

2020 Senior Housing Outlook Report



2020: Middle-Market Plays Take Shape

In April of last year, the senior housing world was shaken by one statistic: By 2029, 54% of middle-income older adults will be unable to afford senior housing. As a result of that figure from the National Investment Center for Seniors Housing & Care (NIC), our senior housing outlook survey for the first time asked respondents to predict the most popular strategies that operators will take to address the middle-market challenge.

While the middle market emerged in 2019 as a hot topic, other industry standbys remained pressing. According to survey respondents, occupancy concerns appear to be easing even though new competition is still seen as a threat. On the financing side, private equity will

continue to be a sought-after capital source in 2020 as M&A activity continues across the sector.

Those are just some of the insights coming from leaders in the world of senior housing on the dawn of this new decade. Once again, we are happy to partner with Hunt Real Estate Capital to bring you the results of the 2020 Senior Housing News Outlook Survey and Report. We hope this will serve as a helpful guide for you and your business in the coming year.



Tim Mullaney
Editor, Senior Housing News

Executive Summary

The 2020 Senior Housing News Outlook Survey and Report reveals the views of more than 330 individuals polled about the senior living industry for 2019. The survey, conducted online from December 2019 to January 2020, asked how companies are:

- Planning to invest this year
- Identifying the most attractive senior housing property types for investment purposes
- Planning growth strategies for the year ahead
- Looking at the most attractive opportunities and toughest challenges they see for the year ahead

Results of the survey show how investors' focus has remained steady in some areas while it has shifted in others, in response to the dynamic market.

Key Takeaways



Occupancy Concerns Decline

Concerns about occupancy — no matter the senior housing asset type — are falling. Survey respondents cite occupancy as the industry's third greatest challenge in 2020, with more than 60% of respondents predicting an occupancy jump in active adult rental, independent living and memory care.



Active Adult Investment Interest Tempered

While occupancy expectations remain high for active adult rental, investment interest has tempered compared to last year's survey, with active adult now down to third, below assisted living, among respondents' most popular investment targets.



Middle Market on the Mind

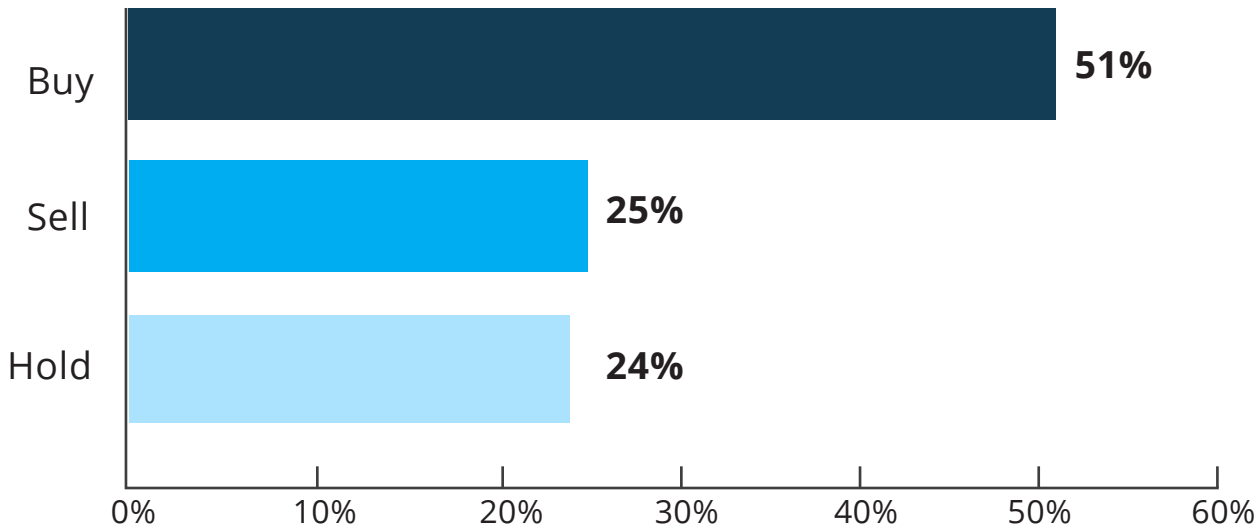
Coming off a year in which data showing the need for middle-market senior housing made national headlines, 40% of survey respondents believe repositioning market rate communities will be the most popular strategy address the middle-market need.

Which of the following is the greatest challenge to senior living in 2020?



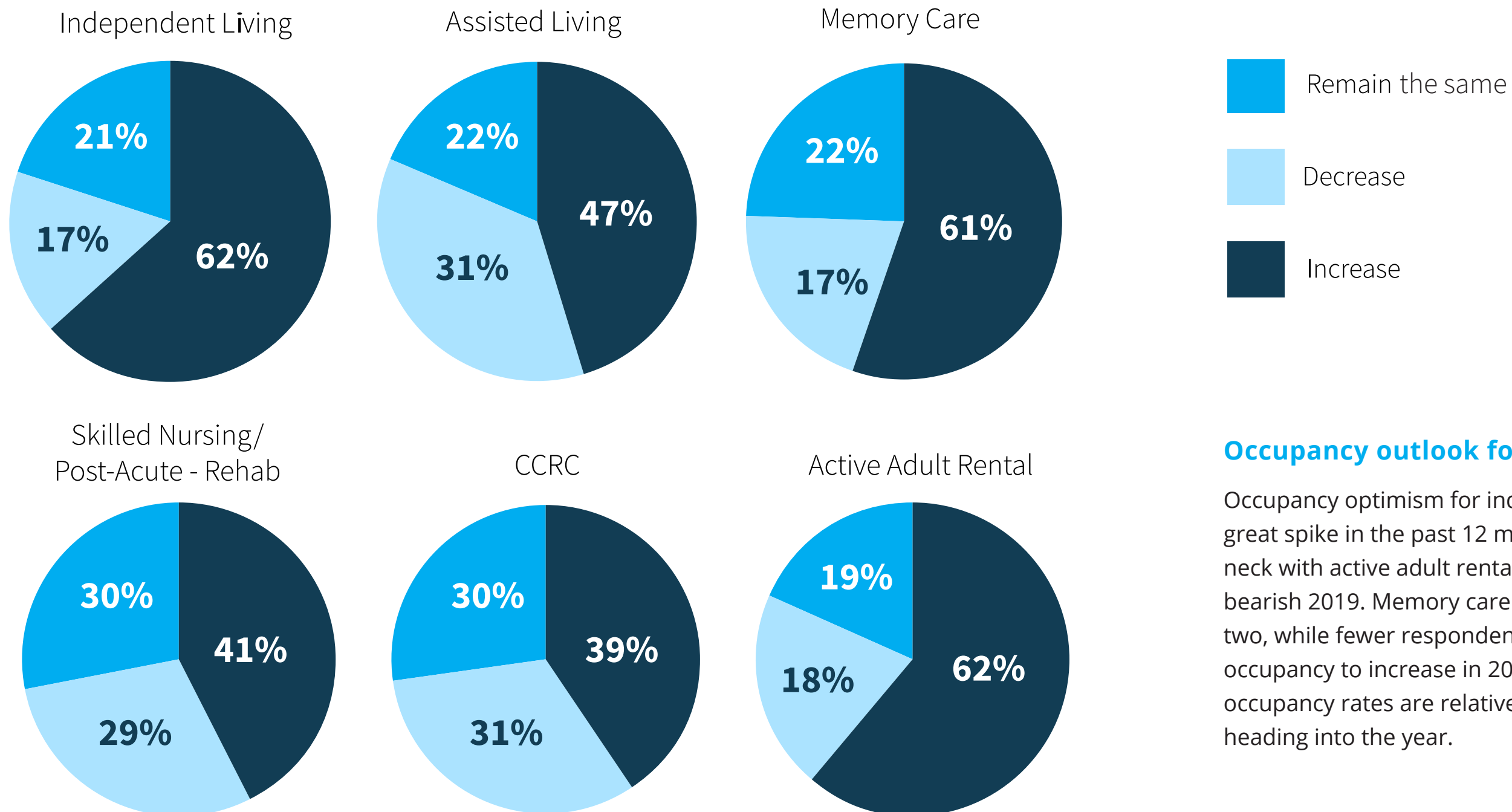
In 2020, my company plans to _____ senior housing assets.

Respondents comprise 225 people whose companies have plans to buy, sell or hold senior housing assets in 2020.



Among relevant survey respondents, 51% plan to buy senior housing assets in 2020. Of the remaining 49% of respondents, those planning to sell slightly outnumber those planning to hold.

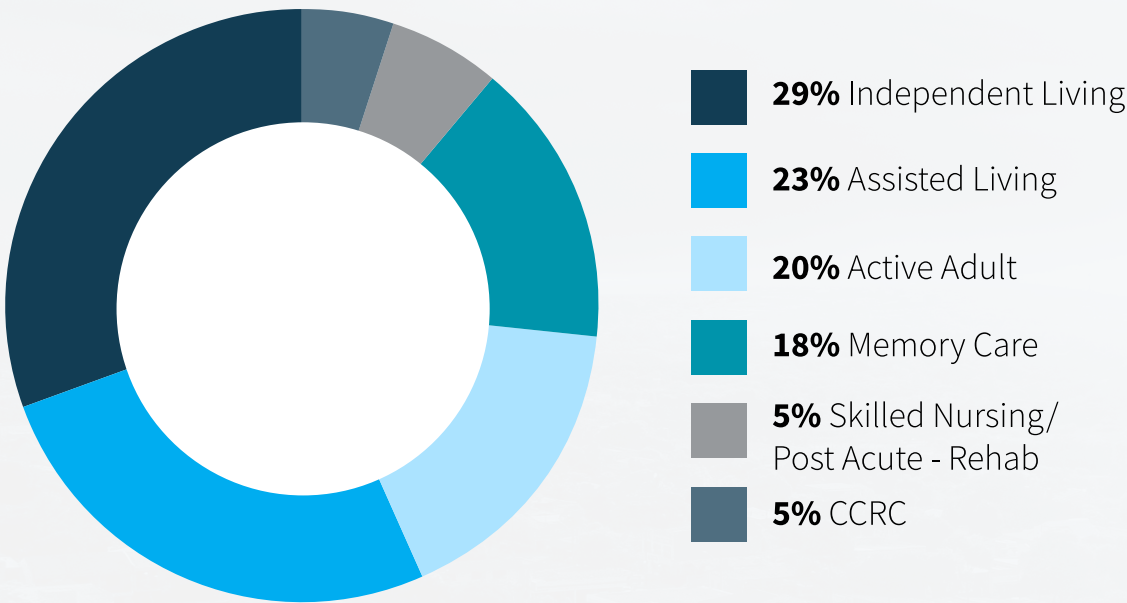
What is your outlook over the next 12 months for national occupancy rates for the following?



Occupancy outlook for 2020

Occupancy optimism for independent living saw a great spike in the past 12 months, now neck-and-neck with active adult rental after a comparatively bearish 2019. Memory care is right behind those two, while fewer respondents expect CCRC occupancy to increase in 2020, perhaps because occupancy rates are relatively high already heading into the year.

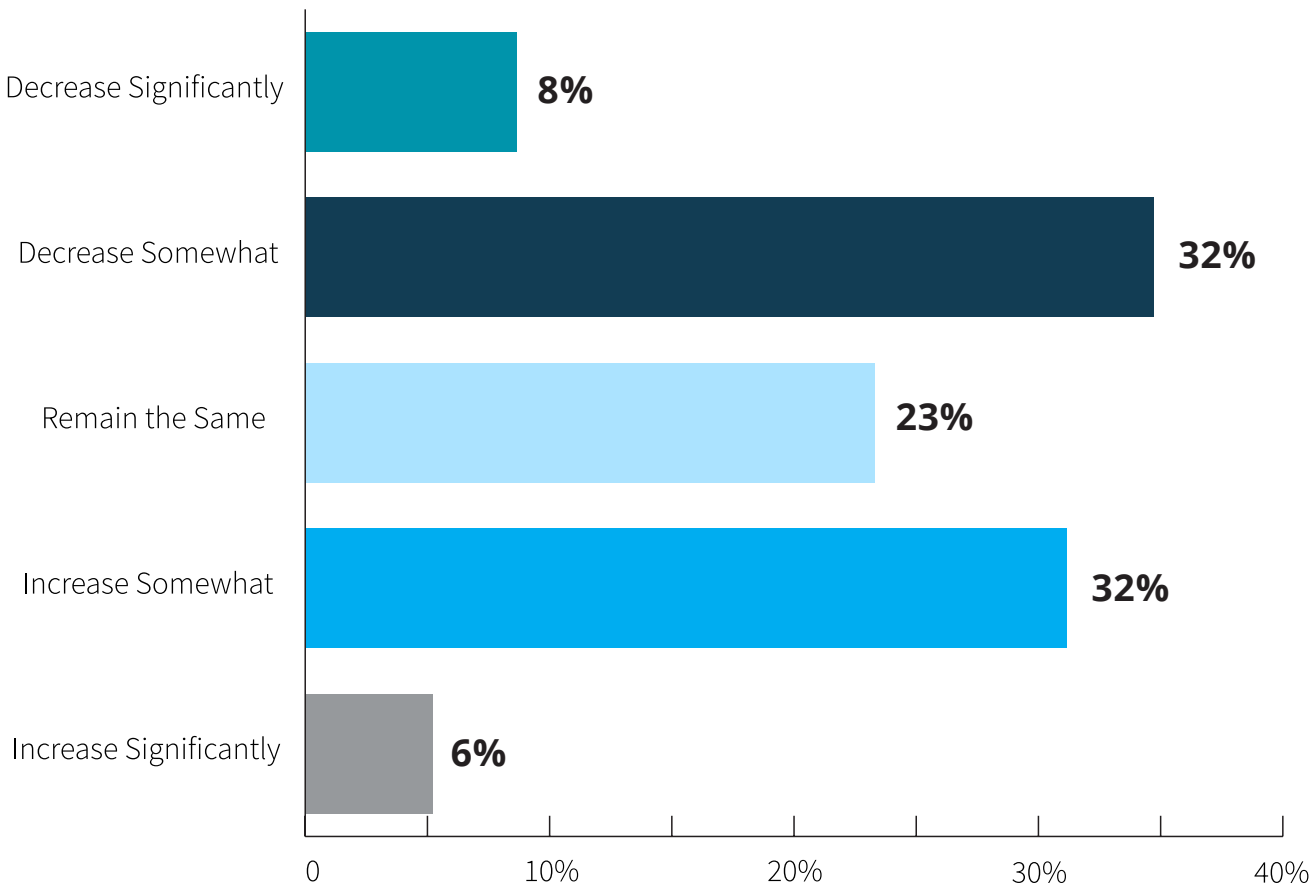
What will be the most attractive category of senior housing in which to invest in 2020?



Assisted Living on the rise

Independent living is still senior housing's most attractive investment asset, while the outlook for assisted living rose from fourth last year to second this year. Active adult rental attractiveness dipped.

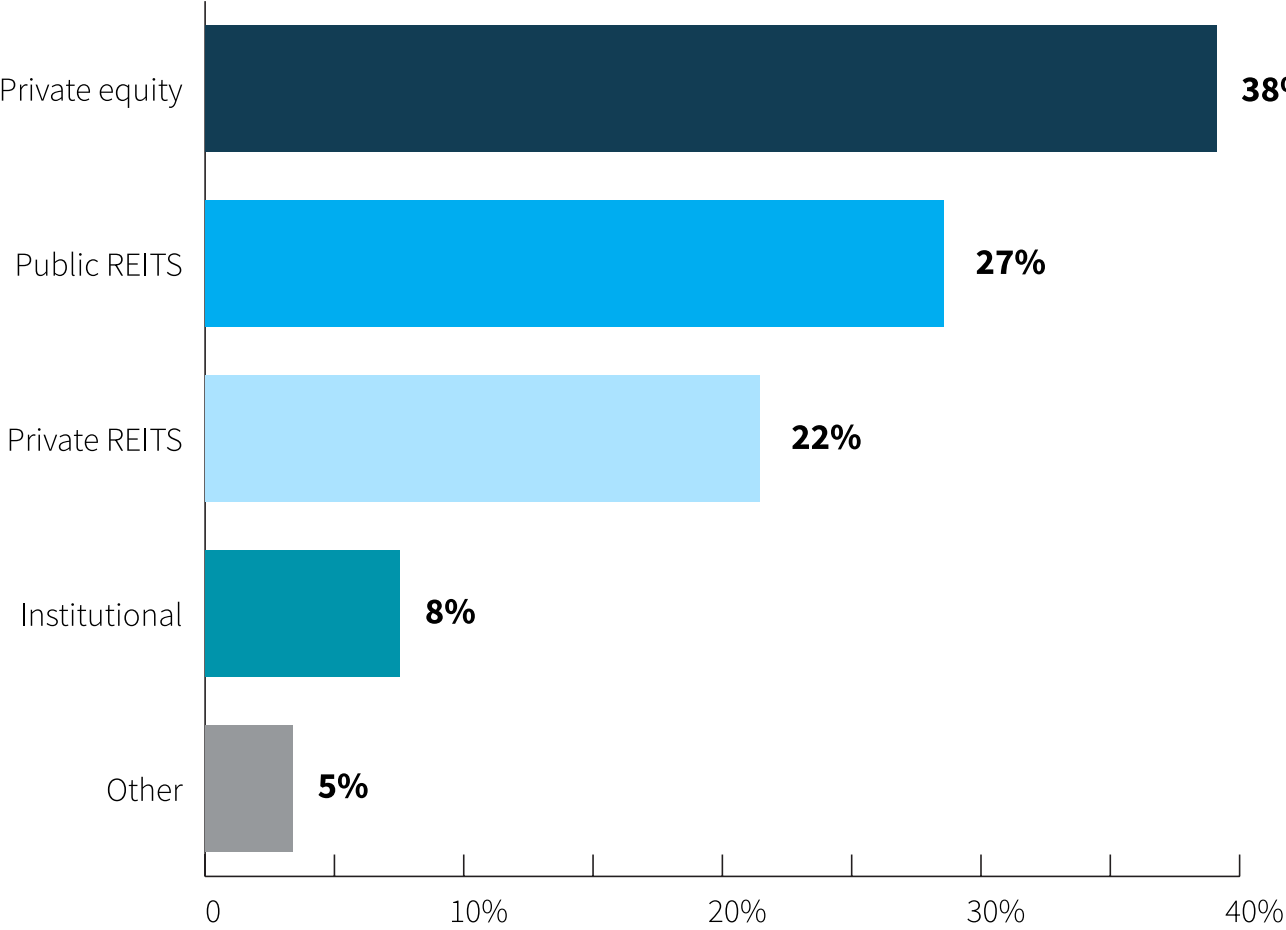
What is your outlook for new senior housing construction starting in 2020?



2020 outlook for new senior housing construction is mixed.

Forty percent of respondents see new construction decreasing, with slightly less predicting an increase.

Who will be the biggest buyer of senior housing assets in 2020?



Private equity remains top predicted investor in 2020.

While private equity remains the biggest predicted buyer of senior housing assets in 2020, respondents expect to see more purchases from both public and private REITs, predicting REITs to account for just under half of all purchases.

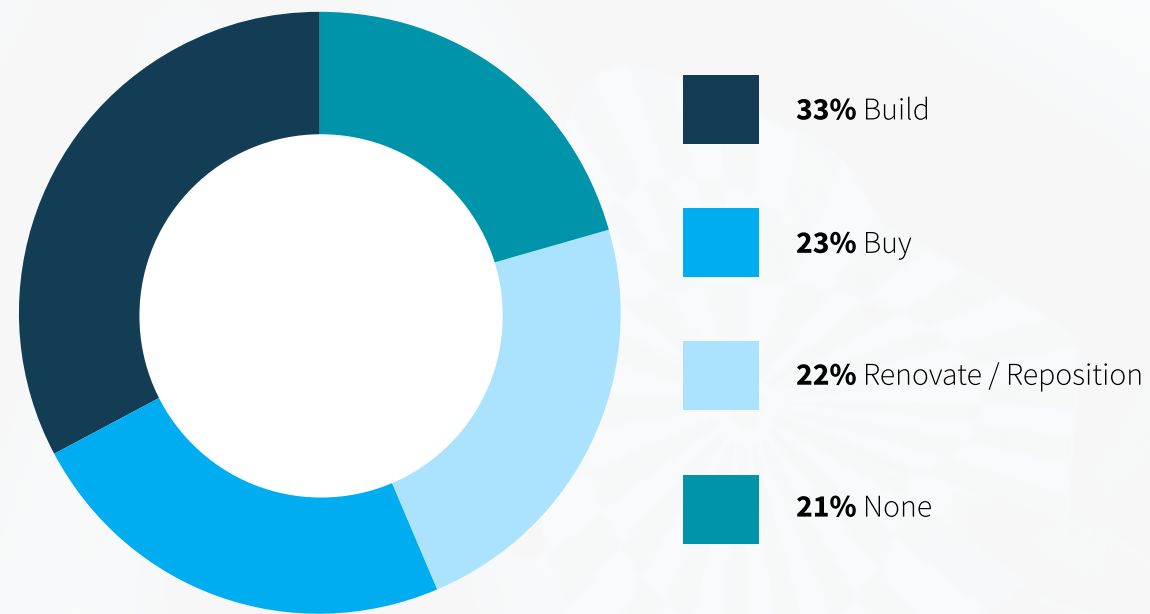
“Of all the dilemmas facing the seniors housing and care industry today, perhaps the most challenging is the issue of affordable assisted living. Whether repositioning existing market-rate communities or building new product through customized design and construction, collaboration between informed and experienced developers, financiers, and government partners will be crucial in effectively closing this gap in the continuum of care.”

Jason Dopoulos,
Senior Managing Director
Lancaster Pollard

In January 2020, Hunt Real Estate Capital combined with Lancaster Pollard and RED Capital Group, the two brands that make up ORIX Real Estate Capital. The three firms will merge into a unified provider of commercial real estate capital over the course of 2020.

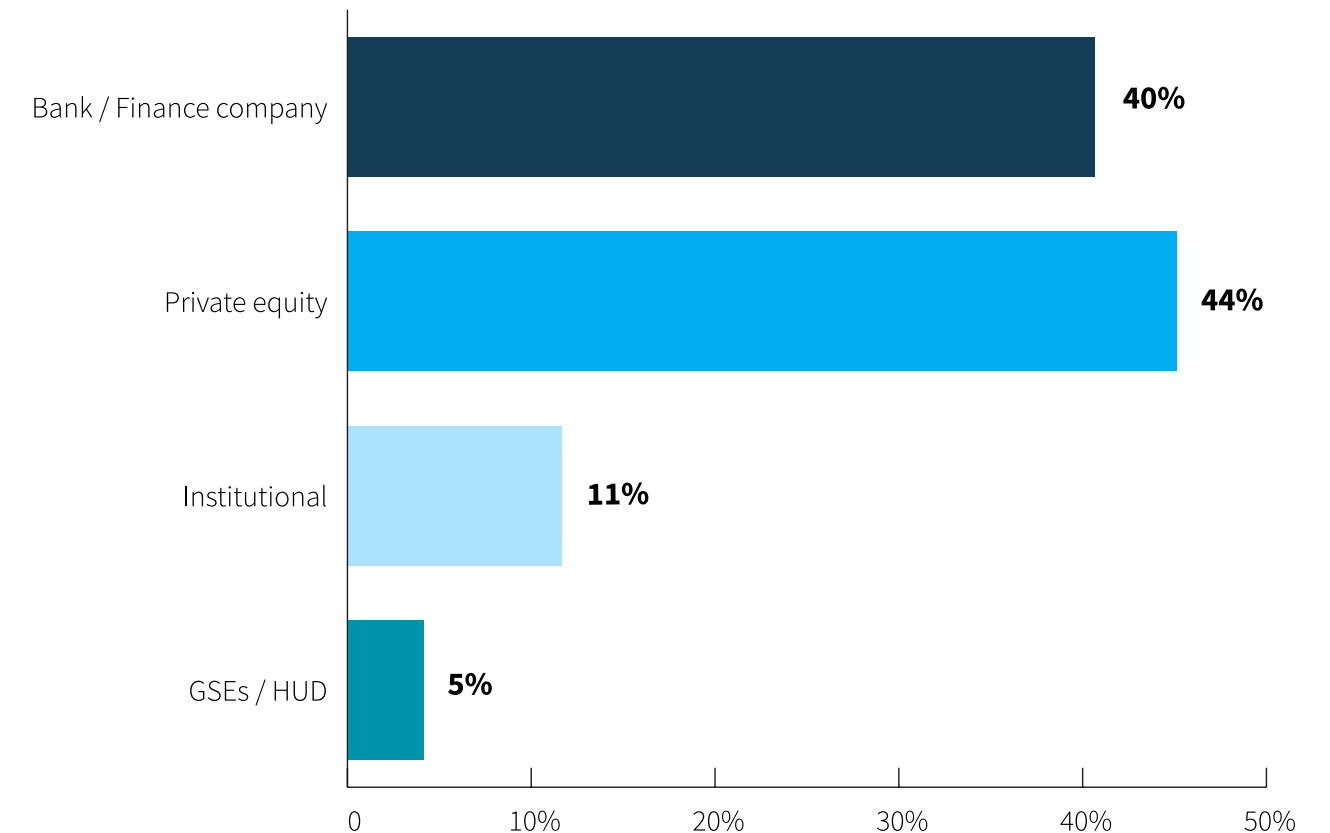


What is your company's primary growth strategy in 2020?



New construction is the top projected senior housing growth strategy for 2020. Acquiring is second, followed closely by renovation and repositioning.

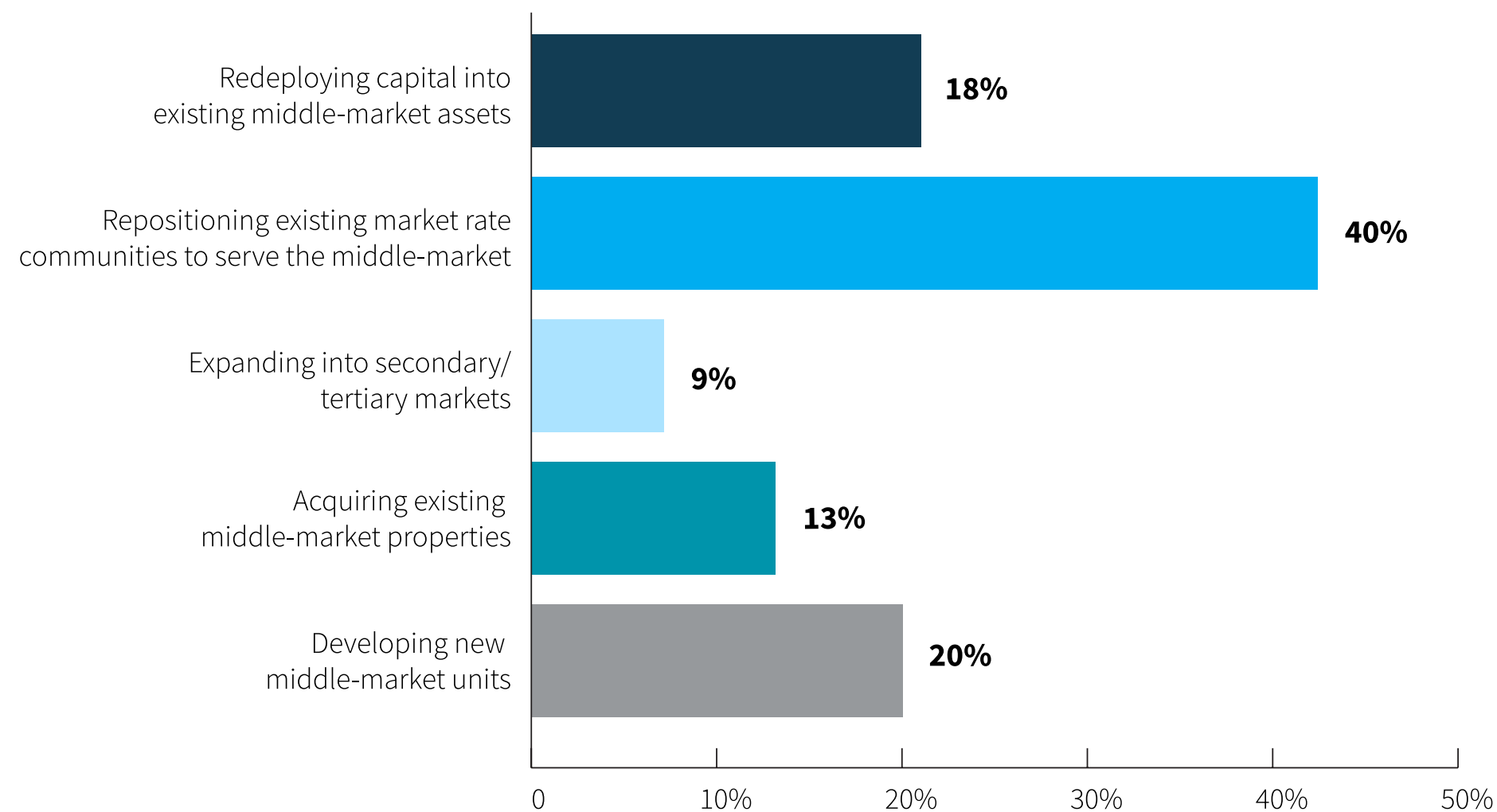
What is the top source of financing your company is seeking in 2020?



Financing sources expand to include private equity

Private equity looks to play an expanded role in senior housing financing in 2020, with 44% of respondents citing it as their top targeted source of capital.

NIC data shows that by 2029, 54% of middle-income seniors won't be able to afford senior living. What do you think will be the most popular strategy that senior housing stakeholders will employ to address the middle market shortage?



Repositioning in the lead

As senior housing operators face the middle-market challenge in 2020, their top predicted strategy for addressing those needs will be repositioning of existing market rate communities.

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