



## Seniors Housing Study

2011

- Investigation conducted exclusively for *National Real Estate Investor* and Senior Housing Investment Advisors.
- Methodology, data collection and analysis by Penton Research.
- Data collected April 26, 2011 through June 8, 2011.
- Methodology conforms to accepted marketing research methods, practices and procedures.

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## Objectives & Methodology

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### Objectives

Objectives of this study effort include:

1. Investigate the change in seniors housing leasing activity, the factors that impact occupancy rates and the expectations for the future.
2. Examine expectations for available financing and new construction of seniors housing.
3. Determine the challenges with seniors housing financing and leasing.

### Methodology

#### *Sample framework*

Between April 26 and June 8, 2011, Penton Research e-mailed invitations to participate in an online survey to subscribers of *National Real Estate Investor* print and e-newsletter publications. Links to the survey were also included in e-newsletter publications.

#### *Response motivation*

To encourage prompt response and increase the response rate overall, the following marketing research techniques were used:

- The *National Real Estate Investor* and Senior Housing Investment Advisors logos were used on the e-mail invitations to tie the study effort to the magazine and sponsoring company.
- A drawing for one of two \$100 Visa gift cards were offered as an incentive for participating in the study.

#### *Survey instruments*

Copies of the survey instruments are included in Appendix B.

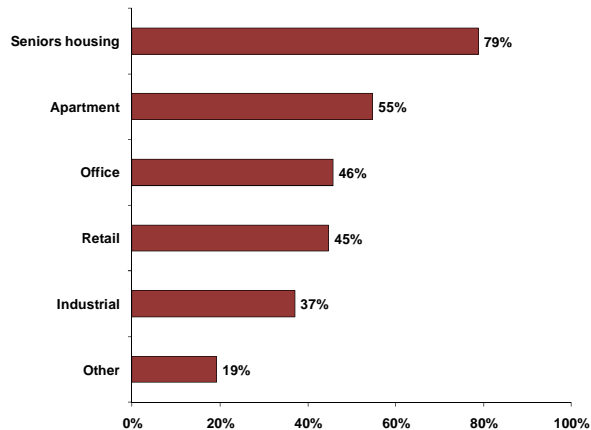
### Response

The direct e-mail efforts and e-newsletter efforts resulted in a total of 241 completed responses. Of these, 172 respondents are directly involved in seniors housing. Data is based on the 172 respondents unless otherwise noted.

# Various aspects of the commercial real estate industry are represented.

Respondents are primarily brokers or developers/owners/operators. Most are active in seniors housing. Respondents not involved in seniors housing are excluded from the remaining pages.

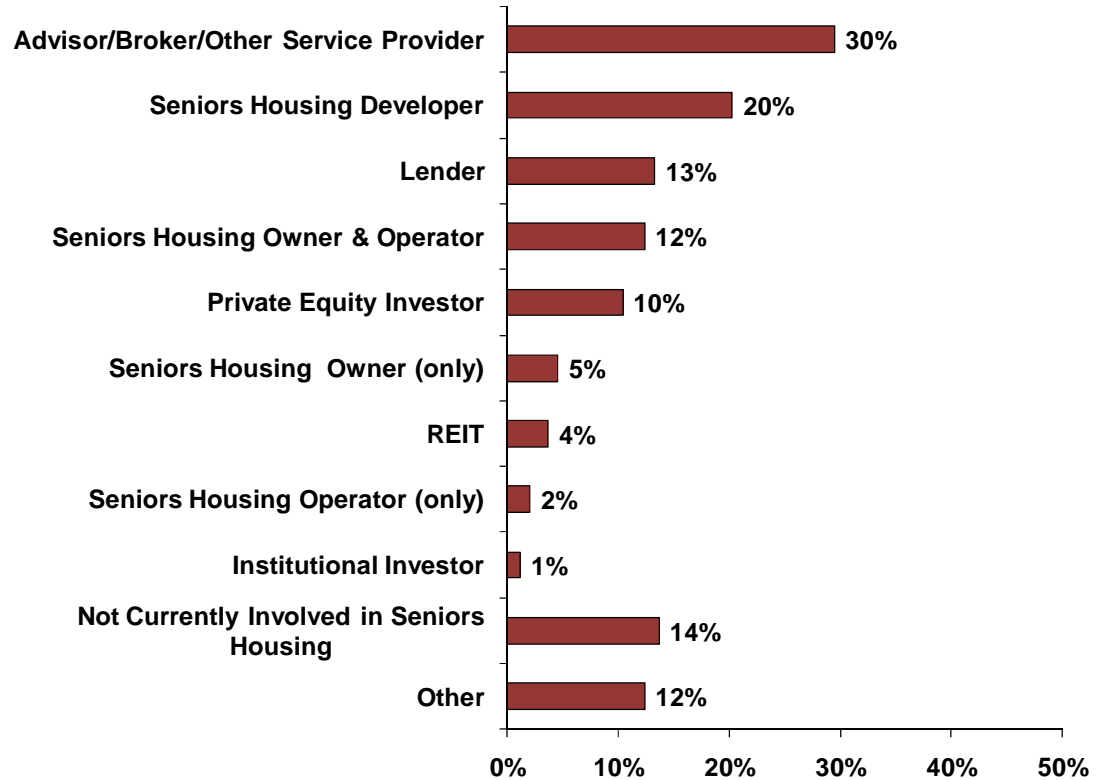
- Which of the following commercial real estate property types does your organization own, manage, develop, lease or provide services to?



Base: involved respondents, 208; multiple responses.

## Firm Type

- Which of the following best describes your company?

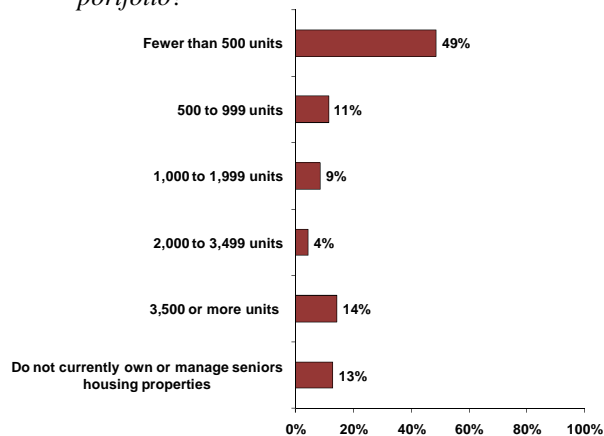


Base: total respondents, 241; multiple responses.

# Respondents' seniors housing properties have an average occupancy rate of 88%.

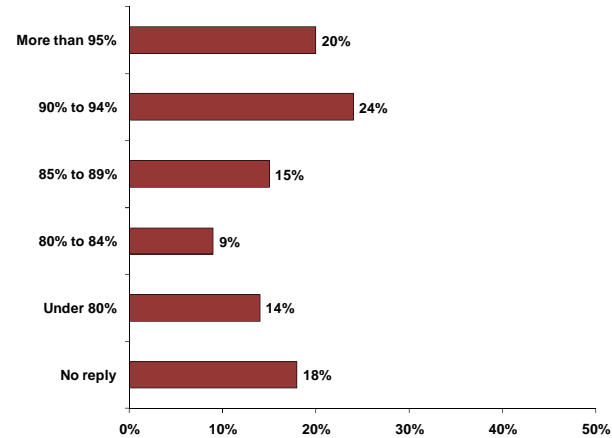
Respondents expect occupancy to increase an average 80 basis points over the next six months. In fact, nearly two thirds of respondents (61%) expect the level of occupancy at their seniors housing facilities to increase. An additional 27% expect it to remain the same.

- *What is the size of your seniors housing portfolio?*

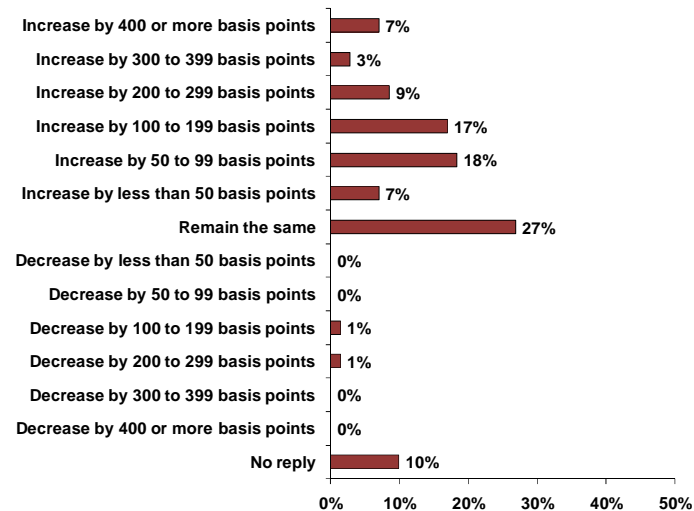


## Occupancy

- *Currently, what is the average occupancy rate in the portfolio of seniors housing properties you own or manage?*



- *How do you expect the level of occupancy at the seniors housing facilities you own or manage to change over the next six months?*



Base: respondents who own/manage seniors housing facilities, 71.

# The U.S. economy and U.S. housing market are most likely to have had a negative effect on occupancy rates.

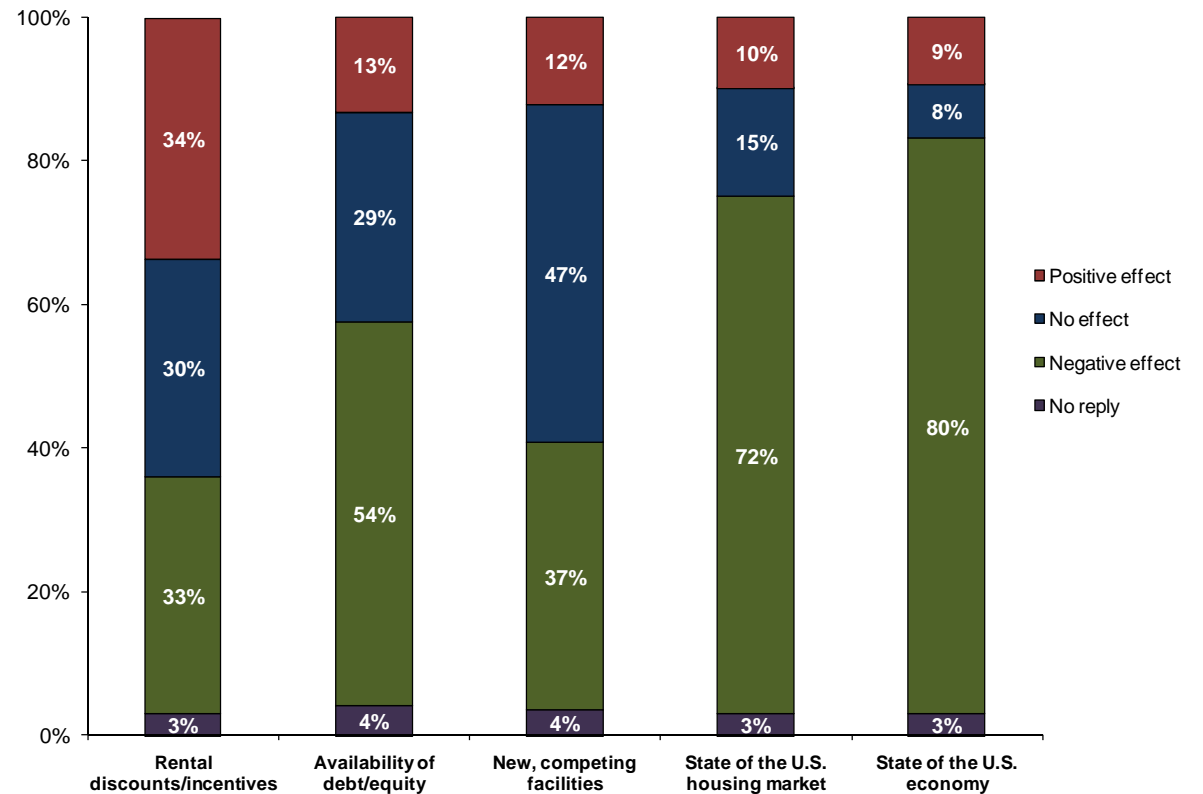
Four in five respondents (80%) indicate the state of the U.S. economy has had a negative effect on occupancy rates at seniors housing facilities in the past year. 72% indicate the state of the U.S. housing market has had a negative effect.

One in three respondents (34%) indicates rental discounts/incentives have positively affected the occupancy at seniors housing facilities over the past year, while 32% indicate they have had a negative effect.

*Analyst note: the base for the chart on this pages as well as those on the subsequent pages is respondents involved in seniors housing, 172.*

## Factors Affecting Occupancy Rates

- To what extent has each of the following factors affected the occupancy rates at seniors housing facilities in the past year?



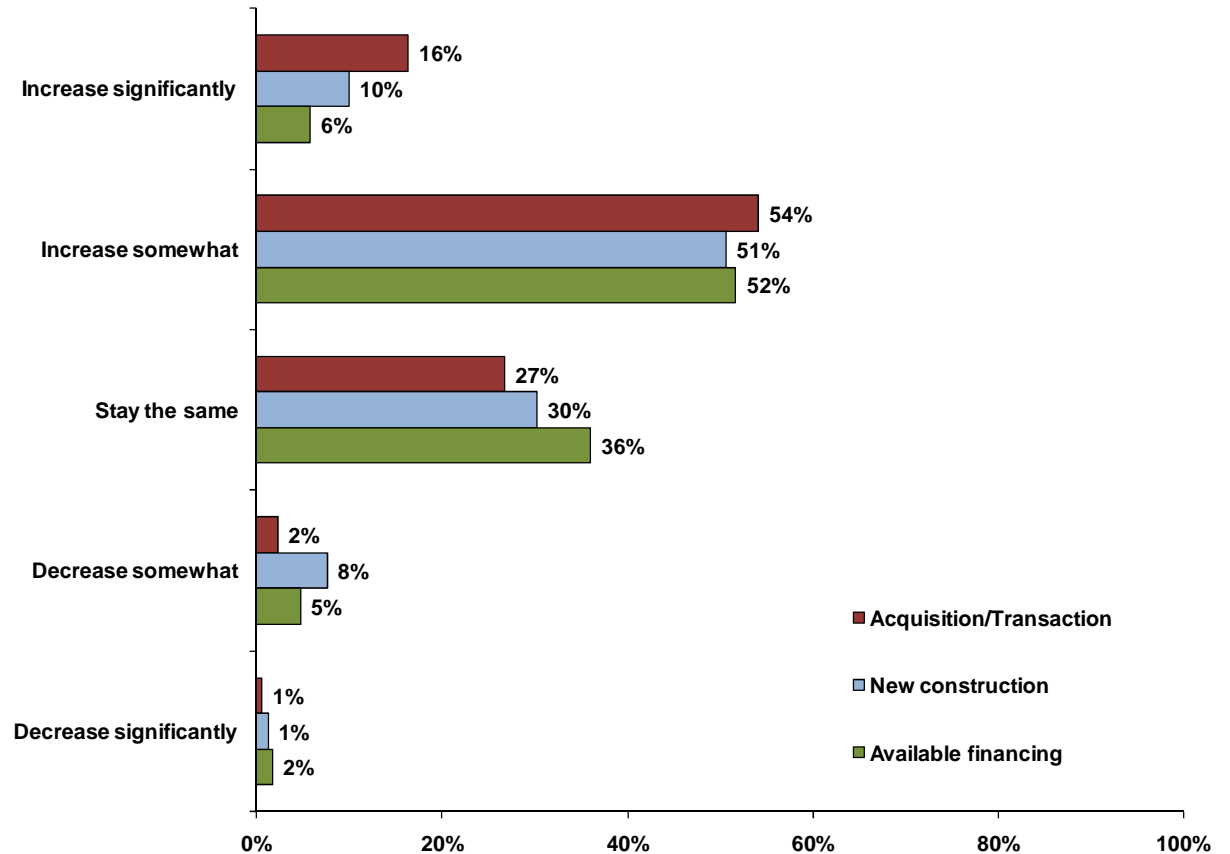
# Acquisition and transaction activity is expected to increase before available financing or new construction.

Seventy percent of respondents expect acquisition/transaction activity to increase somewhat or significantly in the next six months, while 61% expect new construction to increase and 58% expect to see an increase in available financing.

Each of the metrics is expected to decrease by less than one in ten respondents.

## Expectations for Seniors Housing

- How do you expect acquisition/transaction activity to change in the next six months?
- How do you expect new construction of seniors housing to change in the next six months?
- How do you expect available financing for seniors housing to change in the next six months?

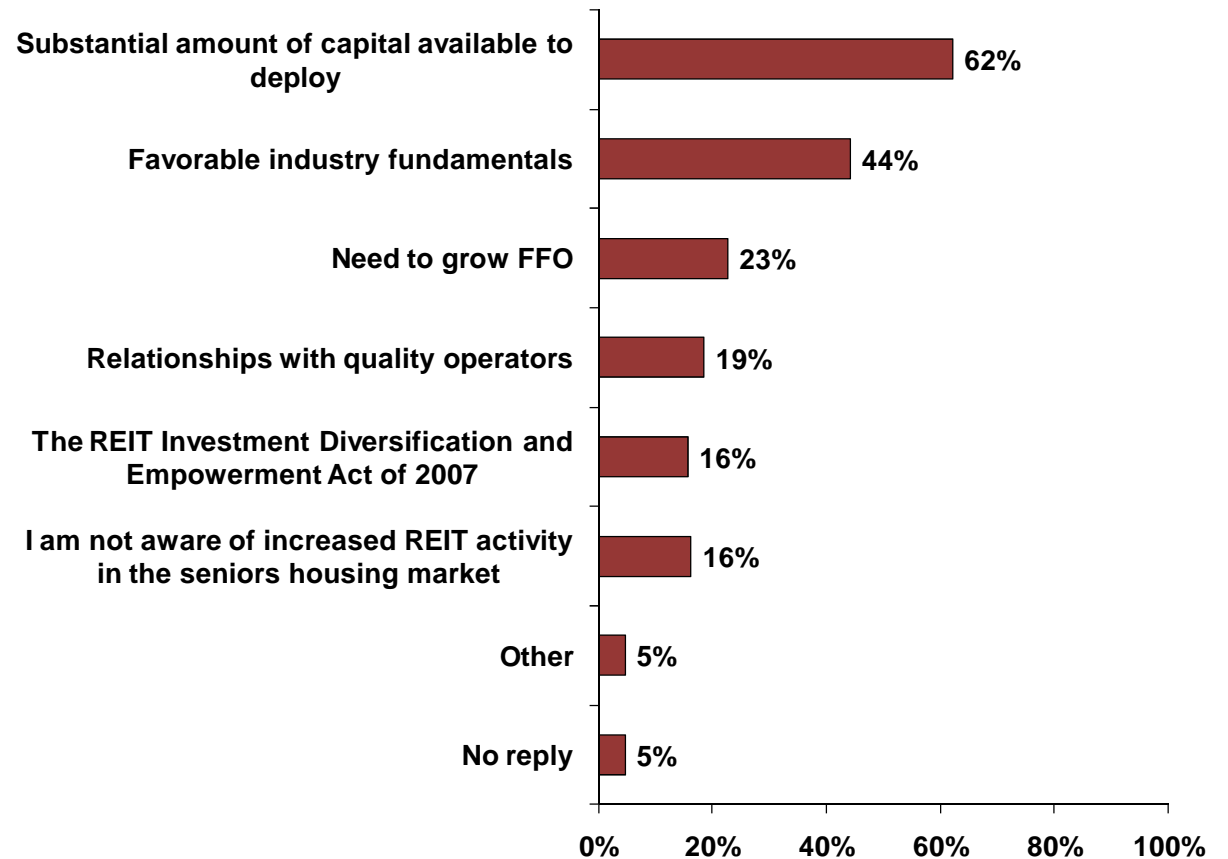


# Available capital is thought to be driving the increase in investments by health care REITs.

While nearly two thirds of respondents (62%) believe it is a substantial amount of available capital driving the increase in mergers and acquisitions of seniors housing by health care REITs over the past six months, 44% believe it is the favorable industry fundamentals driving the increase in activity.

## Health Care REIT Investment in Seniors Housing

- *What do you think is driving the increase in mergers and acquisitions by health care REITs in seniors housing over the past six months?*



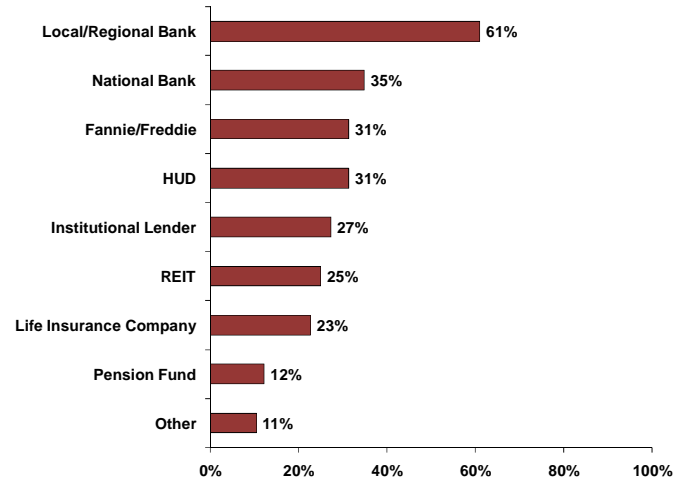
# Nearly two thirds of respondents are considering local/regional banks for debt financing.

National banks are a consideration of 35% of respondents, while Fannie Mae/Freddie Mac and HUD are each being considered by 31% of respondents.

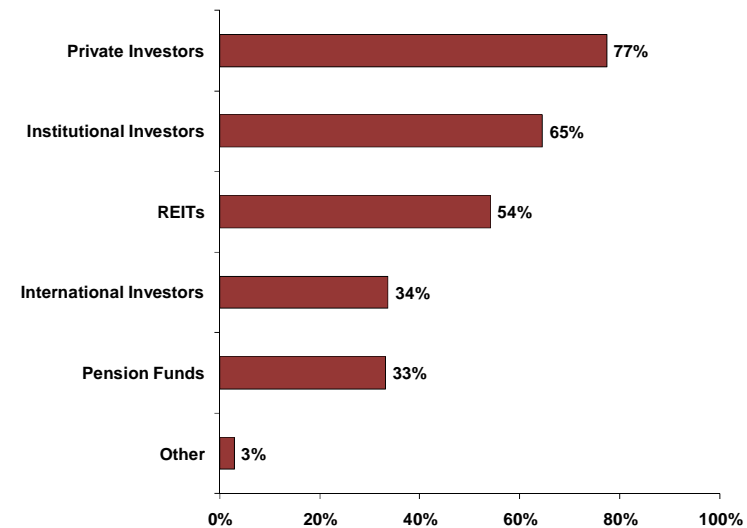
Respondents believe equity will be available from private investors, institutional investors and REITs in the year ahead.

## Seniors Housing Financing

- *What types of debt financing are you considering for your new ventures, both acquisition and new construction?*



- *What sources of equity for seniors housing do you think will be available in the year ahead?*



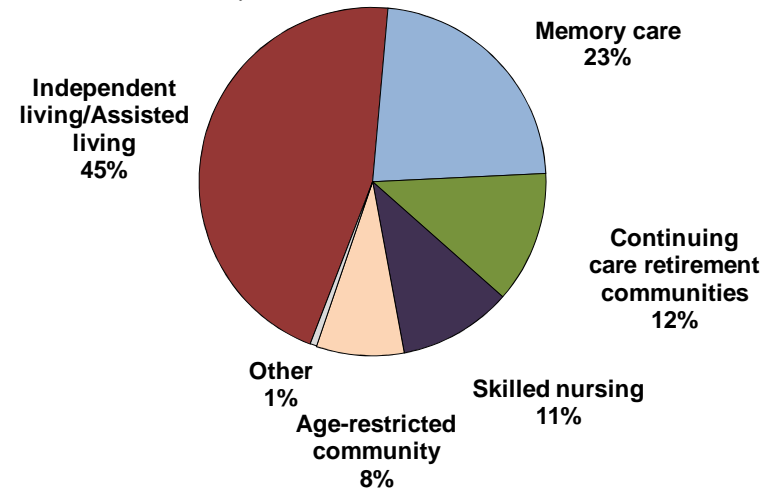
# Independent living/Assisted living is experiencing the greatest growth in investor demand.

Forty-five percent of respondents believe independent living/assisted living will experience the greatest growth in investor demand, while nearly one in four indicate that memory care is experiencing the greatest growth.

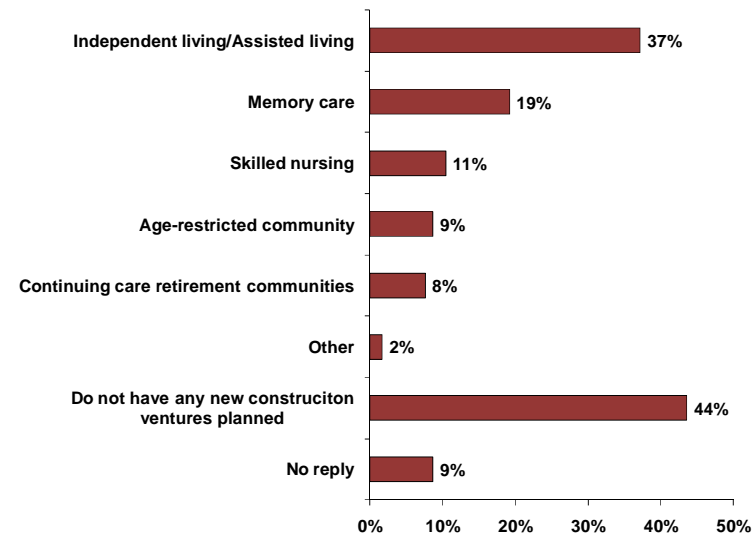
Nearly half of respondents (47%) have new construction ventures planned in the next six months, with the largest percentage planning construction in independent/assisted living.

## Demand for Seniors Housing Segments

- Which of the following seniors housing segments do you see experiencing the greatest growth in investor demand in the year ahead?



- For which of the following seniors housing segments do you have new construction ventures planned in the next six months?

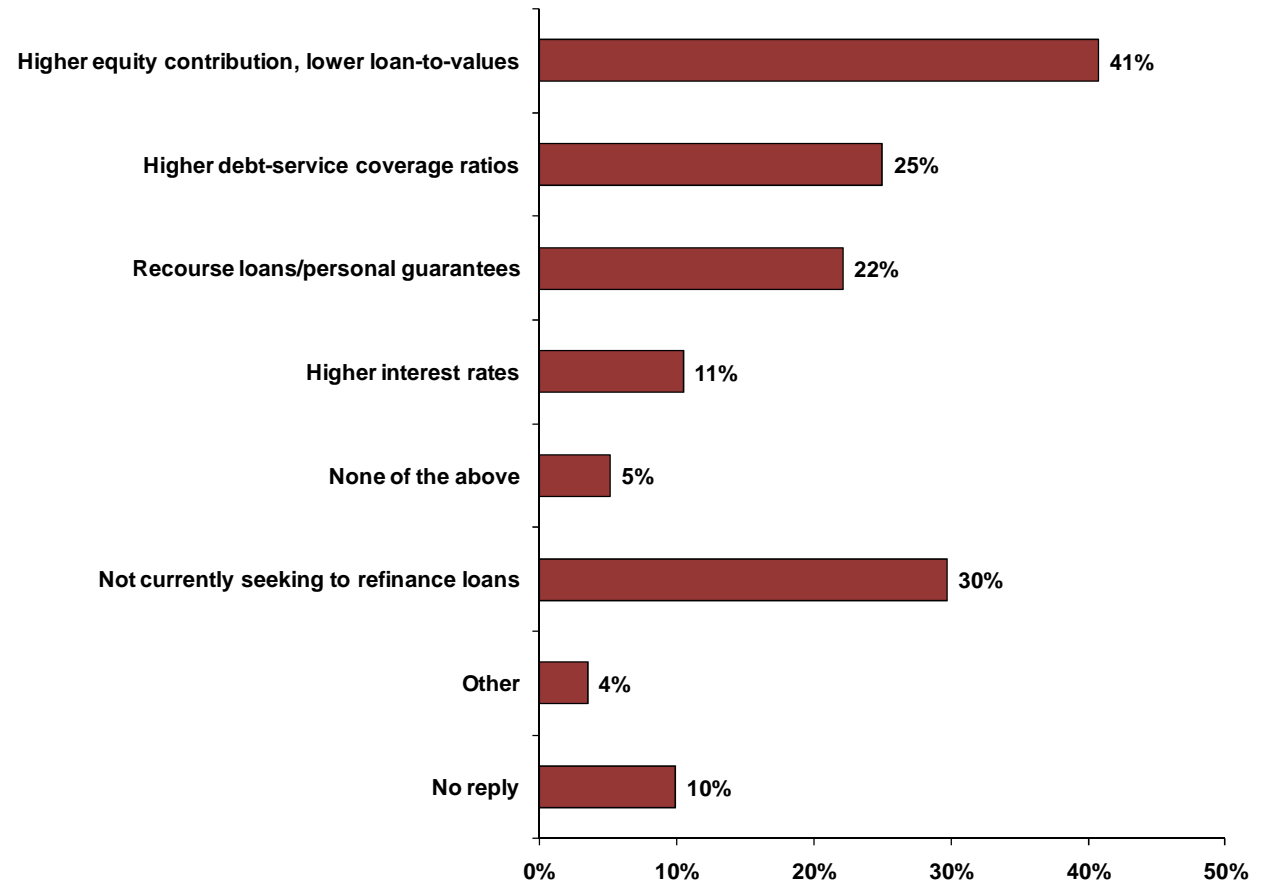


# Higher equity/ lower loan-to- value is proving to be most challenging.

Six in ten respondents (60%) are experiencing challenges with one or more of the listed aspects of financing.

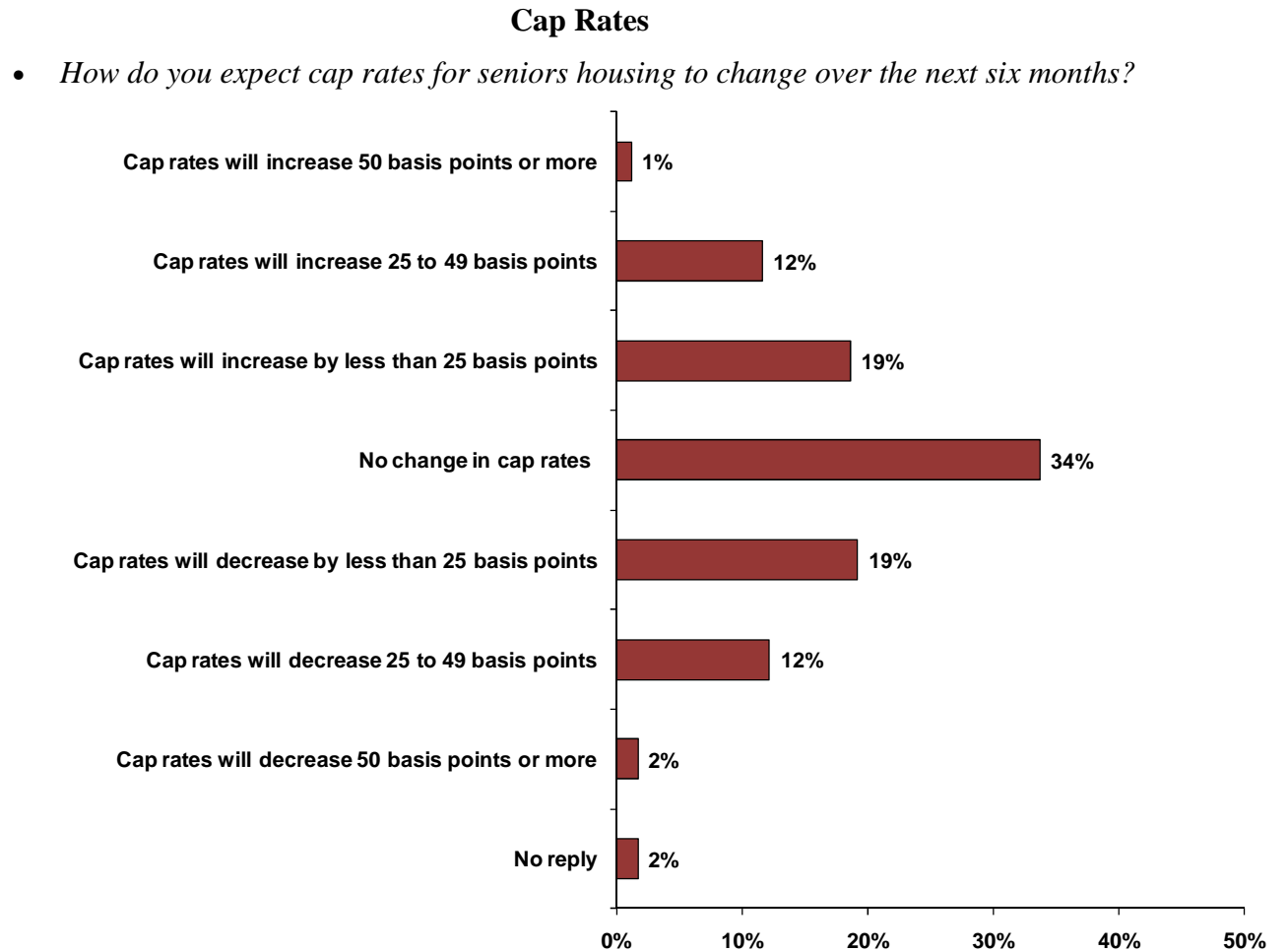
## Financing Challenges

- If you are seeking to refinance loans, which of the following lender requirements do you see as the most challenging?*



# Respondents are divided on their expectations for cap rates.

About one in three respondents expect cap rates to stay the same over the next six months, while 32% expect cap rates to increase and 33% expect a decrease.



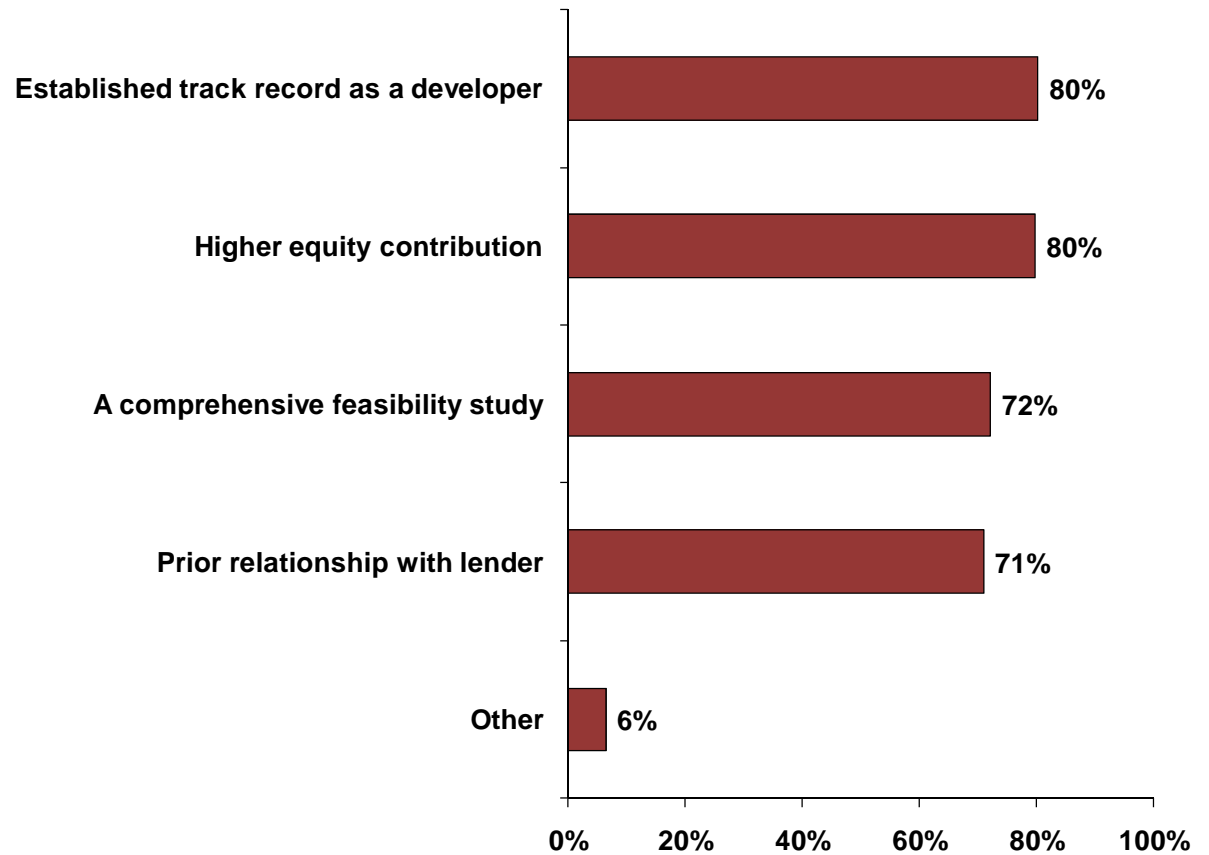
# Track record and equity contribution are most important in obtaining financing.

Respondents also consider a comprehensive feasibility study and prior relationship with the lender to be important.

## Important Factors when Seeking Construction Financing

- How important are the following factors in seeking construction financing?

Percent indicating 4 or 5 on a 5-point scale are presented, where 1 = "Not at all important," 5 = "Extremely important."

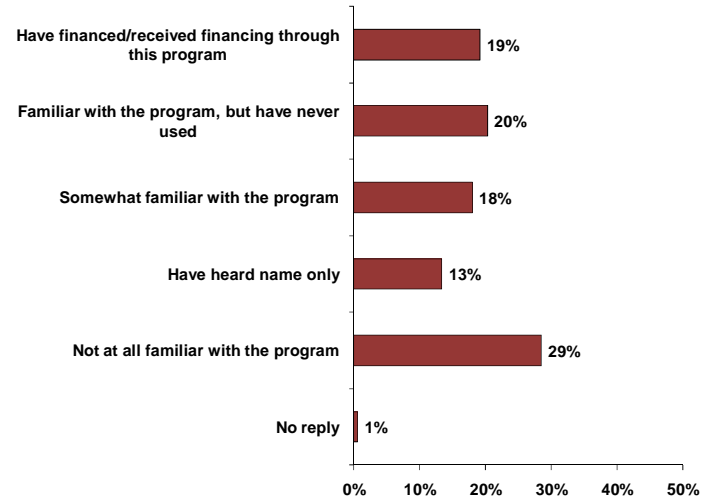


# Respondents are likely to be at least somewhat familiar with HUD Lean 232 financing.

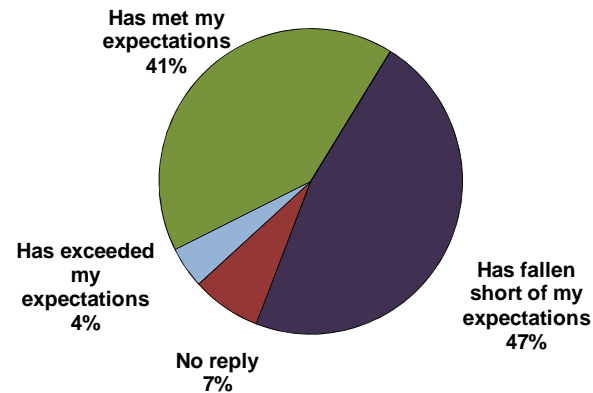
Among those who are familiar with the program, nearly half (47%) indicate that it has fallen short of their expectations.

## HUD Lean 232 Financing

- To what extent are you familiar with the HUD Lean 232 program for seniors housing financing?



- To what extent has the HUD Lean 232 program met your expectations?



Base for bottom chart: respondents who are at least familiar with the program, 68.

## Data Tables

### 1. Which of the following best describes your company?

<b>Base: all respondents; multiple answers.</b>	<b>241</b>
<b>No reply</b>	1 0.4%
<b>Seniors Housing Developer</b>	49 20.3%
<b>Seniors Housing Owner (only)</b>	11 4.6%
<b>Seniors Housing Operator (only)</b>	5 2.1%
<b>Seniors Housing Owner &amp; Operator</b>	30 12.4%
<b>Lender</b>	32 13.3%
<b>Institutional Investor</b>	3 1.2%
<b>Private Equity Investor</b>	25 10.4%
<b>REIT</b>	9 3.7%
<b>Advisor/Broker/Other Service Provider</b>	71 29.5%
<b>Not Currently Involved in Seniors Housing</b>	33 13.7%
<b>Other (please specify):</b>	30 12.4%

## Data Tables

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### 2. Which of the following commercial real estate property types does your organization own, manage, develop, lease or provide services to?

<b>Base: respondents who did not indicate no involvement in seniors housing.</b>	208
<b>No reply</b>	3 1.4%
<b>Apartment</b>	114 54.8%
<b>Industrial</b>	77 37.0%
<b>Office</b>	95 45.7%
<b>Retail</b>	93 44.7%
<b>Seniors housing</b>	164 78.8%
<b>Other (please specify):</b>	40 19.2%

**3. What is the size of your seniors housing portfolio?**

<b>Base: respondents who own or manage seniors housing properties.</b>	70
No reply	-
	-
<b>Fewer than 500 units</b>	34 48.6%
<b>500 to 999 units</b>	8 11.4%
<b>1,000 to 1,999 units</b>	6 8.6%
<b>2,000 to 3,499 units</b>	3 4.3%
<b>3,500 or more units</b>	10 14.3%
<b>Do not currently own or manage seniors housing properties</b>	9 12.9%
<b>Mean</b>	1151.6
<b>Median</b>	250.0

## Data Tables

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### 4. Currently, what is the average occupancy rate in the portfolio of seniors housing properties you own or manage?

<b>Base: respondents who own or manage seniors housing properties.</b>	71
No reply	13 18.3%
Under 80%	10 14.1%
80% to 84%	6 8.5%
85% to 89%	11 15.5%
90% to 94%	17 23.9%
More than 95%	14 19.7%
Mean	87.7
Median	88.0

### 5. How do you expect the level of occupancy at the seniors housing facilities you own or manage to change over the next six months?

<b>Base: respondents who own or manage seniors housing properties.</b>	70
No reply	5 7.1%
Occupancy will increase	44 62.9%
No change in occupancy	19 27.1%
Occupancy will decrease	2 2.9%

## Data Tables

### 5a. By how many basis points [do you expect occupancy to change]?

<b>Base: respondents who own or manage seniors housing properties.</b>	71
No reply	7 9.9%
Increase by 400 or more basis points	5 7.0%
Increase by 300 to 399 basis points	2 2.8%
Increase by 200 to 299 basis points	6 8.5%
Increase by 100 to 199 basis points	12 16.9%
Increase by 50 to 99 basis points	13 18.3%
Increase by less than 50 basis points	5 7.0%
Remain the same	19 26.8%
Decrease by less than 50 basis points	- -
Decrease by 50 to 99 basis points	- -
Decrease by 100 to 199 basis points	1 1.4%
Decrease by 200 to 299 basis points	1 1.4%
Decrease by 300 to 399 basis points	- -
Decrease by 400 or more basis points	- -
Mean	79.8
Median	50.0

## Data Tables

### 6. To what extent have each of the following factors affected the occupancy rates at seniors housing facilities in the past year?

	Base: respondents involved in seniors housing.	No reply	1 - Extremely negative effect	2	3 - No effect	4	5 - Extremely positive effect	Mean
State of the U.S. housing market	172	5 2.9%	50 29.1%	74 43.0%	26 15.1%	12 7.0%	5 2.9%	2.1
State of the U.S. economy	172	5 2.9%	32 18.6%	106 61.6%	13 7.6%	13 7.6%	3 1.7%	2.1
Rental discounts/incentives	172	5 2.9%	10 5.8%	47 27.3%	52 30.2%	53 30.8%	5 2.9%	3.0
New, competing facilities	172	6 3.5%	15 8.7%	49 28.5%	81 47.1%	20 11.6%	1 0.6%	2.7
Availability of debt/equity	172	7 4.1%	45 26.2%	47 27.3%	50 29.1%	18 10.5%	5 2.9%	2.3

### 7. How do you expect acquisition/transaction activity to change in the next six months?

Base: respondents involved in seniors housing.	172
No reply	- -
Increase significantly	28 16.3%
Increase somewhat	93 54.1%
Stay the same	46 26.7%
Decrease somewhat	4 2.3%
Decrease significantly	1 0.6%

## Data Tables

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### 8. How do you expect new construction of seniors housing to change in the next six months?

<b>Base: respondents involved in seniors housing.</b>	172
No reply	1 0.6%
Increase significantly	17 9.9%
Increase somewhat	87 50.6%
Stay the same	52 30.2%
Decrease somewhat	13 7.6%
Decrease significantly	2 1.2%

### 9. How do you expect available financing for seniors housing to change in the next six months?

<b>Base: respondents involved in seniors housing.</b>	172
No reply	- -
Increase significantly	10 5.8%
Increase somewhat	89 51.7%
Stay the same	62 36.0%
Decrease somewhat	8 4.7%
Decrease significantly	3 1.7%

## Data Tables

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### 10. What types of debt financing are you considering for your new ventures, both acquisitions and new construction?

<b>Base: respondents involved in seniors housing; multiple answers.</b>	172
No reply	13 7.6%
Local/Regional Bank	105 61.0%
National Bank	60 34.9%
Fannie/Freddie	54 31.4%
HUD	54 31.4%
REIT	43 25.0%
Pension Fund	21 12.2%
Life Insurance Company	39 22.7%
Institutional Lender	47 27.3%
Other (please specify):	18 10.5%

## Data Tables

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### 11. What sources of equity for seniors housing do you think will be available in the year ahead?

<b>Base: respondents involved in seniors housing; multiple answers.</b>	172
No reply	4 2.3%
Institutional Investors	111 64.5%
Private Investors	133 77.3%
International Investors	58 33.7%
REITs	93 54.1%
Pension Funds	57 33.1%
Other (please specify):	5 2.9%

**12. How do you expect cap rates for seniors housing to change over the next six months?**

<b>Base: respondents involved in seniors housing.</b>	172
No reply	3 1.7%
Cap rates will increase 50 basis points or more	2 1.2%
Cap rates will increase 25 to 49 basis points	20 11.6%
Cap rates will increase by less than 25 basis points	32 18.6%
No change in cap rates	58 33.7%
Cap rates will decrease by less than 25 basis points	33 19.2%
Cap rates will decrease 25 to 49 basis points	21 12.2%
Cap rates will decrease 50 basis points or more	3 1.7%

**Data Tables**

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**13. Which of the following seniors housing segments do you see experiencing the greatest growth in investor demand in the year ahead?**

<b>Base: respondents involved in seniors housing.</b>	172
<b>No reply</b>	1 0.6%
<b>Independent living/Assisted living</b>	78 45.3%
<b>Age-restricted community</b>	14 8.1%
<b>Memory care</b>	39 22.7%
<b>Skilled nursing</b>	18 10.5%
<b>Continuing care retirement communities</b>	21 12.2%
<b>Other (please specify):</b>	1 0.6%

## Data Tables

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### 14. For which of the following seniors housing segments do you have new construction ventures planned in the next six months?

<b>Base: respondents involved in seniors housing.</b>	172
<b>No reply</b>	15 8.7%
<b>Do not have any new construction ventures planned</b>	75 43.6%
<b>Independent living/Assisted living</b>	64 37.2%
<b>Age-restricted community</b>	15 8.7%
<b>Memory care</b>	33 19.2%
<b>Skilled nursing</b>	18 10.5%
<b>Continuing care retirement communities</b>	13 7.6%
<b>Other (please specify):</b>	3 1.7%

## Data Tables

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### 15. If you are seeking to refinance a loan, which of the following lender requirements do you see as the most challenging?

<b>Base: respondents involved in seniors housing; multiple answers.</b>	172
<b>No reply</b>	17 9.9%
<b>Higher equity contribution, lower loan-to-values</b>	70 40.7%
<b>Recourse loans/personal guarantees</b>	38 22.1%
<b>Higher debt-service coverage ratios</b>	43 25.0%
<b>Higher interest rates</b>	18 10.5%
<b>None of the above</b>	9 5.2%
<b>Not currently seeking to refinance loans</b>	51 29.7%
<b>Other (please specify)</b>	6 3.5%

16. How important are the following factors in seeking construction financing?

	Base: respondents who own or manage seniors housing properties.	No reply	1 - Not at all important	2	3	4	5 - Extremely important	Mean	Median
<b>A comprehensive feasibility study</b>	<b>172</b>	8 4.7%	6 3.5%	14 8.1%	22 12.8%	54 31.4%	68 39.5%	4.0	4.0
<b>Established track record as a developer</b>	<b>172</b>	10 5.8%	3 1.7%	3 1.7%	18 10.5%	57 33.1%	81 47.1%	4.3	4.5
<b>Higher equity contribution</b>	<b>172</b>	7 4.1%	5 2.9%	2 1.2%	21 12.2%	66 38.4%	71 41.3%	4.2	4.0
<b>Prior relationship with lender</b>	<b>172</b>	9 5.2%	1 0.6%	11 6.4%	27 15.7%	70 40.7%	54 31.4%	4.0	4.0
<b>Other (please specify):</b>	<b>172</b>	152 88.4%	3 1.7%	1 0.6%	5 2.9%	2 1.2%	9 5.2%	3.6	4.0

## Data Tables

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### 17. What do you think is driving the increase in mergers and acquisitions by health care REITs in seniors housing over the past six months?

<b>Base: respondents involved in seniors housing.</b>	172
<b>No reply</b>	8 4.7%
<b>I am not aware of increased REIT activity in the seniors housing market</b>	28 16.3%
<b>Substantial amount of capital available to deploy</b>	107 62.2%
<b>Favorable industry fundamentals</b>	76 44.2%
<b>Relationships with quality operators</b>	32 18.6%
<b>Need to grow FFO</b>	39 22.7%
<b>The REIT Investment Diversification and Empowerment Act of 2007</b>	27 15.7%
<b>Other (please specify)</b>	8 4.7%

## Data Tables

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### 18. To what extent are you familiar with the HUD Lean 232 program for seniors housing financing?

<b>Base: respondents involved in seniors housing.</b>	172
No reply	1 0.6%
Have financed/received financing through this program	33 19.2%
Familiar with the program, but have never used	35 20.3%
Somewhat familiar with the program	31 18.0%
Have heard name only	23 13.4%
Not at all familiar with the program	49 28.5%

### 18a. To what extent has the HUD Lean 232 program met your expectations?

<b>Base: respondents involved in seniors housing.</b>	68
No reply	5 7.4%
Has exceeded my expectations	3 4.4%
Has met my expectations	28 41.2%
Has fallen short of my expectations	32 47.1%

## Appendix A – Write-in Answers

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### 1. Which of the following best describes your company? Other responses:

Aerial Photography  
Appraisal  
Appraiser – (2 mentions)  
Architect for senior housing – (3 mentions)  
Assessing Unit  
Board of Director of Senior Housing organization  
Broker  
Builder  
City government  
Consultant to the Senior Housing Industry  
Design and Construction  
Design Build Consultant and Program Manager  
Favorable loans for non-profit organization  
Law Firm – (2 mentions)  
Master planned community investor  
Masters in RE program, Georgetown  
Multifamily  
Non-profit Senior Housing Developer  
Product Provider  
Publisher  
RE Broker  
Real Estate Advisory and Mgmt. Services  
Realtor, and sres - senior real estate specialist  
senior housing maintenance  
Seniors Housing Real Estate Advisor  
Syndicator

### 2. Which of the following commercial real estate property types does your organization own, manage, develop, lease or provide services to? Other responses:

Full line of business banking products  
Health care – (3 mentions)  
Hospitality – (4 mentions)  
Hospitals, nursing homes, clinics, affordable housing  
Hotel – 62 mentions)

Investment  
Land sales  
Marina – (2 mentions)  
Medical Office  
Medical Office Buildings  
Medical office, student housing  
Medical, Special Use, Churches  
MH Parks, Self Storage  
Mixed use  
Mixed-use, residential care, surgical recovery, luxury spa, etc.  
Regulate all of the above  
Residential  
Retirement lifestyle community  
Self storage  
Self storage, land, mobile home parks, single tenant & note sales  
Self Storage, MHP – (2 mentions)  
Seniors Care, Skilled Nursing, Assisted Living, Independent Living, Memory Care  
Single family subdivisions  
Student Housing , Acute Care Hospitals  
Student, Self Storage, Medical  
We provide debt for all of these property types.

### 10. What types of debt financing are you considering for your new ventures, both acquisitions and new construction? Other responses:

Bond Financing  
Bond market  
Credit Company  
Equity funds  
Finance company  
Investors  
Non-profit favorable lending  
Public capital markets  
Private  
Private Funding & International Lenders from Canada and EU

Private Investors  
REIT  
State Loan Funds - subsidized loans/grants  
Tax-exempt and federally taxable IDA bond issues  
We are a community bank

### 11. What sources of equity for seniors housing do you think will be available in the year ahead? Other responses:

Corporate investors seeking tax credits  
Investors  
Life companies  
Tax-exempt bonds  
Unknown as relates to my program

### 13. Which of the following seniors housing segments do you see experiencing the greatest growth in investor demand in the year ahead? Other responses:

Assisted living NOT assisted/independent

### 14. For which of the following seniors housing segments do you have new construction ventures planned in the next six months? Other responses:

Active 55  
Assisted  
Preparing project proposal for 120 unit project

### 15. If you are seeking to refinance a loan, which of the following lender requirements do you see as the most challenging? Other responses:

All of the above, plus the pressure on state and fed budgets in covering public pay  
Bank willing to do a property-specific transaction, not a relationship  
Distribution covenants

## Appendix A – Write-in Answers

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**15. If you are seeking to refinance a loan, which of the following lender requirements do you see as the most challenging? Other responses: (..continued)**

Revised loan documentation (generally less borrower friendly).  
S & P, Moody's, or Fitch ratings

**16. How important are the following factors in seeking construction financing? Other responses:**

Ability to use tax-exempt financing in IDA projects  
Does not relate to non-profit programs  
Established track record as a senior housing operator  
Experienced operator/manager  
Global cash flow and performance  
Lack of comparables sales in marketplace  
Lender to free of their own credit and liquidity issues  
Liquidity  
Operator track record  
Operator's track record  
Ownership history

**17. What do you think is driving the increase in mergers and acquisitions by health care REITs in seniors housing over the past six months? Other responses:**

Buying distressed properties  
Cheap, plentiful capital to the biggest players  
Demographics  
Exit desire, culling the weak  
Favorable pricing for distressed properties  
Increasing number of baby boomers retiring vs housing availability shortage  
Lack of product in the marketplace  
Low cost of capital

**19. How do you expect healthcare reform to impact the seniors housing industry?**

1. Expect to create acquisition opportunities. 2. Expect to reduce Medicaid and Medicare rates 3. Will force providers to provide more services for less money.  
ACOs will force collaboration.  
Adds uncertainty and expense.  
Could have a significant impact on employee expenses as the industry primarily consists of smaller employers. However, in the case of skilled nursing, it could also have a negative impact on revenues due to the efforts needed to reign in entitlement costs.  
Do not expect an affect on private pay senior living  
Everything I hear tells me that the health care reform has a lot of holes in it and that it will not be affordable for seniors. especially those who need to make a move to an assisted living or memory care. Seniors will be giving up all their savings in order to make the move but the move will be to a government operated facility. Hopefully we can get changes to the reform before it does all the damage to the industry that is expected.  
Financial markets will drive consolidation and REIT acquisitions.  
for right now, it is creating a lot of uncertainty and a reluctance to do anything in terms of making a decision to move.  
Greater demand for assisted & memory care communities as home healthcare payments decrease  
Have a very great impact.  
Health care reform should favorably impact the seniors housing industry, providing better access to care for more seniors who presently have had difficulty paying for reasonable care at affordable prices. Do we want a

society that is capable and willing to provide reasonable, and affordable care for seniors or the elderly, or do we want seniors and the lower and middle classes of our society going bankrupt caring for their parents. Obviously, this is a personal issue with me, and it is a political "third rail". Either we need to develop a system to provide good care at a fair price, or old people need to die faster (not trying to be funny, but one or the other has to happen).

Hopefully make it more efficient, though I have little faith. HUD 232 has met my expectations, but they weren't very high when it was rolled out.

Hurt it

I believe health care reform will have a very small effect on senior housing industry.

I believe it has actually helped the industry by creating a program which will stabilize the industry.

I do not expect it to significantly impact the senior housing industry.

I do not know exactly. My impression is not good.

I don't

I expect costs will rise across the board.

I'm not sure that anyone really knows the answer to that!

Impact will vary by state.

improve

Increase availability of financing

Increase demand for in home healthcare services & support. Harm skilled nursing care & assisted living facilities.

Increased demand

It may ease health care costs for low income retirees

It should have a muted, if not slightly positive effect.

## Appendix A – Write-in Answers

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### 19. How do you expect healthcare reform to impact the seniors housing industry? (...continued)

It will continue the divide between great providers of choice and default providers of circumstance.

It will with potential change to reimbursements and push to home care.

It's already a failed program and most likely will be modified or eliminated by the Republican Congress.

Kill it

Little or no in the short term. In the long term, it could squeeze reimbursements for insurance/government paid services, especially at higher acuity levels.

Make it more costly to operate

May have very little impact.

Minimal

Minimal impact

Minimal...more impact from the state budget issues. Health care reform impacting higher acuity settings (e.g. hospitals) and medical office product.

Minimally

More demand due to the baby boomers. Communities need to be built to meet this demand providing medical as well as neighborhood services to the residents.

More private pay and less public funding

More seniors will be looking for assistance for low income housing,

Multiple ways, including different health care delivery models such as ACOs wanting to locate near housing and vice versa. I think it may really help CCRC projects

Negative - will lead to higher costs, impacting occupancy

Negatively – (4 mentions)

Negatively - Health Care Reform missed the mark

No significant impact.

Not sure yet, but one outcome might be to shift more people to pursue home health care options rather than move into a facility.

Not sure at this time.

Positive – (4 mentions)

Positively. Seniors will have access to sustained care, regardless of pre-existing conditions....overall plan rates should decrease with the personal mandate to acquire coverage. These savings will pass on to tenants, allowing seniors to have access to quality of life care, without hurting their budgets. Very attractive.

Provide opportunities

Reform will impact seniors very negatively...has to happen to reduce debt.

Services will shrink

Still unknown, but the hope is that any and all fat that can be trimmed from the system is good for the long term health of the industry

Still watching and waiting

That is impossible to determine as the final chapter has not been written! The case has to wind its way to the United States Supreme Court and then there is the issue of 'funding'!! Just guessing that it will not be a big positive, neutral at best.

The dust hasn't settled sufficiently yet.

The health care bill needs to be repealed and rewritten in a manner where ALL American are in the same plan. This includes all Politicians in Washington, State and Local governments. NO EXCEPTIONS FOR ANYONE!!! Currently this bill is so one sided its making things worse for employers and we are have this rammed down our throats and has increased our cost by 26%.

Very difficult to deal with when the market is good and worse when it's as tight as things are now. The bill is earmarked to the point where a senior will be under the dictation of this bill and will not have any choice. This will hurt all seniors and those of us who are not that far away from being eligible for Medicare. I agree something needs to be done with healthcare but to write a bill that nobody knows what's in it or understands it is unacceptable.

The only area health care reform should effect the seniors housing industry is where medical care is required or seniors ability to access and pay for scripts and medical care.

There's too much uncertainty regarding the law changing to take the long view. In the short term, I think the new health care laws will have a positive impact on senior housing.

Too early to tell. Hoping the reform will be altered when change of parties takes office in 2013.

Ultimately there will be a continuing demand for seniors housing, as an independent living and assisted living support system for the elderly in this country. To a greater or lesser extent, there will be ongoing federal and state assistance for medical related treatment, including assisted living, dementia/memory, and skilled healthcare.

Unclear at the moment

Unsure. – (2 mentions)

Very little

Very negatively

We are 100% private pay so I have no comment now.

We are an industry that is underinsured at the employee level compared to "S & P 500" companies; accordingly, cost to insure all employees will be a significant cost increase.

## Appendix A – Write-in Answers

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### 19. How do you expect healthcare reform to impact the seniors housing industry?

(...continued)

Will continue to reward those who operate efficiently and provide good value

Will encourage elderly to move toward CCRF.

Will force many seniors into poverty

Will have a deleterious effect in the long range...

Yes; as costs increase, people's incomes will shrink

## Appendix B – Survey Instruments

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## Seniors Housing Survey

**1. Which of the following best describes your company? (Please mark all that apply)**

- Seniors Housing Developer
- Seniors Housing Owner (only)
- Seniors Housing Operator (only)
- Seniors Housing Owner & Operator
- Lender
- Institutional Investor
- Private Equity Investor
- REIT
- Advisor/Broker/Other Service Provider
- Not Currently Involved in Seniors Housing
- Other (*please specify*):

**2. Which of the following commercial real estate property types does your organization own, manage, develop, lease or provide services to? (Please mark all that apply)**

- Apartment
- Industrial
- Office
- Retail
- Seniors housing
- Other (*please specify*):

**3. What is the size of your seniors housing portfolio?**

- Fewer than 500 units
- 500 to 999 units
- 1,000 to 1,999 units
- 2,000 to 3,499 units
- 3,500 or more units
- Do not currently own or manage seniors housing properties

**4. Currently, what is the average occupancy rate in the portfolio of seniors housing properties you own or manage?**

**5. How do you expect the level of occupancy at the seniors housing facilities you own or manage to change over the next six months?**

- Occupancy will increase
- No change in occupancy
- Occupancy will decrease

**5a. By how many basis points?**

- Less than 50 basis points
- 50 to 99 basis points
- 100 to 199 basis points
- 200 to 299 basis points
- 300 to 399 basis points
- 400 or more basis points

**6. To what extent have each of the following factors affected the occupancy rates at seniors housing facilities in the past year?**

	1 - Extremely negative effect	2	3 - No effect	4	5 - Extremely positive effect
State of the U.S. housing market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
State of the U.S. economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rental discounts/incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New, competing facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of debt/equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**7. How do you expect acquisition/transaction activity to change in the next six months?**

- Increase significantly
- Increase somewhat
- Stay the same
- Decrease somewhat
- Decrease significantly

**8. How do you expect new construction of seniors housing to change in the next six months?**

- Increase significantly
- Increase somewhat
- Stay the same
- Decrease somewhat
- Decrease significantly

**9. How do you expect available financing for seniors housing to change in the next six months?**

- Increase significantly
- Increase somewhat
- Stay the same
- Decrease somewhat
- Decrease significantly

**10. What types of debt financing are you considering for your new ventures, both acquisitions and new construction? (Please mark all that apply)**

- Local/Regional Bank
- National Bank
- Fannie/Freddie
- HUD
- REIT
- Pension Fund
- Life Insurance Company
- Institutional Lender
- Other (*please specify*):

**11. What sources of equity for seniors housing do you think will be available in the year ahead? (Please mark all that apply)**

- Institutional Investors
- Private Investors
- International Investors
- REITs
- Pension Funds
- Other (*please specify*):

**12. How do you expect cap rates for seniors housing to change over the next six months?**

- Cap rates will increase 50 basis points or more
- Cap rates will increase 25 to 49 basis points
- Cap rates will increase by less than 25 basis points
- No change in cap rates
- Cap rates will decrease by less than 25 basis points
- Cap rates will decrease 25 to 49 basis points
- Cap rates will decrease 50 basis points or more

**13. Which of the following seniors housing segments do you see experiencing the greatest growth in investor demand in the year ahead?**

- Independent living/Assisted living
- Age-restricted community
- Memory care
- Skilled nursing
- Continuing care retirement communities
- Other (*please specify*):

**14. For which of the following seniors housing segments do you have new construction ventures planned in the next six months? (Please mark all that apply)**

- Do not have any new construction ventures planned
- Independent living/Assisted living
- Age-restricted community
- Memory care
- Skilled nursing
- Continuing care retirement communities
- Other (*please specify*):

**15. If you are seeking to refinance a loan, which of the following lender requirements do you see as the most challenging? (Please mark all that apply)**

- Higher equity contribution, lower loan-to-values
- Recourse loans/personal guarantees
- Higher debt-service coverage ratios
- Higher interest rates
- None of the above
- Not currently seeking to refinance loans
- Other (*please specify*):

**16. How important are the following factors in seeking construction financing?**

	1 - Not at all important	2	3	4	5 - Extremely important
A comprehensive feasibility study	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Established track record as a developer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Higher equity contribution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prior relationship with lender	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify):	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**17. What do you think is driving the increase in mergers and acquisitions by health care REITs in seniors housing over the past six months? (Please mark all that apply)**

- I am not aware of increased REIT activity in the seniors housing market
- Substantial amount of capital available to deploy
- Favorable industry fundamentals
- Relationships with quality operators
- Need to grow FFO
- The REIT Investment Diversification and Empowerment Act of 2007
- Other (*please specify*)

**18. To what extent are you familiar with the HUD Lean 232 program for seniors housing financing?**

- Have financed/received financing through this program
- Familiar with the program, but have never used
- Somewhat familiar with the program
- Have heard name only
- Not at all familiar with the program

**18a. To what extent has the HUD Lean 232 program met your expectations?**

- Has exceeded my expectations
- Has met my expectations
- Has fallen short of my expectations

**19. How do you expect health care reform to impact the seniors housing industry?**

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