



The NIC Bluebook: Market Fundamentals and Capital Market Conditions

Prepared for:
Capital Markets Session
2019 ASHA Annual Meeting

January 31, 2019



National Investment Center for Seniors Housing & Care (NIC)

NIC is a 501(c)3 organization whose mission is
to enable access and choice
by providing data, analytics and connections
that bring together investors and providers.



NIC: Advancing Transparency on Seniors Housing & Care

- Tracks and reports on seniors housing and care data across more than 14,000 properties within 140 U.S. metropolitan markets.
- 12+ years of quarterly time series data for the 31 Primary Markets.

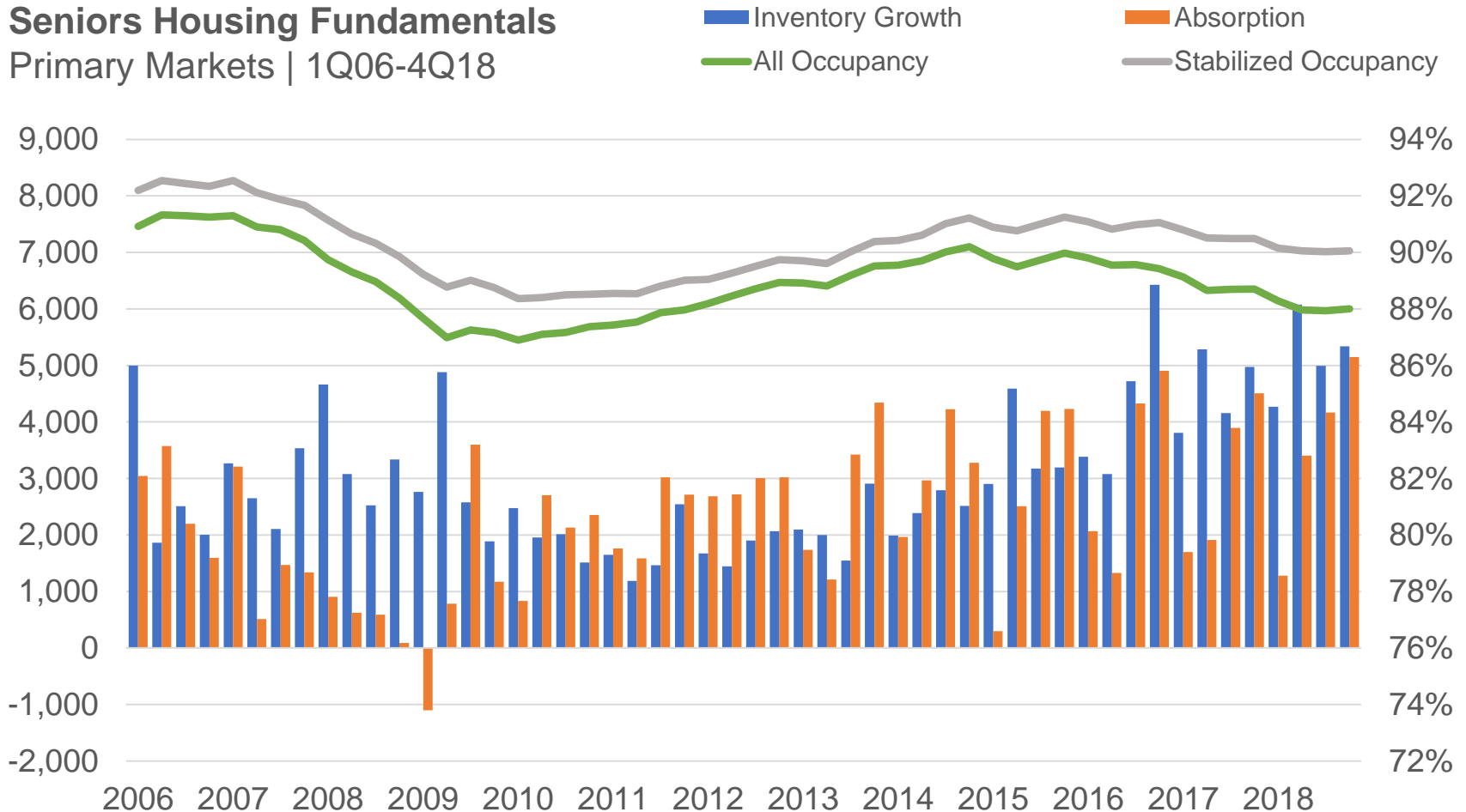
Today's Presentation

- Seniors Housing Market Fundamentals—Strong Demand, but Stronger Inventory Growth
- The Economy—Rising Wage Rates (yes), Rising Interest Rates (?)
- Seniors Housing Risk Premium—Narrowing or Widening?

Seniors Housing Market Fundamentals: Strong Demand, but Stronger Inventory Growth

Seniors Housing Occupancy Stable, but Low

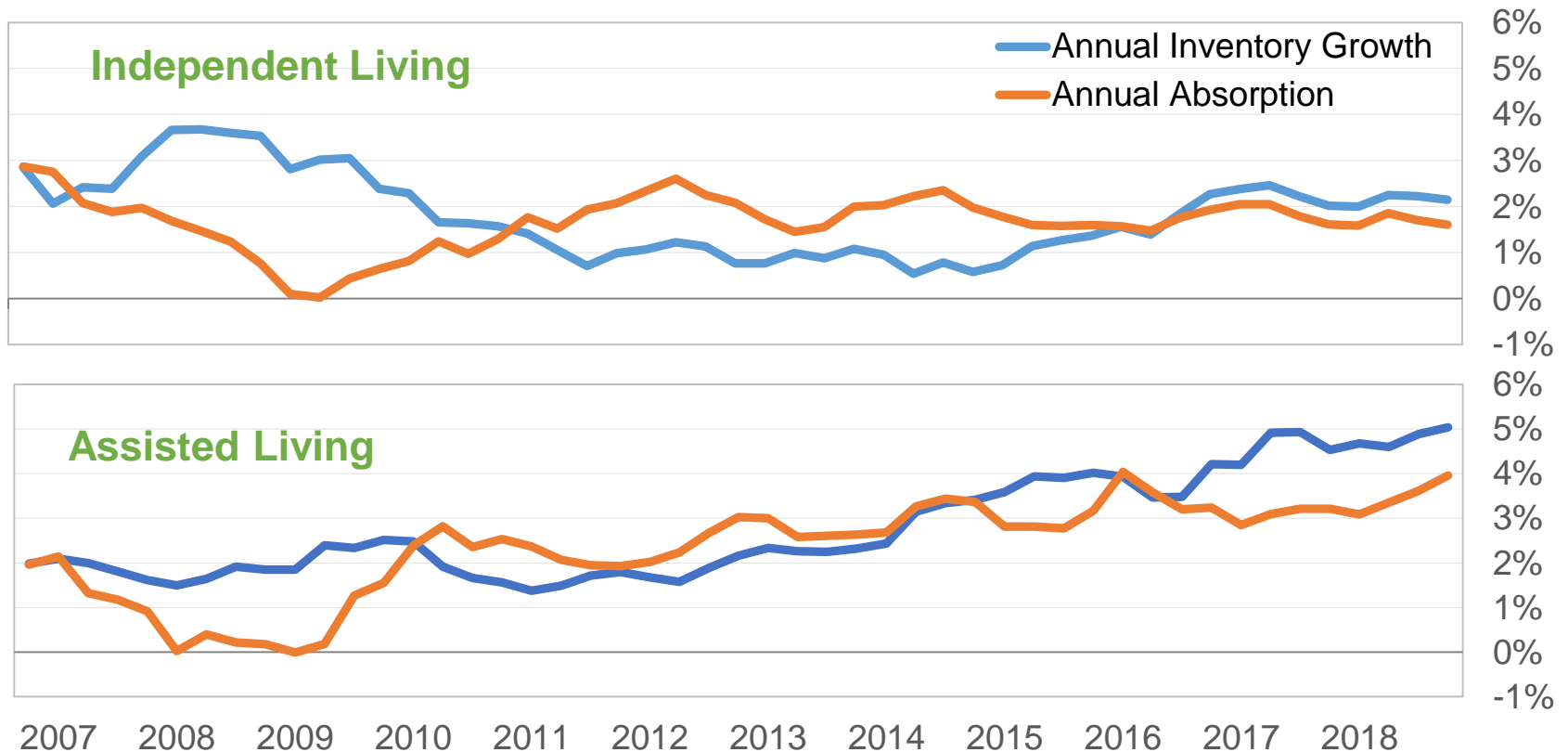
Seniors Housing Fundamentals Primary Markets | 1Q06-4Q18



Source: NIC MAP® Data Service

Inventory Growth Outpaces Absorption

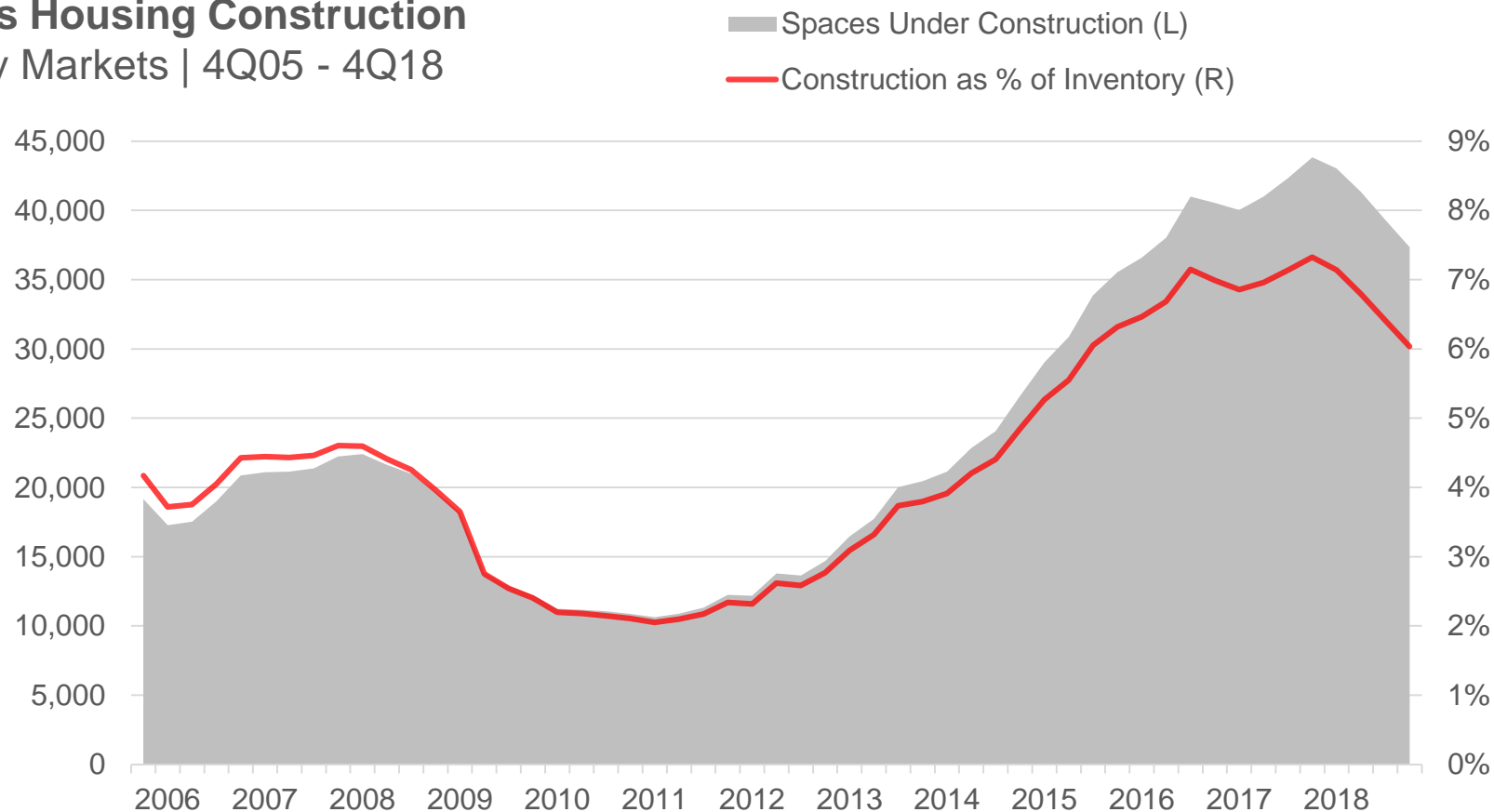
Annual Inventory Growth Rate and Annual Absorption Primary Markets | 4Q06 - 4Q18



Source: NIC MAP® Data Service

Construction as a Share of Inventory Is Starting to Decline

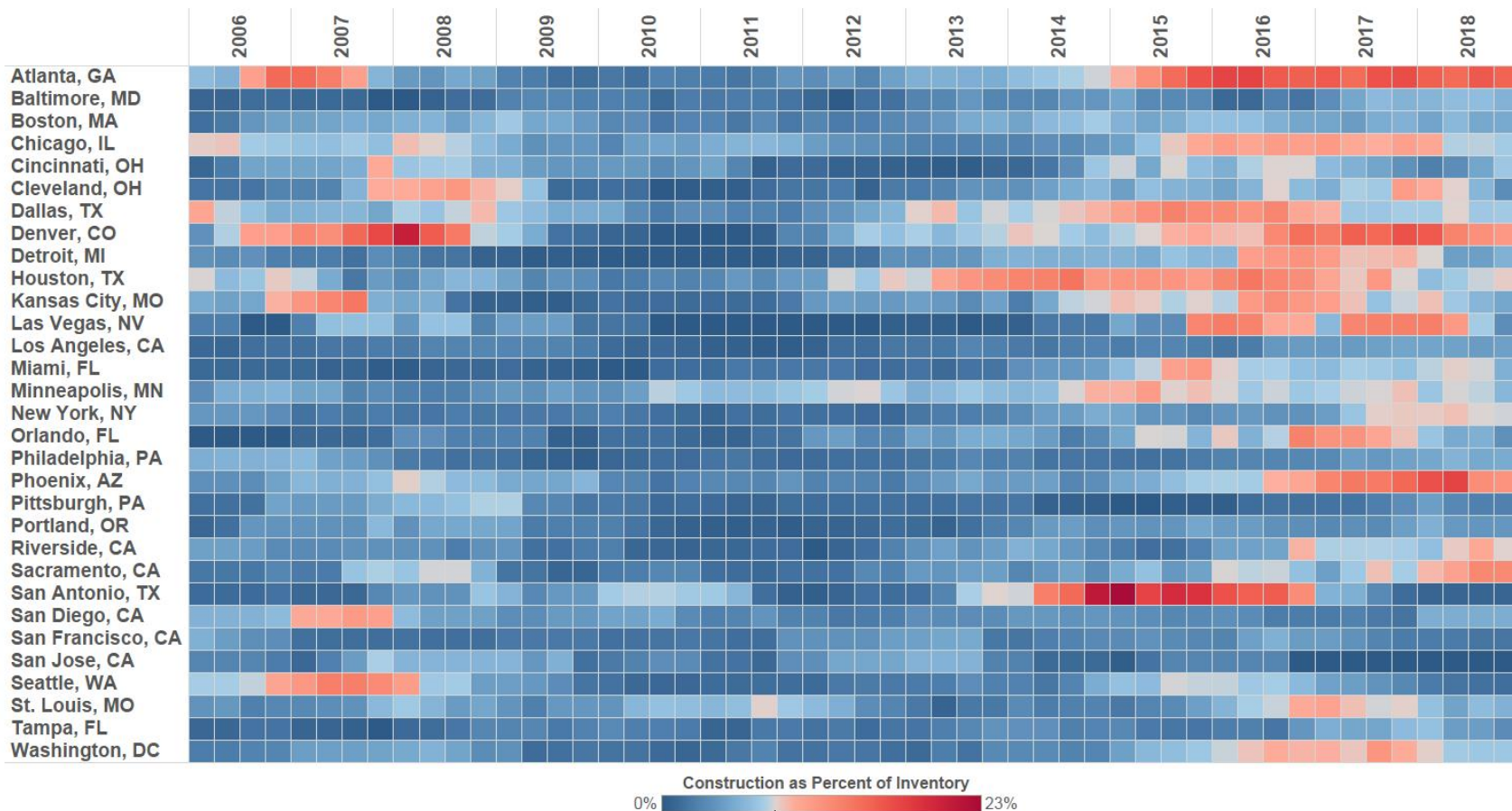
Seniors Housing Construction Primary Markets | 4Q05 - 4Q18



Source: NIC MAP® Data Service

Cycles of Development

Seniors Housing Construction as Percent of Inventory Primary Markets | 1Q06 – 4Q18



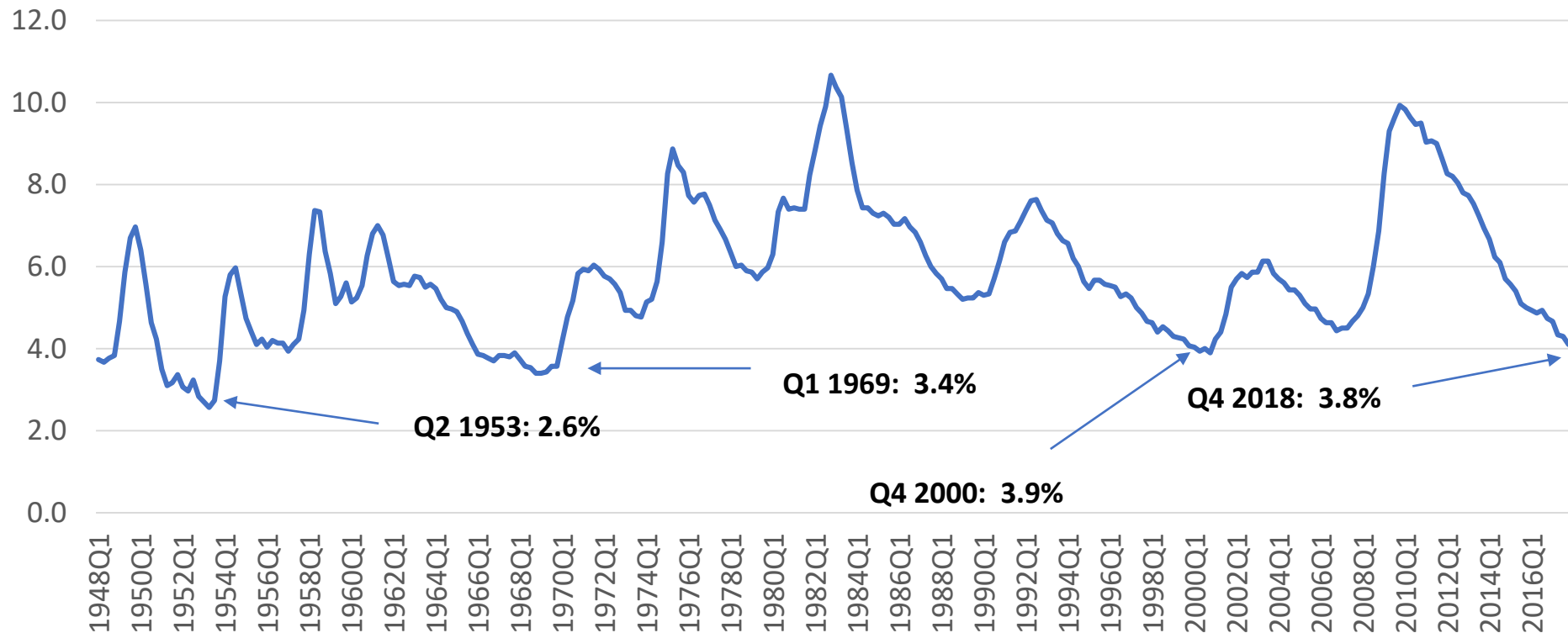
Source: NIC MAP® Data Service

The Economy:

Rising Wage Rates (yes), Rising Interest Rates (?)

Getting Closer to Record Low Jobless Rates...

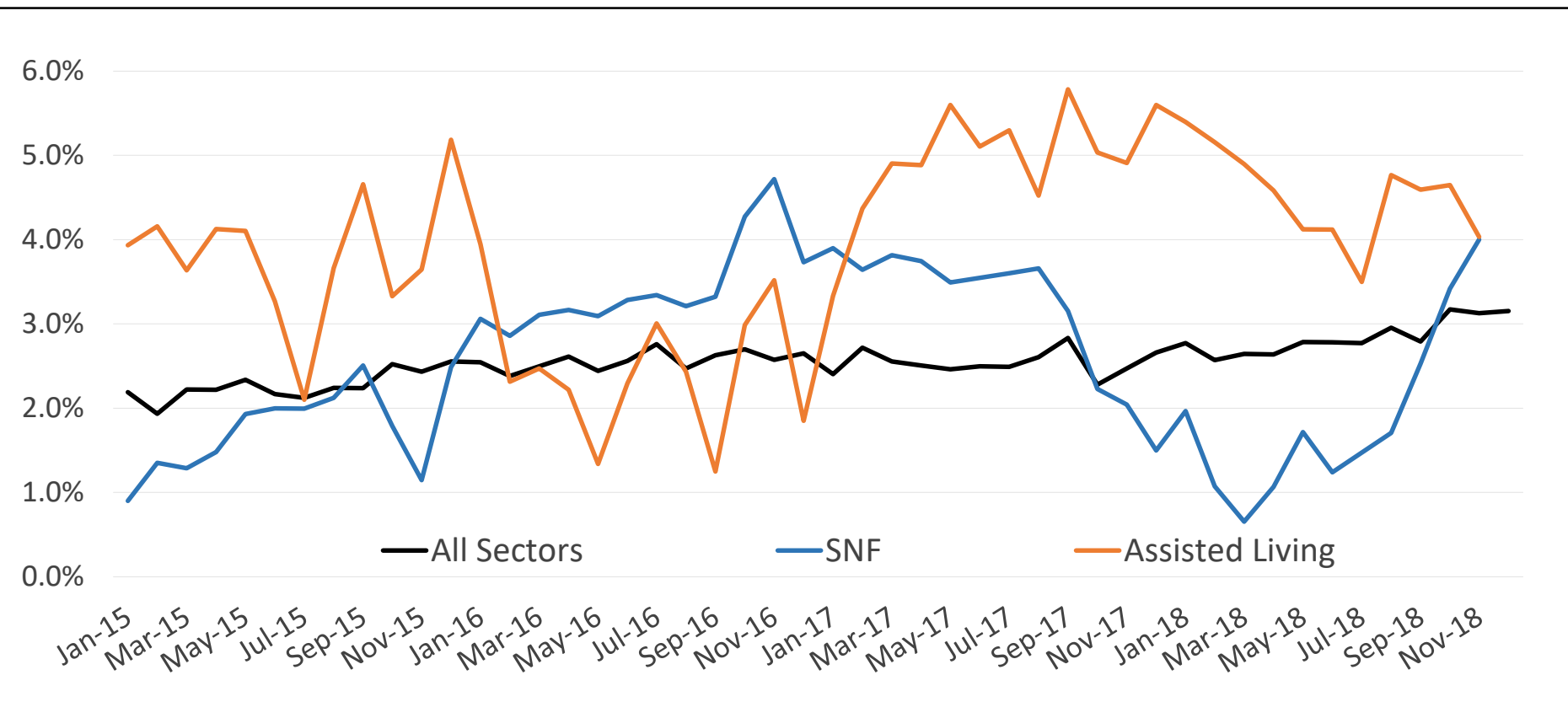
U.S. Unemployment Rate (%)
Q1 1948 – Q4 2018



Source: US Bureau of Labor Statistics, Moody's Analytics

...Which is Leading to Mounting Wage Pressures

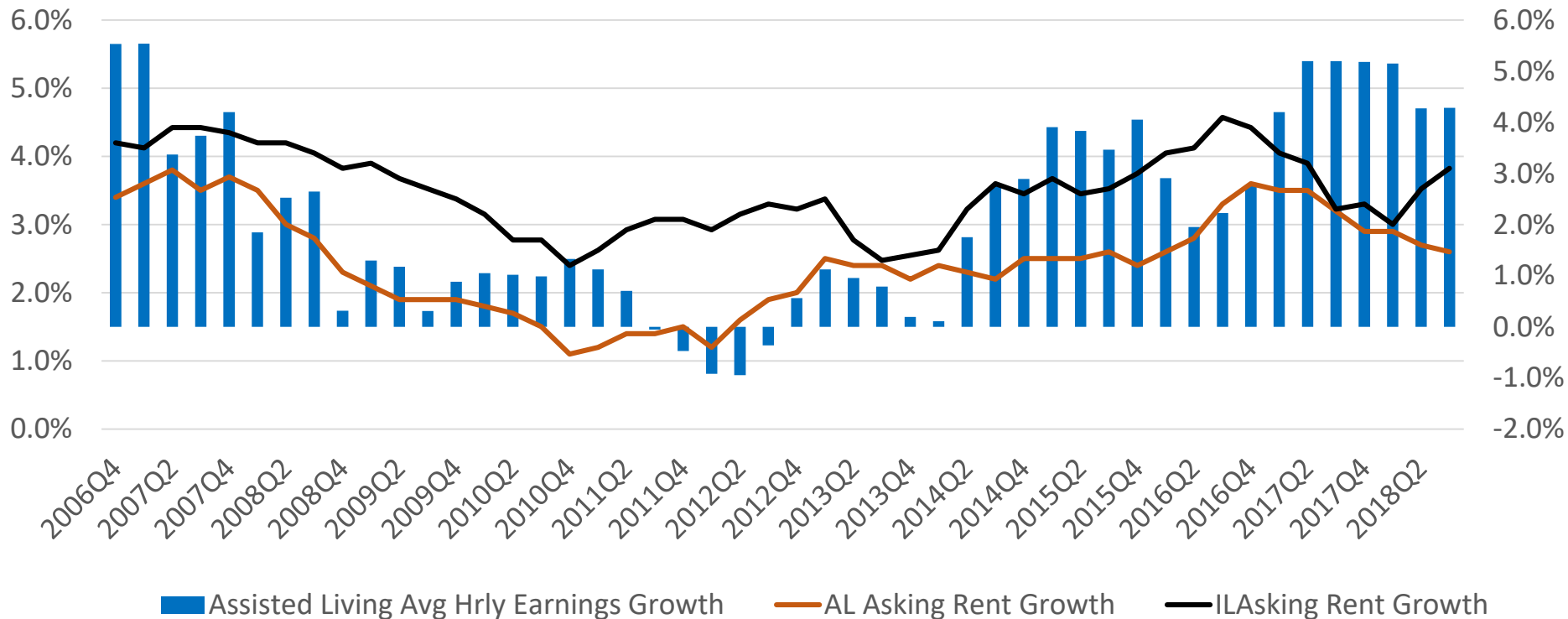
Average Hourly Earnings (Percent Change from Year Ago)
January 2015 – December 2018



Source: Moody's Analytics, U.S. Department of Labor

Annual Same-Store Rent Growth Below Wage Growth

Annual Asking Rent Growth vs. Average Hourly Earnings
Primary Markets | 1Q06 – 3Q18

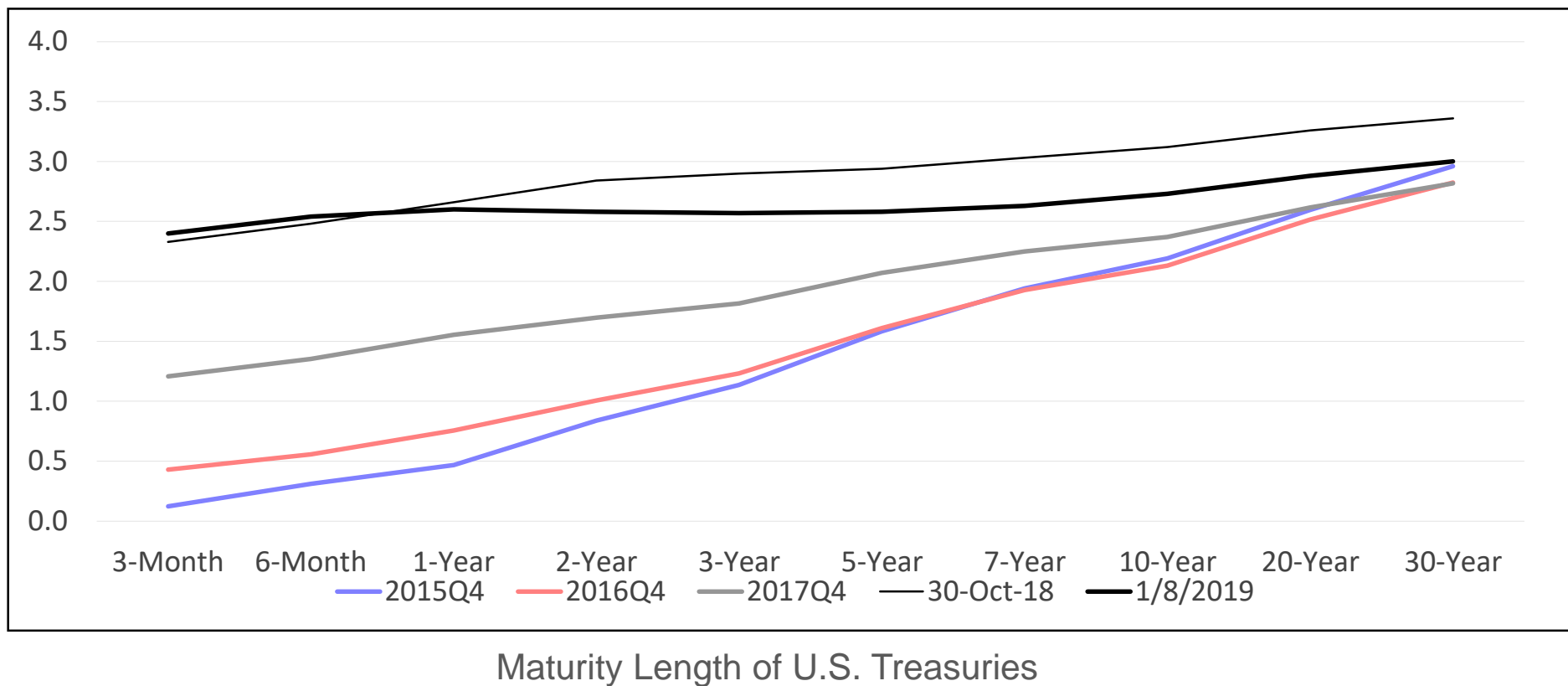


Source: NIC MAP® Data Service, Bureau of Labor Statistics

Rising Interest Rates?

Yield Curve for U.S. Treasuries

Q4 2015, Q4 2016, Q4 2017, October 30, 2018 and January 8, 2019

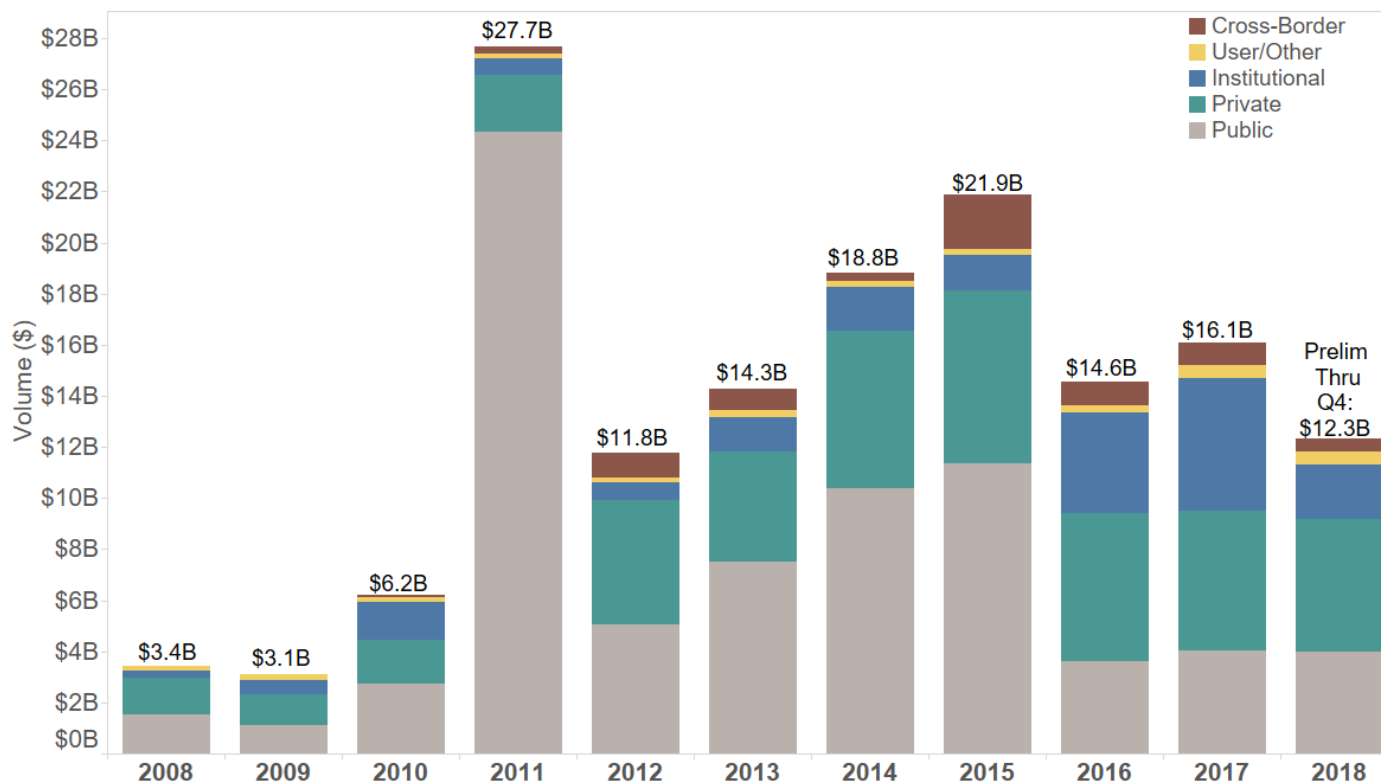


Source: Moody's Analytics

Seniors Housing Risk Premium: Narrowing or Widening?

Total Transactions Volumes Weak in 2018

Closed Transactions for Seniors Housing & Care by Buyer Type* 2008 – 4Q 2018

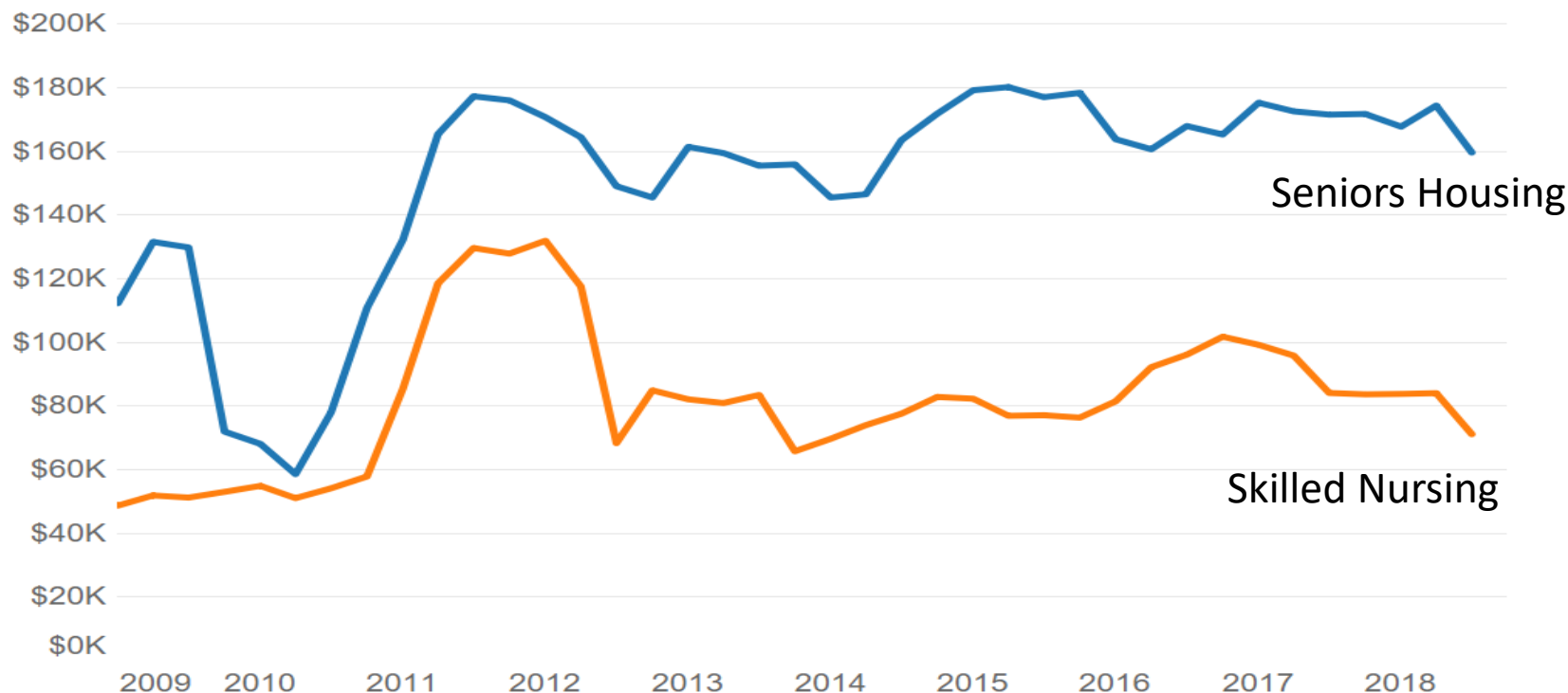


Source: NIC MAP® Data Service

* Preliminary Data

Seniors Housing Pricing Hovering at Peak

Seniors Housing & Care Transactions Rolling 4-Quarter Price Per Unit¹ U.S. | 1Q08 – 4Q18



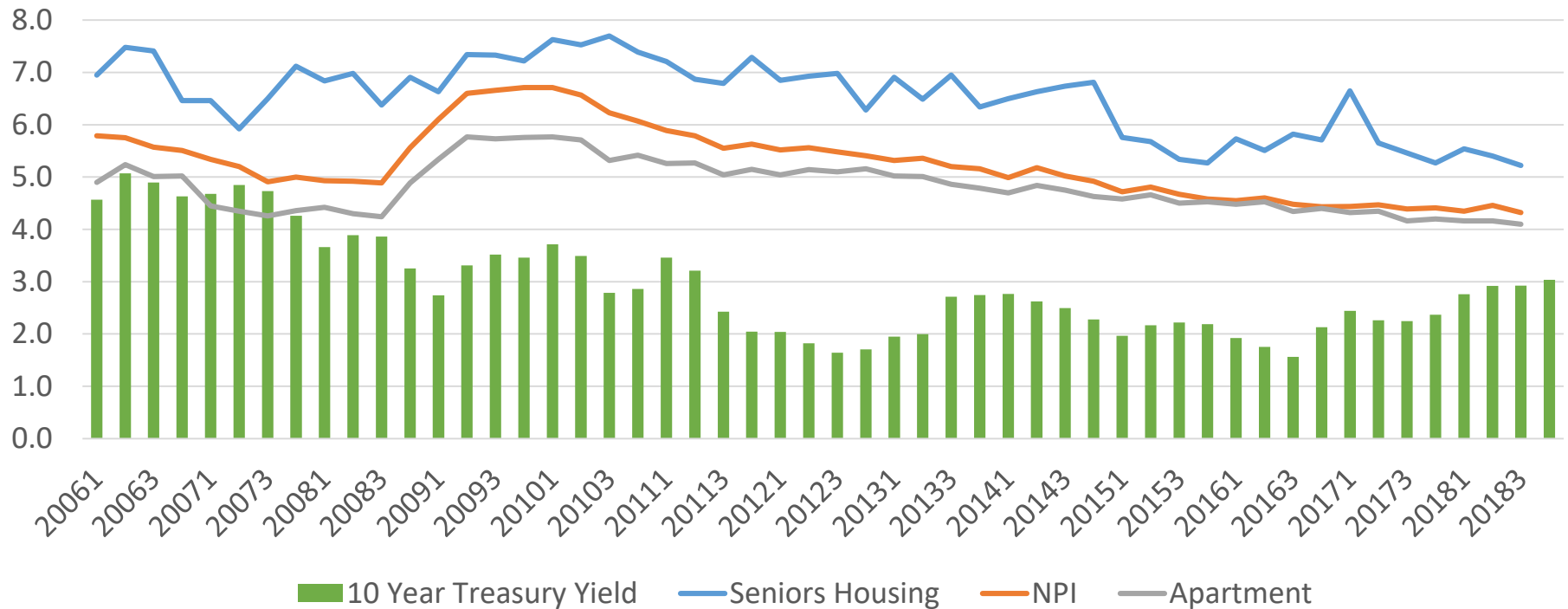
Source: NIC MAP[®] Data Service

1. Preliminary Data

How Do Seniors Housing Cap Rates Stack Up?

Cap Rates

Seniors Housing, Apartment, NPI and Ten-Year Treasury Q1 2006 – Q3 2018

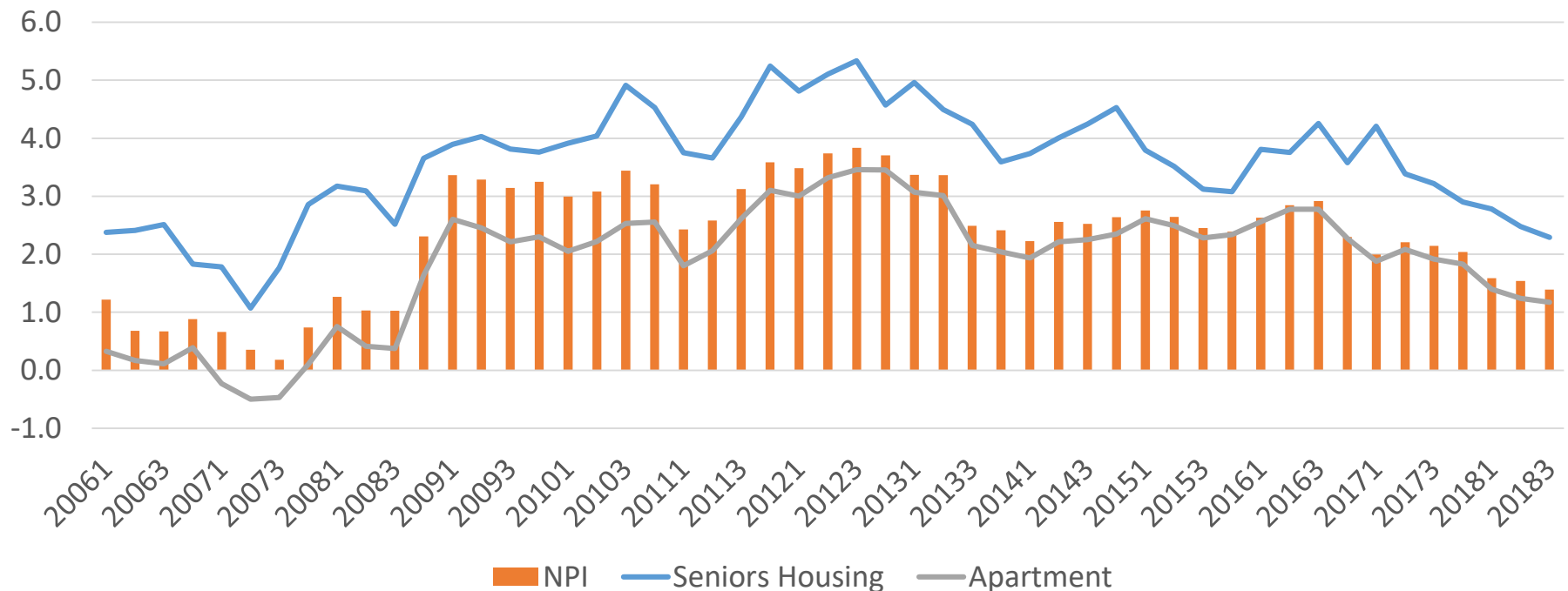


Source: NCREIF, Federal Reserve

As Interest Rates Have Fallen, Risk Premia Have Fallen

Risk Premium

Difference Between Seniors Housing, Apartment, NPI and Ten-Year Treasury
Q1 2006 – Q3 2018



Source: NCREIF

NIC Events and Initiatives to Further Your Insights on Seniors Housing and Healthcare Collaboration



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Conference

February 20-22 • Hilton San Diego Bayfront, CA

Investing in Seniors Housing & Healthcare **Collaboration**

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