

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

LIFE PLAN COMMUNITY OCCUPANCY UPDATE: Q3 2023

In previous issues of **Z-News**, we have featured a deeper dive into Life Plan Community (LPC) occupancy in partnership with National Investment Center for Seniors Housing & Care (NIC). This issue features an analysis of the Q3 2023 data for LPCs/CCRCs.

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 units in LPCs and non-LPCs by year of opening as well as regional occupancy rates by profit status (not-for-profit LPCs vs. for-profit LPCs) and payment type (entrance fee LPCs vs. rental LPCs) during the third 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 1,164 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets, including 1,086 in the 99 combined Primary and Secondary Markets.

3Q 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 third 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 third quarter 2023 occupancy rates between LPCs and non-LPCs was largest for the independent living segment (6.3pps) 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 (90.5%) in the third quarter of 2023, followed by LPC assisted living and memory care segments (87.5% and 86.5%, respectively).

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

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 (3Q23)	202,714	248,365	50,187	401,241	14,982	146,601	93,546	763,790
Occupancy (3Q23)	90.5%	84.2%	87.5%	83.1%	86.5%	83.4%	83.6%	82.2%
CCRC (All) vs. Non-CCRC Care Segment Occupancy Difference (percentage points)	6.3		4.4		3.1		1.4	
Average Monthly Rent - Asking Rent (3Q23)	\$3,862	\$3,820	\$6,633	\$6,083	\$8,341	\$7,738	\$406	\$370
3Q22 to 3Q23								
YoY Change in Inventory	0.2%	3.4%	-0.8%	1.0%	0.0%	2.0%	-1.7%	-1.1%
YoY Change in Occupancy (percentage points)	1.1	2.0	1.6	3.0	1.8	3.5	2.4	3.2
YoY Same Store Asking Rent Growth	4.2%	5.3%	5.3%	5.7%	5.8%	5.6%	4.6%	3.1%

*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)

ZIEGLER

One North Wacker Drive | Suite 2000
Chicago, IL 60606

B.C. Ziegler and Company | Member SIPC & FINRA

CONTACT US

800 366 8899
askziegler@ziegler.com



CAPITAL :: INVESTMENTS :: ADVICE

Asking Rent. The monthly average asking rent (aka “monthly fees”) for LPCs remained higher across all segments compared with non-LPCS. Asking rent for LPCs recorded the largest annual growth in the assisted living and memory care segments (5.3% to \$6,633 and 5.8% to \$8,341, respectively). Similarly, the highest year-over-year asking rent growth for non-LPCs was seen in the assisted living and memory care segments (5.7% to \$6,083 and 5.6% to \$7,738, 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 1.7% and 1.1%, respectively). The highest year-over-year inventory growth was reported for the non-LPC independent living segments (3.4%) and memory care segments (2.0%).

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

By Region — Not-for-Profit and Entrance Fee LPCs Outperform For-Profit and Rental LPCs Across All Regions

Regional Occupancy Rates – By Profit Status

Among the 1,086 CCRCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP Vision, approximately 70% are operated as not-for-profit, and 30% are operated as for-profit.

The exhibit below shows that in the third quarter of 2023, not-for-profit LPCs had higher occupancy rates than for-profit LPCs across all regions except in the Pacific. The largest differences in third quarter occupancy between not-for-profit LPCs and for-profit LPCs were in the Mid-Atlantic (5.4pps), followed by the Northeast (4.9pps), then the Southwest and West North Central (4.0pps).

For Not-For-Profit LPCs. The Mid-Atlantic (92.2%), Northeast (91.5%), and Pacific (89.1%) regions had the strongest occupancy rates in the third quarter of 2023. The Southwest region had the lowest occupancy at 86.1%.

For-Profit LPCs. The Pacific (90.9%), Mountain (86.9%), and Mid-Atlantic (86.8%) regions had the strongest occupancy rates in the third quarter of 2023. The Southwest region had the lowest occupancy at 82.1%.

NIC Data Analysis Connections NIC MAP® Primary and Secondary Markets		3Q 2023 Occupancy by Region - LPC (ALL) Entrance Fee vs. Rental For-Profit vs. Not-For-Profit					
Region	LPC (All)	LPC (Not-For-Profit)	LPC (For-Profit)	LPC (Not-For-Profit) vs. LPC (For-Profit) (Difference in percentage points)	LPC (Entrance Fee)	LPC (Rental)	LPC (EF) vs. LPC (Rental) (Difference in percentage points)
East North Central	86.0%	86.5%	84.6%	1.9	87.4%	84.1%	3.3
Mid-Atlantic	91.1%	92.2%	86.8%	5.4	91.9%	88.7%	3.2
Mountain	87.3%	87.6%	86.9%	0.7	89.5%	84.6%	4.9
Northeast	90.6%	91.5%	86.6%	4.9	91.4%	88.5%	2.9
Pacific	89.6%	89.1%	90.9%	-1.8	90.6%	87.4%	3.2
Southeast	85.6%	86.5%	83.7%	2.8	87.4%	82.6%	4.8
Southwest	85.0%	86.1%	82.1%	4.0	86.0%	83.8%	2.2
West North Central	86.1%	87.1%	83.1%	4.0	89.2%	83.8%	5.4
Totals	88.1%	89.0%	85.6%	3.4	89.7%	85.3%	4.4

Source: NIC MAP® data, powered by NIC MAP Vision
Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

Regional Occupancy Rates – By Payment Type

Among the 1,086 CCRCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP Vision, 53% are operated as entrance fee, and 47% are operated as rentals.

In the third quarter of 2023, entrance fee LPCs had higher occupancy rates than rental LPCs across all regions. The most significant difference between entrance fee and rental occupancy was reported for the West North Central region, where entrance fee LPC occupancy was 5.4pps higher than rental, followed by the Mountain (4.9pps), and the Southeast (4.8pps).

Entrance Fee LPCs. The Mid-Atlantic, Northeast, and Pacific regions had the strongest entrance fee LPC occupancy rates — all above 90%. The lowest entrance fee LPC occupancy was in the Southwest region at 86.0%.

Rental LPCs. The Mid-Atlantic, Northeast, and Pacific regions had the highest occupancy rates, ranging from 87.4% to 88.7%, whereas the Southeast region had the lowest occupancy rate of 82.6%.

Readers can follow ongoing updates via [blog posts from NIC](#) to delve deep into the performance of LPCs.

Guest Contributor:

OMAR ZAHRAOUI

PRINCIPAL, RESEARCH & ANALYTICS | NIC

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF NOVEMBER 27, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Bishop Gadsden Episcopal Retirement Community (SC)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	11/21/23

Copyright © 2023 by Fitch Ratings, Inc., Fitch Ratings LTD. and its subsidiaries

* 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 NOVEMBER 24, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	4.00%	4.09%	3.65%
Senior Living 30-Yr “A”	5.51%	5.60%	5.25%
Senior Living 30-Yr “BBB”	6.01%	6.10%	5.68%
Senior Living Unrated	6.91%	7.00%	6.50%
Senior Living New Campus	7.91%	8.00%	7.49%
SIFMA Muni Swap Index	3.60%	3.81%	3.25%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	6.12%	6.13%	2.11%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	11/24	Last week
Prime Rate	8.50	8.50
Federal Funds (weekly average)	5.31	5.31
90 Day T-Bills	5.42	5.40
30-Day Commercial Paper (taxable)	5.33	5.33
Libor (30-day)	5.46	5.44
SOFR	5.32	5.32
7 Day Tax-Exempt VRDB	3.60	3.81
Daily Rate Average	3.21	3.40

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.90	5.40	1 Year	3.21	5.46	5.11	4.26	3.51	3.31
5 Year	4.43	5.23	5 Year	2.87	5.22	4.87	4.07	3.37	3.02
7 Year	4.45	5.65	7 Year	2.91	5.36	5.01	4.21	3.46	3.11
10 Year	4.40	6.00	10 Year	2.94	5.59	5.14	4.34	3.59	3.19
30 Year	4.53	6.58	30 Year	4.00	6.90	6.40	5.65	4.90	4.45

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.74	3.83	-0.09
11 Bond Index	3.64	3.73	-0.09
Revenue Bond Index	4.02	4.11	-0.09
30 Year MMD	4.00	4.09	-0.09
Weekly Tax-Exempt Volume (Bil)	5.43	2.04	+3.39
30 Day T/E Visible Supply (Bil)	8.82	2.25	+6.57
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	108.1	108.2	-0.10

Source: Bloomberg