

FEATURED ARTICLE

LIFE PLAN COMMUNITY OCCUPANCY UPDATE: Q2 2023

Each quarter, we feature an analysis of the national landscape for Life Plan Community (LPC) occupancy. This issue of *Z-News* provides an update on the Q2 2023 data. We once again thank the team at National Investment Center for Seniors Housing & Care (NIC) for their deep dive into this important market segment.

The following analysis examines occupancy and year-over-year changes in inventory, and same-store asking rent growth — by care segment — within LPCs and non-LPCs in the 99 combined NIC MAP Primary and Secondary Markets. The analysis also explores the distribution of occupancy rates by contract type across all care segments during the second 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 or CCRCs) across 140 U.S. metropolitan markets. The dataset includes more than 1,165 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets, including 1,087 in the 99 combined Primary and Secondary Markets.

2Q 2023 Market Fundamentals by Care Segment – LPCs vs. non-LPCs

The exhibit below illustrates the relative market performance of LPCs vs. non-LPCs by care segment in the second quarter of 2023 and includes year-over-year changes in occupancy, inventory, and asking rent growth.

Occupancy. Overall, the occupancy rate for LPCs continued to outpace that of non-LPCs across all care segments. The difference in the second quarter 2023 occupancy rates between LPCs and non-LPCs was largest for the independent living segment (6.5pps) and the assisted living segment (4.4pps), and smallest for the nursing care segment (1.4pps).

The LPC independent living segment had the highest occupancy (90.0%) in the second quarter of 2023, followed by LPC assisted living and memory care segments (86.9% and 86.4%, respectively).

In terms of occupancy improvements from one year ago, the largest occupancy gains for both LPCs and non-LPCs were seen across assisted living and memory care segments, while the smallest gains were seen across independent living segments.

Asking Rent. The monthly average asking rent for LPCs remained higher across all segments. However, non-LPCs had relatively larger rate increases from year-earlier levels across all segments except nursing care. The highest year-over-year asking rent growth for non-LPCs was seen in the assisted living and memory care segments (5.9% to \$6,006 and 5.9% to \$7,671, respectively). Similarly, asking rent for LPCs recorded the largest annual growth in the assisted living and memory care segments (5.0% to \$6,555 and 5.3% to \$8,292, respectively).

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

Inventory. From year-earlier levels, nursing care inventory for both LPCs and non-LPCs experienced the largest declines (negative 1.9% and 0.9%, respectively). The highest year-over-year inventory growth was reported for the non-LPC independent living segments (3.4%) and memory care segments (1.8%).

Negative inventory growth can occur when units/beds are temporarily or permanently taken offline or converted to another care segment, outweighing added inventory.

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NIC MAP® Primary and Secondary Markets	LPC (All) vs. Non-LPC - By Care Segment							
	Independent Living Segment		Assisted Living Segment		Memory Care Segment		Nursing Care Segment (Beds)*	
	LPC (All)	Non-LPC	LPC (All)	Non-LPC	LPC (All)	Non-LPC	LPC (All)	Non-LPC
Total Units (2Q23)	202,697	247,052	50,248	398,949	14,926	145,362	93,731	765,274
Occupancy (2Q23)	90.0%	83.5%	86.9%	82.5%	86.4%	82.6%	83.1%	81.7%
LPC (All) vs. Non-LPC Care Segment Occupancy Difference (percentage points)	6.5		4.4		3.8		1.4	
Average Monthly Rent - Asking Rent (2Q23)	\$3,828	\$3,789	\$6,555	\$6,006	\$8,292	\$7,671	\$402	\$367
2Q22 to 2Q23								
YoY Change in Inventory	-0.2%	3.4%	-0.2%	0.8%	-0.4%	1.8%	-1.9%	-0.9%
YoY Change in Occupancy (percentage points)	1.1	2.4	2.2	3.6	2.5	4.0	2.6	3.3
YoY Same Store Asking Rent Growth	4.3%	5.8%	5.0%	5.9%	5.3%	5.9%	4.3%	2.9%

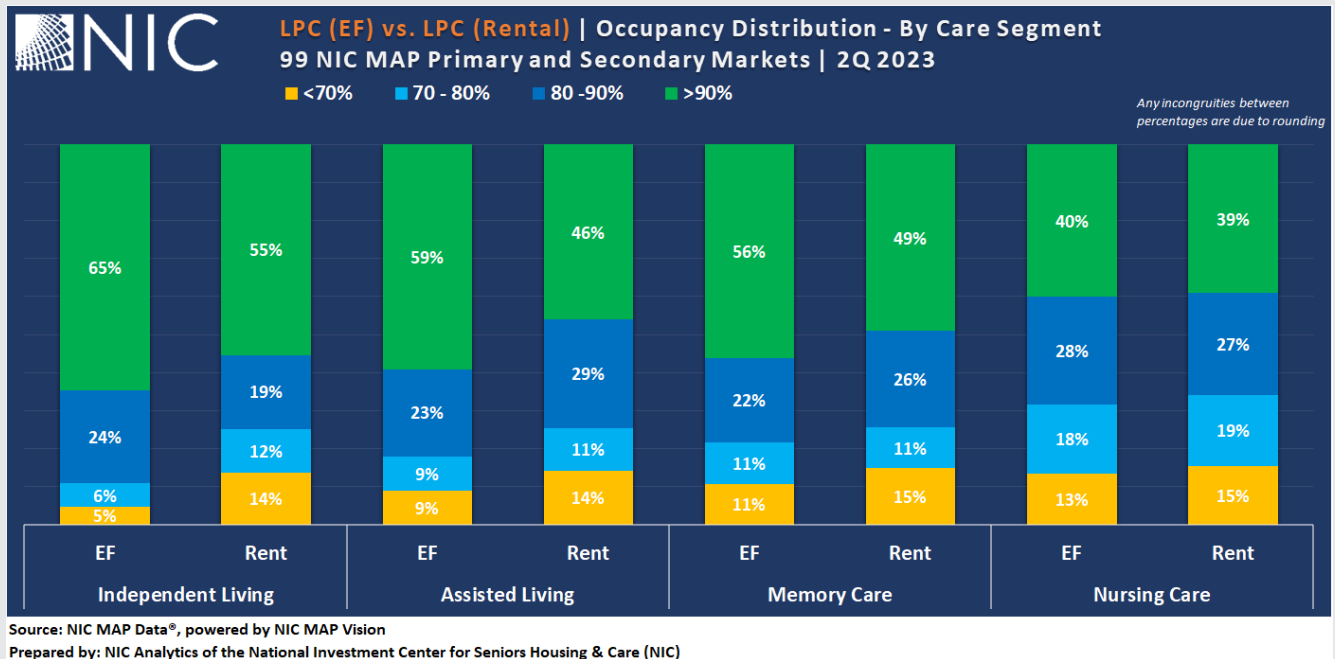
*YoY Change in Asking Daily Rate
Source: NIC MAP® data, powered by NIC MAP Vision
Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

2Q 2023 Occupancy Distribution by Care Segment – Entrance Fee LPCs vs. Rental LPCs

The exhibit below explores the **distribution of occupancy rates** across entrance fee and rental LPC care segments and shows a greater prevalence of entrance fee and rental LPC care segments within the higher occupancy rate ranges.

Entrance Fee LPCs. The combination of the 80-90% occupancy range and >90% occupancy range shows that 89% of entrance fee independent living segments reported an occupancy rate above 80% in the second quarter of 2023. This represents the largest share across all care segments and payment types. Assisted living follows closely at 82%, while memory care stands at 78%, and nursing care stands at 68% of communities who have occupancy at 80% or higher.

Rental LPCs. Approximately 74% of independent living segments reported an occupancy rate above 80%, followed by assisted living and memory care segments both at 75%, and nursing care segments at 66%.



In conclusion, as the senior housing occupancy recovery continues and shows encouraging trends, it's important to recognize that even high-end properties, with their premium amenities and enhanced living standards, are not immune to the sensitivities of their residents regarding rate increases. Even residents who can theoretically afford these rate hikes may become resistant after a certain limit. It is also important to understand what both current and prospective senior housing residents are prepared to pay, and the potential impact of rate increases on the pace of move-ins and move-outs.

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

Are you 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.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF AUGUST 28, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Presbyterian Villages of Michigan (MI)	Fitch	BB Stable	Affirmed Rating Affirmed IDR*	8/23/23
Carmel Manor (The Carmelite System Obligated Group) (NY)	Fitch	BBB+ Stable	Affirmed Rating Affirmed IDR*	8/24/23
Odd Fellows Home (CA)	Fitch	NR	Withdrew IDR*	8/25/23
Saint John's Communities (WI)	Fitch	BBB Stable	Updated Rating Updated IDR*	8/25/23

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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 AUGUST 25, 2023


	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.91%	3.82%	3.52%
Senior Living 30-Yr "A"	5.50%	5.41%	5.13%
Senior Living 30-Yr "BBB"	5.95%	5.86%	5.53%
Senior Living Unrated	6.75%	6.66%	6.32%
Senior Living New Campus	7.60%	7.81%	7.29%
SIFMA Muni Swap Index	4.47%	3.30%	2.83%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	6.12%	6.13%	2.23%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING



EMERALD HEIGHTS™
REDMOND
A MEMBER OF EMERALD COMMUNITIES

Emerald Heights
Redmond, Washington

Washington State Housing Finance Commission,
Nonprofit Housing Revenue and Refunding
Revenue Bonds
Series 2023

\$118,330,000
August, 2023

MARKET REVIEW

MONEY MARKET RATES

	08/25	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.32	5.32
90 Day T-Bills	5.46	5.44
30-Day Commercial Paper (taxable)	5.28	5.28
Libor (30-day)	5.43	5.42
SOFR	5.30	5.30
7 Day Tax-Exempt VRDB	4.47	3.30
Daily Rate Average	4.76	3.78

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	5.02	5.02	1 Year	3.27	5.52	5.17	4.47	3.57	3.37
5 Year	4.41	5.76	5 Year	2.93	5.28	4.93	4.28	3.43	3.08
7 Year	4.35	5.85	7 Year	2.90	5.35	5.00	4.40	3.55	3.10
10 Year	4.23	6.03	10 Year	2.95	5.65	5.15	4.70	3.70	3.20
30 Year	4.30	6.65	30 Year	3.91	6.91	6.41	5.86	4.91	4.36

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.84	3.75	+0.09
11 Bond Index	3.74	3.65	+0.09
Revenue Bond Index	4.12	4.03	+0.09
30 Year MMD	3.91	3.82	+0.09
Weekly Tax-Exempt Volume (Bil)	5.89	4.64	+1.25
30 Day T/E Visible Supply (Bil)	3.94	7.41	-3.47
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	114.1	107.7	+6.40

Source: Bloomberg