Getting better with age
Investment opportunities in senior housing

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The senior housing sector has grown up, thanks to vastly improved data and transparency and consistently high returns. And when it comes to demand, its golden years lie ahead.

Senior housing has grabbed the attention of institutional investors, and it is not hard to see why. The demographics alone are quite compelling: Every day 10,000 Americans turn 65 and that will continue for the rest of the decade. This is not a senior moment — this is senior momentum. While those 65 and over now make up about 13 percent of the U.S. population, that number jumps to 20 percent by 2030. And people are living longer: one in four people turning 65 today is expected to live to be 90; one in 10 is expected to live past 95.

Furthermore, because people have been having fewer children, the number of younger family members able to take care of aging parents at home is going down. According to the U.S. Census Bureau, the number of potential caregivers aged 45–64 compared to the number of people aged 80 or more was 7:1 in 2015, but it will be only 4:1 in 2030 and 3:1 in 2050. There is clearly a growing need for senior housing and care communities in the short, medium and long terms.

"Looking ahead, an increasing population of U.S. seniors aged 75-plus will provide the foundation for a stable and growing base of new residents in senior housing communities," says Dean Egerter, principal with Harrison Street Real Estate Capital in Chicago.
Many happy returns
But you do not have to gaze into the future to see the benefits of investing in senior housing — just look at current and past returns. “Senior housing has consistently outperformed other real estate property types with regard to income, appreciation and total return,” says Chris Kazantis, director, AEW Capital Management.

The senior housing (also commonly called seniors housing) sector has performed extremely well, whether you look back one year or 10 years. According to the most recent data from the National Council of Real Estate Investment Fiduciaries (NCREIF), total returns for senior housing were 16.1 percent over a one-year period, and 17.0 percent, 15.2 percent and 11.9 percent over three-, five- and 10-year periods. This beats all other major property types, including apartment returns, over the same periods (see chart below). Importantly, it also beats the NCREIF Property Index, which is made up of core U.S. institutional properties. The NPI registered total returns of 13.3 percent, 12.0 percent, 12.2 percent and 7.8 percent over those same time periods.

“There’s no reason to think that the outsized returns that have been achieved consistently for the large institutional investors that report into NCREIF the past 10 years will change in 2016,” says Beth Burnham Mace, chief economist for the National Investment Center for Seniors Housing & Care (NIC).

With this historical performance and bright outlook, it is no wonder the number of senior housing transactions involving institutional investors has been steadily increasing the past few years. “It is unusual to be able to invest on a current return basis that is higher than the other real estate types, combined with the NOI growth trajectory tailwinds that senior housing can provide,” says Kathryn Sweeney, co-founder and managing partner/CIO for Blue Moon Capital Partners in Boston. Blue Moon specializes in matching investors with operating partners and invests exclusively in senior housing.

Noah Levy, managing director and senior portfolio manager, senior housing, for PGIM Real Estate, formerly Prudential Real Estate Investors, says his firm has been investing in senior housing on behalf of institutional clients for almost 20 years. “The outcomes have been well received,” he says.

As NIC’s Mace points out, senior housing also provides portfolio diversification and is an asset type less dependent on the economic cycle. Indeed, most types of senior housing outperformed during the great recession, partially based on the fact that it is often a need-based decision to move into senior housing, especially for those moving into assisted living, memory care or skilled nursing facilities.

Senior housing types
Senior housing exists on a spectrum depending on the type of care, if any, that is provided, and is commonly broken down into four segments:

Independent Living (IL): Housing for those who do not need help with activities of living, such as getting dressed, bathing or eating. All meals are usually provided. Rooms are typically smaller than in IL, but there are more common areas.

Assisted Living (AL): For those who do need help with their activities of living, such as getting dressed, bathing or eating. All meals are usually provided. Rooms are typically smaller than in IL, but there are more common areas.

Memory Care (MC): These settings offer AL services, plus special behavior/memory care services for those with Alzheimer’s or dementia. They usually feature secured-access only.

Nursing Care (NC): These skilled nursing facilities are for those who require 24-hour medical care and are facing end-of-life issues. But they are also now used for those recovering from surgeries such as hip or knee replacements. While IL, AL and MC generally rely on a private pay model, nursing care facilities are often government-paid (Medicare or Medicaid), and this has typically made them less desirable for institutional investors who prefer not to deal with the problems of government reimbursement.

While the four types of care levels can often be found as stand-alone separate properties, more operators combining care levels on one setting or campus. These are called Continuing

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**Senior housing investments outperform — NCREIF annualized total returns (%)**

<table>
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<tr>
<th>Periods ending</th>
<th>NPI</th>
<th>Apartment</th>
<th>Hotel</th>
<th>Industrial</th>
<th>Office</th>
<th>Retail</th>
<th>Senior housing</th>
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<tr>
<td>One year</td>
<td>13.3</td>
<td>12.0</td>
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<td>Five years</td>
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<td>11.9</td>
<td>10.4</td>
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<td>15.2</td>
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<tr>
<td>Ten years</td>
<td>7.8</td>
<td>7.3</td>
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<td>7.8</td>
<td>7.5</td>
<td>8.8</td>
<td>11.9</td>
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*Periods ending 12/31/15*

*Source: NCREIF*
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Care Retirement Communities or Life Plan Communities and allow residents to “age in place” as they become more frail and have more physical limitations and health problems. There are two basic types of CCRCs: the “entrance-fee” CCRC, which requires an up-front payment, and the newer rental CCRCs, where residents pay as they go. Entrance-fee CCRCs generally include some number of pre-paid skilled nursing days, unlike rental CCRCs.

The maturing of senior housing
The sector has evolved a great deal and is aging well. “It’s 180 degrees different than it was 20 years ago,” says Sweeney. “The biggest difference is there was no transparency.” Back in the mid-1990s, investors could not find information on any competitive new supply coming into the market or comparable rents and could not benchmark their portfolios against anything.

“Comprehensive, reliable and consistent information on transactions activity was no better than hearsay and word of mouth,” says Mace. “It was a bit of a Wild West.”

And that lack of transparency meant capital was priced very high: the sector experienced a higher cost of capital than exists today, with cap rates averaging 10.5 percent for good quality product.

But from being almost completely opaque and indecipherable 20 years ago, the senior housing sector has become awash in data and rapidly rising transparency, driven in large part by NIC, the American Seniors Housing Association, The SeniorCare Investor, and also by Real Capital Analytics and NCREIF. NIC has provided data for 99 major U.S. markets for 10 years. And in July 2016, NIC will expand its data coverage to include a total of 140 markets.

Broken down by property type and unit type, the data is updated regularly and generally reported quarterly and includes sales transactions, inventory counts, property-level historical records of buyers and sellers, cap rates, pricing on a per-unit basis, development activity, changes in supply and demand fundamentals, rents and occupancy.

“Analysis of trends, peak and trough pricing, comparative per-unit pricing for single-asset sales versus portfolio-level sales, regional differences in values, and risk premiums can be determined and discussed,” says NIC’s Mace.

This growing transparency and data has contributed to greater transaction volume and liquidity. There were $21.7 billion in institutional transactions and 514 deals in 2015 in senior housing, according to NIC. CBRE, in its February 2016 Investor Survey & Market Outlook Seniors Housing & Care, called 2015 “another record-setting
year for deals closed and total volumes,” even though momentum slowed at the end of last year and the first quarter of 2016 due to less transaction activity from healthcare REITs.

High demand and more competition for assets have also led to rising prices in recent years. The average prices for senior housing properties hit a recent peak in mid-2015 and although it has come down a bit, it remains high. The rolling four-quarter average price per unit for senior housing properties was $169,800 in the first quarter of 2016, down 5 percent from the fourth quarter of 2015 and down 0.7 percent from levels a year earlier, according to NIC. But the range of prices is very wide, with per unit pricing commonly above $500,000 for favored properties.

The ever-improving transparency also has helped to lower the sector’s cost of capital, with cap rates currently averaging 7.5 percent for senior housing and 10 percent for the higher-risk skilled nursing properties. “These are rates that would have been unfathomable a decade ago,” notes Mace.

Still, more transparency is needed. In an ongoing effort to provide this, NIC is currently collecting data about actual rates (in-place rates and move-in rates, which are different from the asking rates data it has been providing), as well as leasing activity that is measured by move-in and move-out velocities. The initial data from these initiatives will be released starting in third quarter of 2016 and will be important for benchmarking, strategic planning efforts and day-to-day business operations, Mace says.

Senior housing is an operationally intensive business, so despite great strides in transparency and data, there is still a risk premium for senior housing of about 200 basis points compared to multifamily. As Blue Moon’s Sweeney points out, it is only right that the senior housing sector provides higher returns than multifamily and other traditional real estate types, because investors are paying for that extra operational risk component.

Publicly traded companies, mostly large healthcare REITs, recently have been the biggest buyers of senior housing properties. Although their activity has slowed the past few quarters, it has been growing the last few years: In 2012, public buyers represented 44 percent of transactions, but by second quarter of 2015, that number had jumped dramatically to 63 percent. Institutional investors are also increasing in numbers. In 2012, only 5 percent of senior housing transactions involved institutional investors. By the middle of 2015, that number had jumped to 13 percent. These numbers can vary dramatically quarter to quarter, but on average, Mace says 53 percent have been public buyers and institutional buyers have averaged 11 percent since 2008.

REITs and private equity investors are helping to consolidate the senior housing sector by buying smaller operators and merging operations. But this process has only begun and the sector remains very fragmented, with 60 percent of operators still managing one to nine properties, and one-third of operators being single-property owners, according to Mace.

As a result, there are consolidation opportunities for investors. “With so much of the senior housing stock in the hands of private companies and individuals, and foreseeable future demand drivers, there is a tremendous opportunity to continue to build, to aggregate and to upgrade existing senior facilities using best-in-class operators and practices,” says Harrison Street’s Egerter.

Public acceptance of senior housing has also evolved a lot. In the mid-1990s, assisted living was still relatively new and frequently had to be explained to people. “Acceptance of senior housing as an option for seniors and their families has grown tremendously over the last 20-plus years,” says PGIM’s Levy. Additionally, the American Seniors Housing Association has recently launched a new consumer education initiative, www.WhereYourLiveMatters.org, which will help seniors and their families better understand their options.

In terms of the residents themselves, Levy says the average age has gotten older and the average resident more frail over the past 20 years, which greatly influences operations, with buildings and services evolving to meet these changing circumstances. Older, more frail residents have also contributed to a blurring of the lines between the various property types, especially independent living and assisted living. Frailer residents are now
staying longer in independent living. IL operators do not provide care or assistance with daily living, but a resident of an IL community may contract with an outside service to provide that care.

Today the hallways in independent living facilities may house many residents using walkers and scooters, something you would not have found 10 years ago. But Levy says the most important thing is that operators have in general gotten better at meeting the needs and challenges of this aging customer set.

Age-old problem: Mitigating operational risk
Despite all the upsides to senior housing and improvements in operations, it is the exposure to operational risk that still concerns many investors, and with good reason.

“The sector has a high operational component to it, similar to hotels,” says Mace. “This may give an investor pause. However, the risk can be mitigated if a strong operator is chosen as a partner,” she adds.

Egerter agrees that to mitigate risk, it is crucial to align with best-in-class operating partners, given the service-oriented nature of the business. “The operating partner and the relationship they develop with their residents and local communities can make or break investment performance,” he says.

The importance of having a good operator cannot be overestimated. “Choosing, incentivizing, and managing the joint venture partner/operator is critical to the success of any seniors housing investment,” says AEW’s Kazantis.

“If an investor does not fully understand the operational intensiveness, or work with those that do, it can be a risky investment,” warns Levy. “Investing in this sector requires great focus.” And he is just referring to independent living, assisted living and memory care—not even skilled nursing.

Much more so than for other property types, it is not just a matter of having a great property in a prime location. “A strong location and a best-in-class property can have a poor operator and fail, while a poor location and a moderately maintained property can have a best-in-class operator and succeed,” says NIC’s Mace.

The operational factor is why institutional investors need expert assistance. Understanding where to go for information and how to evaluate and discern what distinguishes a good operator from a bad operator is essential to mitigate the risk. “I strongly recommend going through an experienced, knowledgeable manager as opposed to going direct to operators,” says Sweeney. Ideally, these managers should be cycle-tested. Sweeney says the important cycles were the mid-1990s when there was an overbuilding
bubble, followed by the great recession. One was supply induced, the other, demand induced.

To carefully evaluate and do due diligence on an operator, a manager looks at track record, best practices, training, hiring and all the components that go into operating well. Are there blemishes with state regulatory agencies? Do the operators have strong internal controls and training programs for their personnel, so they can attract and retain top talent? Do they have very few losses or claims against them? Sweeney says no operator is free of claims or blemishes, so knowing how to evaluate this information is essential. “We acknowledge there is operational risk, and we work hard to apply our skills and expertise to mitigate that risk,” Sweeney says.

With the rapid growth of the sector, more new and inexperienced operators are getting involved and that inexperience is worrisome to Sweeney and others. “It’s not for the faint of heart to become a senior housing operator,” she says. “I have seen multifamily operators expand into senior housing, and when they have done so, they have typically hired senior housing specialists,” she adds.

Senior housing communities are licensed and regulated state by state. Each state is different, so that adds complexity and some risk. Sweeney says regulatory risk is there, but not if you have a good operator. “Regulators don’t typically come forward to put top performers out of business, in any industry,” she says.

PGIM’s Levy says you need three things to make senior housing work: a good market, the right product for that market, and a strong and appropriate operator to run the community. Of these, the operational factor is by far the hardest. “Building the box is the easy part,” Levy says. “Running it really well is the challenge. So the key constraint is operational capacity, and I mean excellent operational capacity.”

Mace says many of today’s large institutional investors have strong relationships with best-in-class operators. These institutional investors require high standards of performance from their operating partners. In fact, investors often have clauses in their joint venture contracts that allow them to terminate operators for poor performance.

The future may be a challenge. “Going forward, with the increasing demand for the property type, more best-in-class operators are needed,” Mace says.

While Levy says operational expertise has increased dramatically in the past 10 years, there are simply not enough really good operators yet. “There may never be,” he says. “This is not an easy business to execute well on a consistent basis.”

**Seniority matters**

As the sector grows and many new entrants enter the arena, Egerter thinks sector naïveté and mistakes made by inexperienced developers, advisers and investors pose a real risk. If all real estate is local, that is especially true of senior housing. “Knowledge of a local market and its demographics is key — not all senior housing properties deliver on the Field of...
Dreams promise ‘If you build it, they will come,’” warns Egerter.

Inexperienced developers can easily misjudge a local market’s need for independent living, assisted living or memory care, and inexperienced operators may not know how to access referral sources to drive property leasing, for example. Real knowledge of how to operate a food service to a high satisfaction level and deliver high-quality healthcare and memory care to residents is also key. “Inexperienced operators can misjudge these risks,” says Egerter.

This can potentially impact the entire industry. “New entrants can stir up the pot when they don’t operate appropriately, create headline risk, and increase the cost of insurance because they’ve had so many claims,” Sweeney says.

With some markets now starting to become overbuilt, developers and investors need to dig into micro submarkets. “You have to go metro by metro and you need to go neighborhood by neighborhood,” Sweeney says. She believes senior housing is a lot like retail in that way — a street corner and an address make a big difference. Drilling down into the exact five-mile ring or 10-minute drive time around a site is very important.

Sweeney says Blue Moon starts by looking at NIC’s top 50 markets and takes a top-down/bottom-up approach. Top-down means looking at all the NIC data, putting that information into their filters with a variety of variables that help them decide if it is a good metro for senior housing for them. “Then we do outreach to operators who we know to be active in those metros,” says Sweeney. The bottom-up approach is when operators come to Blue Moon with opportunities to invest. “Then we drill down. We don’t make any investment decisions until we go to the site to fully appreciate the neighborhood dynamic,” Sweeney says.

What is near the potential site? Proximity to a hospital is important, but less so for independent living than it is for assisted living. “We’re looking at all the factors, such as nearby social amenities, movie theaters, restaurants and shopping,” Sweeney says. She also looks at geriatric specialties at hospitals, cancer centers, diabetes centers and available treatment centers for a variety of other diseases that tend to afflict the elderly.

Most residents in Harrison Street’s senior housing portfolio come from or have family within a five-mile radius of the property. “Therefore, it is incumbent upon us to understand the demographic profile of the surrounding area and...
for our operating partners to customize facilities to meet the current and expected needs of the local senior community,” Egerter says.

**If you overbuild it, will they come?**

While development slowed significantly in the aftermath of the great recession, new senior housing construction has been increasing for several years, and it peaked last year. New development reached an all-time high, with 50,070 units under construction at the end of 2015 for the 99 covered markets, according to the NIC. This is more than twice the number of units under construction at the end of 2012. CBRE, in its recent *Investor Survey & Market Outlook Seniors Housing & Care* says about 80 percent of this supply will come on line this year. As a result, oversupply will be a major concern in some markets and product types in 2016 and beyond.

The CBRE team believes short-term average occupancy levels and rent growth could go down in some markets due to this new supply, as well as new players entering the market. “The industry’s fundamentals suggest the necessity for more capacity over the long-term, with short-term oversupply in select markets becoming more likely as construction levels increase to all-time highs,” the *Outlook* states.

Given this, how should investors approach the market? Of course, looking at local fundamentals is key. Beyond that, some segments have had a lot more recent construction than others. A lot of post-recession development has been in assisted living and memory care. This has put downward pressure on both occupancy and rent growth for those segments. At the same time, less development of independent living properties has increased occupancy levels there. Looking to the short term, Sweeney believes independent living will perform the best because there has been less new supply.

The large overall amount of new supply in assisted living in part reflects that this segment withstood the impact of the recession best due to its need-based attributes, Mace says. But as Egerter notes, unlike some sectors such as CBD office, where total supply is highly concentrated and changes in fundamentals tend to impact the entire CBD market, senior housing markets are far more fragmented and, therefore, properties are more dependent on micro-market conditions.

And AEW’s Kazantis says that unlike other real estate sectors, senior housing investments can be compelling in primary, secondary or even tertiary markets, similar to community retail centers. “In my experience, total returns on seniors housing

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are less about market — first-tier versus tertiary — and more about the underlying income demographics of seniors and adult children as well as the market’s supply/demand characteristics,” Kazantis says.

Importantly, even with building happening at a record pace, construction is generally concentrated to only a handful of markets, according to Mace. For both assisted living and independent living, roughly 50 percent of all construction is concentrated in only six markets. For assisted living, Chicago, Dallas, Minneapolis, Atlanta, Sacramento and Denver comprise 47 percent of all construction activity among NIC’s Primary 31 markets. For independent living, Atlanta, Houston, Dallas, Seattle, Miami and San Antonio have 48 percent of the construction activity.

Harrison Street’s Egerter believes markets that could be classified as oversupplied currently include Atlanta, Detroit, Las Vegas, Miami and San Antonio, based on NIC data of combined IL and AL development. However, Egerter says that even in these markets there are “high barrier to entry” submarkets where properties are leasing up and thriving, so avoiding particular metro markets because of general overall numbers could be shortsighted. Plus, new net demand can change the amount of oversupply, and this demand can vary based on net changes in the local aging population and changes in local market acceptance of senior housing as a viable living option.

Mace notes that markets with high barriers to entry often support strong return performance. Barriers to entry can be created through government regulation and entitlement processes, physical barriers such as waterways and highways, and economic barriers such as limited labor supply or high construction costs. Mace says markets in the Northeast and West Coast are perceived to have these barriers, while the Southwest and South are perceived as having fewer barriers to entry.

Make room for the boomers

Baby boomers make up close to 25 percent of the population, with the oldest boomers now about 70 years old. This means that boomers will really start to impact senior housing demand about 10 years from now. And this impact will last awhile. According to CBRE, about 69,000 units will be needed per year to meet peak demand in 2043, compared to about 39,000 today.

Sweeney says her firm spends a lot of time trying to project what boomers’ preferences might
be and how they will influence senior housing products when they enter their early 80s. She is glad there is still time to figure it out. “They’re disrupters, and they’ve always been disrupters through their age cohort,” Sweeney says. The boomers are one reason Sweeney likes independent living in the long term, which boomers see as less threatening than the other segments of senior housing. They like the hospitality model and the sense of community. She thinks being near major metros will be important, to serve boomers’ preferences for cultural and social amenities. Based on her belief boomers will want to age in place as long as possible, she likes operators who are experienced with independent living, but who can also be flexible and operate at the assisted living level as well.

Mace believes the senior housing choices will expand substantially in the years before and after the first baby boomers turn 80. Investment dollars will flow into senior housing for both development and acquisition. And she believes investment in new types of housing options, many of which are still to emerge, will expand. Already we are seeing more “affinity group” housing for seniors, where people of the same race, religion or even graduates of the same college can choose to live together. To accommodate the desires of boomers, Mace thinks we will also see more intergenerational housing options, housing with friends in commune-type settings and more housing options for middle-income senior Americans.

**CCRCs: What’s old is new**

In a continuing care retirement community, seniors can have independent living, assisted living, memory care, and sometimes skilled nursing care all in one location, so they do not have to move as they have more health problems. “Moving once is better than moving multiple times for higher acuity services,” Egerter says. “This is an important element for residents and their families.”

Although CCRCs are becoming more popular, the idea behind them is not new. “The senior housing business really began as an affinity-based business model, with primarily not-for-profit church-affiliated and other denominational organizations sponsoring the early continuing care retirement communities,” PGIM’s Levy says.

Egerter expects private-pay, for-rent CCRCs that include independent living, assisted living and memory care services to be highly favored by institutional investors in the years to come. Sweeney and Levy agree.

“We’re building a number of properties that offer IL, AL and MC all under one roof,”
Sweeney says. “That’s where we think the trend is.” Levy also thinks investments into properties with multiple levels of service will continue to grow, as opposed to stand-alone IL, AL and MC. “The bulk of the capital is likely to be there,” Levy says.

REITs and public vs. private investing in senior housing

Some investors may want to access senior housing through the public market and REITs. Less management and operational expertise are required to invest in REITs versus private investments, and the capital requirements and investment sizes are typically smaller, according to Beth Burnham Mace, chief economist for the National Investment Center for Seniors Housing & Care. And because REITs have both real estate and stock components, investing in a REIT is more liquid and daily pricing is easily available.

But as Dean Egerter, principal with Harrison Street Real Estate Capital, points out, the largest most liquid REITs (HCP, Ventas and Welltower) do not provide a pure-play into senior housing, because they invest in a mixture of properties that also includes hospitals, medical office buildings and other healthcare properties in addition to senior housing. Still, the larger REITs can offer their operating partners the benefits of economy of scale by sharing pricing concessions and contracts with suppliers in what are called group purchasing organizations, according to Mace. Three of the 15 largest REITs are healthcare REITs.

“Assessing senior housing through REIT investments is a yield play with the benefit of liquidity,” says Noah Levy, managing director and senior portfolio manager, senior housing, for PGIM Real Estate. “On the other hand, private investment can give you a pure play on senior housing while focusing on both income and appreciation. However, you trade liquidity for that opportunity.”

After peaking in mid-2015, senior housing transaction volume has slowed, a trend that continues into the first quarter of 2016. Much of the drop in transaction volume has come because REITs have slowed their activity in this time period — REITs and publicly traded companies are by far the biggest buyers of senior housing. “REITs have been voracious buyers, but I see their appetite subsiding for new buys because of volatility in the public markets of late,” says Kathryn Sweeney, co-founder and managing partner/CIO for Blue Moon Capital Partners. “There’s also a little indigestion taking place, with them absorbing and assimilating what they have purchased.”

Importantly, none of these firms — Blue Moon, Harrison Street or PGIM — invest in skilled nursing care facilities, so they are talking about CCRCs that only include IL, AL and MC. In addition, they are talking about the for-rent CCRCs, not the CCRCs with entrance fees, which are much more complicated and heavily regulated businesses that are considered more opportunistic investments.

Challenges ahead for senior housing

Despite the strong demographics pointing to increasing demand, overbuilding will be an ongoing future concern for investors. “The pace of development and growth in inventory is the flip side of demand, and will be a threat to market fundamentals if and when it outstrips demand,” Mace notes. Up to this point, demand has generally kept pace with new additions and occupancy rates have generally been rising since mid-2010.

Investors and developers must also pay careful attention to the types of properties they build. For example, while private pay for-rent senior housing is part of Harrison Street’s current focus, Egerter believes that new models of more affordable senior housing will be required to meet an expected burgeoning senior population with less retirement savings. He says that since operational costs per resident are more fixed in nature, new physical design characteristics and lower physical cost will be required to convince these potential residents to make their move to senior housing and increase market acceptance levels.

Technology is another future challenge, but it is also an opportunity. Advancing technology such as sophisticated remote sensors and monitors, tele-health and virtual care systems may enable seniors to stay in their own homes longer. Interestingly, Sweeney does not see this as a threat and is not concerned that technology will keep seniors from choosing senior housing versus staying at home. “Technology might temporarily delay a move-in decision into senior housing, but I don’t think it’s sustainable. Sensors and your monitors are no substitute for human care and socialization,” she says.

Keeping up with technology also will be important for senior housing properties and operators. Sweeney says all new buildings need to be Wi-Fi enabled, both for residents and for the labor-efficient tools being introduced in senior housing settings that require Wi-Fi with strong bandwidth. Mace says technological innovation is allowing senior management to observe real-time changes in their everyday
Getting better with age

performance and operating systems, and remote monitoring of residents is generating staff efficiencies. These technological advances may also enable residents to age in one place longer — for example, stay longer in an independent living facility before moving to assisted living.

Another challenge senior housing operators must face is likely labor shortages at all levels of the workforce.

Future success also depends on getting the public even more comfortable with senior housing. “A major factor will be product acceptance,” says Levy. “The industry is trying to up its game in terms of drawing attention to the fact that it is a great housing option for seniors. If penetration of the concept grows over time, the demand curve could shift substantially upward.”

For Levy, the key to success for senior housing going forward comes back to what it has always been: having great operations. To continue to grow and prosper, the industry must deliver on the promise of great service to seniors and their families. “This takes committed, satisfied and engaged employees at all levels of an operating organization,” Levy says. “It is simple to say, but hard to execute on that promise.”

With careful acquisition and development, and by partnering with top operators, investors will find excellent opportunities in senior housing today and far into the future.

Mard Naman is a freelance writer based in Santa Cruz, Calif.

Learn more about the American Seniors Housing Association, including the benefits of membership. visit: www.seniorshousing.org

A new national consumer education initiative sponsored by ASHA helps seniors, families and others better understand their senior living options. visit: www.whereyoulivematters.org
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