

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

FOURTH QUARTER LIFE PLAN COMMUNITY OCCUPANCY STATS

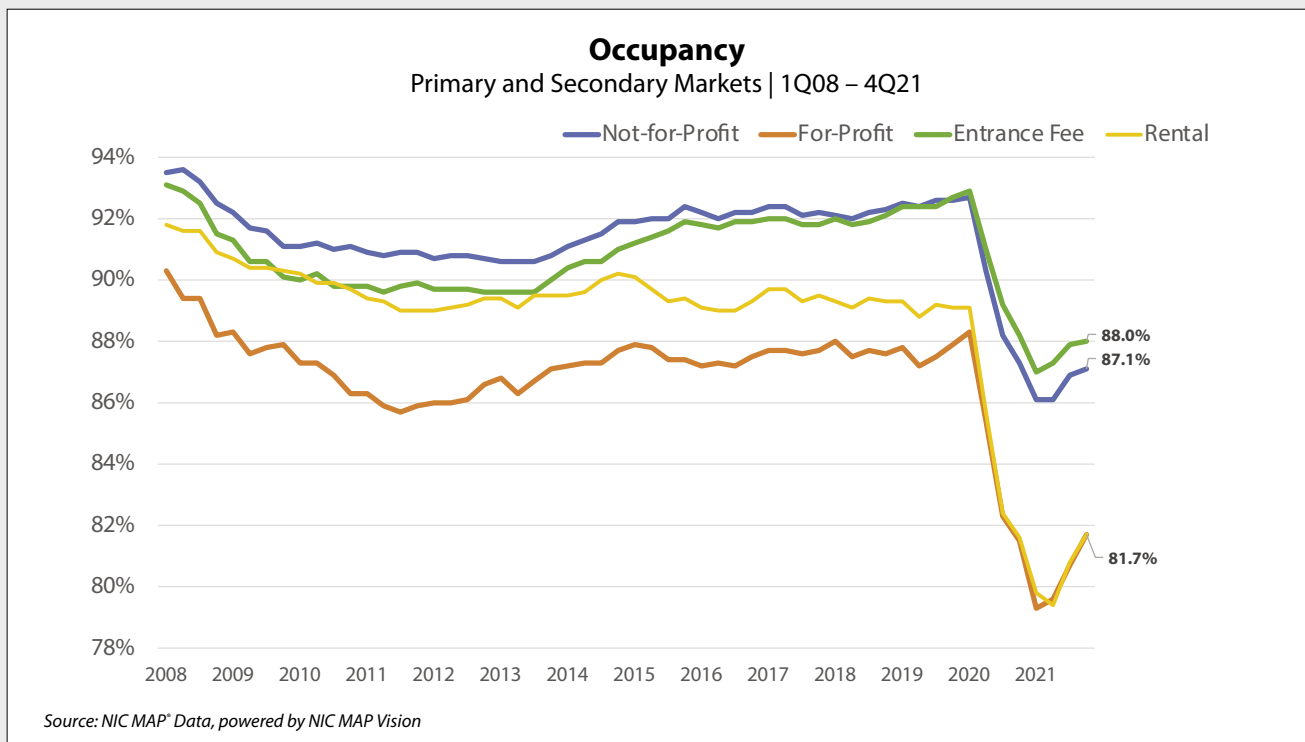
Each quarter, the professionals at National Investment Center for Seniors Housing & Care, provide Ziegler with a detailed analysis of the Life Plan Community (LPC) occupancy and growth trends. This issue of *Z-News* is devoted to the Q4 2021 information and provides a unique analysis of the rental versus entrance-fee Life Plan Community data for the end of the year. We want to specifically acknowledge Lana Peck, Senior Principal with NIC, for her contribution to this week's newsletter.

The following analysis examines current conditions and year-over-year changes in inventory, occupancy, and same-store asking rent growth — by care segments within entrance fee LPCs compared to rental LPCs — to focus a lens on the relative performance of care segments within LPCs during the fourth quarter of 2021. Overall LPC occupancy by profit status and LPC vs. non-LPC occupancy differences by care segment will also be addressed.

4Q 2021 LPC Market Fundamentals

LPC occupancy reached 85.7% in the fourth quarter of 2021 for the combined 99 Primary and Secondary Markets, 1.4 percentage points above its pandemic low in the first two quarters and 5.9 percentage points below its pre-pandemic occupancy rate in the first quarter of 2020. Currently, LPC occupancy is equal to the level reached in the fourth quarter one year ago.

In 4Q 2021, entrance fee LPC occupancy (88.0%) was 6.3 percentage points higher than rental LPCs (81.7%), and not-for-profit LPC occupancy (87.1%) was 5.4 percentage points higher than for-profit LPCs (81.7%). Rental LPCs are currently 7.5 percentage points below their pre-pandemic occupancy levels, while entrance fee LPCs are 5.0 percentage points lower.

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NIC MAP® Primary and Secondary Markets				
Overall Occupancy	4Q 2021	PP Difference Prior Quarter	PP Difference YOY	PP Difference Pre-Pandemic
LPC (All)	85.7%	0.4	-0.1	-5.9
LPC (EF)	88.0%	0.1	-0.1	-5.0
LPC (Rental)	81.7%	0.9	-0.1	-7.5
LPC (For-Profit)	81.7%	1.0	0.1	-6.7
LPC (Not-For-Profit)	87.1%	0.2	-0.2	-5.6

Source: NIC MAP® Data, powered by NIC MAP Vision
1Q2020 is pre-pandemic

LPCs vs. Non-LPCs: Care Segment Occupancy Difference

The table below compares occupancy in LPCs with non-LPCs for each care segment in the Primary and Secondary Markets tracked by NIC MAP Vision. LPCs outpaced non-LPCs in each care segment. The difference in overall occupancy rates was highest for independent living units (7.8 percentage points) and lowest for nursing care units (2.7 percentage points) in 4Q 2021.

NIC Map® Primary and Secondary Markets	PP Difference in Occupancy Rates by Care Segment 4Q2021			
	Independent Living	Assisted Living	Memory Care	Nursing Care
LPC vs. Non LPC	7.8	5.3	5.5	2.7

*YOY Change in Asking Daily Rate
Source: NIC MAP® Data, powered by NIC MAP Vision

Entrance Fee LPCs vs. Rental LPCs by Care Segment

Among the 1,104 LPCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP Vision, approximately 52% are operated as entrance fee LPCs, and 48% are operated on a rental basis. Referenced in the NIC Investment Guide: Sixth Edition, most LPC residents initially live in an independent living apartment. LPCs serve a predominately single-female population, however, entrance fee LPCs have a higher percentage of married couples (42%) than rental LPCs (29%).

The table below illustrates the relative market performance of entrance fee LPCs compared to rental LPCs by care segment in 4Q 2021 and includes year-over-year changes in occupancy, inventory, and asking rent growth. Note that LPCs often offer both entrance fee and rental contracts to give residents financial choice and flexibility. NIC categorizes LPC communities by the contract type the majority of residents have.

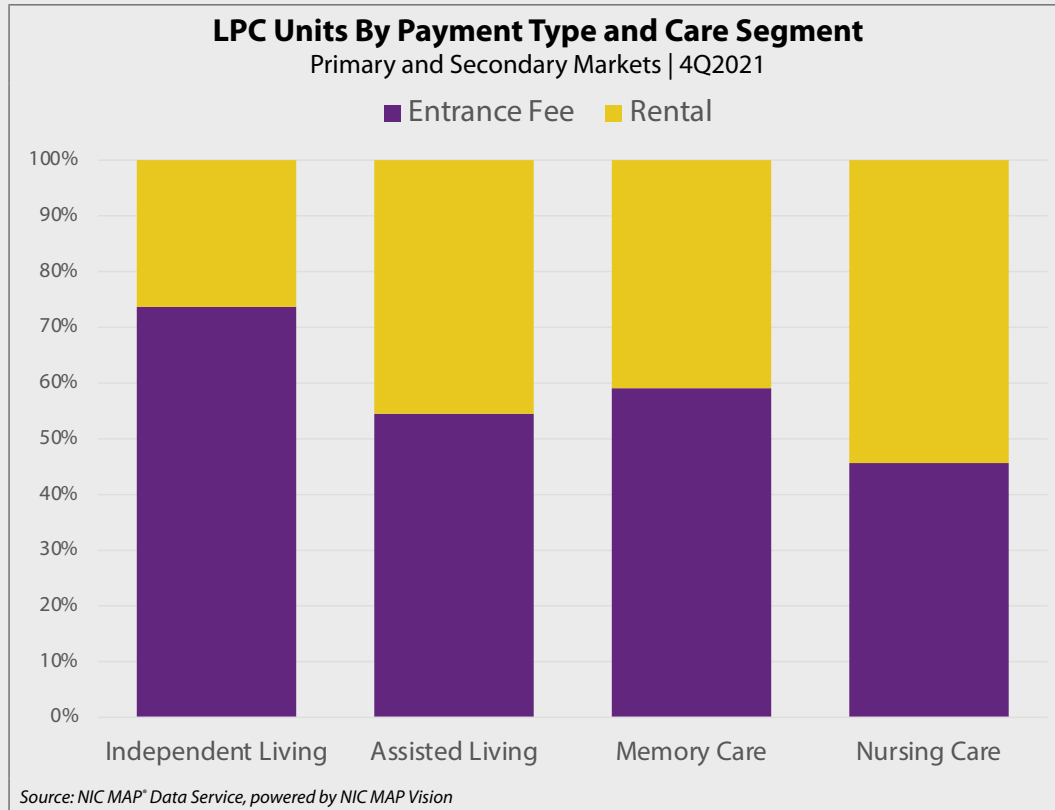
NIC Map® Primary and Secondary Markets	LPC (All) vs. Non-LPC							
	Independent Living Segment		Assisted Living Segment		Memory Care Segment		Nursing Care Segment (Beds)*	
	LPC (EF)	LPC Rental	LPC (EF)	LPC Rental	LPC (EF)	LPC Rental	LPC (EF)	LPC Rental
Total Units (4Q21)	151,243	54,017	27,758	23,152	8,762	6,075	44,570	53,112
Occupancy (4Q21)	90.5%	85.1%	86.7%	80.7%	86.8%	79.2%	80.6%	79.0%
Average Monthly Rent – Asking Rent (4Q21)	\$3,678	\$3,223	\$6,756	\$5,432	\$8,302	\$6,945	\$400	\$359
4Q20 to 4Q21								
YoY Change in Inventory	0.3%	-2.9%	1.2%	-3.1%	2.4%	1.1%	-2.1%	-2.4%
YoY Change in Occupancy (percentage points)	-0.6	-0.8	-0.2	-1.0	-0.8	-0.9	1.5	1.2
YoY Same Store Asking Rent Growth	1.5%	1.3%	4.4%	1.4%	2.5%	1.7%	3.4%	1.6%

*YOY Change in Asking Daily Rate
Source: NIC MAP® Data, powered by NIC MAP Vision

Entrance Fee LPCs Have Higher Occupancy Rates and Stronger Rent Growth and Inventory Growth

By payment type, entrance fee LPCs have higher 4Q 2021 occupancy rates than rental LPCs for each care segment. The entrance fee LPC independent living care segment had the highest 4Q 2021 occupancy (90.5%), followed by entrance fee LPC memory care and assisted living (86.8% and 86.7%, respectively). The difference in 4Q 2021 occupancy between entrance fee LPCs and rental LPCs was the highest for the memory care segment (7.5 percentage points), followed by assisted living (6.0 percentage points), independent living (5.4 percentage points), and nursing care (1.6 percentage points). On a year-over-year basis, the nursing care segment had the most substantial change in occupancy (up 1.5 and 1.2 percentage points, respectively).

As shown in the chart below, entrance fee LPCs are comprised of a greater proportion of independent living units. Independent living occupancy is higher than in the other care segments, explaining the more robust overall occupancy performance of entrance fee LPCs.



LPCs attract residents who are planners drawn to the continuum of care. However, entrance fee contract residents generally differ from rental contract residents in terms of higher net worth, lower age of entry, and longer tenure in the community. LPC entrance fees (often similar to resident home sales values) typically subsidize a community’s monthly fees to some extent. Conventional wisdom would suggest that average rental LPC monthly fee levels would therefore be higher. However, as shown in the table, in addition to higher occupancy rates — which tend to translate into community pricing power — any or all of these factors may help to explain the reasons why average entrance fee LPC monthly fee levels are higher than rental LPC monthly fees for each care segment.

The highest year-over-year asking rent growth was in the entrance fee LPC assisted living segment (4.4%), followed by nursing care (3.4%) and memory care (2.5%). Entrance fee and rental LPC asking rent growth were similar in the independent living segment. Note these figures are for asking rates and do not consider any discounting that may be occurring.

According to the NIC MAP Vision data, both entrance fee and rental LPCs experienced negative year-over-year inventory growth in one or more care segments. Negative inventory growth can occur when units/beds that are temporarily or permanently taken offline or converted to another care segment outweigh added inventory. During the past four quarters, rental LPCs had negative inventory growth in each care segment except memory care. Entrance fee LPCs had positive inventory growth in all but the nursing care segment. Both entrance fee and rental LPCs saw negative nursing care inventory growth year-over-year.

Entrance Fee LPC Occupancy is Highest in the Pacific Region

In 4Q 2021, the Pacific, Mid-Atlantic, and Northeast regions had the strongest LPC occupancy rates ranging from 88.5% to 88.2%. The weakest LPC occupancy was in the Southwest region at 80.8%. Considering payment type, as shown in the table below, entrance fee occupancy was highest in the Pacific region (90.9%), whereas rental occupancy was the highest in the Mid-Atlantic region (85.8%). The most significant difference between entrance fee and rental occupancy was reported for the Pacific region, where entrance fee LPC occupancy was 7.1 percentage points higher than rental.

NIC MAP® Primary and Secondary Markets		LPC Occupancy 4Q2021		EF LPC vs. Rental LPC (Difference)
Region	LPC (EF)	LPC (Rental)		
East North Central	86.7%	80.1%	6.6	
Mid-Atlantic	89.2%	85.8%	3.4	
Mountain	86.7%	81.9%	4.8	
Northeast	89.7%	84.5%	5.2	
Pacific	90.9%	83.9%	7.1	
Southeast	86.0%	79.7%	6.3	
Southwest	83.0%	77.9%	5.1	
West North Central	86.4%	80.2%	6.2	
Totals	88.0%	81.7%	6.3	

Source: NIC MAP® Data, powered by NIC MAP Vision

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

About NIC MAP®

NIC MAP® data, powered by NIC MAP Vision, collects primary data on occupancy, asking rents, demand, inventory, and construction for more than 15,000 independent living assisted living, memory care, skilled nursing, and life plan communities (LPCs) across 140 U.S. metropolitan markets. The dataset includes 1,180 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets (and 1,104 in the 99 combined Primary and Secondary Markets).

LANA PECK
 SENIOR PRINCIPAL
 NATIONAL INVESTMENT CENTER FOR SENIORS HOUSING & CARE (NIC)

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JANUARY 31, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Pennswood Village (PA)	Fitch	BBB+ Positive	Affirmed Rating Revised Outlook Assigned IDR*	1/25/22
Brethren Hillcrest Homes (CA)	Fitch	BBB Stable	Upgraded IDR*	1/27/22

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* IDR – Issuer Default Rating (FitchRatings)

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.


INTEREST RATES/YIELDS

WEEK ENDING JANUARY 28, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	1.85%	1.72%	1.56%
Senior Living 30-Yr “A”	2.75%	2.40%	2.14%
Senior Living 30-Yr “BBB”	3.10%	2.65%	2.44%
Senior Living Unrated	4.00%	3.65%	3.61%
Senior Living New Campus	5.21%	5.00%	5.36%
SIFMA Muni Swap Index	0.06%	0.04%	0.04%
	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	4.02%	3.99%	2.04%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING


WESTMINSTER-CANTERBURY
OF THE BLUE RIDGE
Charlottesville, Virginia

Economic Development Authority of
Albemarle County, Virginia,
Residential Care Facility Revenue
Refunding Bonds,
Series 2022

\$52,960,000
January, 2022

MARKET REVIEW

MONEY MARKET RATES

	1/28	LAST WEEK
Prime Rate	3.25	3.25
Federal Funds (weekly average)	0.07	0.07
90 Day T-Bills	0.17	0.16
30-Day Commercial Paper (taxable)	0.07	0.07
Libor (30-day)	0.10	0.10
7 Day Tax-Exempt VRDB	0.06	0.04
Daily Rate Average	0.03	0.01

COMPARATIVE YIELDS

TAXABLE REVENUE										
	GOVT	A		MMD	NR*	BB	BBB	A	AAA	
2 Year	1.18	1.73	1 Year	0.53	2.33	1.83	1.33	0.88	0.68	
5 Year	1.66	2.46	5 Year	1.11	3.01	2.51	2.01	1.56	1.31	
7 Year	1.78	2.93	7 Year	1.30	3.25	2.75	2.25	1.90	1.55	
10 Year	1.81	3.26	10 Year	1.45	3.50	3.00	2.50	2.25	1.75	
30 Year	2.09	3.99	30 Year	1.85	4.10	3.60	3.10	2.85	2.30	

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	2.33	2.25	+0.08
11 Bond Index	1.86	1.78	+0.08
Revenue Bond Index	2.24	2.16	+0.08
30 Year MMD	1.85	1.72	+0.13
Weekly Tax-Exempt Volume (Bil)	3.80	5.78	-1.98
30 Day T/E Visible Supply (Bil)	7.49	4.92	+2.57
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	112.4	107.2	+5.20