ZIEGLER INVESTMENT BANKING
SENIOR LIVING FINANCE Z-NEWS
Page 1 | Week of March 20, 2023

FEATURED ARTICLE

LIFE PLAN COMMUNITY OCCUPANCY

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 Q4 2022 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 not-for-profit LPCs and for-profit LPCs in the 99 combined NIC MAP Primary and Secondary Markets. The analysis also explores occupancy by payment type (entrance fee LPCs vs. rental LPCs), as well as regional occupancy rates by profit status (not-for-profit LPCs vs. for-profit LPCs) during the fourth quarter of 2022.

NIC MAP®, powered by NIC MAP Vision, collects primary data on occupancy, asking rents, demand, inventory, and construction for more than 16,000 independent living, assisted living, memory care, skilled nursing, and life plan communities (LPCs) across 140 U.S. metropolitan markets. The dataset includes 1,160 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets, including 1,084 in the 99 combined Primary and Secondary Markets.

LPCs Outperform Non-LPCs in Occupancy Rates, Maintaining Consistently High Levels

The exhibit on page 2 shows that LPC occupancy increased to 87.2% in the fourth quarter of 2022 for the 99 NIC MAP Primary and Secondary Markets aggregate, up 0.6 percentage points (pps) from the prior quarter. From its pandemic-record low, LPC occupancy increased by 3.1pps but remained 4.3pps below its pre-pandemic level of 91.5% in the first quarter of 2020.

In comparison to LPCs, occupancy for non-LPCs stood at 80.9% in the fourth quarter of 2022, 6.3pps below that of LPCs. Notably, during the height of the pandemic, non-LPCs experienced a larger decline in occupancy rates. Specifically, the decline in occupancy rates for non-LPCs (11.3pps) was nearly 4.0pps more than that of LPCs (7.4pps).

The recently released COVID-19 study conducted by NORC at the University of Chicago, through a grant from NIC, found that LPC residents were significantly safer from dying of COVID-19 than older adults living in skilled nursing properties and both non-LPCs and non-congregate residential housing in the community at large.

By Profit Status — Occupancy for Not-For-Profit LPCs Continued to Outpace That of For-Profit LPCs

Among the 1,084 LPCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP Vision, approximately 75% are operated as not-for-profit, and 25% are operated as for-profit.

In the fourth quarter of 2022, not-for-profit LPC occupancy (88.2%) was 3.9pps higher than for-profit LPCs (84.3%). Compared with the first quarter of 2020, not-for-profit LPCs were 4.4pps lower, while for-profit LPCs remained 4.1pps below pre-pandemic occupancy levels.

Notably, for-profit LPCs are recovering relatively quickly from their pandemic record low but experienced the largest occupancy drop at the peak of the pandemic. On the other hand, not-for-profit LPCs had relatively smaller occupancy declines and maintained higher occupancy rates.

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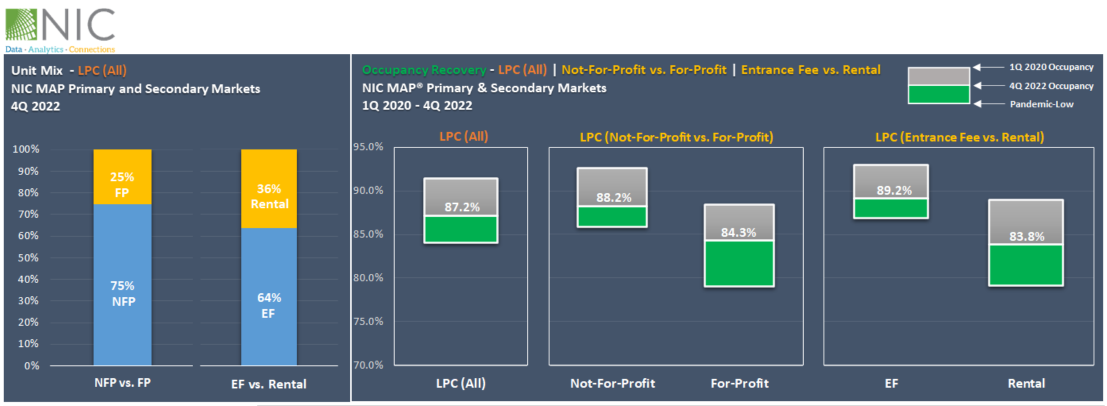
By Payment Type — Occupancy for Entrance Fee LPCs Continued to Outpace That of Rental LPCs

Among the 1,084 LPCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP Vision, 64% are operated as entrance fee, and 36% are operated as rentals.

In the fourth quarter 2022, entrance fee LPC occupancy (89.2%) was 5.4 percentage points higher than rental LPCs (83.8%). Rental LPCs are currently 5.2 percentage points below their pre-pandemic occupancy levels, while entrance fee LPCs are 3.8 percentage points lower. Similar to the pattern based on profit status, rental LPCs saw steeper drops in occupancy rates, but are rebounding more quickly — compared with entrance fee LPCs.

A consistent pattern emerges from all these comparisons — LPCs vs. non-LPCs, not-for-profit LPCs vs. for-profit LPCs, and entrance fee LPCs vs. rental LPCs — properties where demand and occupancy contracted more severely during the height of the pandemic are rebounding more quickly. Interestingly, one of the findings from recently released research by NIC Analytics, exploring the interplay between inflation, in-place rate growth, demand, and occupancy in senior housing, was that the lowest occupied properties/segments were able to generate new demand and grow occupancy faster, but this occurred largely because of lower in-place rates and minimal or even negative rate growth. The fact that these properties/segments had minimal/negative rate growth also suggests that their demand and occupancy may have contracted more severely during the height of the pandemic, and to accelerate the recovery of occupancy, one potential option was likely to lower rates in an attempt to buy occupancy.



NIC MAP® Primary and Secondary Markets	4Q2022 Occupancy	Change From Prior Quarter (3Q 2022) *percentage points*	Change From Pandemic-Low *percentage points*	Change From Pre-pandemic (1Q 2020) *percentage points*
LPC (All)	**87.2%**	**0.6**	**3.1**	**-4.3**
LPC (Not-For-Profit)	88.2%	0.4	2.3	-4.4
LPC (For-Profit)	84.3%	1.1	5.3	-4.1
LPC (EF)	89.2%	0.6	2.3	-3.8
LPC (Rental)	83.8%	0.5	4.7	-5.2
Non-LPC	80.9%	0.9	6.5	4.8

Life plan communities (LPCs): Age-restricted properties that offer at least independent living and nursing care, and may include a full continuum of care including assisted living, memory care, and other supportive services to residents all on one campus. LPC (All) is the aggregate of entrance fee (EF) and rental properties, or the aggregate of for-profit (FP) and not-for-profit (NFP) properties.
Source: NIC MAP® Data, powered by NIC MAP Vision
Prepared by: NIC Analytics, National Investment Center for Seniors Housing & Care (NIC)

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

Regional Occupancy Rates – By Profit Status

The exhibit on page 3 shows that in the fourth quarter of 2022, not-for-profit LPCs had higher occupancy rates than for-profit LPCs across all regions except in the Pacific. The largest differences in fourth quarter occupancy between not-for-profit LPCs and for-profit LPCs were in the Southwest (6.4pps), followed by the West North Central (5.8pps), then the Mid-Atlantic and Northeast (4.8pps and 4.7pps, respectively).

- **Not-For-Profit LPCs**. The Mid-Atlantic (91.1%), Northeast (90.6%), and Pacific (88.2%) regions had the strongest occupancy rates in the fourth quarter of 2022. The Southeast region had the lowest occupancy at 85.3%.

- **For-Profit LPCs**. The Pacific (90.8%), Mid-Atlantic (86.3%), and Northeast (85.9%) regions had the strongest occupancy rates in the fourth quarter of 2022. The Southwest and West North Central regions had the lowest occupancy at 80.2%.

Regional Occupancy Rates – By Payment Type

In the fourth quarter of 2022, 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 Southeast region, where entrance fee LPC occupancy was 7.6pps higher than rental, followed by the West North Central (6.2pps), and the Mountain (5.3pps).

- **Entrance Fee LPCs**. The Northeast, Pacific, and Mid-Atlantic regions had the strongest entrance fee LPC occupancy rates — all above 90%. The smallest LPC occupancy was in the Southwest region at 86.1%.
- **Rental LPCs**. The Mid-Atlantic, Northeast, and Pacific regions had the highest occupancy rates, ranging from 86.1% to 87.8%, whereas the Southeast region had the lowest occupancy rate of 79.8%, the only region with an average occupancy rate below 80%.

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4Q 2022 Occupancy by Region - LPC (ALL) | Entrance Fee vs. Rental | For-Profit vs. Not-For-Profit

NIC MAP® Primary and Secondary Markets Region	LPC (All)	LPC (Not-For-Profit)	LPC (For-Profit)	LPC (Not-For-Profit) vs. LPC (For-Profit) *(Difference in percentage points)*	LPC (Entance Fee)	LPC (Rental)	LPC (EF) vs. LPC (Rental) *(Difference in percentage points)*
Mid-Atlantic	90.1%	91.1%	86.3%	4.8	90.8%	87.8%	3.0
Northeast	89.8%	90.6%	85.9%	4.7	91.0%	86.7%	4.3
Pacific	88.9%	88.2%	90.8%	-2.6	90.2%	86.1%	4.1
Mountain	85.7%	86.7%	84.5%	2.2	88.2%	82.9%	5.3
East North Central	85.3%	86.1%	82.9%	3.2	86.9%	83.1%	3.8
Southwest	84.9%	86.6%	80.2%	6.4	86.1%	83.3%	2.8
West North Central	84.7%	86.1%	80.2%	5.9	88.2%	82.0%	6.2
Southeast	84.5%	85.3%	82.8%	2.5	87.4%	79.8%	7.6
Totals	87.2%	88.2%	84.3%	3.9	89.2%	83.8%	5.4

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

4Q 2022 Not-For-Profit vs. For-Profit LPCs — Market Fundamentals by Care Segment

The exhibit on page 4 illustrates the relative market performance of not-for-profit LPCs compared with for-profit LPCs by care segment in the fourth quarter of 2022 and includes year-over-year changes in occupancy, inventory, and asking rent growth.

Occupancy. Overall, the occupancy rate for not-for-profit LPCs continued to outpace that of for-profit LPCs across all care segments. The difference in fourth quarter occupancy rates between not-for-profit LPCs and for profit LPCs was largest for the assisted living segment (4.5pps), and smallest for the nursing care segment (1.7pps).

The not-for-profit LPC independent living care segment had the highest occupancy (90.8%) in the fourth quarter of 2022, followed by not-for-profit LPC assisted living and memory care segments (87.5% and 86.5%, respectively). Although in terms of occupancy improvements from one year ago, the independent living segment had the smallest gain across all care segments for both not-for-profit LPCs and for-profit LPCs. The largest occupancy gains from one year ago were seen across all care segments within for-profit LPCs.

Asking Rent. The monthly average asking rent for not-for-profit LPCs across all care segments remained higher than for-profit LPCs except in the independent living care segment. The highest year-over-year asking rent growth for both not-for-profit LPCs and for-profit LPCs was noted in the independent living segment (4.2% and 4.5%, respectively).

Note, these figures are for asking rates and do not consider any discounting that may be occurring. To learn more about actual in-place rates, i.e., the effective rates or the rates that are "actually being paid" to live in senior housing. Visit nic.org

Inventory. From year-earlier levels, inventory across for-profit LPCs decreased (or shifted) across all care segments, while not-for-profit LPCs saw increased/relatively stable inventory in all but nursing care. Nursing care inventory for both for-profit and not-for-profit LPCs experienced the largest declines from year-earlier levels (negative 5.2% and 2.6%, respectively). The highest year-over-year inventory growth was reported for the not-for-profit LPC memory care segments and independent living segments (1.4% and 0.4%, respectively).

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) | Not-For-Profit vs. For Profit							
	Independent Living Segment		Assisted Living Segment		Memory Care Segment		Nursing Care Segment (Beds)*	
	Not-For-Profit	For-Profit	Not-For-Profit	For-Profit	Not-For-Profit	For-Profit	Not-For-Profit	For-Profit
Total Units (4Q 2022)	156,302	47,110	36,725	13,726	10,873	4,137	67,849	26,376
Occupancy (4Q 2022)	90.8%	86.5%	87.5%	83.0%	86.5%	83.3%	82.9%	81.2%
LPC (All) | Not-For-Profit vs. For-Profit Care Segment Occupancy Difference (percentage points)	4.3		4.5		3.2		1.7	
Average Monthly Rent - Asking Rent (4Q 2022)	$3,618	$4,042	$6,436	$5,964	$8,064	$7,648	$401	$363
4Q21 to 4Q22								
YoY Change in Inventory	0.4%	-1.8%	-0.6%	-1.8%	1.4%	-2.6%	-2.6%	-5.2%
YoY Change in Occupancy (percentage points)	0.5	2.5	2.5	3.1	1.7	3.6	2.5	4.0
YoY Same Store Asking Rent Growth	4.2%	4.5%	3.2%	2.5%	2.9%	3.2%	3.3%	2.7%

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

In conclusion, the senior housing industry can benefit from the occupancy success lessons of LPCs. Collaboration and shared knowledge can be the key to achieving this goal. By learning from each other's best practices, the industry can better serve its residents and prepare for any future challenges that may arise.

Readers can follow ongoing updates via blog posts from NIC to delve deep into the performance of LPCs.

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MARCH 20, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Carol Woods Retirement Community (NC)	S&P	A+ Stable	Affirmed ICR*	3/16/23
Emerald Heights (WA)	Fitch	A- Stable	Affirmed Rating Affirmed IDR**	3/20/23

** ICR – Issuer Credit Rating*
*** IDR – Issuer Default Rating*
Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

FEATURED FINANCING

BPH
Brazos Presbyterian Homes

BRAZOS PRESBYTERIAN HOMES, INC.
Houston, Texas

Bank Placement
New Money / Refunding

$76,000,000

March, 2023

INTEREST RATES/YIELDS

WEEK ENDING MARCH 17, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.42%	3.58%	3.31%
Senior Living 30-Yr "A"	5.00%	5.18%	4.84%
Senior Living 30-Yr "BBB"	5.40%	5.58%	5.23%
Senior Living Unrated	6.29%	6.43%	5.97%
Senior Living New Campus	7.30%	7.48%	6.85%
SIFMA Muni Swap Index	2.62%	2.21%	1.77%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index†	5.69%	5.71%	2.29%

† Ziegler Senior Living Municipal Long Bond Index
Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	03/17	Last week
Prime Rate	7.75	7.75
Federal Funds (weekly average)	4.56	4.56
90 Day T-Bills	4.54	4.78
30-Day Commercial Paper (taxable)	4.83	4.73
Libor (30-day)	4.76	4.80
SOFR	4.57	4.55
7 Day Tax-Exempt VRDB	2.62	2.21
Daily Rate Average	3.05	1.65

COMPARATIVE YIELDS

TAXABLE REVENUE		
	GOVT	A
2 Year	4.16	5.16
5 Year	3.73	4.98
7 Year	3.69	5.09
10 Year	3.58	5.28
30 Year	3.70	6.00

	MMD	NR*	BB	BBB	A	AAA
1 Year	2.56	4.76	4.31	3.71	3.01	2.66
5 Year	2.35	4.65	4.20	3.60	2.95	2.50
7 Year	2.34	4.74	4.39	3.79	3.04	2.54
10 Year	2.38	4.88	4.58	4.03	3.18	2.63
30 Year	3.42	6.17	5.82	5.27	4.42	3.87

(Representative of institutional sales)*

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.57	3.73	-0.16
11 Bond Index	3.47	3.63	-0.16
Revenue Bond Index	3.85	4.01	-0.16
30 Year MMD	3.42	3.58	-0.16
Weekly Tax-Exempt Volume (Bil)	4.96	9.05	-4.09
30 Day T/E Visible Supply (Bil)	5.37	6.19	-0.82
30 year “A” Rated Hospitals as a % of 30 Year Treasuries	119.4	115.0	+4.40

Source: Bloomberg