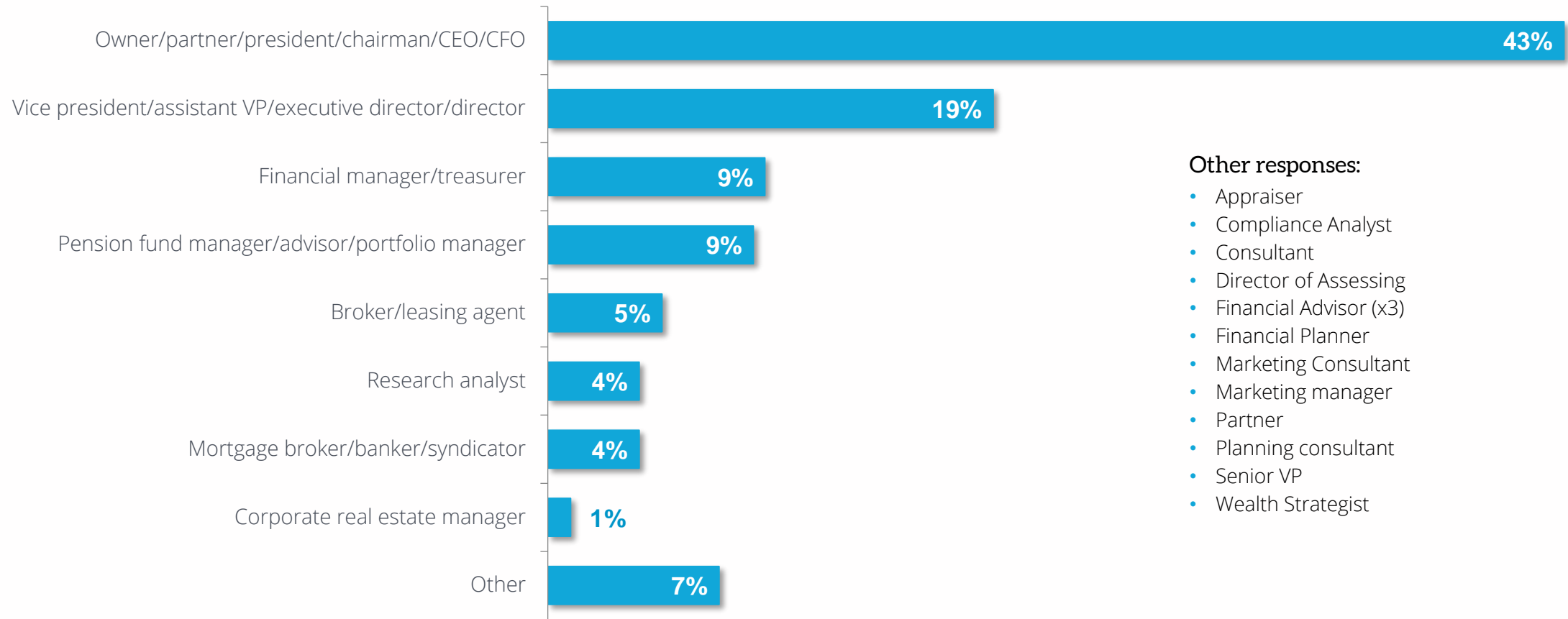


Question: Which one of the following best describes your company's primary business?

Base: All respondents (n=208).

Job Title

A majority of respondents (62%) hold senior management positions within their firms.



Other responses:

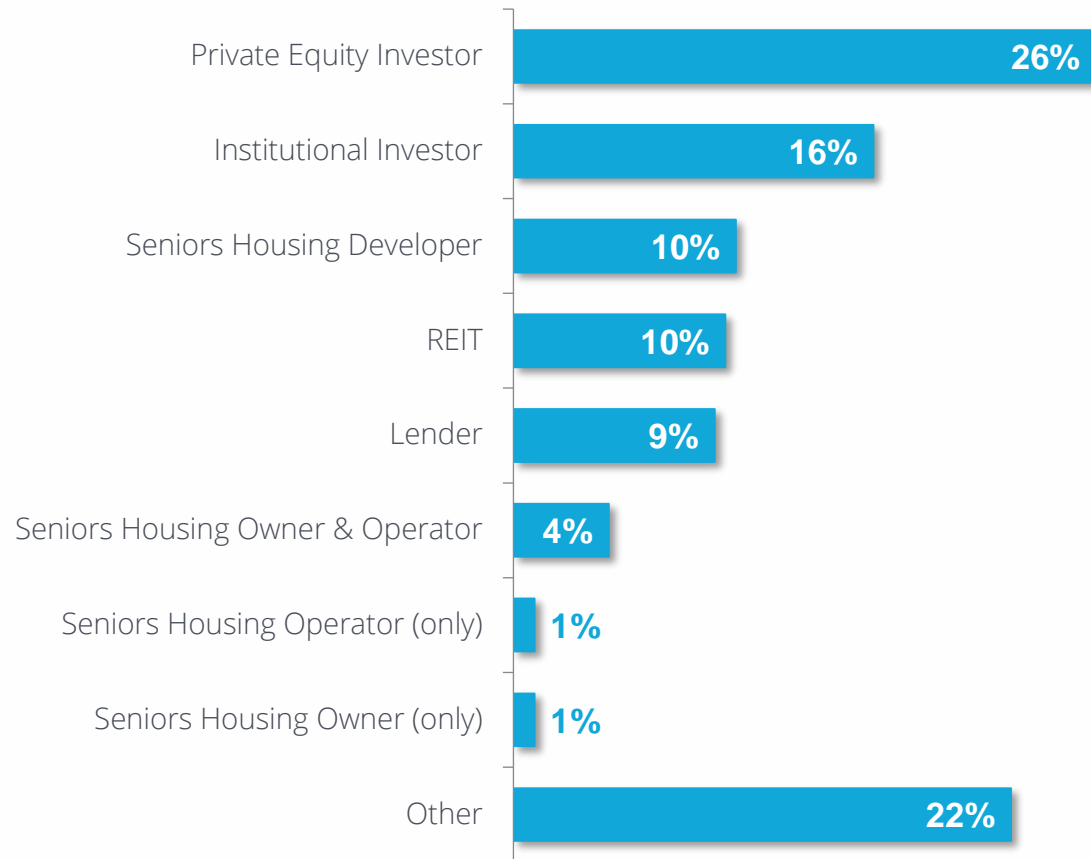
- Appraiser
- Compliance Analyst
- Consultant
- Director of Assessing
- Financial Advisor (x3)
- Financial Planner
- Marketing Consultant
- Marketing manager
- Partner
- Planning consultant
- Senior VP
- Wealth Strategist

Question: Q2 Which one of the following best describes your job title?

Base: All respondents (n=208).

Role in the Seniors Housing Sector

Respondents represent a variety of roles in the seniors housing sector, most commonly Private Equity Investors (26%), followed by Institutional Investors (16%), and Senior Housing Developers and REIT (10%).



Other responses:

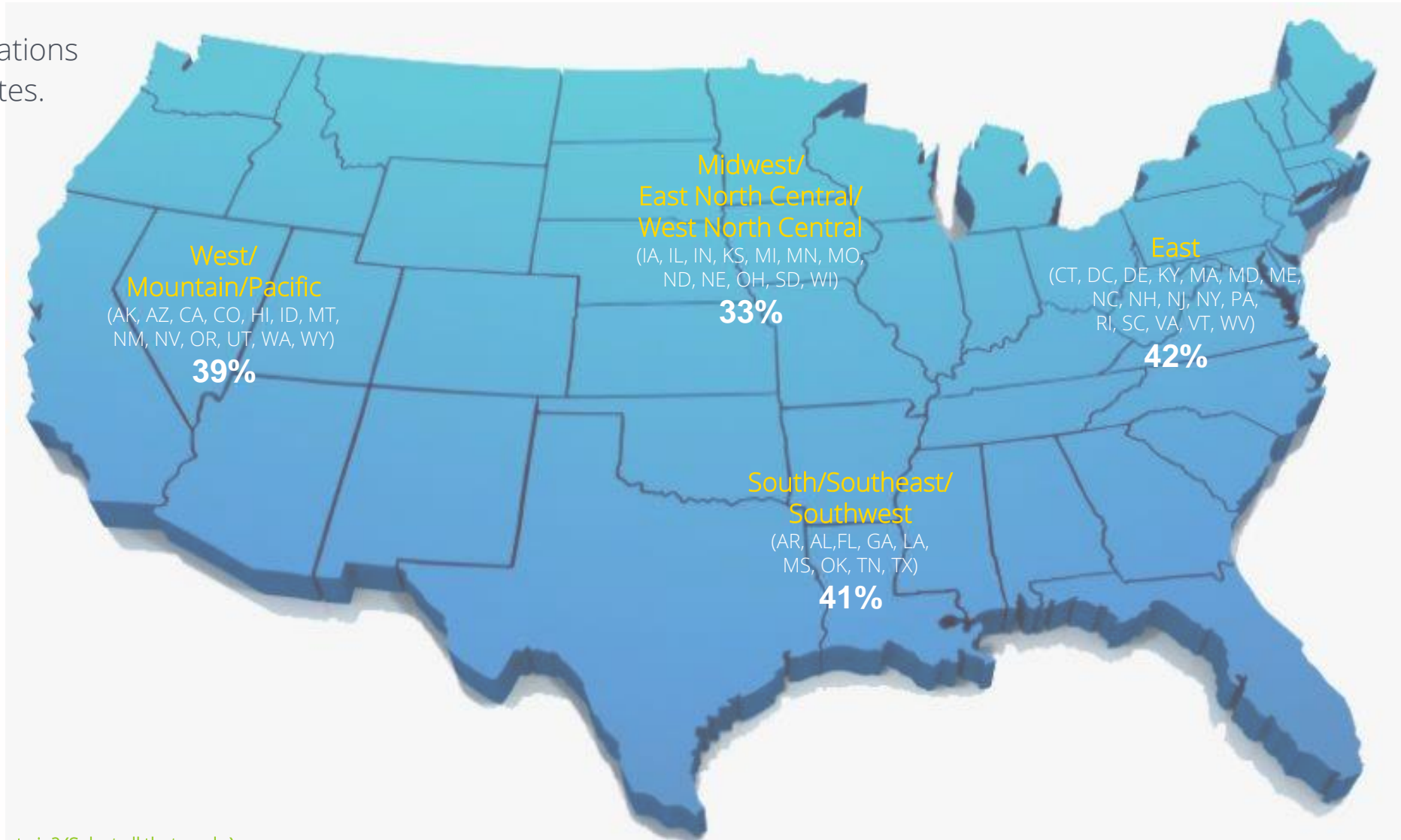
- Advisor/Client advisor (x4)
- AEC Consultant
- Analyst/REIT sales
- Appraiser (x3)
- Attorney (x2)
- Banker or Placement agent
- Broker (x3)
- Builder
- Consultant (x4)
- Coverage Sales
- Developer & Owner
- DST sales and research for 1031 exchanges
- Financial Advisor (x2)
- Financial Planner
- Investment advisor
- Investment banking
- Investment broker
- Land sales for senior housing
- Market research & public policy
- Mortgage broker
- Multi unit Townhouse Complexes
- Plans and identifies sites, plus civil design
- Potential investor
- Rating agency
- Referral
- Rehab senior housing
- Resident
- Retail investment advisor
- Selling broker
- Senior sales certified / niche
- Seniors summer retreat host
- Service provider
- Syndicator

Question: Which one of the following best describes your role in the seniors housing sector?

Base: All respondents (n=208).

Regions of Operation

Respondents represent organizations operating across the United States.



Question: Which of the following regions do you operate in? (Select all that apply.)

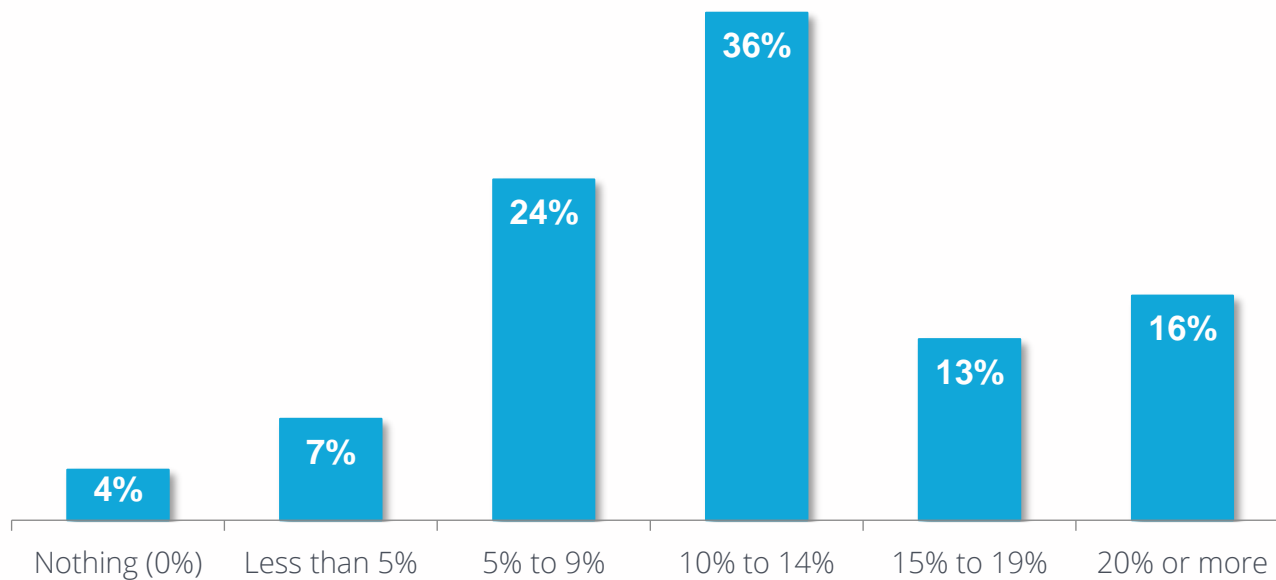
Base: All respondents (n=208); multiple answer permitted.

Key Findings

Impact of COVID-19 on Expenses

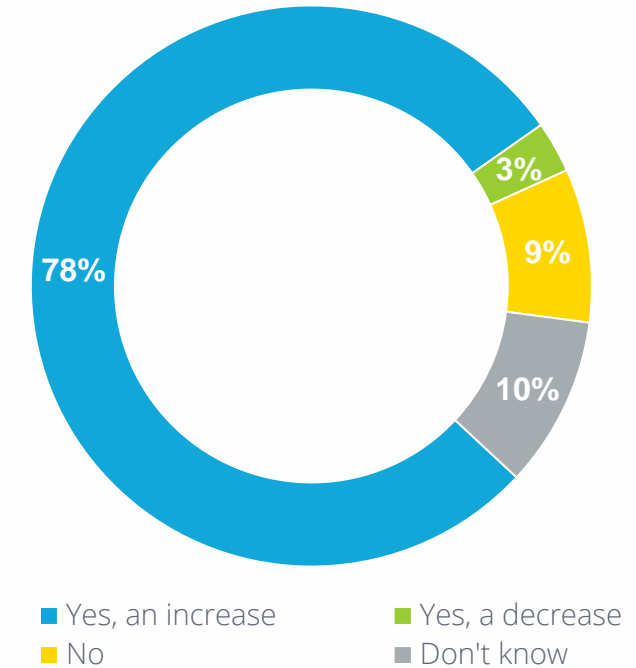
The vast majority of respondents (96%) report an increase in their expenses from March 1 through June 2022. The typical respondent reports an estimated mean increase of 12%. Most (78%) expect a permanent increase in expenses due to COVID-19.

Increase in Expenses: March 1, 2020 – June 2022



Question: For operators, the increase in expenses since March 1, 2020 (pre-COVID) to now (June 2022) has been:
 Base: All respondents (n=194); multiple answers permitted.

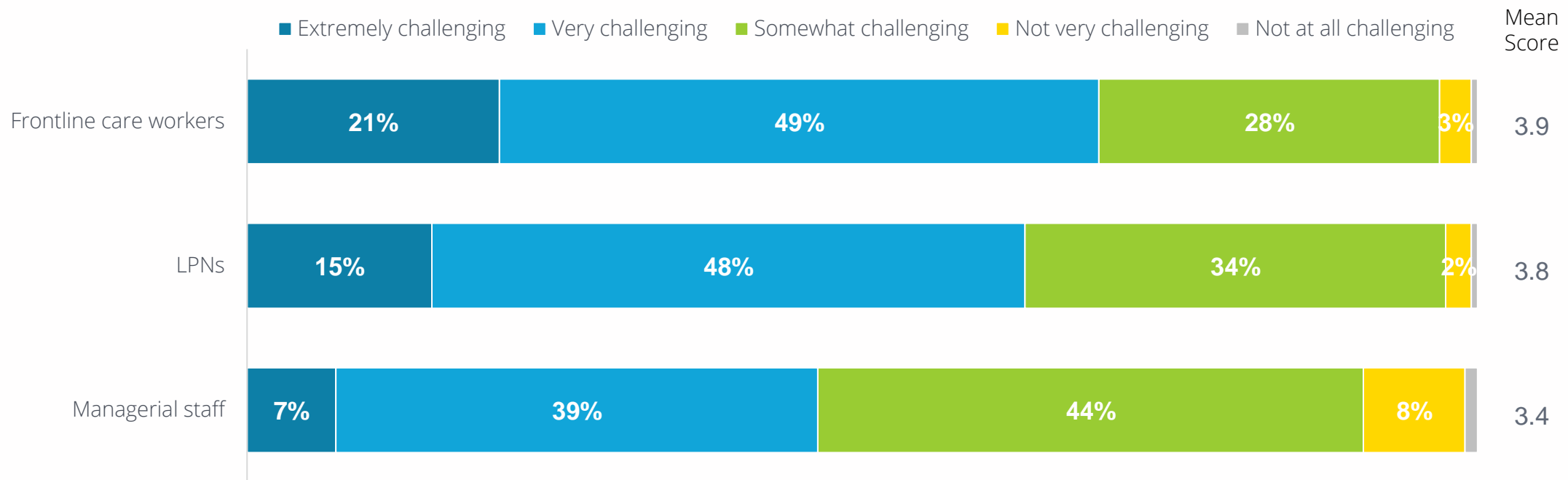
Expected Permanent Change in Expenses Due to COVID-19



Question: For operators, the expected permanent change in expenses due to COVID is:
 Base: All respondents (n=203).

Challenges Faced in Finding Staff in Current Labor Market

Respondents report significant challenges in finding seniors housing staff in the current labor market, especially frontline workers (70% indicating “very” or “extremely” challenging) and LPNs (63%).



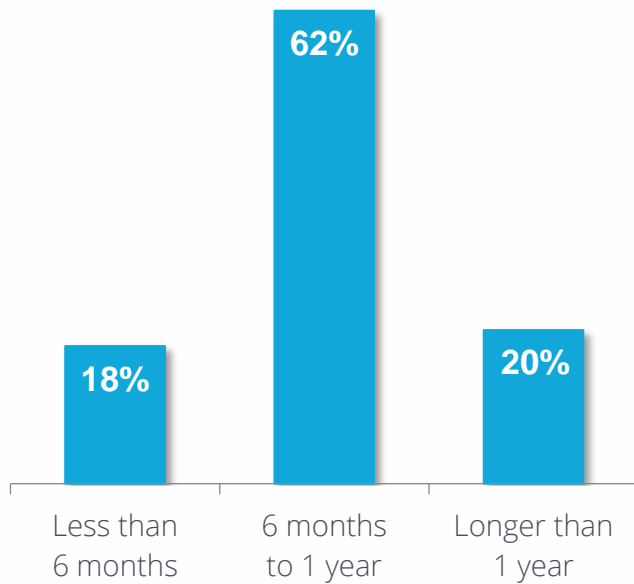
Question: How challenging is it to find staff for seniors housing in the current labor market?

Base: All respondents (n=208).

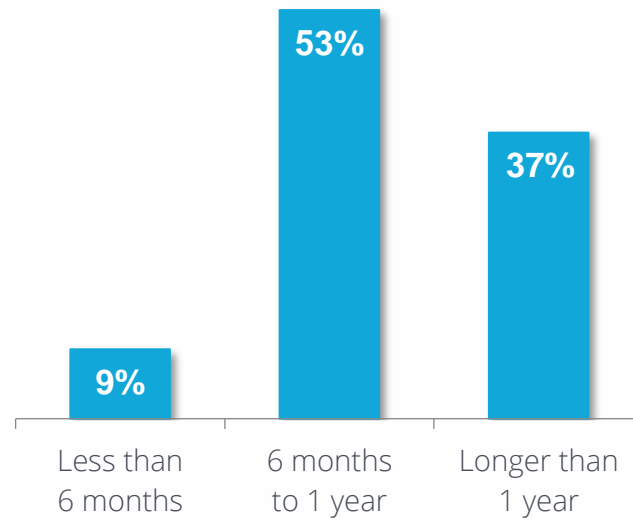
Turnover Rate in Seniors Housing Professionals

Turnover rate is highest among frontline care workers (80% within a year), followed by LPNs (62%), and managerial staff (34%).

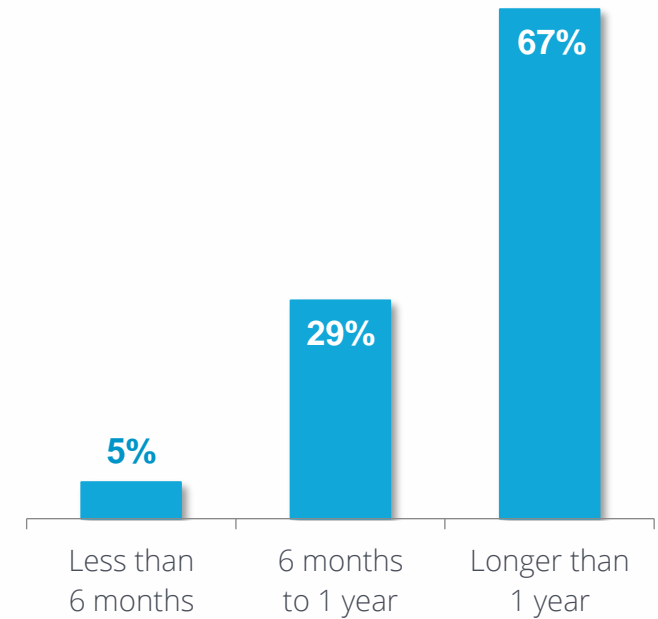
Frontline Care Workers



LPNs



Managerial Staff



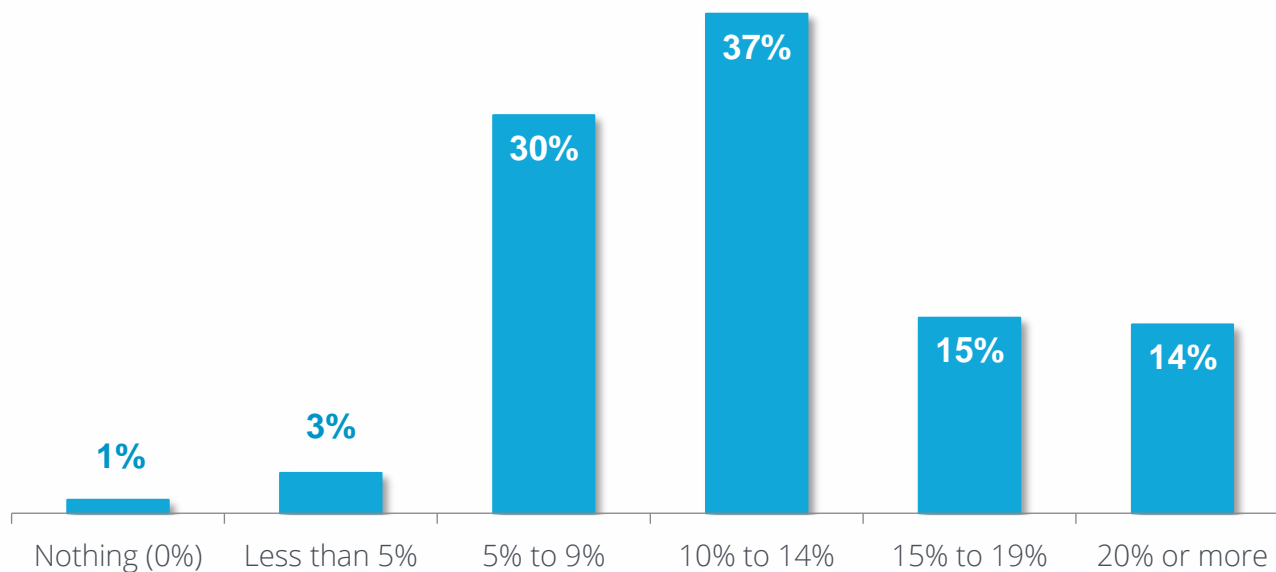
Question: What is the current rate of turnover for the following positions?

Base: All respondents (n=208).

Staffing Expenses and Impact of Labor Shortages on Portfolio

The typical respondent reported an estimated mean 12.3% increase in staffing expenses over the past 12 months. Just under half of respondents (41%) reported labor shortages have caused a reduction in the number of operating units/beds in their portfolios.

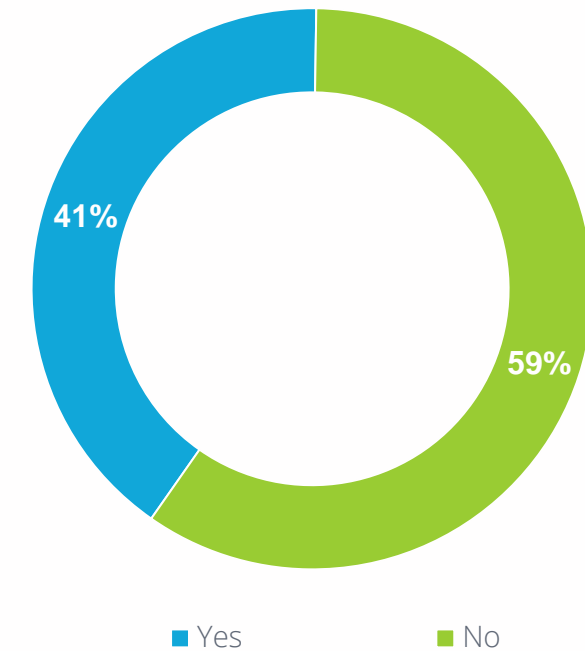
Increase in Staffing Expense - Past 12 Months



Question: How much have staffing expenses increased in the past 12 months?

Base: All respondents (n=208).

Have labor shortages caused a reduction in the number of operating units/beds in your portfolio?



Question: Have labor shortages caused you to reduce the number of operating units/beds in your portfolio?

Base: All respondents (n=195).

How has inflation impacted operating expenses in other ways?

- Across the board especially with Covid related supplies
- Across the board price increases
- Affected capital spending
- All costs increasing
- All expenses
- All expenses have increased
- All goods and services
- All ways
- Construction materials price increases
- Cost of materials, salaries, utilities, everything
- Cost of medical and non-medical supplies
- Cost of supplies
- Cost of supplies, Food Costs and added Miscellaneous surcharges
- Cost to operate
- Costs across the board
- Costs increased
- Creates discontinuities and supply change problems
- Cut back in other areas
- Depressing values on all fronts
- Energy (HVAC including electric costs rising, Food and delivery process higher
- Every cost is way up.
- Everything
- Everything associated with commodity prices.
- Everything is more expensive
- EVERYTHING is more expensive, supplies for some items are limited, energy costs are just starting to jump
- Food costs for in-facility dining room for residents
- Food costs have increased over 5%
- Food increases
- Food prices have skyrocketed.
- Food services, insurance, interest rates
- Food, nursing supplies, and various other materials have increased significantly in cost.
- Food, power, contractors, taxes, all higher
- Food, reno costs up
- Food, supplies, durable goods
- Food, utilities,
- Fuel is the biggest factor
- Fuel surcharges for trash removal, increased insurance costs, or
- Have had to do certain items myself when staff is not available
- Higher costs for supplies
- Impacted profits
- Increase overall rates
- Increased across the board
- increased costs for everything
- Increased labor costs
- Increasing interest rates effect ability to refinance and pull out equity
- It seems like just about everything is more expensive
- Labor costs and supply chain issues.
- Labor is up 45%. PP&E up 20%
- Logistics and travel expenses jumping
- Mainly stress for employees as cost of living due to increasing gas, taxes, ridiculous supplemental tax
- Maintenance expenses

How has inflation impacted operating expenses in other ways?

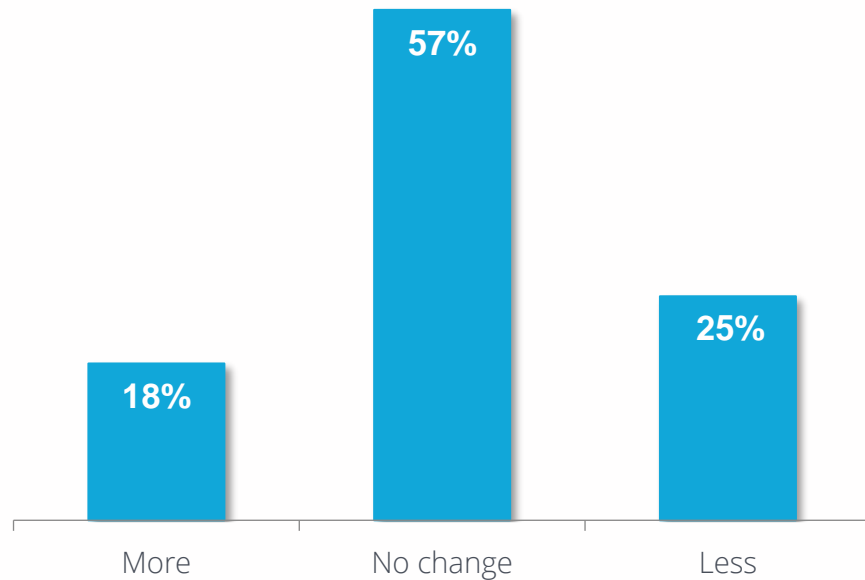
(Continued...)

- Makes everyone cautious
- Materials, food, etc.
- More expensive wages
- More salary
- Most materials and food costs have increased . To retain good employees - wages have had to be raised.
- Negative cash flow, bottom line damaged, increase in write offs
- Negatively
- No more courtesy van service
- None
- Not really
- Of course, everything is more expensive
- Overall mood is down
- People leaving field
- Potential employees commute too far away.
- Price increases from independent service providers
- Property repair and maintenance costs are very high. There are delays and material shortages.
- Raise Prices
- Reduced NOI – can't pass along all costs
- Relative impact on alternative providers and market areas
- Shipping and travel costs up considerably,
- Supplies
- Supplies are limited - prices go up - expenses rise
- Supply chain issues and increased costs have increased the cost of almost everything.
- The increase of operating expenses have made the operations in the last three years extremely difficult.
- They have increased.
- Transport expenses
- Utility expenses
- Wages Salaries
- Your previous question about cost being higher to COVID is absurd. It was not COVID, it was government mismanagement and mostly now caused by Biden's intentional supply crunch on the fossil fuels industry

Likelihood of Investing in Seniors Housing in Near and Long Terms

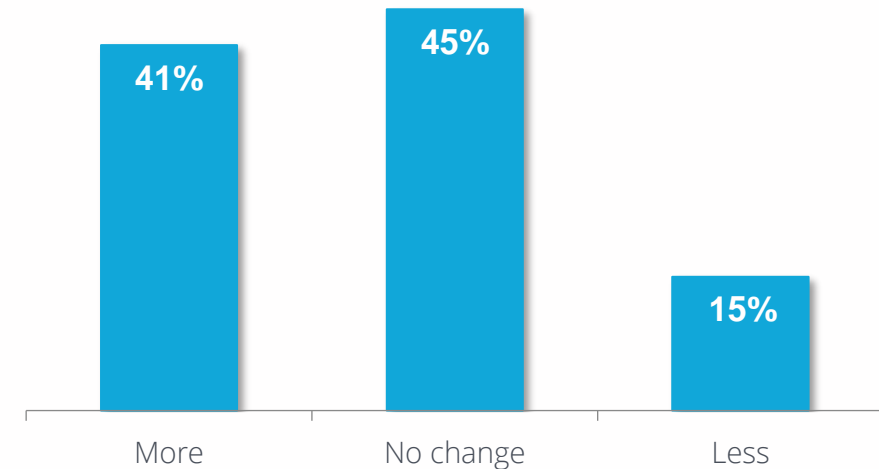
Respondents are significantly more likely to invest in seniors housing in the long term (41%) than they are in the near term (18%).

Near Term Investment Likelihood



Question: As an investor, are you less or more likely to invest in seniors housing in the near term?
 Base: All respondents (n=199).

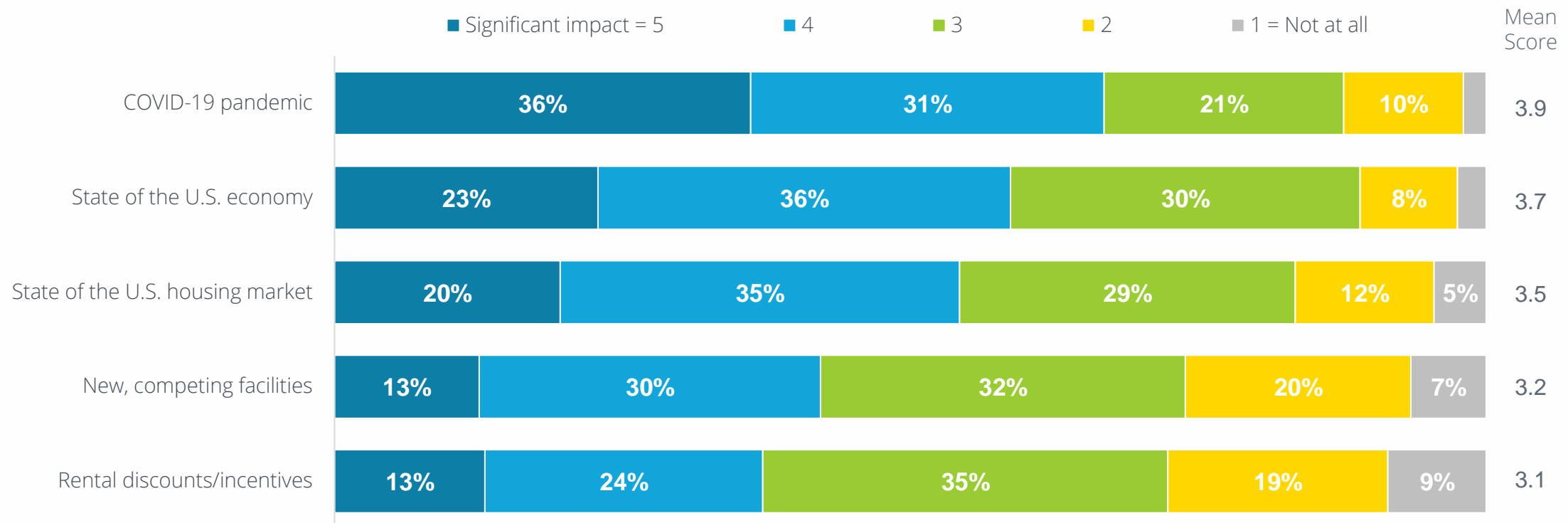
Long Term Investment Likelihood



Question: As an investor, are you less or more likely to invest in seniors housing in the long term?
 Base: All respondents (n=200).

Factors Impacting Occupancy Rates over the Past 6 Months

Predictably, the COVID-19 pandemic has had the biggest impact on occupancy rates at seniors housing facilities over the past six months (67% rating 4 or 5), followed by the state of the U.S. economy (59%) and the state of the U.S. housing market (55%),



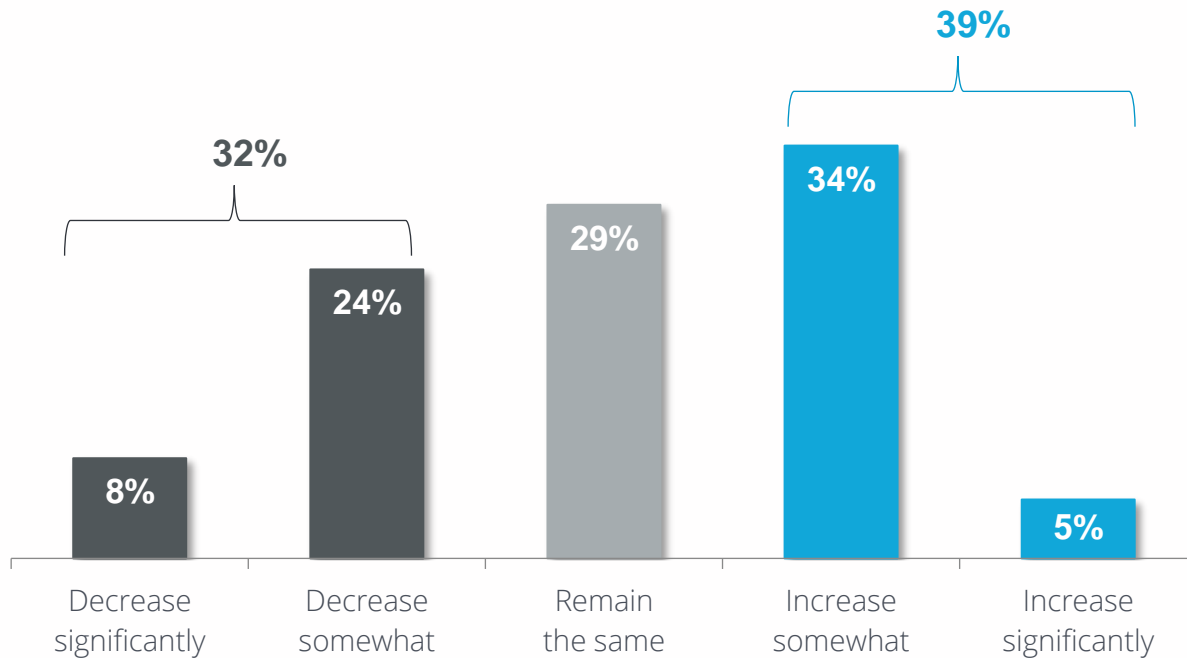
Question: To what extent have each of the following factors affected the occupancy rates at seniors housing facilities in the past six months?

Base: All respondents (n=208).

Outlook: Senior Housing Construction Starts - Next 12 Months

Respondents are divided with regard to expected change in seniors housing construction starts over the next 12 months: 39% anticipate an increase; 32% anticipate a decrease, and 29% do not anticipate any meaningful change. Among those anticipating an increase, there is very little concern it will result in overbuilding.

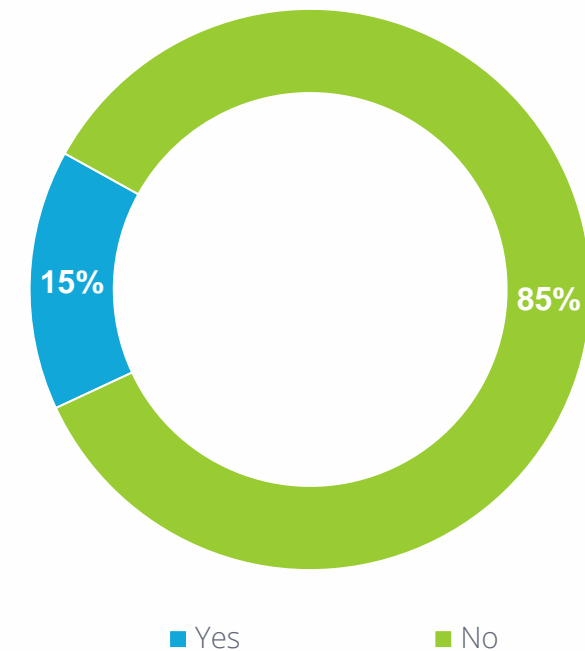
Expected Change in Seniors Housing Construction Starts – Next 12 Months



Question: What is your outlook for the construction starts of seniors housing units over the next 12 months?

Base: All respondents (n=208).

Will the increase in starts result in overbuilding?

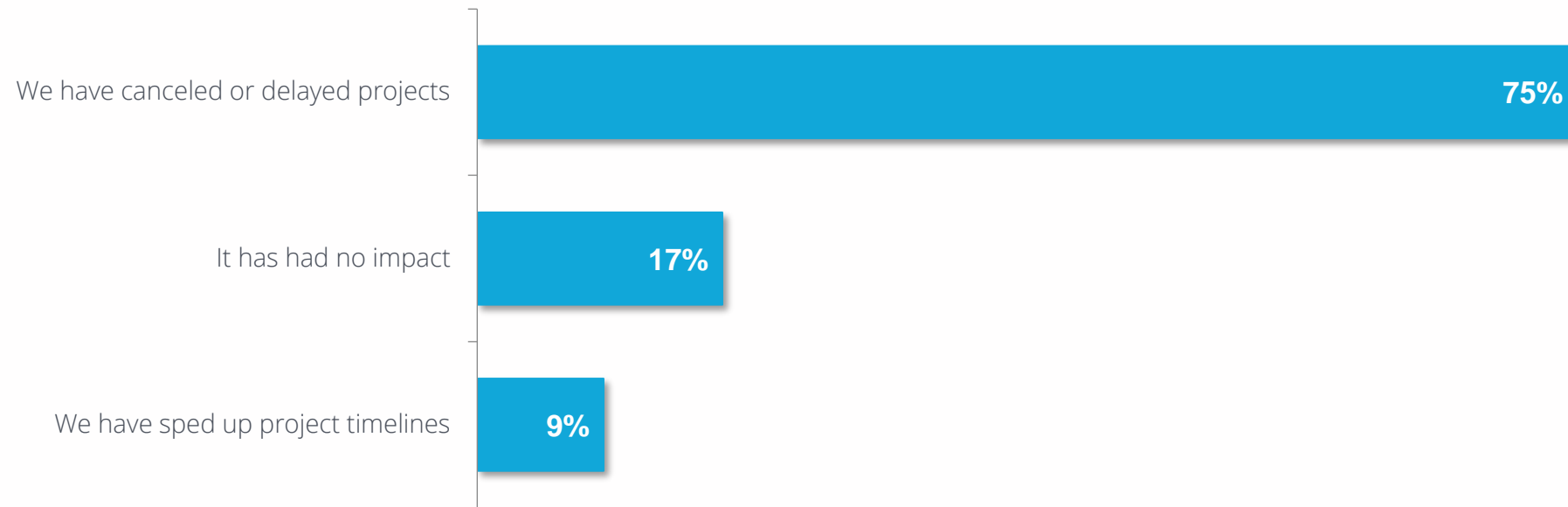


Question: Do you expect the increase to result in overbuilding?

Base: Respondents expecting an increase (n=79).

Impact of Supply Chain Issues & Inflation on Construction Timelines

Three in four respondents (75%) report cancelling or delaying projects as a result of supply chain restrictions and/or inflation.



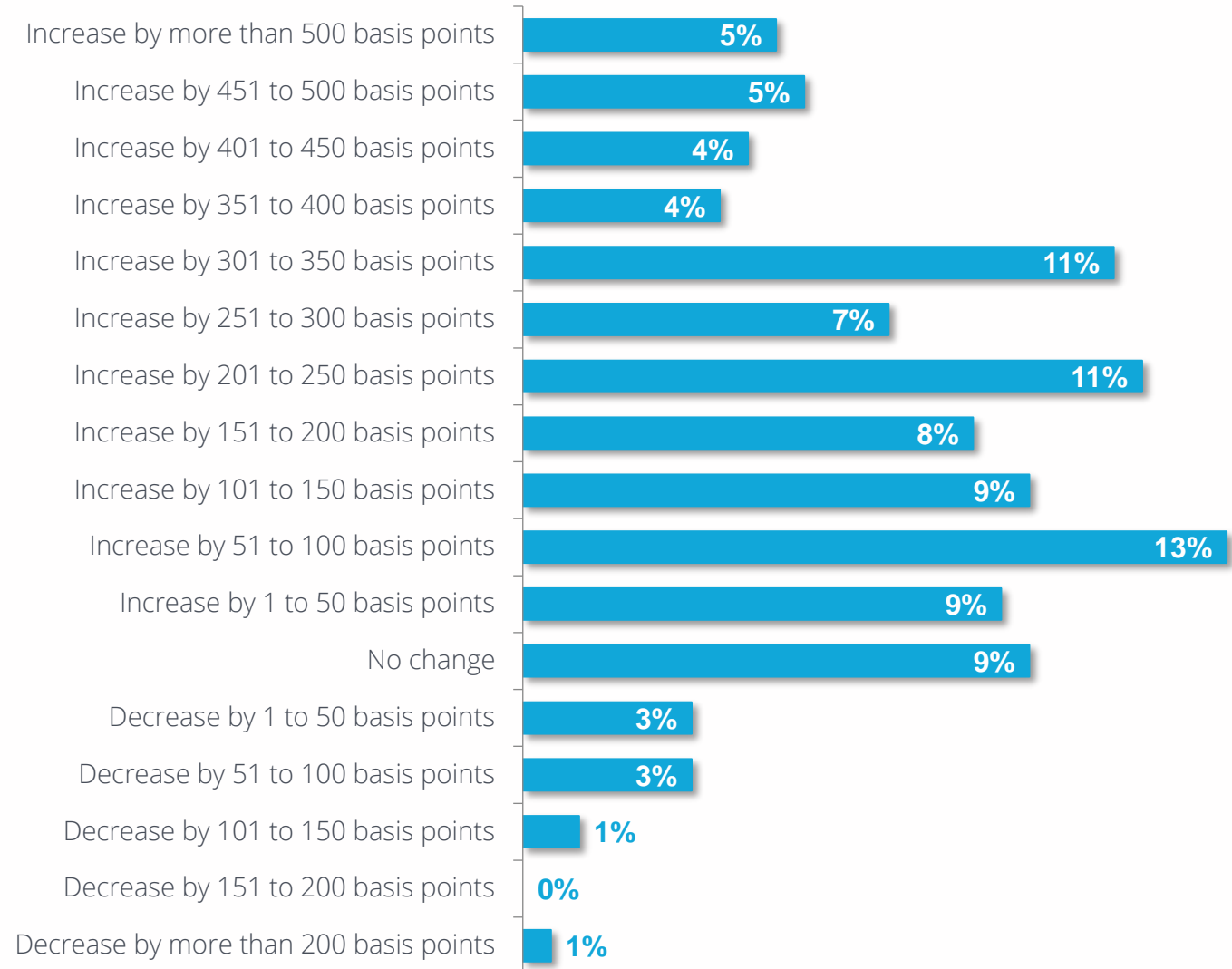
Question: How have supply chain restrictions and/or inflation affected construction timelines?

Base: All respondents (n=208).

Outlook: Seniors Housing Occupancy Rates - Next 12 Months

Most respondents (83%) expect national seniors housing occupancy rates to increase over the next 12 months.

Overall, the average expectation is an increase of 250 basis points.



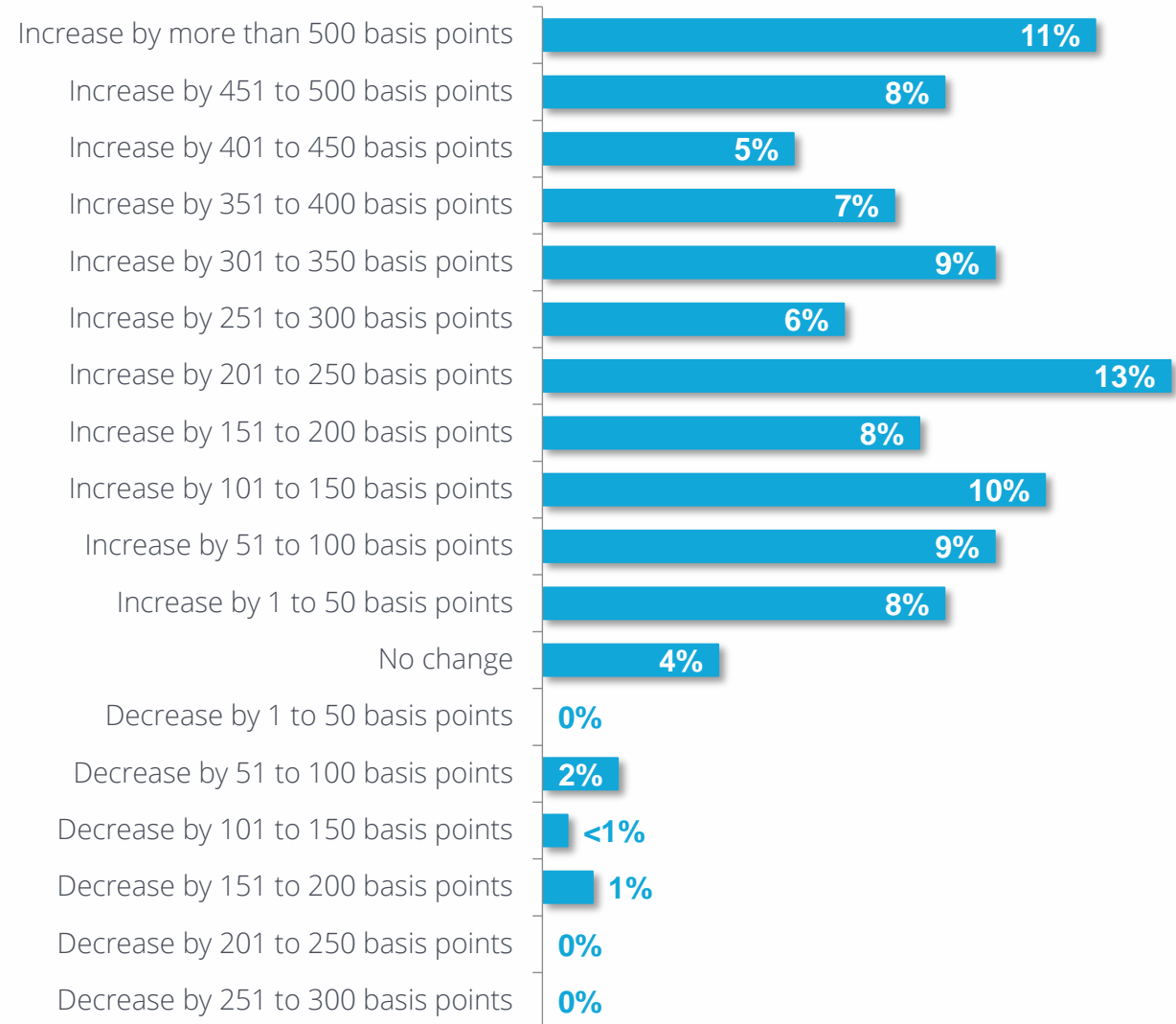
Question: What is your outlook over the next 12 months for the national occupancy rate for seniors housing properties?

Base: All respondents (n=208).

Outlook: Seniors Housing Rents - Next 12 Months

Similarly, with regard to seniors housing rents nationally, most respondents (93%) expect an increase in basis points over the next 12 months.

Overall, the average expectation is an increase of 304 basis points.



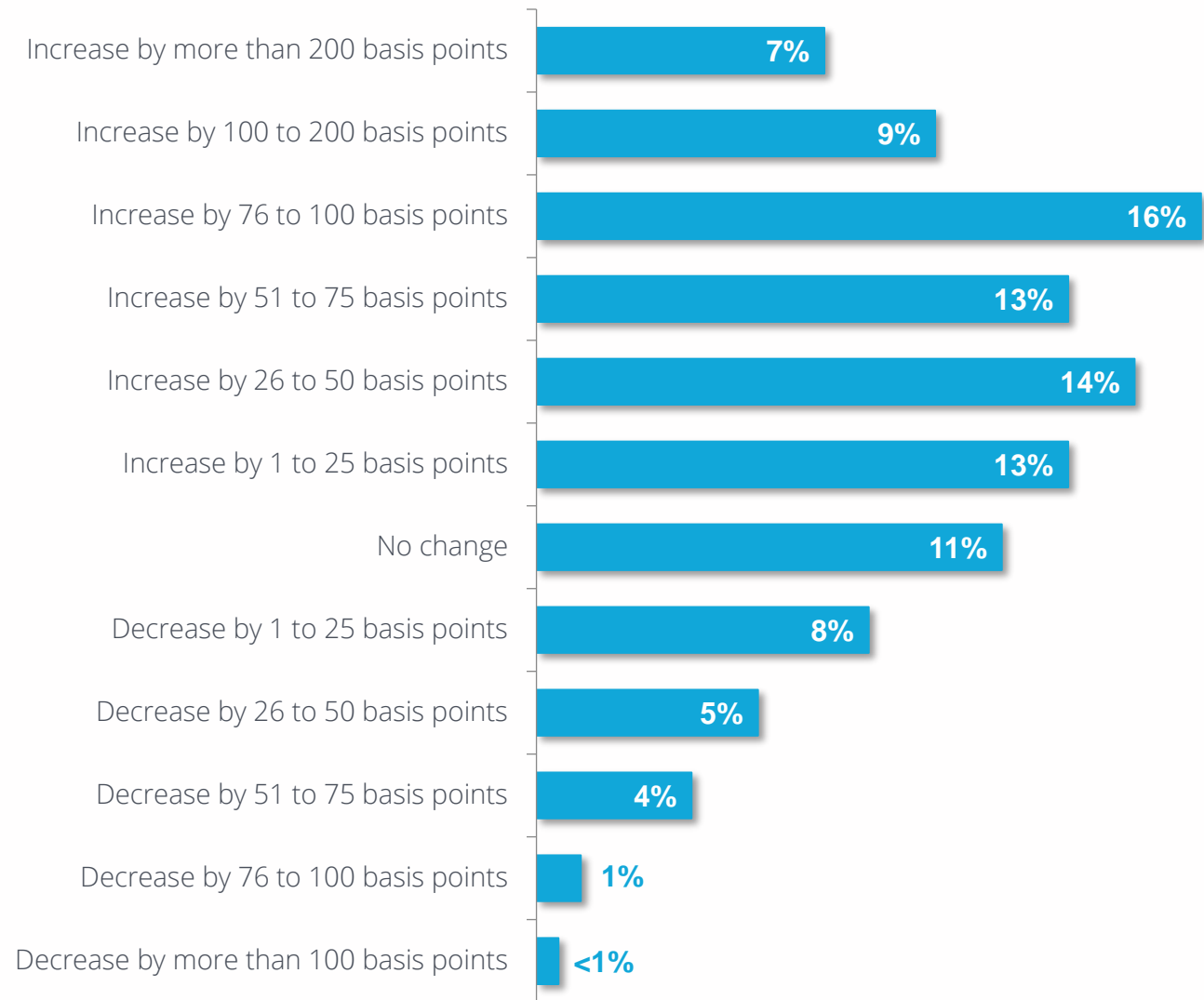
Question: What is your outlook for seniors housing rents nationally over the next 12 months?

Base: All respondents (n=208).

Outlook: Seniors Housing Property Cap Rates - Next 12 Months

Almost three in four respondents (71%) expect national seniors housing property cap rates to vary between +/-50 basis points over the next 12 months.

Overall, the average expectation is an increase of 51 basis points.



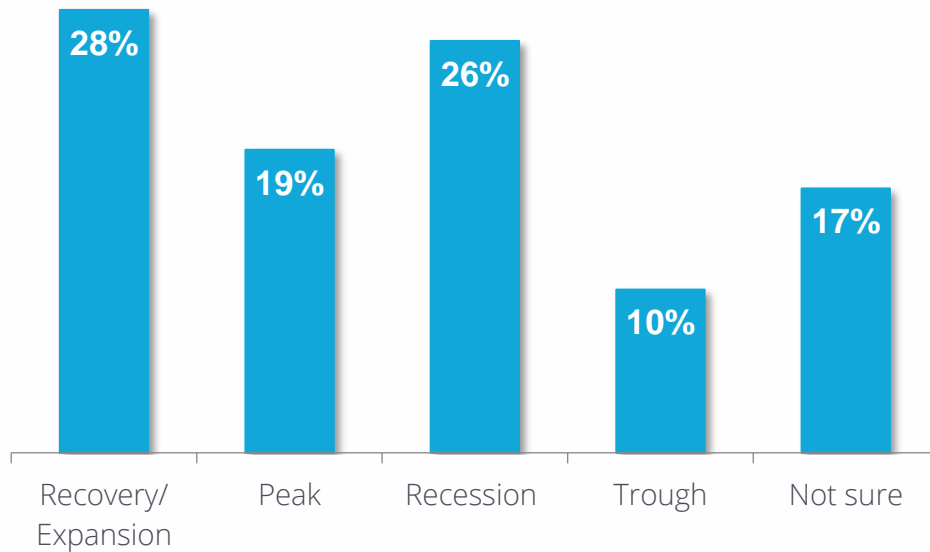
Question: What is your outlook for seniors housing rents nationally over the next 12 months?

Base: All respondents (n=208).

Seniors Housing Market: Cycle Stage, Sales Volume & Closing Time

Respondents are divided on the current state of the seniors housing real estate cycle: 28% believe it is in recovery/expansion, 26% in recession, and 19% peak. They are evenly divided with regard to change in property sales transactions over the next 12 months. Half expect the time to close seniors housing property transactions to remain the same over the next 12 months.

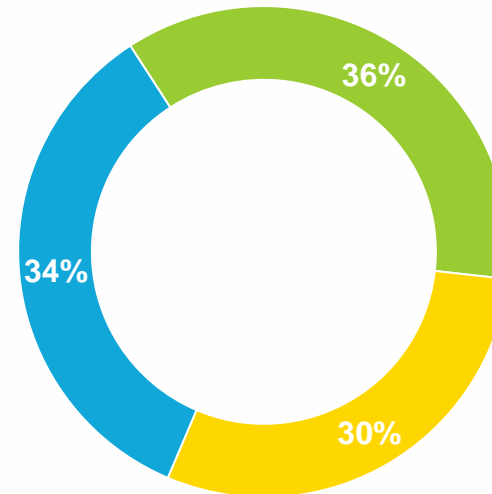
**Seniors Housing Sector:
Stage in Real Estate Cycle**



Question: What stage of the real estate cycle do you estimate the seniors housing sector is in?

Base: All respondents (n=208).

**Change in Property Sales
Transactions Volume,
Next 12 Months**

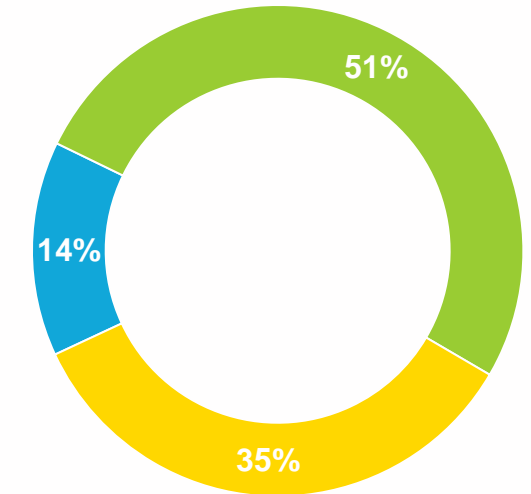


■ Increase ■ Remain the same ■ Decrease

Question: What is your outlook for the property sales transactions volume over the next 12 months?

Base: All respondents (n=208).

**Change in Time to Close Seniors
Housing Property Transactions,
Next 12 Months**



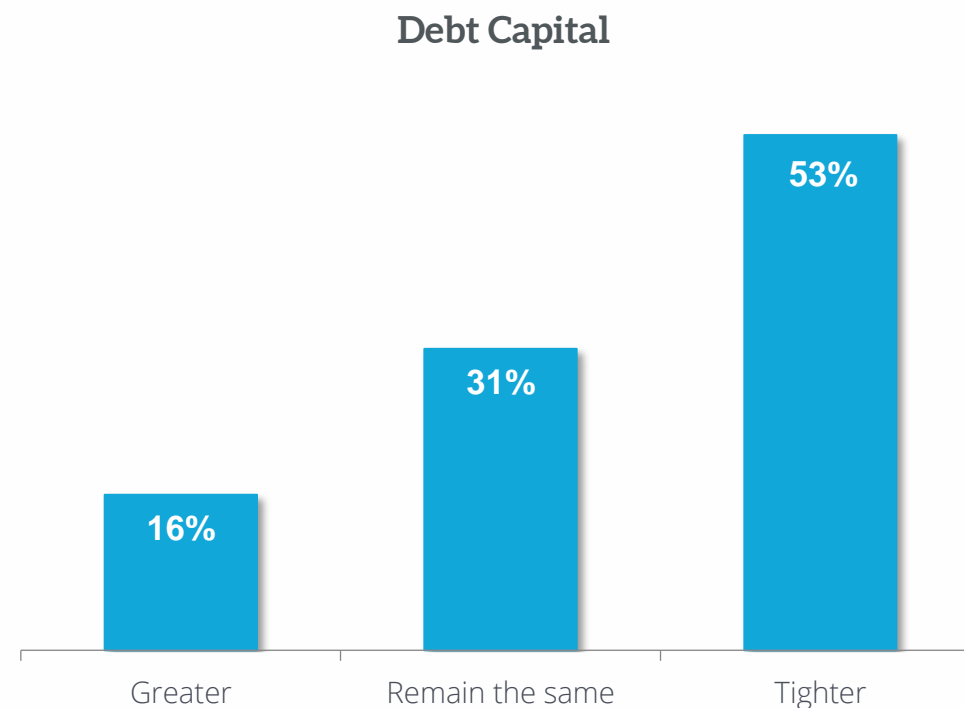
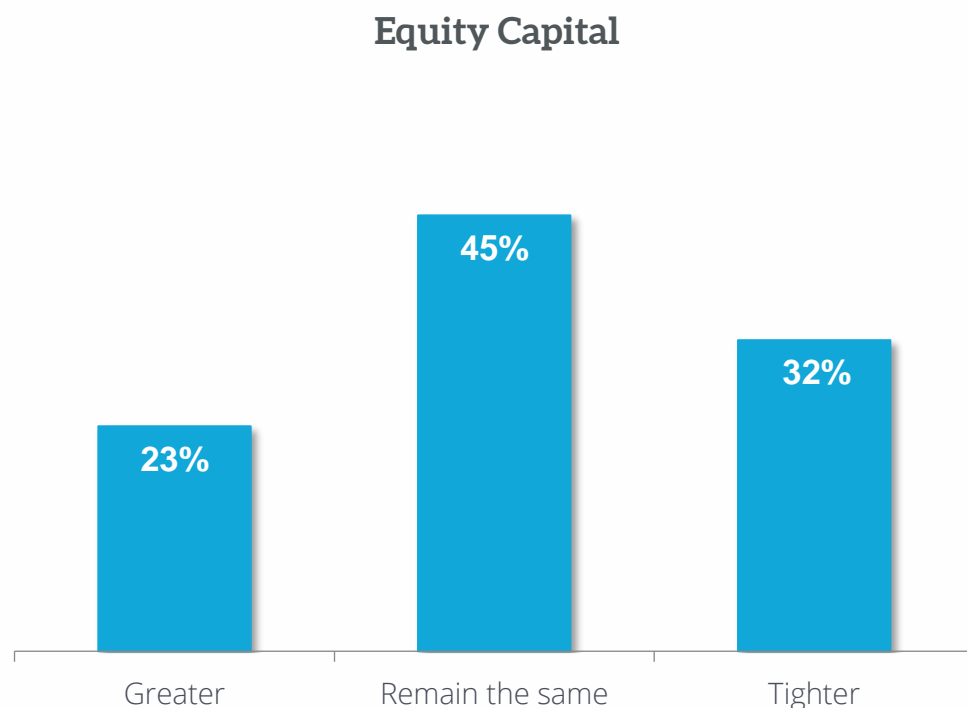
■ Faster ■ Remain the same ■ Slower

Question: How do you expect the time to close seniors housing property transactions to change over the next 12 months?

Base: All respondents (n=208).

Availability of Capital in Seniors Housing Sector – Next 12 Months

Approximately half of respondents (45%) expect the availability of equity capital to remain the same over the next 12 months. Just over half (53%) expect tighter availability of debt capital.

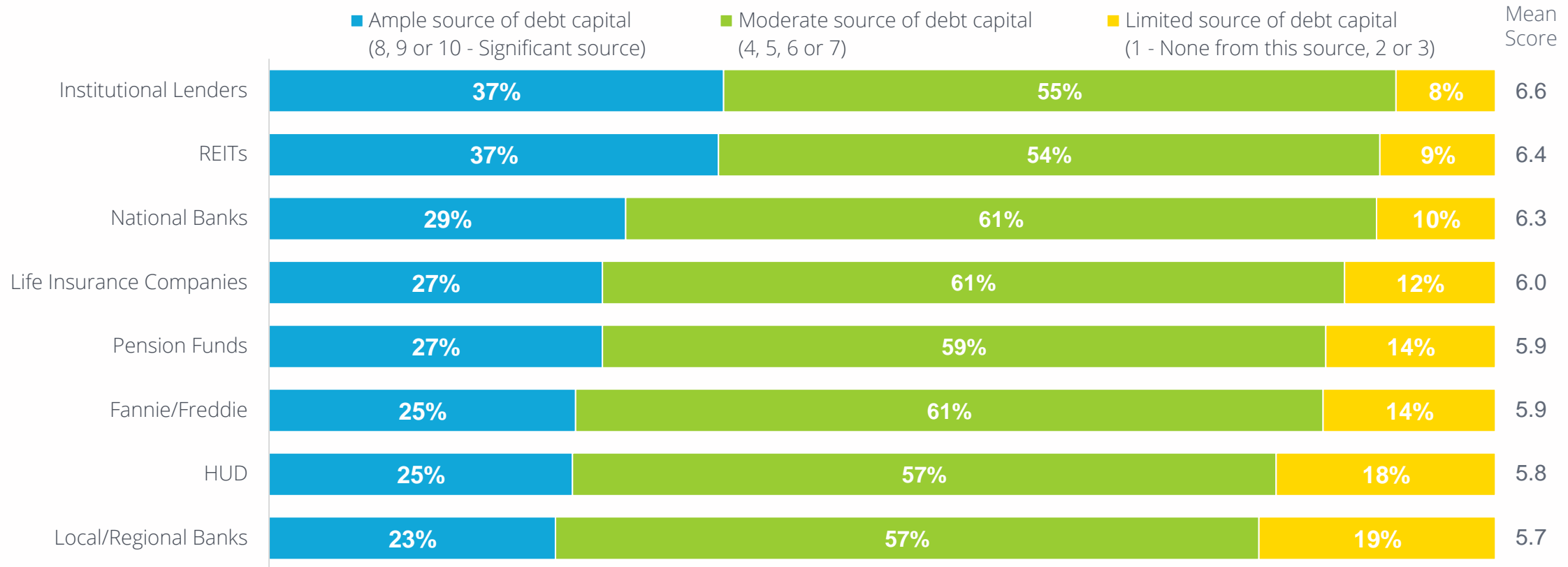


Question: What is your outlook for any change in the availability of equity capital and debt capital in the seniors housing sector over the next 12 months?

Base: All respondents (n=208).

Sources of Seniors Housing Debt Capital

Institutional lenders and REITs are considered the most significant sources of debt capital for the seniors housing sector.



Question: To what extent are each of the following a source for seniors housing debt capital?

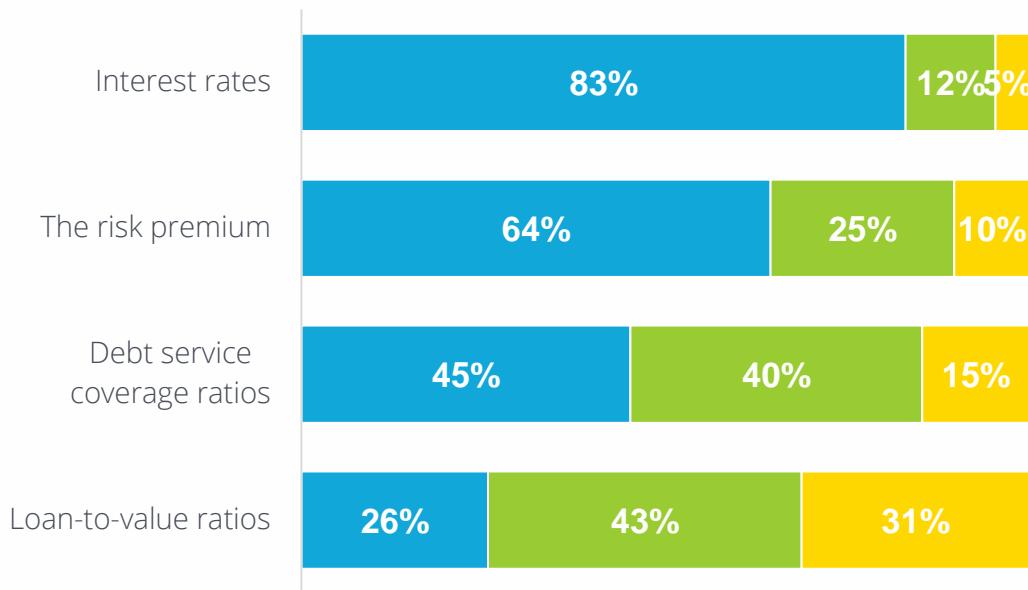
Base: All respondents (n=208).

Changes in Seniors Housing Financing, Underwriting & Transactions

In the next 12 months, 83% of respondents expect increased interest rates and 64% expect increased risk premiums. Most respondents (69%) expect underwriting standards to tighten over that same time period. Half (49%) plan to hold seniors housing sector investments.

Expectations for Changes in Senior Housing Financing - Next 12 Months

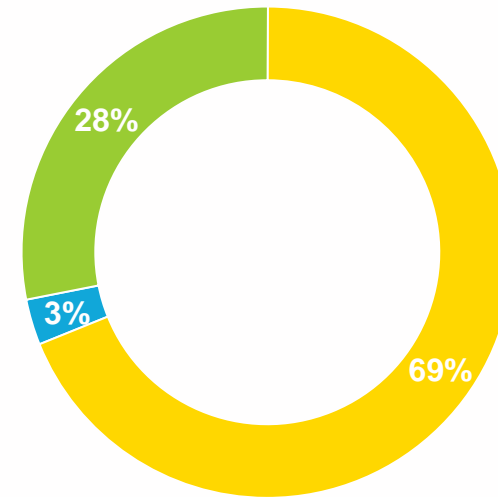
■ Increase ■ Remain the same ■ Decrease



Question: How do you expect the following aspects of financing for seniors housing to change in the next 12 months?

Base: All respondents (n=208).

Expectations for Changes in Underwriting Standards - Next 12 Months

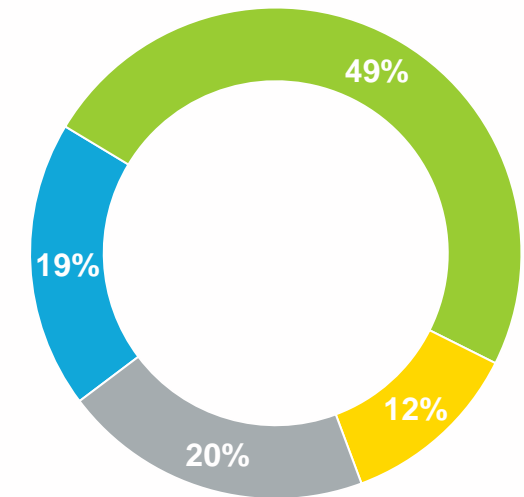


■ Loosen ■ No change ■ Tighten

Question: How do you expect underwriting standards to change over the next 12 months?

Base: All respondents (n=208).

Expectations for Seniors Housing Sector Transactions - Next 12 Months



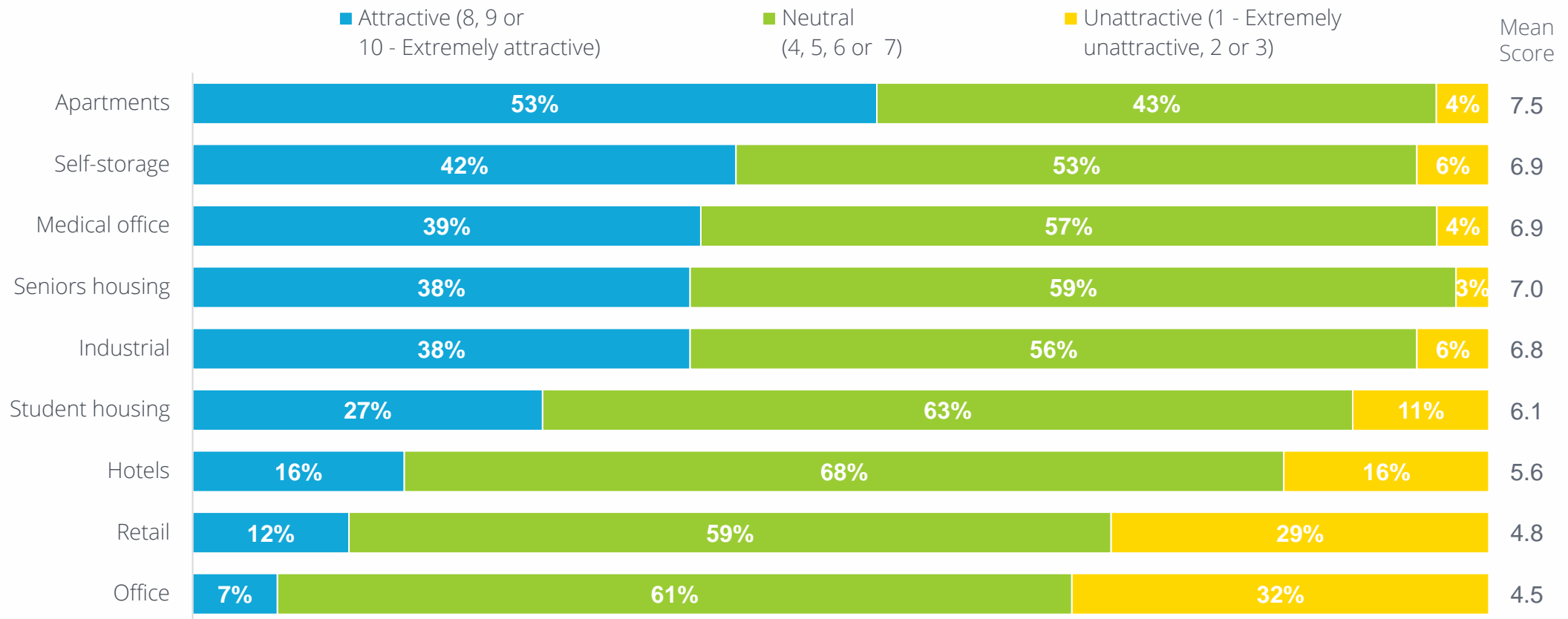
■ Buy ■ Hold ■ Sell ■ Not applicable

Question: Over the next 12 months, do you plan to buy, hold, sell investments in the seniors housing sector?

Base: All respondents (n=208).

Investment Appeal of Various Property Types

Respondents consider apartments the most attractive type of investment property, followed by self-storage, medical office, seniors housing, and industrial.

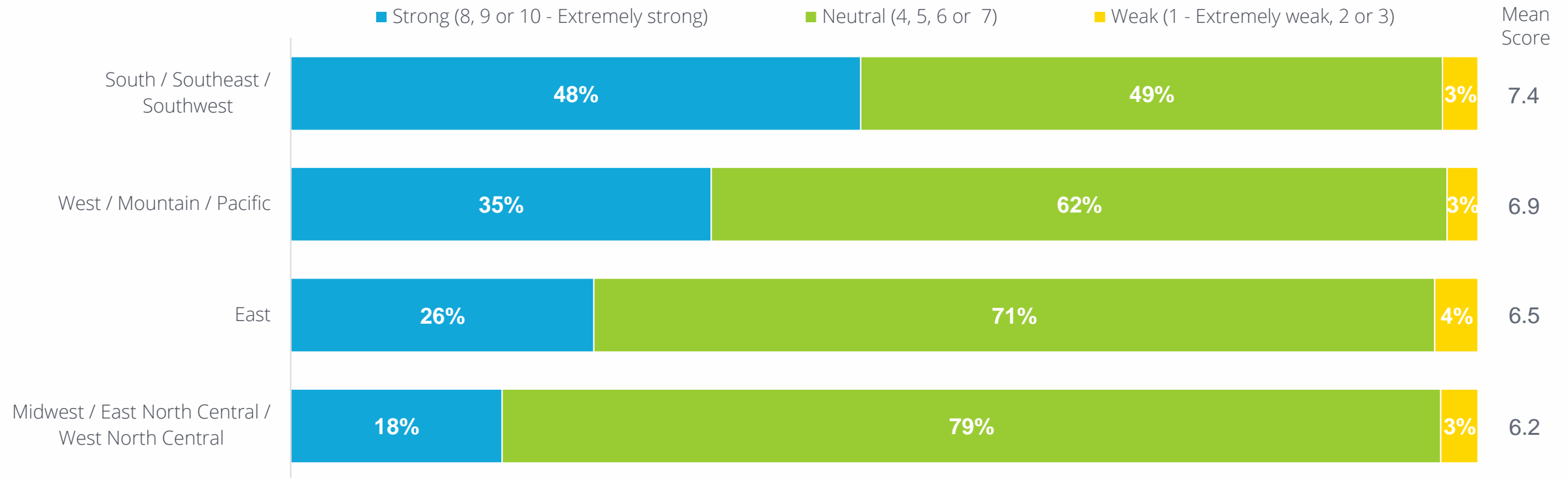


Question: How would you rate the attractiveness of investing in each of the following property types?

Base: All respondents (n=208).

Strength of Market Fundamentals for Seniors Housing by Region

Respondents rated the South/Southeast/Southwest region most positively with regard to market fundamentals for the seniors housing sector, followed by West/Mountain/Pacific.

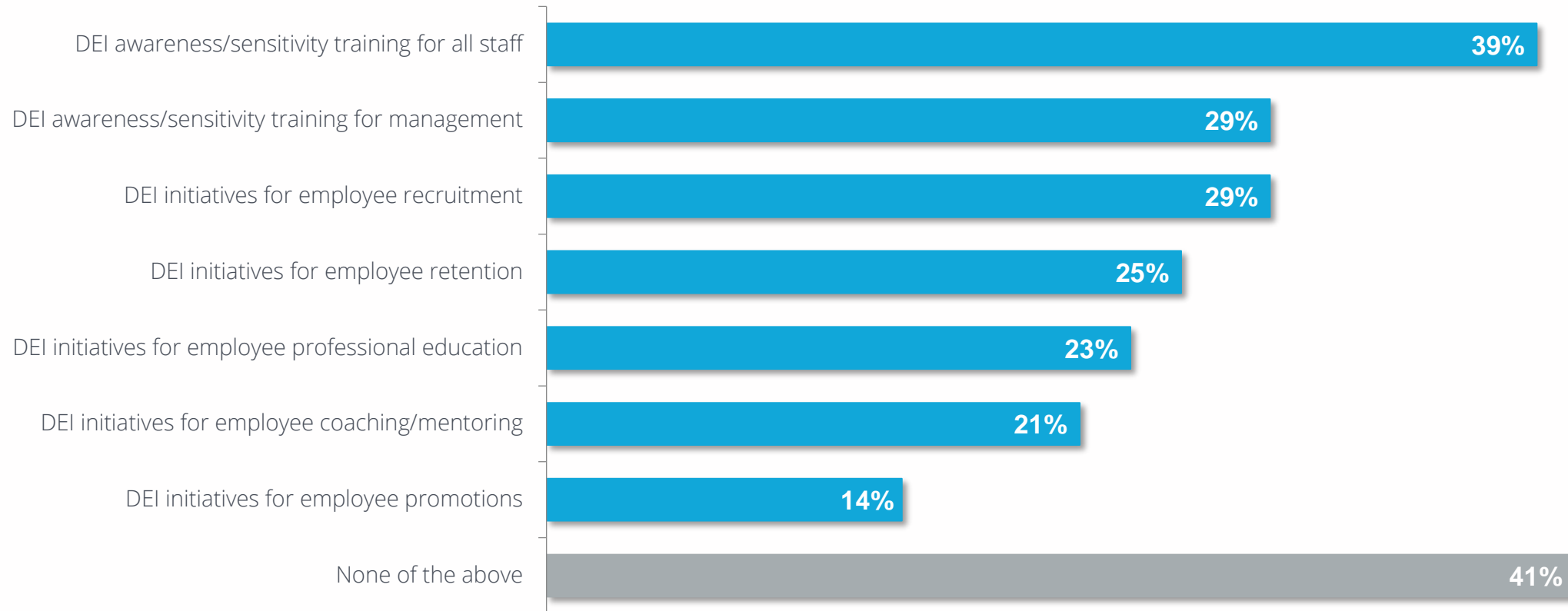


Question: How would you rate the strength of the market fundamentals in each of the following regions for the seniors housing sector?

Base: All respondents (n=208).

DEI Initiatives Currently in Place

Most respondents (59%) report their firms currently have some diversity, equity and inclusion initiatives in place, most commonly DEI awareness/sensitivity training for all staff.



Question: Please identify which diversity, equity and inclusion (DEI) initiatives that your firm has in place?

Base: All respondents (n=208); multiple answers permitted.



informa engage

Thank you!

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