



Maravilla, Santa Barbara, CA

Investing in Seniors Housing

Housing Opportunity, 2013

March 22, 2013



Investing in Seniors Housing



Vi at Palo Alto
Palo Alto, CA
CCRC

Investing in Seniors Housing



Vi at La Jolla Village
La Jolla, CA
CCRC

Investing in Seniors Housing

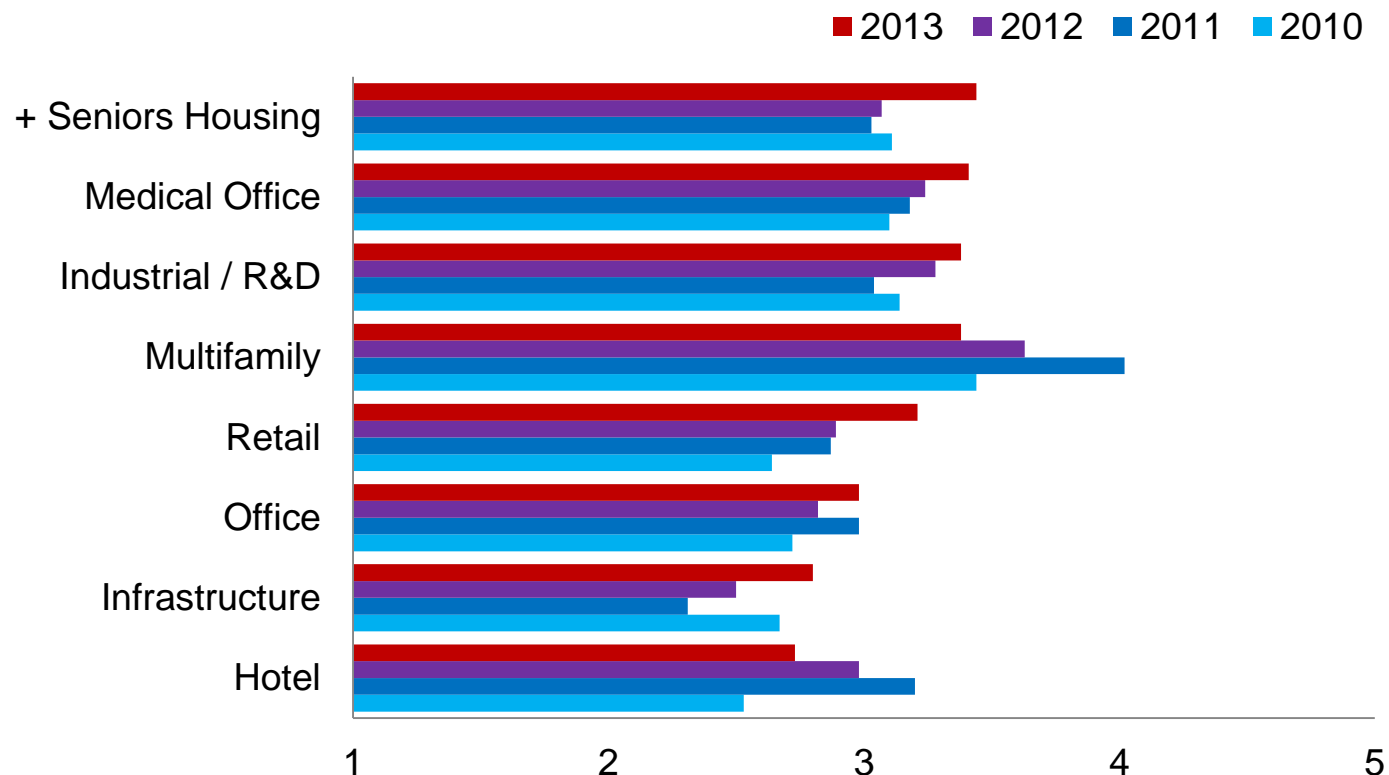
Sagewood
Phoenix, AZ
CCRC



Today's seniors housing is a mix of real estate, hospitality and care.

Institutional Interest in Seniors Housing High

Relative Attractiveness of Property Types for New Investments by Year
2010 – 2013 (Ratings: 1 = least attractive, 5 = most attractive)

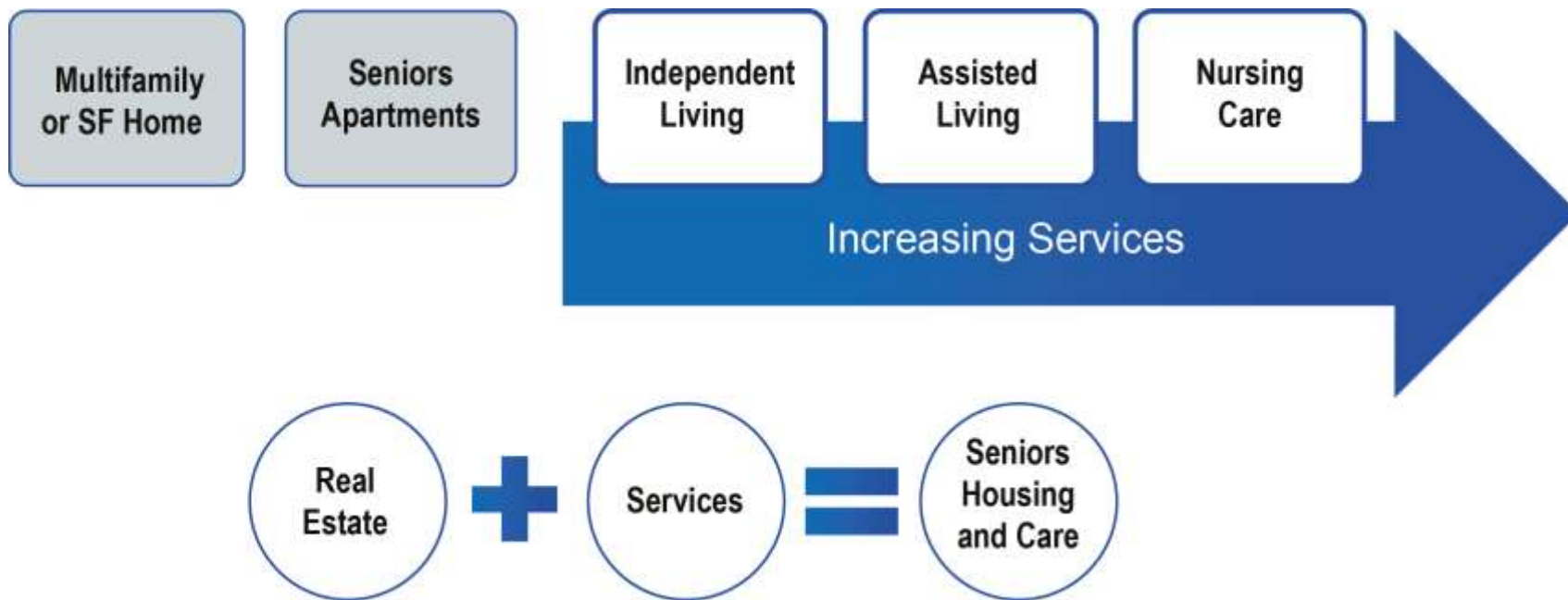


Source: 2013 Plan Sponsor Survey; Kingsley Associates; Institutional Real Estate, Inc.

Key Takeaways

- Seniors housing and care's market value is \$300 billion and growing.
- Seniors housing private and public investment returns outperformed other commercial real estate property investments during the past five years.
- Three of the 10 largest REITs are now health care REITs.
- Seniors housing was a resilient real estate sector during the economic recession.
- Strong outlook for seniors housing market fundamentals.

Seniors Housing Continuum



Size of the Property Market

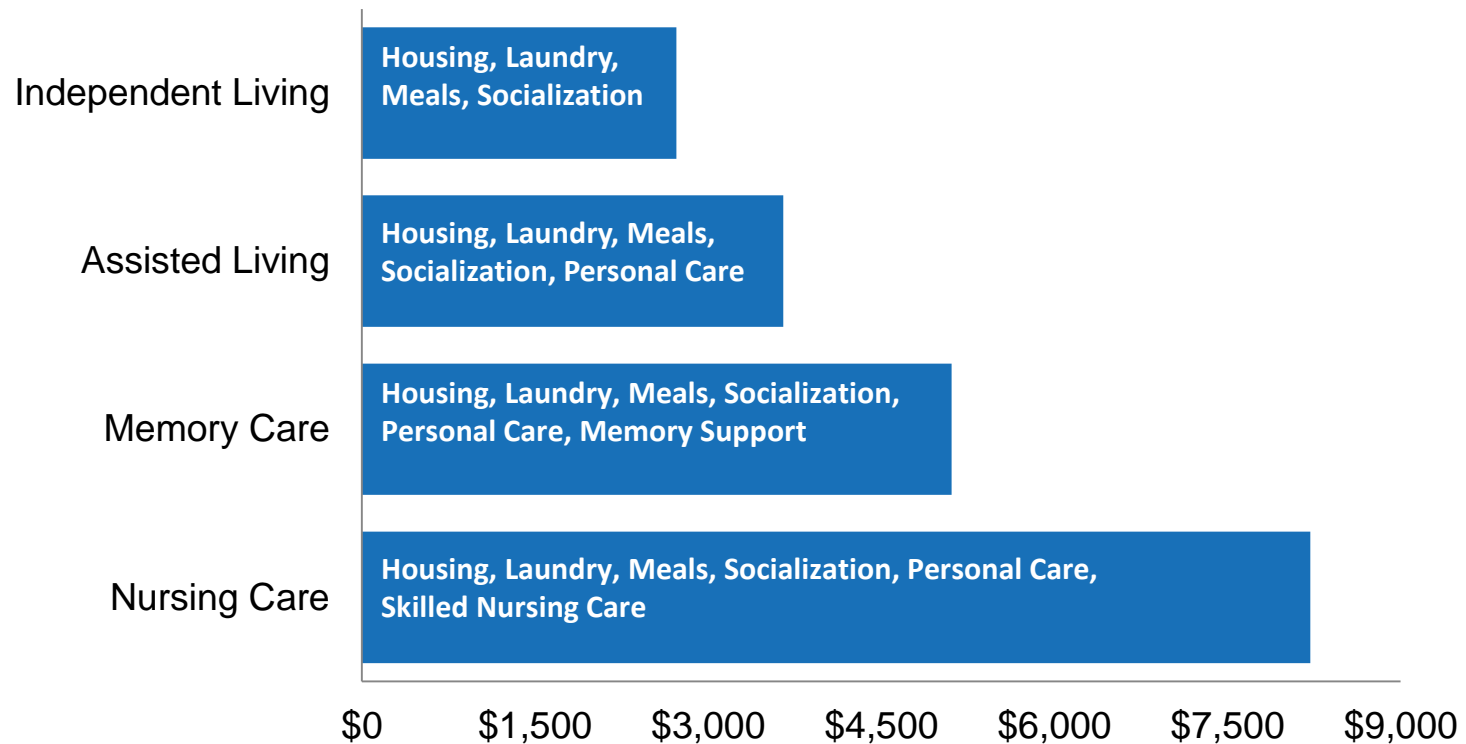
Estimated National Counts as of 2012Q4

	Number of Properties	Number of Units
Majority Independent Living	4,048	878,315
Majority Assisted Living	7,118	534,081
Majority Nursing Care	11,206	1,505,944
Total	22,372	2,918,340

Source: NIC Research

Rents Vary by Care Segment

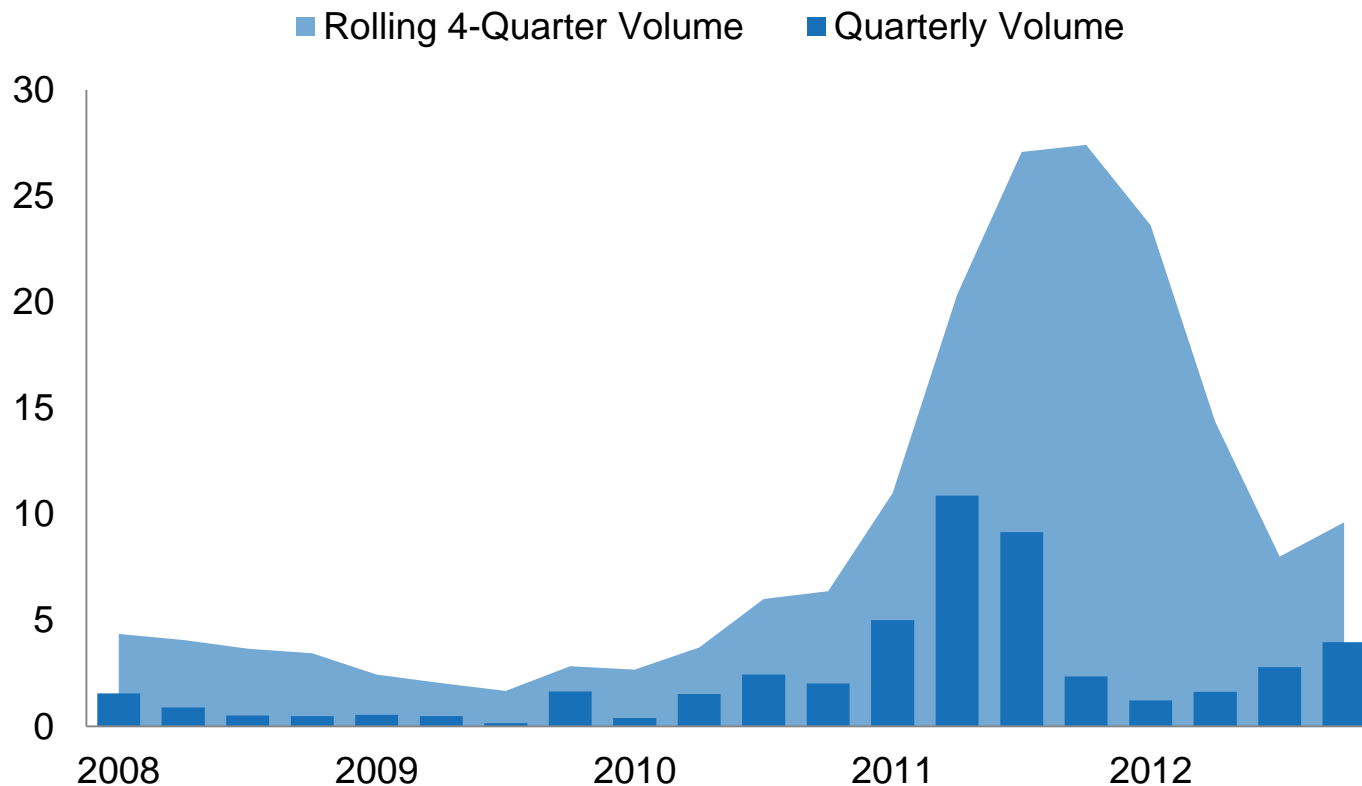
Average Monthly Rent by Care Segment as of 2012Q4



Source: NIC MAP® Data & Analysis Service

\$9.6B in SH&C Properties Trade in 2012

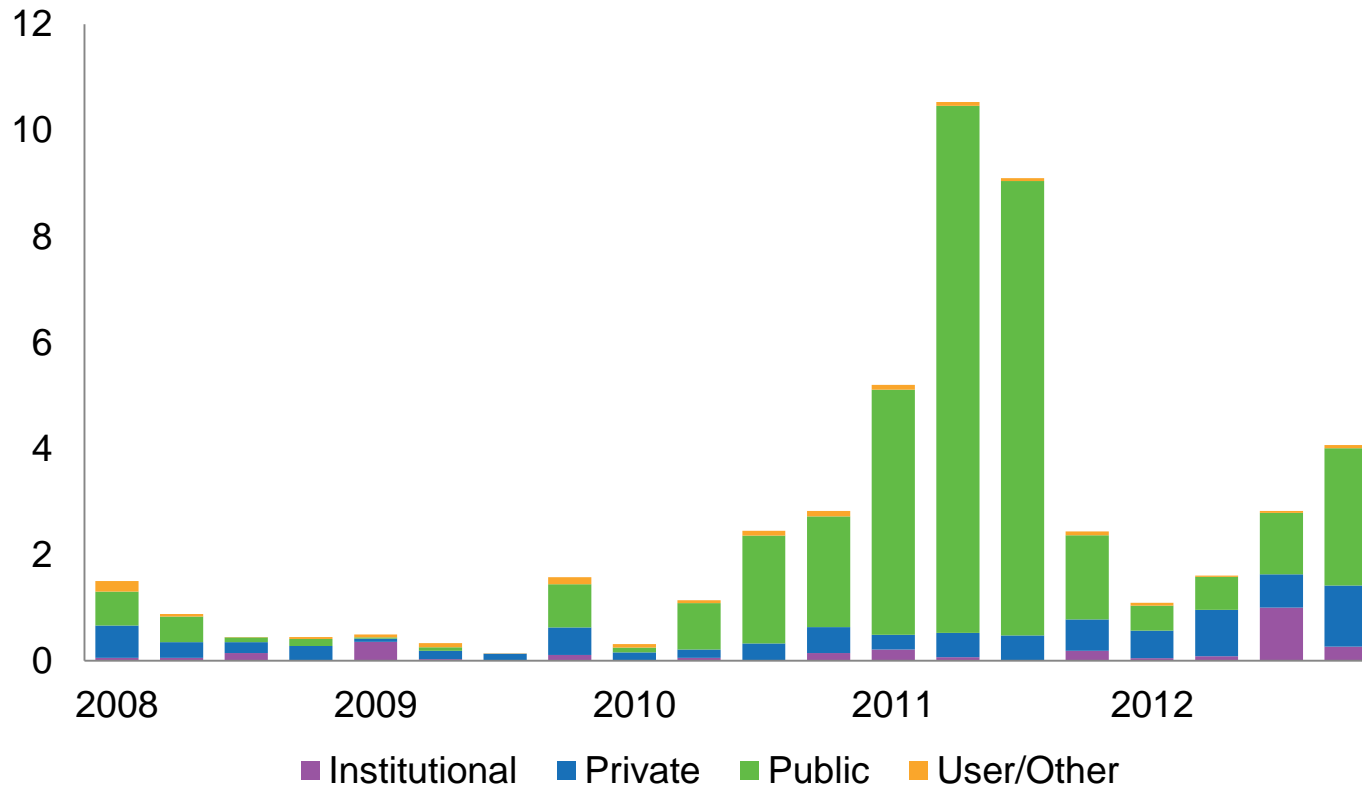
Seniors Housing & Care Transaction Volume (\$B)
2008Q1 – 2012Q4



Source: NIC MAP® Data & Analysis Service; RCA

REITs Still Driving Transaction Activity

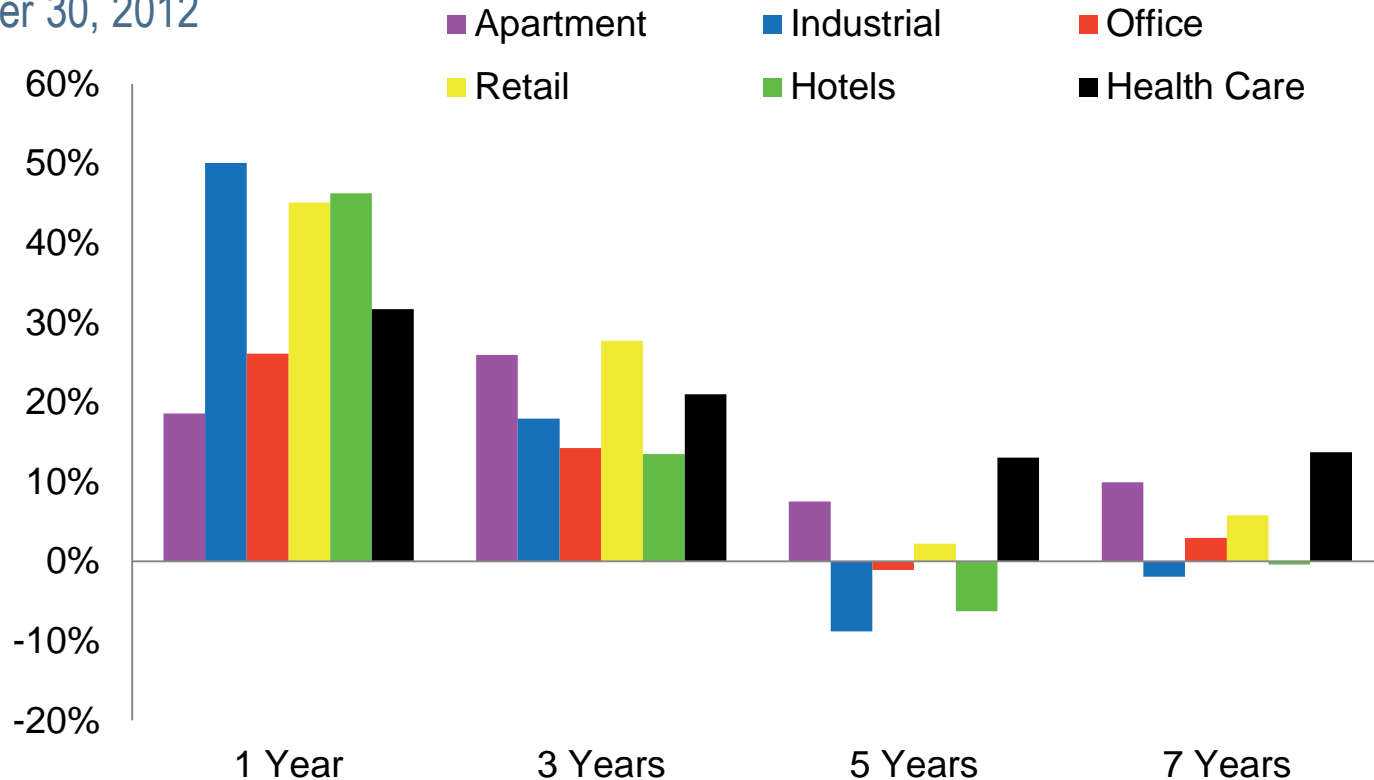
SH&C Transaction Activity by Buyer Composition (\$B)
2008Q1 - 2012Q4



Source: NIC MAP® Data & Analysis Service; RCA

Health Care REITs Outperform Other REITs

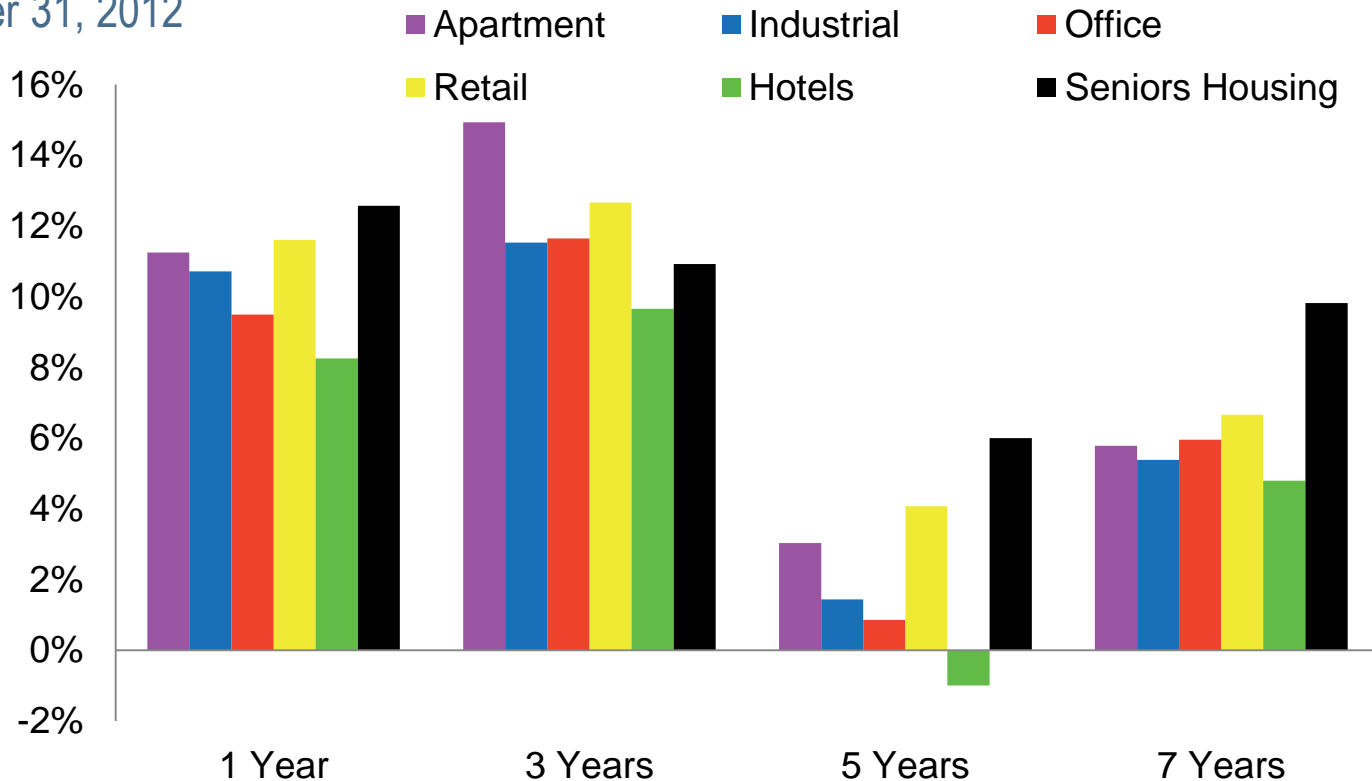
Annualized Total Returns (%)
1-, 3-, 5- and 7-year Periods
September 30, 2012



Source: SNL; Green Street Advisors

Seniors Housing Total Returns Outpaced NPI*

Annualized Total Returns (%)
1-, 3-, 5- and 7-year Periods
December 31, 2012

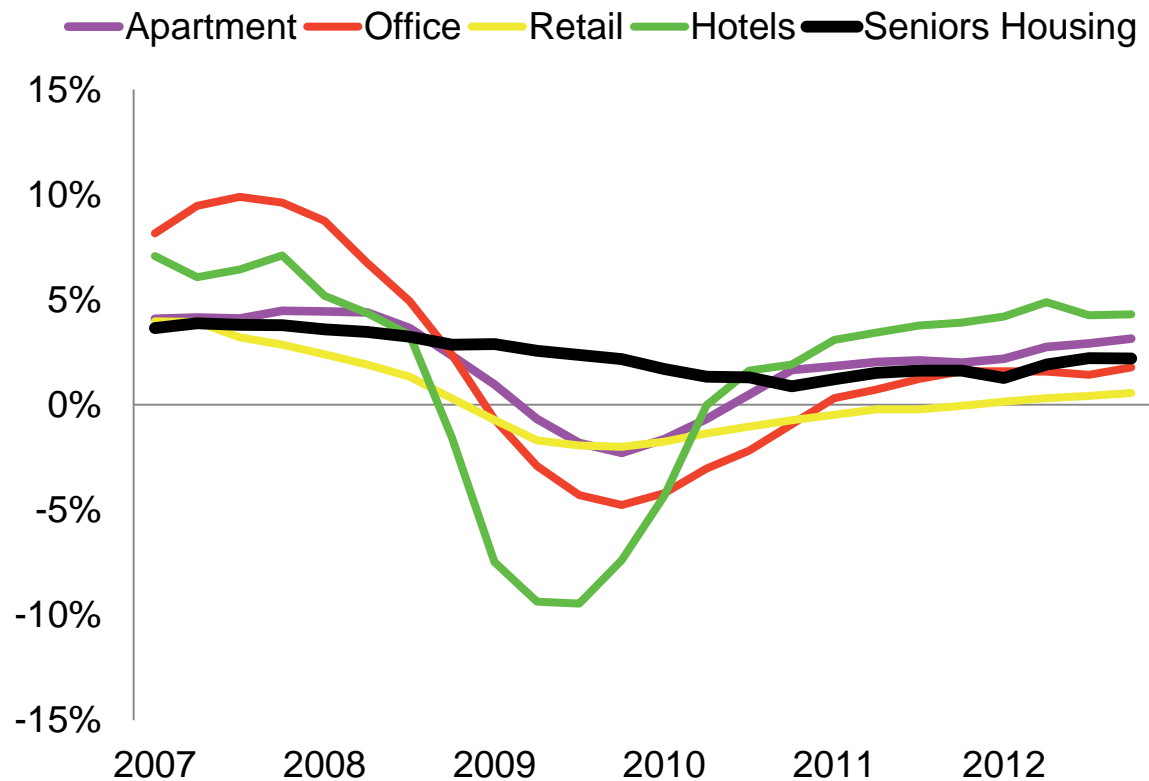


Source: NCREIF; AEW Research

*NCREIF Property Index (NPI)

Seniors Housing Rents Less Volatile

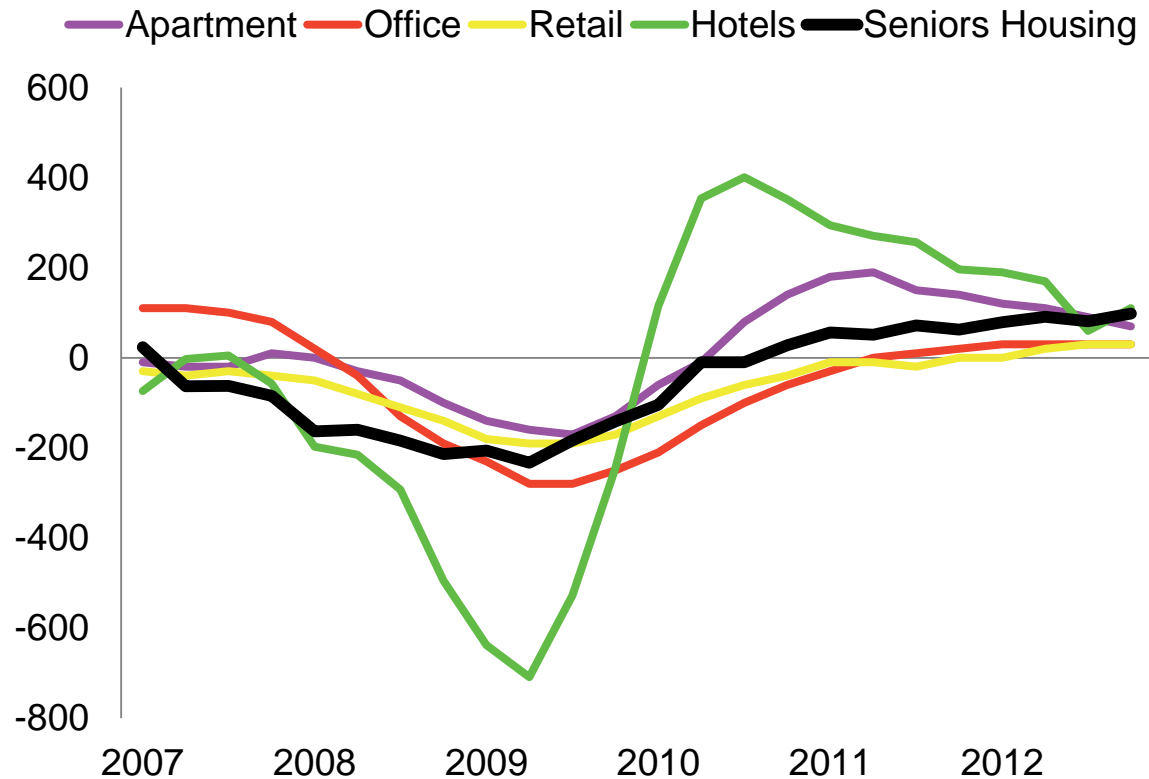
Year-over-Year Asking Rent Growth Trends (%)
2007Q1 – 2012Q4



Source: NIC MAP® Data & Analysis Service; MBAA; REIS; STR

Seniors Housing Occupancy Held Up Well

Year-over-Year Occupancy Trends (Basis Points)
2007Q1 – 2012Q4



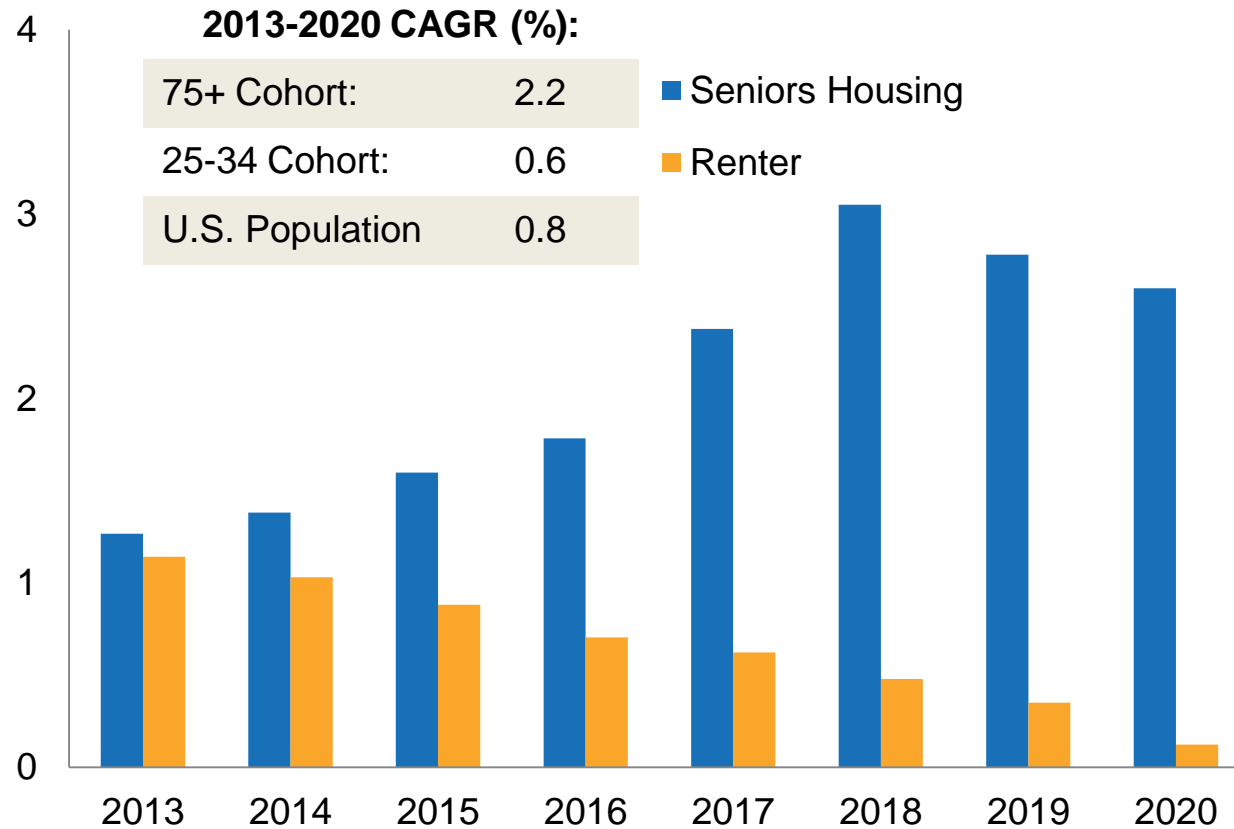
Source: NIC MAP® Data & Analysis Service; MBAA; REIS; STR

Demand Drivers for Seniors Housing

- Strengthening demographics
- Rising penetration rates and product acceptance
- Affluence
- Improving health care and longer life expectancy
- Higher education levels
- Fewer informal family care givers available

Strong Demographic Growth

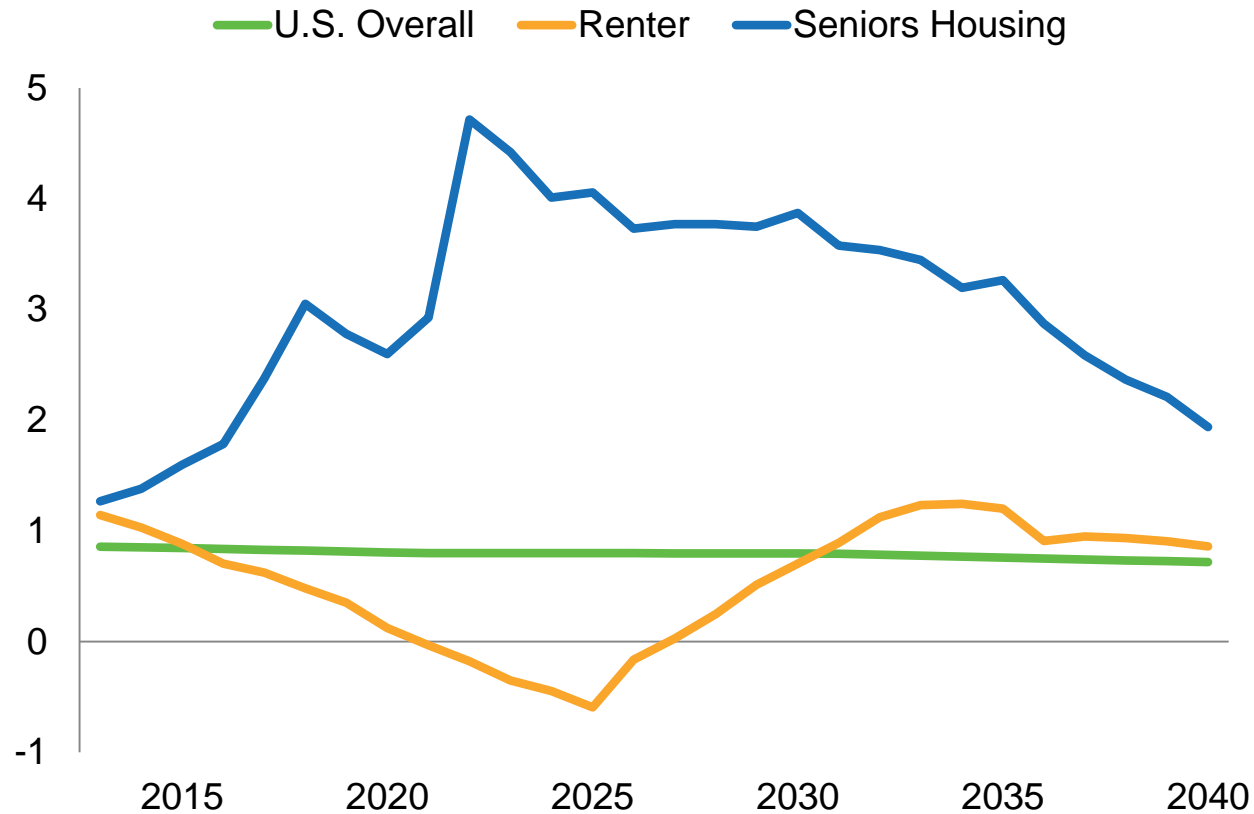
Population Growth (%), 2013-2020



Source: U.S. Census Bureau

Demographics Will Remain Strong for Decades

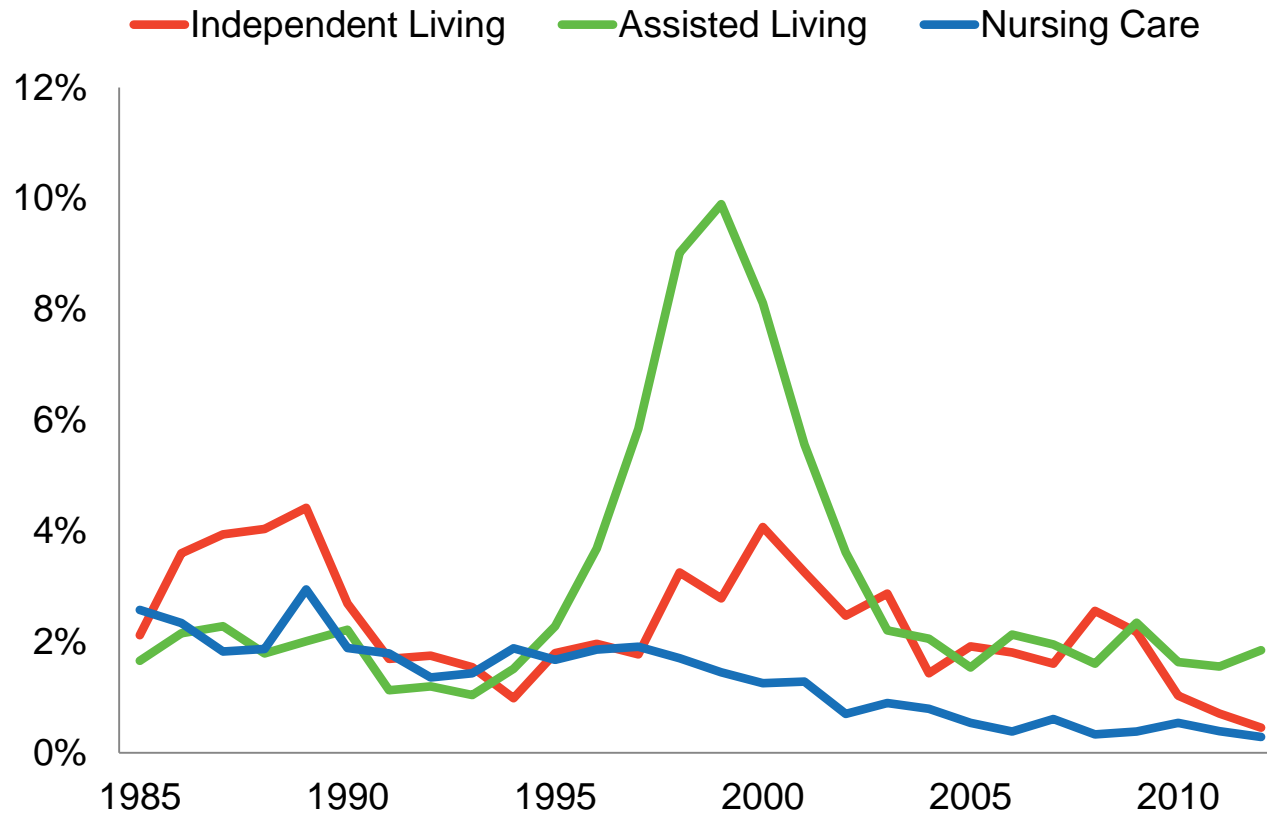
Population Growth (%), 2013-2040



Source: U.S. Census Bureau

Pace of New Supply is Now Tempered

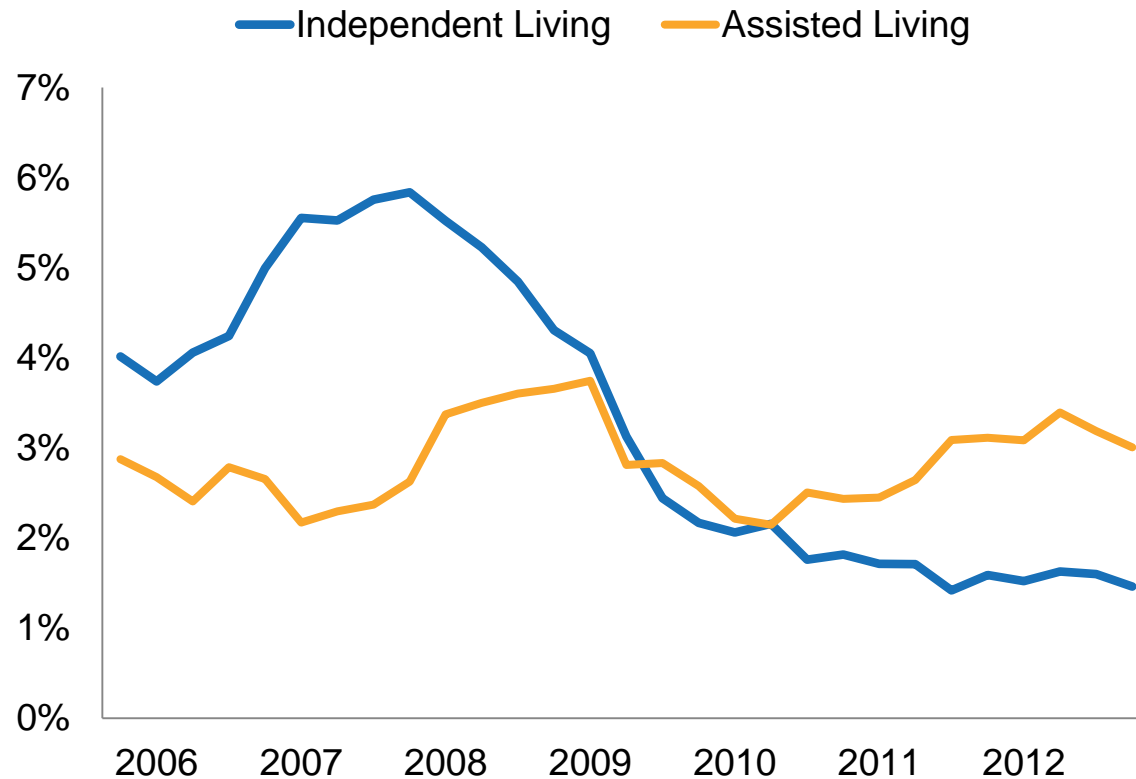
Distribution of Existing Units by Year Property Opened (%), 1985 - 2012



Source: NIC MAP® Data & Analysis Service

Construction Activity Has Been Tempered

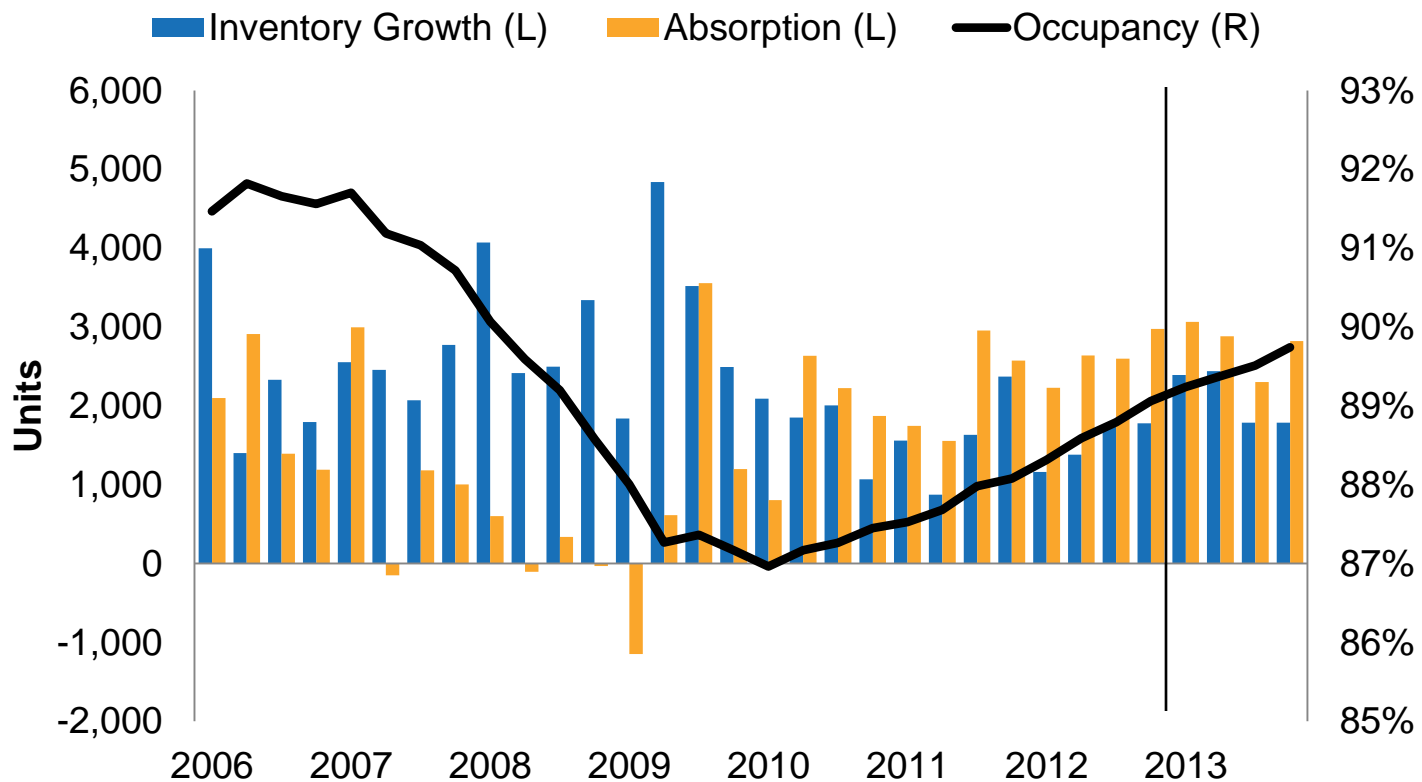
Construction vs. Inventory (%); MAP31
2005Q4 – 2012Q4



Source: NIC MAP® Data & Analysis Service

Moderating Supply Growth to Aid Recovery

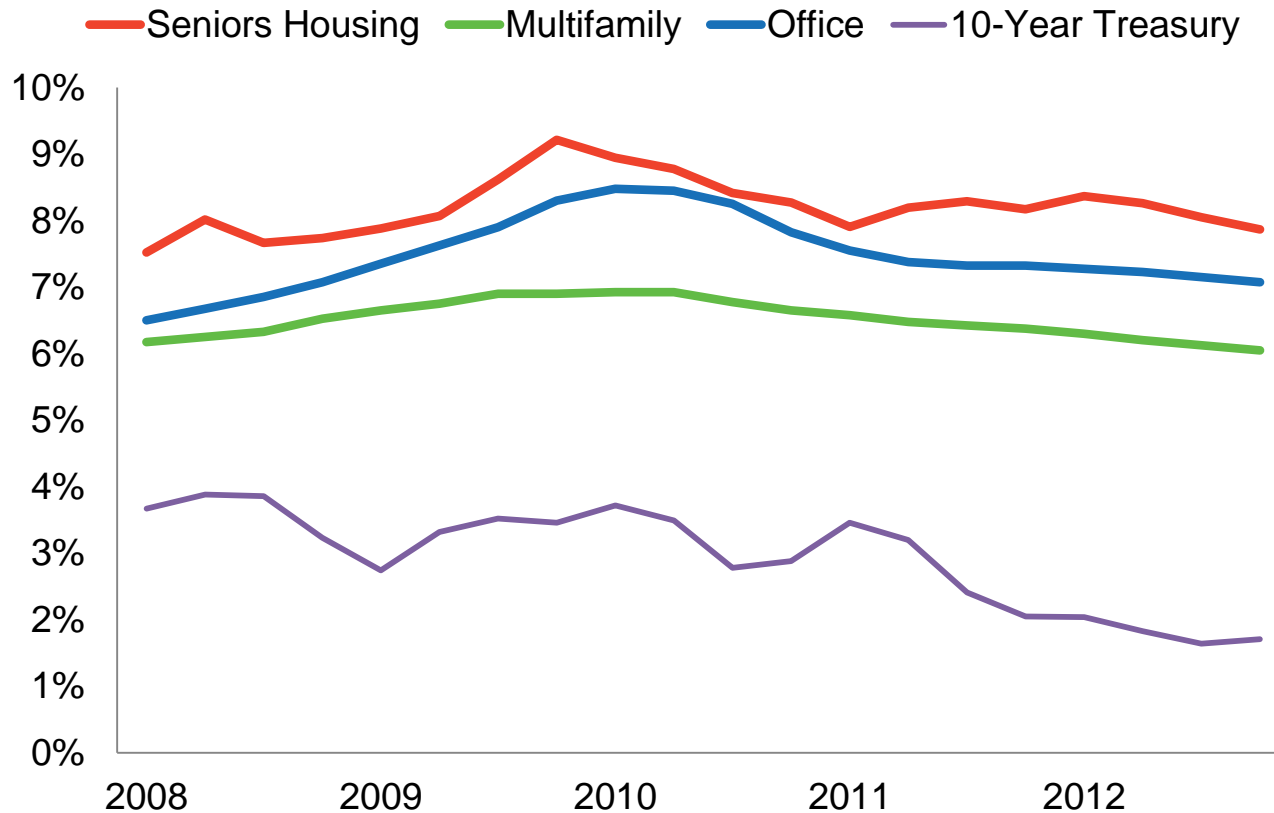
Seniors Housing Historical and Forecast Supply-Demand; MAP31
2006Q1 – 2013Q4'F



Source: NIC MAP® Data & Analysis Service

Seniors Housing Average Cap Rates Higher

Rolling Four-Quarter Cap Rate/Yield (%)
2008Q1 – 2012Q4



Source: NIC MAP® Data & Analysis Service; RCA; FRED

Implementation Strategies

- Intermediated Investments
- Direct Investments:

	Equity	Debt
Public	Public Equity Investments <ul style="list-style-type: none"> • Public Operating Company • Public REIT 	Public Debt Investments <ul style="list-style-type: none"> • Public REIT Senior Debt • CMBS Debt • Public High Yield Debt (Nursing Care Only) • Preferred Investments – REITs
Private	Private Equity Investments <ul style="list-style-type: none"> • Private Operating Company • Private REIT • Joint Venture with Operators or REITs • Direct Ownership in Properties Leased to or Managed by Operators 	Private Debt Investments <ul style="list-style-type: none"> • Secured and Unsecured Credit Facility Participation • First Mortgage Loans Secured by Seniors Housing Properties • Mezzanine Debt / Second Mortgage

Conclusions

- Strong outlook for market fundamentals
- Solid and relatively stable investment returns
- Increasing presence of institutional investors
- A range of investment strategies that potentially also diversify a multi-asset portfolio
- Variety of avenues for investment available
- Experienced, quality operator is key to mitigating risks and achieving success through various cycles



Sagewood, Phoenix, AZ

Investing in Seniors Housing



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