

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

LIFE PLAN COMMUNITY CARE SEGMENT PERFORMANCE OUTSHINES NON-LIFE PLAN COMMUNITIES

GUEST COLUMN

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As a leading data provider for the seniors housing and care industry, the NIC MAP Data Service® tracks occupancy, asking rents, demand, inventory and construction data for independent living, assisted living, memory care, skilled nursing and life plan communities (LPCs), also referred to as continuing care retirement communities (CCRCs), for more than 15,000 properties across 140 metropolitan areas. NIC MAP® currently tracks 1,196 nonprofit and for-profit entrance fee and rental life plan communities in these 140 combined markets (1,125 in the 99 combined Primary and Secondary Markets).

Life plan communities (LPCs) offer multiple care segments (at a minimum independent living and nursing care) typically by a single provider on one campus. This analysis breaks the care segment types apart from the LPC community type that NIC includes under the main category of Seniors Housing. Care segment type refers to each part or section of a property that provides a specific level of service, i.e., independent living, assisted living, memory care or nursing care.

Expanding on a recent NIC blog post, [CCRC Market Trends: 3Q 2019](#), that detailed market fundamentals data and trends in the 99 combined Primary and Secondary markets, which represent the aggregate of the data collected from 99 of the nation's largest core-based statistical areas (CBSAs), the following analysis examines current inventory, occupancy, year-over-year same store asking rent growth — and average occupancy growth, average annual same store asking rent growth, and average change in inventory for the past three years — by care segments within LPCs (LPC segments) compared to non-LPC segments in freestanding or combined communities to focus a lens on the relative performance of care segments within LPCs.

Key findings:

LPCs reported higher occupancy and rent growth than non-LPCs, which had significantly higher levels of inventory growth. Higher inventory growth at non-LPCs, lower turnover at LPCs, LPC customer characteristics (e.g., “planners who are attracted to lifestyle-enriched amenities and services with the security of knowing future healthcare needs will be met) and the relative performance of the majority unit mix may explain potential reasons for these stronger rates of occupancy in LPCs.

- As of 3Q 2019 in the 99 Primary and Secondary Markets, the overall occupancy rate at LPCs was 5.0 percentage points higher than at non-LPCs (91.4% vs. 86.4%). And, between 3Q 2016 and 3Q 2019, care segment occupancy improved more for LPCs than non-LPCs.
- The current occupancy rate for both LPCs and non-LPCs was highest in the independent living care segment (92.7% and 88.4%); occupancy was lowest for LPCs in the nursing care segment (88.7%) — and for non-LPCs — the memory care segment (83.7%).
- The difference in current occupancy between LPCs and non-LPCs was the highest for the memory care segment (7.6 percentage points), followed by the assisted living care segment (6.1 percentage points), the independent living care segment (4.2 percentage points) and the nursing care segment (2.8 percentage points).
- For the three-year time period under study (3Q 2016 to 3Q 2019), LPCs had higher rates of occupancy growth than non-LPCs for each of the four care segments.
- The memory care segment at LPCs reported the highest occupancy growth (2.3 percentage points). The least growth in occupancy was noted for the non-LPC independent living and assisted living care segments (declining 3.0 and 2.6 percentage points, respectively).
- Inventory growth (reported as the change in the number of units from 3Q 2016 to 3Q 2019) was higher for non-LPCs across all the four care segments.
- Both LPCs and non-LPCs reported the largest (proportionate) inventory growth for the time period in the memory care segment.
- Only the nursing care segment reported negative inventory growth (LPCs -2.3% and non-LPCs -1.1%). Reasons for negative inventory growth may include some beds being taken offline, combined, or shifted to lower acuity care segments.
- From 3Q 2016 to 3Q 2019, the highest average year-over-year same store asking rent growth was noted for LPCs in the independent living and assisted living care segments (3.4% and 3.3%), and the lowest for non-LPCs in the independent living care segment 2.1% (which, incidentally, also had the largest negative average change in occupancy for the three-year period under study, -3.0 percentage points).

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Current Unit Mix and Occupancy

In the third quarter of 2019, LPC occupancy, which is inclusive of both entrance fee and rental payment types in both nonprofit and for-profit communities across the 99 Primary and Secondary Markets, was 91.4% — equal to the highest occupancy rate achieved since 4Q 2008. Non-LPC occupancy averaged 86.4% in 3Q 2019 (5.0 percentage points lower than LPC occupancy).

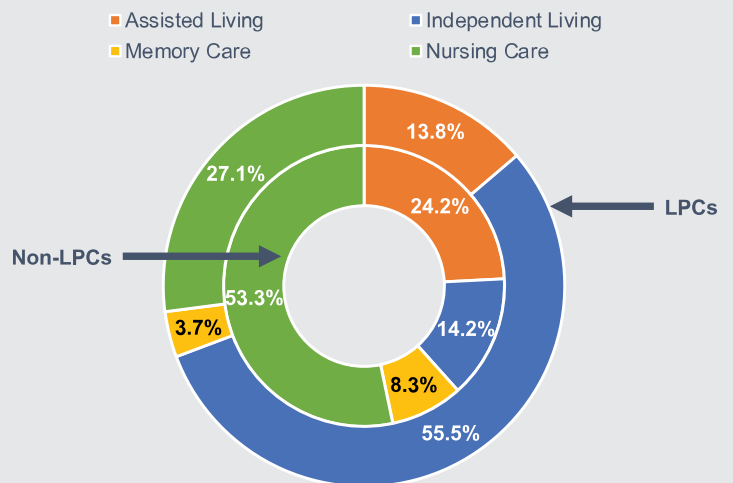
Conventional wisdom suggests that the wide discrepancy in occupancy rates may be due, in part, to the unique LPC product offering, which tends to attract retirees who are “planners” — those who wish to make one move to a continuum of care — or perhaps because new life plan community residents are generally healthier than residents in other types of seniors housing, resulting in lower resident turnover in LPCs.

However, another potential reason for the difference in occupancy rates may be a result of the relative influence of the majority inventory mix in LPCs compared to non-LPC communities (freestanding and combined). As shown in the chart, in aggregate, LPCs are comprised of a majority of independent living care segment units (55.5%), followed by nursing care units (27.1%), assisted living units (13.8%), and memory care units (3.7%). Compared to LPCs, non-LPCs have lower proportions of independent living care segment units (14.2%), higher proportions of nursing care units (53.3%), assisted living units (24.2%) and memory care units (8.3%) than LPCs.

Thus, the overall LPC occupancy rate, compared to the overall non-LPC occupancy rate, may be influenced positively by majority unit mix as the LPC independent living care segment (which represents 55.5% of LPC units) garnered the highest occupancy in the third quarter of 2019 (92.7%), as well as on average for the three-year period under study. The current nursing care segment occupancy rate in non-LPCs, which represents 53.3% of non-LPC units, was much lower at 86.0%.

LPC vs. Non-LPC Unit Mix

Primary & Secondary Markets | 3Q19



Source: NIC MAP® Data Service

LPCs vs. Non-LPCs in Detail

The table at the bottom of the page compares each of the care segments — independent living, assisted living, memory care and nursing care — in the 99 Primary and Secondary Markets. The table shows the 3Q 2019 total open units, occupancy and year-over-year same store asking rent growth — and average change in occupancy, average year-over-year same store asking rent growth, and average change in inventory for LPCs and non-LPCs for the three-year time period (3Q 2016 to 3Q 2019).

99 Primary and Secondary Markets	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 (3Q19)	205,212	210,652	50,881	359,590	13,620	124,033	100,017	792,237
Occupancy (3Q19)	92.7%	88.4%	91.6%	85.5%	91.2%	83.7%	88.7%	86.0%
YoY Same Store Asking Rent Growth (3Q19)	3.4%	2.1%	3.1%	2.3%	1.8%	2.1%	2.4%	2.3%
3Q16 to 3Q19								
Avg. Change in Occupancy (Percentage Point)	0.7	-3.0	0.3	-2.6	2.3	-1.1	0.1	-0.3
Avg. Annual Same Store Asking Rent Growth	3.4%	2.1%	3.3%	2.6%	2.9%	2.5%	3.0%	2.5%
Avg. Change in Inventory	2.9%	10.8%	1.8%	12.1%	12.4%	24.9%	-2.3%	-1.1%

Source: NIC MAP® Data Service

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The LPC independent living care segment had the highest 3Q 2019 occupancy (92.7%), followed by assisted living (91.6%), memory care (91.2%), and nursing care (88.7%). Among non-LPCs, the independent living care segment had the highest 3Q 2019 occupancy (88.4%), followed by nursing care (86.0%), assisted living (85.5%) and memory care (83.7%).

The difference in 3Q 2019 occupancy between LPCs and non-LPCs was the highest for the memory care segment (7.6 percentage points), followed by the assisted living care segment (6.1 percentage points), the independent living care segment (4.2 percentage points) and the nursing care segment (2.8 percentage points).

LPC same store year-over-year asking rent growth in the third quarter of 2019 was 3.9% (down from the time series high of 4.6% reached in the first quarter of 2019). The highest year-over-year same store asking rent growth was reported for LPCs in the independent living and assisted living care segments (3.4% and 3.1%). The lowest was noted for LPCs in the memory care segment (1.8%), and non-LPCs in the independent living and memory care segments (2.1%, respectively).

Higher Occupancy at LPCs

For the three-year time period under study, LPCs had positive improvement in occupancy rates for all four care segments, while non-LPC care segments saw declines in occupancy. The best improvement in occupancy was for the LPC memory care segment (2.3 percentage points), and the largest occupancy declines were for the non-LPC independent living and assisted living care segments (-3.0 and -2.6 percentage points).

- Among LPCs, the memory care segment had the strongest occupancy improvement (a gain of 2.3 percentage points), followed by independent living (a gain of 0.7 percentage points), assisted living (a gain of 0.3 percentage points), and the nursing care segment (a gain of 0.1 percentage points).
- Among non-LPCs, the independent living care segment had the greatest change in occupancy and this change was negative (a decline of 3.0 percentage points), followed by assisted living (a decline of 2.6 percentage points), memory care (a decline of 1.1 percentage points), and the nursing care segment (a decline of 0.3 percentage points).

Significantly Weaker Inventory Growth at LPCs

For the three-year time period under study, non-LPCs had significantly higher rates of inventory growth (change in inventory), overall, and by segment, than LPCs. Between 3Q 2016 and 3Q 2019, inventory at LPCs grew by 1.6% (5,892 units), while non-LPC inventory growth grew by 5.6% (75,775 units). The highest rate of inventory growth was reported for both LPCs and non-LPCs in the memory care segment (12.4% and 24.9%); the lowest was reported for both LPCs and non-LPCs in the nursing care segment (-2.3% and -1.1%).

- Among LPCs, the memory care segment had the highest inventory growth (12.4% — a gain of 1,507 units), followed by independent living (2.9% — a gain of 5,867 units), and assisted living (1.8% — a gain of 895 units). However, inventory declined in the nursing care segment by 2.3% (a reduction of 2,377 beds).
- Among non-LPCs, the memory care segment had the highest inventory growth (24.9% — a gain of 24,752 units), followed by assisted living (12.1% — a gain of 38,904 units), and independent living (10.8% — a gain of 20,562 units). Inventory declined in the nursing care segment by 1.1% (a reduction of 8,443 beds).

Higher Annual, Same Store Asking Rent Growth at LPCs

For the three-year time period under study, LPCs had higher rates of average year-over-year asking rent growth, overall, and by segment, than non-LPCs. The highest was noted for LPCs in the independent living and assisted living care segments (3.4% and 3.3%), and the lowest for non-LPCs in the independent living care segment 2.1%.

- Among LPCs, the independent living care segment had the highest average year-over-year same store asking rent growth for the three-year period (3.4%), followed by assisted living (3.3%), nursing care (3.0%), and the memory care segment (2.9%).
- Among non-LPCs, the assisted living care segment had the highest average year-over-year same store asking rent growth over the three-year period (2.6%), followed by the memory care and nursing care segments (2.5%, respectively), and the independent living care segment (2.1%).

Look for future blog posts from NIC to delve deep into the performance of CCRCs. For further information on NIC, its reports, and data and analytics services available to providers, please visit the NIC website at www.nic.org.

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF DECEMBER 9, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Plymouth Place (IL)	Fitch	BB+ Stable	Affirmed Rating Revised Outlook	12/5/19
Foulkeways at Gwynedd (PA)	S&P	BBB Stable	Affirmed Rating	12/6/19

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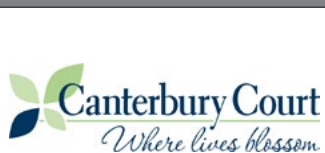
INTEREST RATES/YIELDS

(AS OF DECEMBER 6, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.05%	2.06%	2.41%
Senior Living 30-Yr "A"	2.95%	2.96%	3.29%
Senior Living 30-Yr "BBB"	3.25%	3.26%	3.57%
Senior Living Unrated	4.25%	4.26%	4.43%
Senior Living New Campus	6.00%	6.00%	6.38%
SIFMA Muni Swap Index	1.06%	1.10%	1.48%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index	4.34%	4.34%	2.27%

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

FEATURED FINANCINGS


CANTERBURY COURT
 Atlanta, Georgia

Residential Care Facilities For The Elderly Authority of Fulton County, Revenue Bonds, Series 2019A

\$51,240,000



EL CASTILLO RETIREMENT RESIDENCES
 Santa Fe, New Mexico

City of Santa Fe, New Mexico, Retirement Facility Revenue Bonds, Series 2019

\$64,890,000



THE GLEN RETIREMENT SYSTEM
 Shreveport, Louisiana

Louisiana Local Government Environmental Facilities and Community Development Authority, Retirement Facility Revenue Bonds, Series 2019

\$46,985,000



LIFESPAC COMMUNITIES, INC.
 Des Moines, Iowa

Iowa Finance Authority, Revenue Bonds, Series 2019A-1&2
\$53,380,000

Palm Beach County Health Facilities Authority, Revenue Bonds, Series 2019B
\$52,685,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, stocks made big daily moves, but the major U.S. indexes finished the week with little change overall as the Dow and the NASDAQ slipped about one-tenth of a percentage point and the S&P 500 rose slightly. Market declines on Monday and Tuesday were offset by rallies on Wednesday and Friday.

The latest U.S. employment report beat expectations, providing further evidence that recent recession fears may have been unwarranted. Stocks rallied on Friday after the government reported that the economy generated 266,000 new jobs in November and the unemployment rate slipped to 3.5%.¹

In fixed income, prices of U.S. government bonds fell, sending their yields higher, after China reported better-than-expected economic data on Monday. Yields climbed further on Friday following a U.S. employment report, with the yield of the 10-year U.S. Treasury bond reaching 1.84% — the highest level in three weeks. In munis, the 10-Year and 30-Year MMD each increased one basis point from 1.47% to 1.48% and 2.06% to 2.07%, respectively. The tax-exempt bond funds saw an inflow of approximately \$614.88 million.

ADAM BUCHANAN

SENIOR VICE PRESIDENT

*1 Bloomberg**See pages 6-7 for current market rates.**Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.*

MARKET REVIEW

MONEY MARKET RATES

	12/06/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.75	4.75	4.75	5.25
Federal Funds (weekly average)	1.54	1.55	1.54	2.19
90 Day T-Bills	1.52	1.59	1.55	2.39
30-Day Commercial Paper (taxable)	1.58	1.58	1.61	2.30
Libor (30-day)	1.71	1.70	1.75	2.38
7 Day Tax-Exempt VRDB	1.06	1.10	1.09	1.65
Daily Rate Average	1.02	1.13	1.07	1.60

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	1.55	2.15	1 Year	1.05	2.75	2.45	1.85	1.50	1.35
5 Year	1.66	2.71	5 Year	1.13	2.93	2.68	2.13	1.83	1.53
7 Year	1.77	3.02	7 Year	1.26	3.26	2.96	2.31	2.11	1.71
10 Year	1.84	3.64	10 Year	1.46	3.56	3.26	2.66	2.36	1.91
30 Year	2.28	4.08	30 Year	2.05	4.25	3.85	3.25	2.95	2.50

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	2.77	2.77	-0.00	4.24	2.59
11 Bond Index	2.30	2.30	-0.00	3.71	2.13
Revenue Bond Index	3.24	3.24	-0.00	4.71	3.07
30 Year MMD	2.05	2.06	-0.01	3.20	1.84
Weekly Tax-Exempt Volume (Bil)	14.75	1.45	+13.30	14.75	0.20
30 Day T/E Visible Supply (Bil)	15.255	19.40	-4.15	19.40	.93
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	129.38	135.15	-5.77	145.27%	109.21%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR T/E BONDS (A-AAA)		
12/06/19	1.06	4.75	1.54	1.52	1.58	1.71	2.95	-	2.50
11/29/19	1.10	4.75	1.55	1.59	1.58	1.70	2.96	-	2.51
11/22/19	1.07	4.75	1.55	1.58	1.58	1.70	3.09	-	2.54
11/15/19	1.12	4.75	1.54	1.56	1.63	1.76	3.15	-	2.60
11/08/19	1.09	4.75	1.54	1.55	1.61	1.75	3.20	-	2.65
11/01/19	1.12	4.75	1.70	1.52	1.66	1.78	3.06	-	2.51
10/25/19	1.19	5.00	1.83	1.66	1.83	1.80	3.10	-	2.55
10/18/19	1.29	5.00	1.85	1.66	1.87	1.84	3.05	-	2.50
10/11/19	1.40	5.00	1.80	1.66	1.90	1.92	2.92	-	2.37
10/04/19	1.49	5.00	1.85	1.71	1.90	1.99	2.92	-	2.37
09/27/19	1.58	5.00	1.83	1.77	1.92	2.03	3.01	-	2.46
09/20/19	1.47	5.00	2.08	1.90	2.06	2.04	3.08	-	2.53
09/06/19	1.28	5.25	2.11	1.95	2.03	2.04	2.60	-	2.05
08/02/19	1.40	5.25	2.28	2.05	2.18	2.24	2.89	-	2.34
07/05/19	1.49	5.50	2.38	2.17	2.36	2.39	2.97	-	2.47
06/07/19	1.40	5.50	2.37	2.26	2.38	2.41	3.03	-	2.53
05/03/19	2.12	5.50	2.42	2.41	2.42	2.48	3.23	-	2.73
04/05/19	1.48	5.50	2.40	2.42	2.47	2.47	3.40	-	2.90
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.