

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

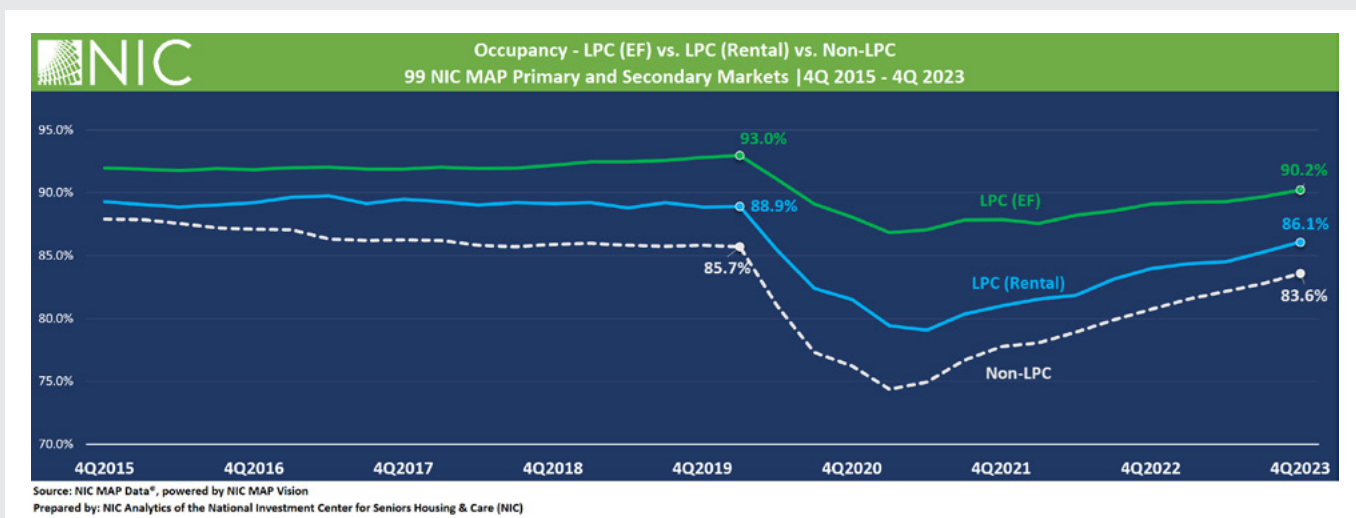
FEATURED ARTICLE

LPC PERFORMANCE: ENTRANCE FEE OCCUPANCY SURPASSES 90% IN 4Q 2023

The following analysis examines occupancy and year-over-year changes in inventory, and same-store asking rent growth—by care segment — within entrance fee LPCs and rental LPCs in the 99 combined NIC MAP Primary and Secondary Markets. The analysis also explores the recovery of regional occupancy rates by majority contract type (entrance fee LPCs vs. rental LPCs) and compares the distribution of occupancy among different community types and by contract type during the fourth quarter of 2023.

NIC MAP®, powered by NIC MAP Vision, collects primary data on occupancy, asking rents, demand, inventory, and construction for about 16,200 independent living, assisted living, memory care, skilled nursing, and life plan communities (LPCs — also referred to as continuing care retirement communities) across 140 U.S. metropolitan markets. The dataset includes more than 1,156 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets, including 1,078 in the 99 combined Primary and Secondary Markets.

The Occupancy Rate for Entrance Fee LPCs Surpassed 90% in the Fourth Quarter 2023. In the 99 NIC MAP Primary and Secondary markets, the occupancy rate for entrance fee LPCs increased to 90.2%, 4.1 percentage points (pps) higher than rental LPCs (86.1%) and 6.6pps higher than non-LPCs (83.6%).



Across all Regions, Entrance Fee LPCs Maintained Higher Occupancy Rates than Rental LPCs in the Fourth Quarter 2023. The largest differences in occupancy between entrance fee and rental were reported for the West North Central and Southeast regions, where entrance fee LPC occupancy was 4.8pps higher than rental, followed by the Mountain (4.7pps), and the Northeast (3.4pps).

Strong Occupancy Rates in Mid-Atlantic and Northeast. The Mid-Atlantic and Northeast regions had the strongest occupancy rates for both entrance fee and rental LPCs in the fourth quarter 2023. The occupancy rates within these regions with respect to contract type were well above the average occupancy rate for entrance fee LPCs (90.2%) and rental LPCs (86.1%) in the combined 99 NIC MAP Primary and Secondary Markets.

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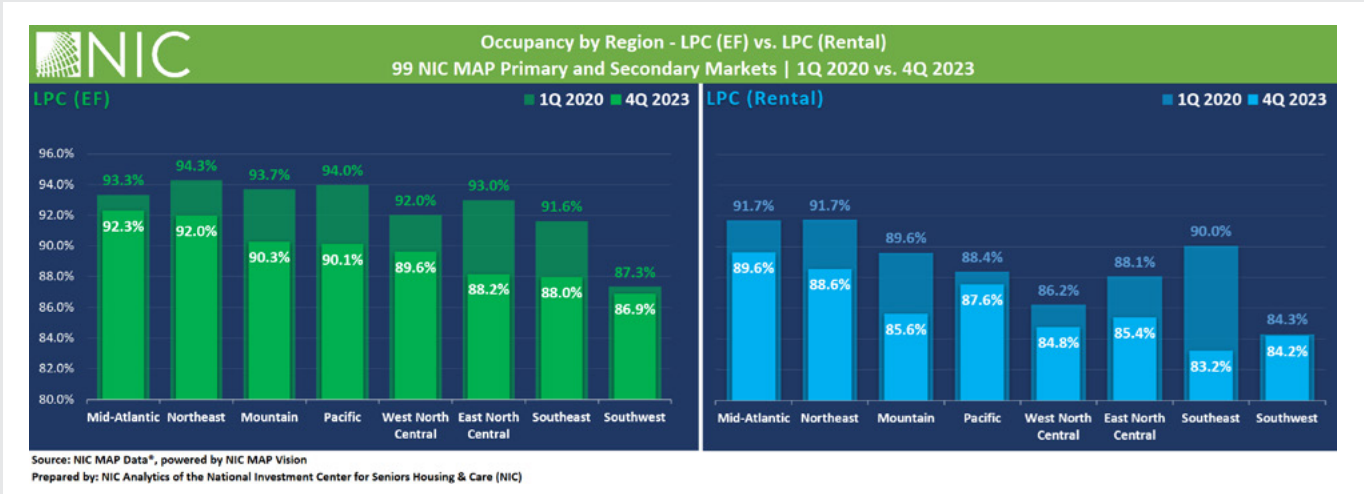
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Mid-Atlantic and Southwest Regions Closest to Recovery. For entrance fee LPCs, the Southwest and Mid-Atlantic regions are the closest to fully recovering and returning to the occupancy levels of the first quarter 2020. The Southwest region has reached 86.9% occupancy, while the Mid-Atlantic regions is at 92.3%. Both regions are within 0.4pps and 1.0pps, respectively, of reaching pre-pandemic first quarter 2020 levels. As for rental LPCs, the Southwest region (84.3%) has fully recovered and returned to the occupancy level of the first quarter 2020.

NIC Analytics recently published its first [occupancy stratification report](#), which examines the distribution of stabilized occupancy within the senior housing sector in 2023. The report shows that LPCs had the smallest share of communities with occupancy below 80% compared to other community types. Additionally, **only about 10% of entrance fee LPCs reported occupancy below 80%, less than half the share found in rental LPCs and the smallest share across NIC MAP Vision dimensions comparisons.**



4Q 2023 Market Fundamentals by Care Segment – Entrance Fee LPCs vs. Rental LPCs

Occupancy. Overall, the occupancy rate for entrance fee LPCs continued to outpace that of rental LPCs across all care segments. The difference in the fourth quarter 2023 occupancy rates between entrance fee LPCs and rental LPCs was largest for the independent living segment (3.8pps) and the assisted living segment (3.4pps), and smallest for the nursing care segment (1.0pps).

The entrance fee LPC independent living care segment had the highest occupancy (91.9%) in the fourth quarter of 2023, followed by entrance fee LPC assisted living and memory care segments (89.7% and 88.5%, respectively).

In terms of occupancy improvements from one year ago, the largest occupancy gains for both entrance fee LPCs and rental LPCs were seen across assisted living and memory care segments, while the smallest gains were seen across independent living segments (1.0pps and 1.1pps, respectively).

NIC MAP® Primary and Secondary Markets	LPC (All) Entrance Fee vs. Rental - By Care Segment							
	Independent Living Segment		Assisted Living Segment		Memory Care Segment		Nursing Care Segment (Beds)*	
	LPC (EF)	LPC (Rental)	LPC (EF)	LPC (Rental)	LPC (EF)	LPC (Rental)	LPC (EF)	LPC (Rental)
Total Units (4Q23)	151,360	50,639	28,037	22,327	8,976	6,061	43,053	49,452
Occupancy (4Q23)	91.9%	88.1%	89.7%	86.3%	88.5%	86.0%	85.0%	84.0%
LPC (EF) vs. LPC (Rental) Care Segment Occupancy Difference (percentage points)	3.8		3.4		2.5		1.0	
Average Monthly Rent - Asking Rent (4Q23)	\$4,024	\$3,518	\$7,380	\$5,832	\$9,051	\$7,433	\$436	\$383
4Q22 to 4Q23								
YoY Change in Inventory	-0.2%	-1.7%	0.2%	-1.5%	0.2%	-0.6%	-1.2%	-2.0%
YoY Change in Occupancy (percentage points)	1.0	1.1	1.4	2.7	1.3	3.7	1.3	2.6
YoY Same Store Asking Rent Growth	4.1%	4.2%	5.8%	4.1%	5.7%	3.8%	4.8%	4.2%

*YoY Change in Asking Daily Rate
Source: NIC MAP® data, powered by NIC MAP Vision
Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

Asking Rent. The monthly average asking rent for entrance fee LPCs across all care segments remained higher than rental LPCs. The highest year-over-year asking rent growth for entrance fee LPCs was noted in the assisted living and memory care segments (5.8% to \$7,380 and 5.7% to \$9,051, respectively). For rental LPCs, the largest year-over-year asking rent growth was noted in the independent living segment (4.2% to \$3,450), while the **smallest growth was seen in the memory care segment (3.8% to 7,433)**. **Interestingly, the memory care segment experienced the largest annual occupancy gain (3.7pps) across all care segments and payment types.**

Note, these figures are for asking rates and do not consider any discounting that may be occurring.

Inventory. Compared to year-earlier levels, nursing care inventory for both entrance fee and rental LPCs continued to experience the largest declines (negative 1.2% and 2.0%, respectively). On the other hand, positive year-over-year inventory growth was reported for the entrance fee LPC assisted living segments (0.2%) and memory care segments (0.2%).

Negative inventory growth can occur when units/beds are temporarily or permanently taken offline or converted to another care segment, outweighing added inventory. **Anecdotally, there is a trend of LPCs converting skilled nursing beds to assisted living or memory care units.**

Look for future [blog posts from NIC](#) to delve deep into the performance of LPCs.

Interested in learning more?

To learn more about NIC MAP Vision data, and about accessing the data featured in this article, [schedule a meeting](#) with a product expert today.

Guest Contributor:

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PRINCIPAL, RESEARCH & ANALYTICS | NIC

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF FEBRUARY 23, 2024

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Deerfield Episcopal Retirement Community (NC)	Fitch	A Stable	Review – no action	2/22/24
Presbyterian Homes Obligated Group (IL)	Fitch	A- Stable	Review – no action	2/22/24

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* IDR – Issuer Default Rating

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

INTEREST RATES/YIELDS

WEEK ENDING FEBRUARY 23, 2024

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.59%	3.59%	3.69%
Senior Living 30-Yr “A”	4.70%	4.75%	5.25%
Senior Living 30-Yr “BBB”	5.05%	5.10%	5.65%
Senior Living Unrated	6.40%	6.45%	6.60%
Senior Living New Campus	8.00%	8.00%	7.67%
SIFMA Muni Swap Index	3.24%	3.60%	3.40%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.99%	5.99%	2.40%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING


**THE UNITED METHODIST
RETIREMENT HOMES (UMRH)**
Durham, North Carolina

North Carolina Medical Care Commission,
Retirement Facilities First Mortgage Revenue Bonds,
Series 2024

\$67,180,000

February, 2024

MARKET REVIEW

MONEY MARKET RATES

	02/23	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.40	5.38
30-Day Commercial Paper (taxable)	5.32	5.33
Libor (30-day)	5.43	5.43
SOFR	5.31	5.31
7 Day Tax-Exempt VRDB	3.24	3.60
Daily Rate Average	2.63	3.18

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.71	5.21	1 Year	2.96	5.21	4.86	3.91	3.19	3.06
5 Year	4.32	5.17	5 Year	2.44	4.79	4.44	3.49	2.84	2.59
7 Year	4.34	5.49	7 Year	2.44	4.84	4.49	3.69	2.94	2.64
10 Year	4.32	5.77	10 Year	2.46	4.91	4.56	3.71	3.06	2.66
30 Year	4.45	6.35	30 Year	3.59	6.59	5.89	4.94	4.34	3.89

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.54	3.54	0.00
11 Bond Index	3.44	3.44	0.00
Revenue Bond Index	3.82	3.82	0.00
30 Year MMD	3.59	3.59	0.00
Weekly Tax-Exempt Volume (Bil)	3.82	3.73	+0.09
30 Day T/E Visible Supply (Bil)	6.82	5.35	+1.47
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	97.5	98.4	-0.90

Source: Bloomberg