June 2019

AMERICAN SENIORS HOUSING ASSOCIATION

Living Longer Better

MID-YEAR MEETING

RISING LEADERS MEETING

MID-YEAR MEETING

RISING LEADERS MEETING

American Seniors Housing Association
www.seniorshousing.org

OVERCOMING THE READINESS GAP
and Bridging the Fear of Change

It's an oxymoron, a seemingly incongruous contradiction. Who anxiously looks forward to leaving the house behind and moving to a senior living community? Yet after they've settled into their new home, residents will uniformly, wholeheartedly agree they should have made the decision far sooner.

And when it comes to convincing prospects to relocate, here's another senior living paradox: More time spent with fewer leads results in a far higher velocity of sales.

To overcome the readiness gap and bridge the fears of change, loss of control, loss of identity, old age, and loss of familiarity, thoughtfully planned interactions with a limited group of leads build the emotional connection and trust that are so crucial to a successful sale.

Rather than focusing on a product-centered sales approach that engenders poor conversions, low occupancy, slow fills, higher acuities, less gross revenue, and higher operational and marketing costs, David Smith, Founder/Principal of The Gatesworth Communities and Sherpa, has developed "an evidence-based sales model that helps us define the stages of readiness and helps move somebody through the psychology of change."

Data from Sherpa and ProMatura Group with 302,159 sales interactions, 502 sales people, 23,480 leads and 25 companies across 21 states shows how top sales performers compare to senior living averages. When each group has 100 leads, top performers will conduct 55 tours and convert 23 of them (41 percent) to move-ins, while the average registers 45 tours with 10 move-ins (22 percent).

Why are the top performers more successful? Smith says it's not about more leads, calls and tours. More time makes the difference.

He cites empirical evidence that confirms working more than 15 leads per vacant unit has a negative impact, while more time per lead worked increases occupancy. More call outs have a negative impact, but more time on calls increases occupancy. More tours have a negative impact, although more time spent during tours increases occupancy.

"What's really special is getting face-to-face and having the opportunity to make an empathic connection. Help them get past their emotional resistance and understand it. A face-to-face visit could be a tour, could be at their house. It could be at Starbucks. But getting face-to-face is why the success ratio is higher," he explained.

According to Smith, the factors that drive and help predict sales results are:

- More time in The Selling Zone®
- More time per lead worked
- More home visits, planning and personalized creative follow up
- Direct involvement of executive directors in sales
- More prospect photos in sales journals

"We define time in the Selling Zone as time specifically involved in face-to-face contact, voice-to-voice or any non-face-to-face communication such as email, text or planning for what you're going to do, which traditionally have never been part of sales. This has the greatest impact on what actually happens when you do engage and interact. That's a direct sales function," he said.

While marketing activities such as events, ad placement, bulk mailings, email campaigns, PR, outreach and social media are critical, this is not part of the sales equation, he stressed. Likewise, operations-related responsibilities such as move-ins and move-outs, unit readiness, resident satisfaction and paperwork take time away from the Selling Zone.

"Sales professionals are hands-on, face-to-face with our prospective customers. They're the ones that make the connection and transmit what our culture is," Smith remarked. "How do you help somebody feel like they're at home, like you're there to actually help them through this process? Creating the feeling of being at home is the highest and best thing you can do."

Taking into account time spent in the Selling Zone with voice-to-voice and face-to-face contact, planning, and creative follow up, Smith reported it takes about 10 hours on average to secure an assisted living move-in, while time spent with an independent living move-in is twice as long at 20 hours.

"If you look at a prospect and you're getting a lot of resistance after investing three or four hours in the Selling Zone, what should you be thinking about? Go deeper," he advised. "This is emotional stuff. It takes time for the prospect to become aware and work through it.

"How much time do you actually have to work with? Not much. Let's say for each FTE that you have on the sales side, you get eight hours a day. You're only going to get about four of those in the Selling Zone for the best performers. It's hard to spend more than 50 percent of your time directly engaged with customers, because it's so emotional. It's very draining to be empathic and help them untangle so you can advance.

LEFT TO RIGHT:

Jodi and James Guffee

RADIANT SENIOR LIVING

Matt Clifton

SENIOR STAR

Anja Rogers

SENIOR STAR

LEFT TO RIGHT:

Brian Benson

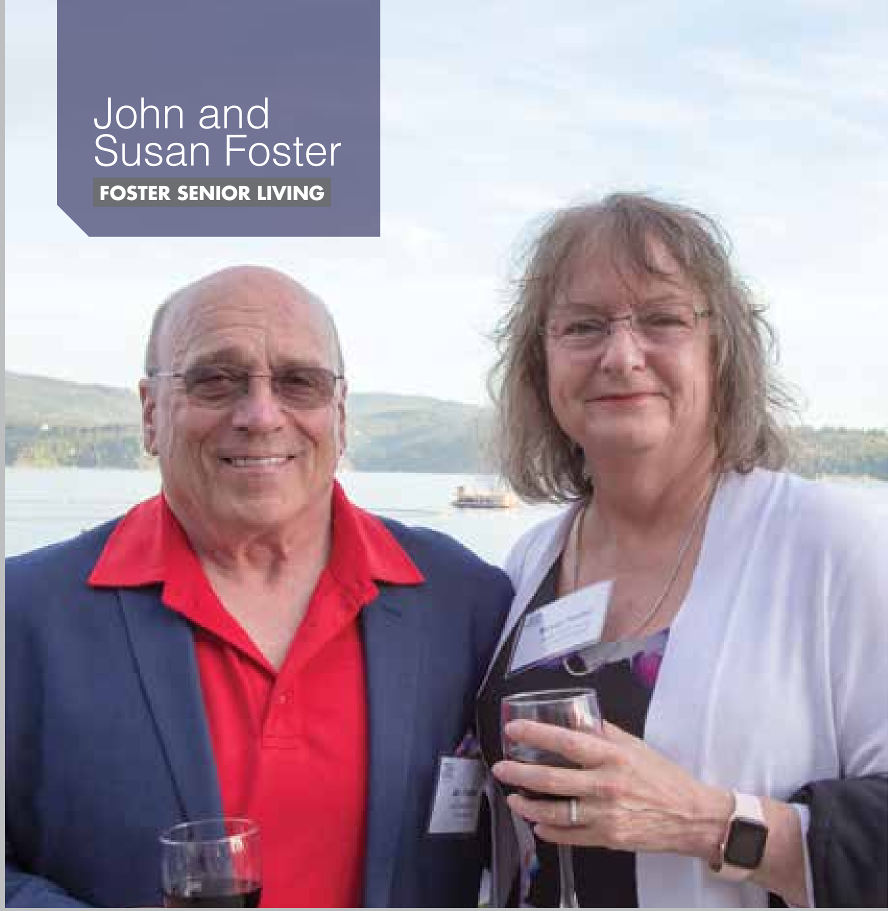
PALATINE CAPITAL PARTNERS

Mike Andreasen

LCS

Kate McCormick

FANNIE MAE



John and Susan Foster

FOSTER SENIOR LIVING

Brad Dubin

KANDU CAPITAL, LLC / BLOOM SENIOR LIVING

LEFT TO RIGHT:

Peter Massey

TRILOGY HEALTH SERVICES

Randy Bufford

TRILOGY HEALTH SERVICES

Stephen Hill

CPF LIVING COMMUNITIES

Kevin Giusti

WALKER & DUNLOP

"That means you've got about 85 hours per FTE of selling time per month. That's it. How do you get more time? Delegate non-sales activities. Once the contract is signed, is there anybody that you could find for a lot less cost and with a lot less training to handle move-in and move-out coordination? If you delegate non-sales activities, you can keep more of that 85 hours," he commented.

For communities with 120 units are more, Smith recommends employing two or even three sales counselors.

Looking at the impact of time spent with each prospect, one hour or less typically results in a 21 percent conversion of tours to move-ins. When two-and-a-half hours or more are spent with a prospect, the tour to move-in conversion jumps to 41 percent.

"The amount of time we invest per lead is one of the best predictors of what the result will be," Smith maintained. "We need to spend more time with fewer people and dig deeper. Dig deeper into their story, not the product.

"A lot of us hunt for urgency, because if we could find the urgent ones, that's going to be the easiest, the low-hanging fruit instead cultivating readiness. Cultivating readiness means getting close enough so they trust you and are willing to open up with some of the stories that are behind the fear that's keeping them from letting go. It's the beginning of letting go of the house and the idea that home ownerships determines success," he said.

Most sales metrics revolve around counting the number of tours, phone calls and inquiries. Smith zeroes in on what happens in each encounter and what was the outcome.

"What was the outcome of your interactions and how many of them did you advance?" he asked. "Did you creatively follow up, or was there an opportunity as the result of the engagement to do personalized follow-up? Do you care enough about them so you're willing to do personalized follow-up? Can you plan the next step?

"Then finally, what did you learn that you didn't know about the prospect? What were you able to motivate the prospect to tell you? Because ultimately," he continued, "the decision is about the psychology of change. It's helping somebody self-persuade. So what did you help them learn about themselves?"

Journaling and discovering the life stories of prospects have a direct impact on sales outcomes. An analysis of Sherpa's data base found for those who had committed 85.5 words or more to profile a prospect, there was a 30 percent improvement in sales outcomes compared to those who averaged 68.6 words in their journals.

Prospect biography information that leads to a deeper understanding of the individual captures life stories, legacies and values, how a typical day is spent, health, financial status, and background on adult children and influencers. Identifying motivators, objections and preferences is also essential.

Home visits are another metric that measures success. A review of Sherpa's data base shows for every 100 prospects that did not receive a home visit, 27 percent were closed, while one home visit resulted in a 52 percent close ratio and those with repeat home visits had a 69 percent close ratio.

"Home visits are powerful, because 90 percent of the time that is the competition." Smith observed. "That's where the prospect feels the most comfortable to tell you their story and show you who they really are. The most difficult part about home visits is getting leasing counselors not to be afraid. I like using home visits before a tour, because then I have a much better idea of what to present on the tour."

LEFT TO RIGHT:
Dan Revie
ZIEGLER INVESTMENT BANKING
Stephanie Kolbo
NRC HEALTH
Tess Kurtenbach
NRC HEALTH

Comparing sales counselors who engaged in at least one purposeful planning activity with those who did no planning, their move-ins reached 32 percent of prospects versus 22 percent respectively.

"Have a daily planning session. It makes all the difference in the world when you take the time to connect with creative follow-up that says I see you, I acknowledge you, I hear what you're telling me, and I respect you.

"What happens in between engaging prospects — specifically the planning, the creative follow-up, not just the callouts and emails — is what increases conversion rates," Smith pointed out. "Look at how the best performers spend their time. For every hour in the Selling Zone, they're going to spend 35 percent face-to-face, 20 percent voice-to-voice, and almost 50 percent of the time the best performers are either planning what to do next or creatively following up after they've done it.

"Another interesting point is the best performers had seven times more call-ins than call-outs. Figure out what do I have to do to get the prospect to call me," he added.

Eighty-eight percent of top performers partner with their executive directors in directly engaging prospects, while 39 percent of the lowest performers do so. The most effective executive directors, meanwhile, spend 57 percent of their time in sales on planning, 33 percent in face-to-face interactions, and seven percent in voice-to-voice contact.

To reinforce sales counselors' interactions with prospects, Smith recommends adding photos to prospects' profile journals. Eighteen percent of the highest sales performers refer to photos compared to seven percent for the lowest performers.

He also endorses sharing prospect information gathered during the sales cycle with the rest of a community's operations team to prepare for move-ins, noting that this is a highly effective on-boarding tool.

MID-YEAR MEETING

Speaker:
MARGARET WYLDE PH.D., PROMATURA GROUP

HOW HEALTH CONDITIONS INFLUENCE
Urgency Among Sales Prospects

Identifying health conditions among senior living sales prospects and how these influence their sense of urgency have been one of the research initiatives underway as part of a broader study that ProMatura Group is conducting, using data provided by Sherpa.

Pulling data spanning a 12-month period, ProMatura CEO Margaret Wylde said the analysis looked at 48,294 prospects from 720 communities operated by 136 companies. A health condition was defined as an illness or health problem that lasts a long time and affects the way individuals live.

ProMatura broke the health conditions into the following categories: ADL; cognitive; communication; hospice; medical management; mental; mobility; psychological; and vision.

For all independent living, assisted living and memory care prospects evaluated, 24 percent had one health condition, 18 percent had two, 13 percent had three, nine percent had four, and 16 percent had five or more.

The mean number of health conditions for the independent living prospects was 1.34, 2.85 for assisted living and 3.08 for memory care.

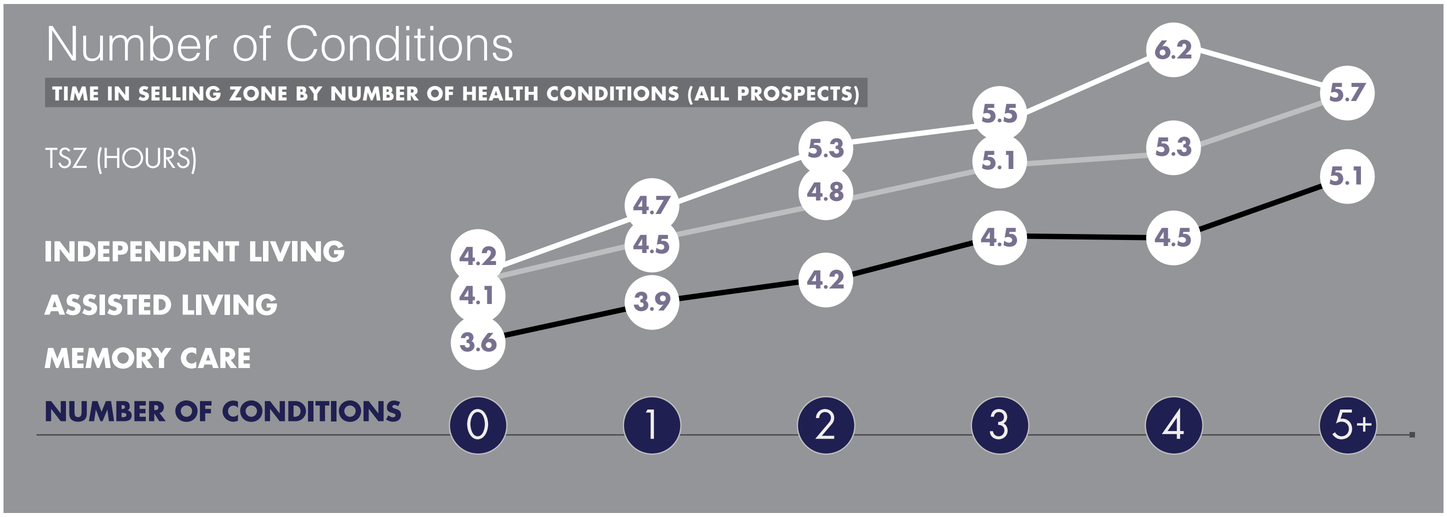
An analysis of the Sherpa data base comparing the health conditions experienced by prospects with those of residents found:

- **Medical management –** 45 percent of prospects, 48 percent of residents
- **Mobility –** 42 percent of prospects, 46 percent of residents
- **Cognitive –** 36 percent of prospects, 38 percent of residents

Sarah Anderson
NEWMARK KNIGHT FRANK

LEFT TO RIGHT:
Jason Zuccari
HAMILTON INSURANCE AGENCY
John Rijos
CHICAGO PACIFIC FOUNDERS

ASHA Members
MINERAL RIDGE IN COEUR D'ALENE, ID



- **ADLs –** 20 percent each for prospects and residents
- **Mental –** six percent for prospects, seven percent for residents
- **Vision –** five percent for prospects, seven percent for residents
- **Communication –** four percent for prospects, five percent for residents
- **Psych –** four percent for prospects, five percent for residents
- **Hospice –** one percent each for prospects and residents

Shifting to time spent in the Selling Zone as defined by Sherpa, it was 2.5 hours on average for independent living prospects, while 4.2 hours went to those who became residents.

Assisted living prospects registered 2.7 hours in the Selling Zone, while those who became residents had 3.6 hours.

And 3.3 hours went to memory care prospects and 4.1 hours were logged for those who became residents.

Time in the Selling Zone broken out by size of a community showed for those with 79 or fewer units, independent living averaged 1.95 hours, assisted living 2.33 hours and memory care 1.18 hours.

Communities with 79 to 147 units had 2.53 hours for independent living, 2.44 hours for assisted living and 2.03 hours for memory care.

Those with more than 148 units had 2.79 hours for independent living, 2.78 hours for assisted living and 2.81 for memory care.

"As we continue to look at the data, we're going to control for size of the community so we're comparing apples to apples and setting some benchmarks," Wylde said.

The more health conditions a prospect has, the more Selling Zone time that individual generally receives, which runs counter to the assumption that urgency should lead to quicker move-ins.

For example, in assisted living an average of 3.6 hours in the Selling Zone are spent with prospects with no health conditions, 4.5 hours go to a prospect with three conditions, and 5.1 hours go to a prospect with five or more conditions.

On the independent living side of the equation, an average 4.2 hours are spent with prospects with no conditions, 5.5 hours with those with three conditions, and 6.2 hours with those with four conditions.

And a memory care prospect with no health conditions receives 4.1 hours in the Selling Zone, those with three conditions average 5.1 hours and those with five or more conditions receive 5.7 hours.

"More problems do not create more urgency. When more things are going wrong, it takes more time for them to become a resident," Wylde contended. "When someone comes in, and they have a lot of issues, you're going to spend more time with that person, because you know they're more likely to move. You're more confident you're going to land that person than the person with fewer issues."

She added that based on the extensive number of on-site sales assessments that ProMatura has conducted over the years, "sales counselors don't know how to ask the right questions and don't score very high on asking about health. More than three-fourths of the sales counselors in the Sherpa data base did not record any health data, even though they have a tool that guides them through asking the right questions and would help them along afterwards."

Wylde shared a few observations on the implications of health conditions and how these influence the sales cycle.

"Let's understand the people who present with no conditions. How can we help them get across that fear bridge? We're going to try to service anybody who comes, but let's learn how we can sell better to the people who don't have any real urgency issues. Quit looking for what we used to think was low-hanging fruit that would be easier to get in, because now we see it takes more time based on the more conditions they have," she advised. ■

ProMatura was also able to break down the Sherpa data according to inquiry source:

- Professional referrals accounted for 51 percent of all prospects, 55 percent of all residents
- Internet, 14 percent of all prospects, nine percent of all residents
- Company website, seven percent of all prospects, three percent of all residents
- Other, five percent of all prospects, six percent of all residents
- Direct mail, five percent of all prospects, one percent of all residents
- Family friend, four percent of all prospects, eight percent of all residents
- Event, three percent of all prospects, one percent of all residents
- Print advertising, three percent of all prospects, two percent of all residents
- Resident/Member, two percent of all prospects, five percent of all residents
- Employee referral, one percent of all prospects, two percent of all residents

The disproportionate influence of professional referral sources led to a deeper analysis of this category to break down time spent in the Selling Zone:

- Moving companies accounted for 10.55 hours for all prospects, 25.31 hours for all residents
- Financial advisor, 4.49 hours for all prospects, 15.78 hours for all residents
- Real estate agent, 4.03 hours for all prospects, 9.89 hours for all residents
- Religious organization, 3.39 hours for all prospects, 8.92 hours for all residents
- Referral agency, 1.98 hours for all prospects, 8.26 hours for all residents
- Adult day care center, 4.65 hours for all prospects, 8.25 hours for all residents
- Home health, 3.82 hours for all prospects, 8 hours for all residents
- Geriatric case managers, 4.52 hours for all prospects, 7.72 hours for all residents
- Physician, 4.13 hours for all prospects, 7.6 hours for all residents
- Other professional, 2.36 hours for all prospects, 7.46 hours for all residents
- Hospice, 3.32 hours for all prospects, 6.92 hours for all residents
- Other senior living community, 3.14 hours for all prospects, 6.43 hours for all residents
- Attorney, 4.42 hours for all prospects, 6.42 hours for all residents
- Hospital – Rehab, 2.94 hours for all prospects, 6.15 hours for all residents
- Skilled nursing facility, 3.44 hours for all prospects, 5.98 hours for all residents
- Senior apartments, 3.05 hours for all prospects, 5.84 hours for all residents
- Senior center, 3.18 hours for all prospects, 5.49 hours for all residents
- Hospital - Acute, 1.73 hours for all prospects, 2.23 hours for all residents

Left to Right:

- AMY MCGUIRE, SENIOR RESOURCE GROUP
- JASON ROCK, ALLEGRO SENIOR LIVING
- MARGARET WYLDE PH.D., PROMATURA GROUP
- DAVID SMITH,THE GATESWORTH COMMUNITIES AND SHERPA
- CARYL BARNES, BRIDGE SENIORS HOUSING FUND MANAGERS

MID-YEAR **MEETING**

REVAMPING SALES CRMS TO BETTER MANAGE
Leads and Accelerate Move-Ins

Three executives overseeing the sales and marketing performance of extensive, multi-state senior living portfolios reviewed how their organizations transitioned to a prospect-centered sales approach that led to significant improvement in managing leads and accelerating move-ins.

Caryl Barnes, Bridge Seniors Housing Fund Manager; Amy McGuire, Senior Resource Group; and Jason Rock, Allegro Senior Living, explained how they were able to optimize their teams' sales results.

The following are excerpts from their remarks.

ROCK: I'm going to cover three things: Why and how we changed our CRM and our sales approach; the three strategies we used for a launch and the success we experienced; and how we sustain that success.

Allegro develops, owns and operates 27 communities across eight states. We very commonly are the price leader in our markets by 15 to 20 percent above the highest comp. We're doing independent, assisted and memory care in a rental-type approach. We're also doing a lot of active adult now with about 800 units across five assets. We're a regional company that has grown with six different brands.

So why change? Our foundation was prospect-centered selling®. However, we had a multi-family platform for our CRM that was designed for apartment settings, so it was important that we aligned our methodology, the way we deliver that sales process, and the way we track it in our CRM system.

I had grown up on volume and velocity. We had looked at our closing percentage and went backwards to say based on this, I need 12 more of those. Let's go find 12 of those. We didn't see the success we needed. It's very hard to predict the future when approaching it that way. The leading and lagging indicators made great sense, and we knew that was something we wanted to focus on. What can we do this month, now, to produce outcomes for next month?

In some of our systems, we dealt with hot, warm and cold leads. Knowing the language would change, we had to be prepared for that. Some people classify a deposit differently than what you would call a sale. The magic was recognizing how hard it's going to be to change behavior.

When you're behind budget, and the sales office is quiet, the knee jerk reaction is to get on the phones, right? Do some sales activity. We needed to avoid that behavior. It's okay to have a quiet sales office. It's okay if you're doing thoughtful planning for the next step for a prospect. How do you change behavior when you're behind budget, and you need to perform? Recognizing that was probably the hardest struggle, we wanted to make it as easy as possible for our folks.

One of our main strategies was establishing expectations. Our regional layer was our launch group, so we prepared them for the expectations that would apply in the field. We let those regional players know we wanted to give everybody three months to enter data. Let them get comfortable with it, don't hold them to quotas per week, per day. In three months, we need them to be honest and open and sharing as much as they can. At the end of three months, let's start tracking. Let's start holding people accountable.

We set realistic goals. For the advisors in the field, again, this was encouraging them to try something new. Don't be afraid of it. Many people will push back. It's very common to have the bell curve. So for us, it was important that we set goals for them to say this is not punitive. You're not going to get in trouble. We want you to try and use it. We set three-month, six-month and nine-month goals.

We work with investment groups, so it was very important that we were educating and working with our partners. The language would change. Maybe you're on a Wednesday call, and they want to know how many leads by Friday do we need to get two more move-ins? Our previous thinking was look at the conversion rate and work backwards. We had to be prepared to change our language and educate. We continue to do that today.

For me, the most enjoyable experience is drill-down calls. When you are behind, you've got to get on calls with the properties. We don't talk about how many calls did you make. We talk about how much you know about each person. The most pleasing feedback I've heard most consistently is that it humanizes the sales process.

We do not enter every single lead into our CRM. That's uncomfortable for a lot of our partners. So we work through that, because one of the greatest challenges is having too many leads, having too much to occupy our time, to not be focused on what is working and who is ready to advance. Now we track what works. I do not track what is not working.

Continuous, reoccurring education and training were important for us. At the six-month mark in this journey , we actually had an eight percent increase in visit-to-move-in conversions. But it's important to look at the bell curve concept. Our bottom 20 percent of folks will sometimes push back and not buy in. For 15 years they've been full. They're running the market, and they say, well, our way works.

LEFT TO RIGHT:
Matt Pyzyk
GCP / TRUE CONNECTION COMMUNITIES
Rick Lynn
BELLWETHER ENTERPRISE

LB Ham
CNL

LEFT TO RIGHT:
Jayne Sallerson
CHARTER SENIOR LIVING
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FORMERLY OF TITAN FUND MANAGEMENT
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Tyler Verdieck
MBK SENIOR LIVING
Aaron Rosenzweig
CUSHMAN & WAKEFIELD
Christine Cramer
MBK SENIOR LIVING

Steve Muth
M&T REALTY CAPITAL

LEFT TO RIGHT:
Chris Muder
REES ASSOCIATES
Emma Caird
VCPI

We say that's great. Keep doing what you're doing. However, when five competitors open, you're going to do it our way. We adapt. But sometimes that bottom 20 percent will occupy 80 percent of your time. The magic we found is focusing on the middle, getting to that middle 60 percent. Move them to the top performers. That's where we saw a greater return on time. And, of course, you'll always have your top performers that can do it with or without a CRM.

The last strategy here is monitor and coach in terms of the time spent, so we can change and predict outcomes. We created reference manuals as tools. We created reoccurring calls. We used the training materials that Sherpa provided. We have four AVP of sales that will sit and sell with someone. They coach with them, debrief, counsel, and that's critical to getting inside the sales process.

We also do planning sessions and model for executive directors our expectations. What do we find is most successful, and how does this fit into the rhythm of daily planning? What happens after stand up? What's the one hour look like that you spend with the sales team, and what do you talk about?

We've had success in assigning department heads with duties that speak to the prospect or advance the prospect. They come by in the morning right after stand up to the sales office at 15-minute increments. I have something for dining. I have something for housekeeping. We're all going to do this together.

Goals change. When we get away from volume and velocity, we start to talk about understanding the best three creative follow-ups you've done, and what were the outcomes? We talk more about quality than quantity.

About three years into this program, we have successfully improved closing ratios by 50 percent. And we've actually done it with 50 percent less leads. It's wonderful to know only 15 leads are needed per vacant unit. We have a property in South Tampa that runs full on a database of 40 active leads. And that's shocking for some of our other startup communities that require a lot more leads to get started.

I'll share with you, in closing, a recent case study. This is 132 units of AL/memory care. We took a look at eight months of data from July to February of this year. What we saw was the benchmarks were being met in the prospect profiles where we talk about how much do we know.

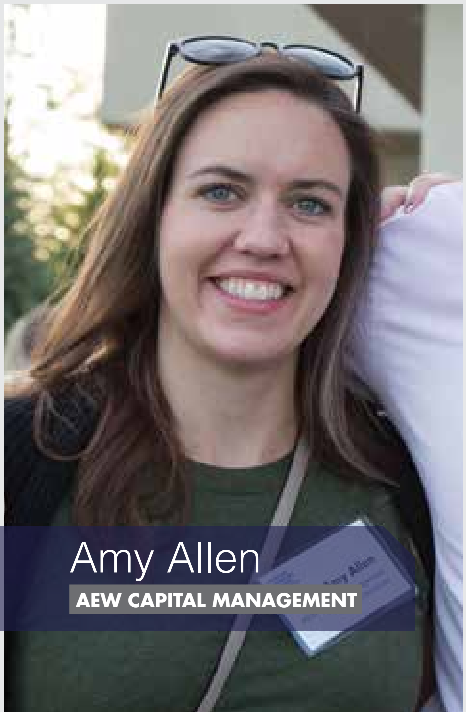
The profiles had to be 50 percent legacy, themes, values, objectives and motivators. You've got to know at least half of 100 percent. We also needed to know that your time in the selling zone was being spent properly. Out of an eight-hour day, I need four hours a day, face-to-face, voice-to- voice.

We said now that we have those standards, for one hour and 20 minutes a day, I want you to do more planning — not calls, but collaborative planning. Get together as a team.

By increasing the research, the discussion and the planning, what we noticed was an increase in advances. They agreed to visit, or agreed to that assessment. Or maybe it's a trust breakthrough that, yes, you can mail that info to my mom now. Because of that, we saw a net gain jump. We had a good boost in occupancy to achieve 94 percent and were able to hold and maintain it.

BARNES: A little bit about Bridge Seniors. We have about 90 properties across the United States. We're a series of funds totaling about $1.75 billion in equity to invest in the senior housing space specifically. We have about 10,300 units and work with about 23 different operators across the United States.

Operator level of sophistication in terms of sales and marketing varies quite a bit. We work with some regional, very locally relevant operators that do a



terrific job, and we also work with folks with a national platform that have very sophisticated systems. But as you can imagine with 23 operators, they represent probably 10 different CRMs. Some are proprietary and individually created by the operator, and others are more traditional like Sherpa and Yardi.

When I came to the organization a couple years ago, we didn't have real-time data in terms of both the leading and the lagging indicators that help me have conversations with our investors in terms of short and long term projections.

Our investment strategy includes income, value add and a small percentage of new development properties. In the value add group we see significant capital investment and a heavy focus on operations/sales and marketing. In these assets we might change product mix, add new product or infuse capital for apartment and/or a common area refresh. We honor our commitment on the front end by putting the CapI into the buildings. What needs to folllow is the occupancy, rate and NOI build.

It's building rate and then continuing to evolve the efficiencies and improve the NOI. It's all sequential. This is deeply meaningful to our equity sources. We see the sales funnel and talk about the leads, tours and conversion rates that drive the move-in activity and deliver on our thesis.

To give you an example, we were looking at data from a portfolio that had declining leads and declining sales effectiveness. So naturally, the consequence was declining occupancy. We've put all this CapEx into it. We've got to start driving census. At that point, we thought it was a one-two punch. First, let's get in there and drive increased lead traffic, because that's an immediate, right? And then let's focus on improving sales effectiveness as a longer-term strategy.

We can go in with support through third parties to coach and train to improve sales effectiveness, but we're not going to improve census overnight. So let's get the lead funnel going, even at our decreased conversion rate. The results in this example were actually quite textbook, ironically. Sixty days into the lead-gen strategy, new leads doubled and occupancy improved by over 70 units within 5 months of activating the campaign.

After the initial boost, occupancy started to flatten out and leads declined from all-time highs. While we experienced a nice initial uptick in terms of the leads and occupancy, it wasn't something that was sustainable. We needed to look at sales effectiveness and find a more effective way to help the teams perform.

We try to be helpful and achieve our goals by pushing data back to the property teams to help them better run their business. Often I'm shocked in they all use CRMs, but It's rare that folks actually go back into the CRM to deeply understand where their business is coming from.

We have several analysts in our office, so I had them work on the data and push it back out to a regional team and executive dirctors in a format that is user friendly. This allows property teams to be smart and knowledgeable and completely engaged with how they are going to drive their "Best Leads" strategy.

This Bridge sales and marketing plan source codes template includes five leads: advertising, drive-by, Internet, unpaid referral and paid referral. This customized plan by property shows historical lead, tour and move-in source codes and conversion rates. This information is used by the property and regional teams to create lead, tour and move in goals that align with expectations.

It's hard to have a common language across 23 operators, but in our book a first visit, first tour and a home visit are created equal. I would argue, quite frankly, that a home visit is even better. Regardless, you have to get up to bat in order to get the sale. What do I mean by this? The process is somewhat sequential. A prospect must experience a first visit or home visit before they buy what we are selling. That commitment to buy only comes after we've earned the trust and confidence of the prospect and/or their family.

Two metrics that we look at and measure to plan on a weekly basis are those first tours/home visits and move-ins. We roll the numbers up into a dash board the senior executive team reviews on a weekly basis, especially for our focus properties.

Last fall, we did something somewhat unconventional for private equity. So far as I can tell, we saw from the numbers that sales effectiveness was an area of opportunity across the portfolio and we knew from experience there are only so many leads to capture in each market.

Our early exploration into prospect centered selling® proved effective, so we decided to scale the initiative. After all, the concept of prospect centered sales is accretive to virtually every senior housing sales platform/methodology. So we invited every operator from our portfolio from the C-suite to the regionals to the property level teams to attend either a West Coast or East Coast two day prospect centered selling® class. Then we started measuring the results.

For the California-specific sales training which probably represented nine or 10 different operators, we saw 60 percent of the communities that attended improved their sales effectiveness as measured tour to move in anywhere between 20 – 42 percent!

Do we see outsized results when the C-suite and everyone all the way through the organization is speaking the same language and is aligned with this concept of spending more time in the selling zone? I took a cut of a specific operator who deeply embraced this concept, regardless of their own internal sales training. Whether we're looking at improved sales effectiveness, move-in velocity or actual occupancy, we see tremendous improvement. Their occupancy went from 84 to 92 percent in about 32 weeks. I'm pretty pleased with that.

The vacant seat issue is huge in our industry. Every time we have vacant sales counselor positions, we don't get the time in the selling zone that we need, and therefore we don't get the move-ins.

We have two dedicated sales ninjas that we contract out through a third party that we can apply to any one of our 23 operators across our portfolio. Those individuals have gone through training for prospect-centered selling®. We'll continue with that program.

And then lastly, we decided to add a four-part series of webinars that are 45-minute conversations with tutorials pulling out key bullets of the conversations that we had in the prospect-centered sales training. This affords an opportunity for problem solving, question and answer, things of that nature, so it keeps that education and momentum going. I didn't know if anybody was going to join, but we regularly get 60 people participating, which is quite remarkable. It shows how hungry these teams are for information and training that helps them out perform their peers.

MCGUIRE: Senior Resource Group is an owner, operator and developer of senior living communities across seven states with 32 communities. We primarily focus on independent living, assisted living and memory care on a rental fee basis with an average community size of 180 residences.

We look at marketing and metrics a bit differently. We handle all of our advertising and marketing for our communities in-house. We want to free up our sales teams to do what they do best, which is engage, build relationships, stay in that selling zone. We don't use lead aggregators, the big, online referral companies as a source of leads. So where do we begin?

We feel our true competition is the home. It's our customer's lifestyles, all of their memories, everything that's bundled up in that home, and that's where they want to stay. We need to create something engaging and relevant to get them to take that first step and make that initial call.

We use metrics and ROI evaluations. We're big analytics fans. We use our metrics to drive our marketing plan. And we use resident and prospect data to develop targeted messaging for our prospects, all based on geographic, age, income and psychographic profile. Use resident and family member data from your operations, your programming, your dining, and your clinical. Differentiate between

LEFT TO RIGHT:
Adam Cohan
GREYSTAR
Lindsay Casillas
SODEXO SENIORS
Zach Rigby
HFF

LEFT TO RIGHT:
Jason Punzel
SENIOR LIVING INVESTMENT BROKERAGE
Doug Ellison
CASCADIA SENIOR LIVING / FIELDSTONE COMMUNITIES

Samantha Medred
HEALTHTRUST

Jesse Jantzen
LUTHERAN LIFE COMMUNITIES

LEFT TO RIGHT:
Alex Neff
CEDARHURST SENIOR LIVING
Almir Sajtovic
CEDARHURST SENIOR LIVING

LEFT TO RIGHT:
Jerry Frumm
SENIOR LIFESTYLE
Jeanne McGlynn Delgado
ASHA
Liz Plozner Chalfa
JUNIPER COMMUNITIES

care levels and unit types. Look to your acquisitions team. They've often got incredible amounts of data. Look at the business intelligence systems that you're using and see what data can crossover into marketing. With that said, the big caveat is look at the definitions. There's a lot of different ways that you can slice and dice household income and other demographics. Make sure it's aligned with what you need for your communities.

One of my pet peeves is accurate lead sourcing. It's tough and I don't feel you can rely solely on your sales team. We use a call tracking phone numbers and record the calls. Not only can you evaluate volume and quality, you learn a lot about your prospects and sourcing. We've used a phone number in a very specific publication. It's the only place it's published. Sales asks how they found us, and they say just driving by They're on a tracked call. I know that they're calling from that publication.

So look at ways that you can integrate your advertising directly into your CRM, so you can get that source data that you need. Make sure you're using using a call tracking system and various other digital tracking forms to evaluate your marketing. Look at what prospects are doing on your website. See where they're going. Track with heat mapping. Look at length of calls. Compare length of calls between different venues. And listen to what your data's telling you.

Because we don't use lead aggregators, we look to our marketing website to generate leads. Our website is our number one generator of qualified leads. It's the number two generator of move-ins, right behind resident and family referrals, which should always be first. For our website, we look at SEO, organic traffic-for example when you search Google and ask where is assisted living? We also look at SEM, paid ads at the top of the search page or ads that follow you and stalk you.

Most important, you want to own your brand. There's a lot of competition out there-even for your own brand. Drive the majority of your leads from organic traffic supporting it with digital advertising and traditional marketing methods.

We need to make sure that the leads we're driving, especially on the digital side, are as engaged and as relevant to your communities as possible Evaluate your results and strategize at the community level. The great thing about digital is you can micro-focus. If you have occupancy issues in a specific unit type, include that in your messaging. Focus on those available two-bedroom units you have and incorporate them into your digital strategy.
It can be in real time and very effective. You'll see the return. Also, make sure your organic SEO is supported with your paid efforts. It used to be that everybody separated those. Now they should be integrated, and should be supporting each other.

Third-party reviews and surveys provide more information for your customer, but they can create an inaccurate picture. We digitally survey prospects that have toured a community. It's very basic. It says how was your experience? How did you like it? That type of thing. From there, we gather the results and convert them into a star rating. We aggregate the reviews and add them on our website. Search engines, like Google read and register the reviews and put them in front of our URL in the listing on the search page, increasing recognition.

These reviews are people that know your community and had a great experience. And generally speaking, they're very positive. Use this unique and community specific data and feed it back out to the market, so that pros-

> Make sure you're using call tracking and digital tracking forms.

pects can get to know who you are. And then, test and evaluate.

When we look at our digital leads, we see about half of our total digital leads come from organic SEO, which is the way we want it. About 22 percent come from paid search, that's SEM. And the SEM is oftentimes supporting that organic search. The next highest source is direct search, where someone is searching your actual community name and coming right to you. That's usually linked to other advertising, whether that's a newspaper or advertorials or direct mail where you've published your URL, emphasizing the importance of owning your brand and community name online.

We don't see a lot of new-leads coming from social media. We see it as a great family engagement tool, and that's fantastic to support that decision-making process. But as a strictly new lead generating tool, we just don't see the return on investment. We do use newspaper outreach, direct mail, resident referrals, events – more traditional marketing sources to support our online efforts. A lot of times these reach a different person than you would necessarily attract online.

Back to sourcing, if you look at all our Internet leads who've gone through the sales process and were determined to be qualified, about 31 percent were IL leads and about 69 percent were AL/MC. You probably have that adult daughter who's in there driving that search online. But as we look at the Internet for move-in sources, it shifts a little bit. For AL, 40 percent of move-ins showed Internet as a source, and 60 percent for IL. So that gap is narrowing. And then if we track where Internet falls within all sources of move-ins based on care level, we see that IL Internet move-ins represented almost 40 percent, but AL/MC only represented about 23 percent. Always look at the big picture, because if I looked only at the Internet qualified leads, I'd think let's target my ads more toward the AL side, because that's really generating leads. But you also need to look at what's impacting these numbers. Is the need to designate somebody as IL or AL, having an impact on how somebody goes through this process with engagement and conversion?

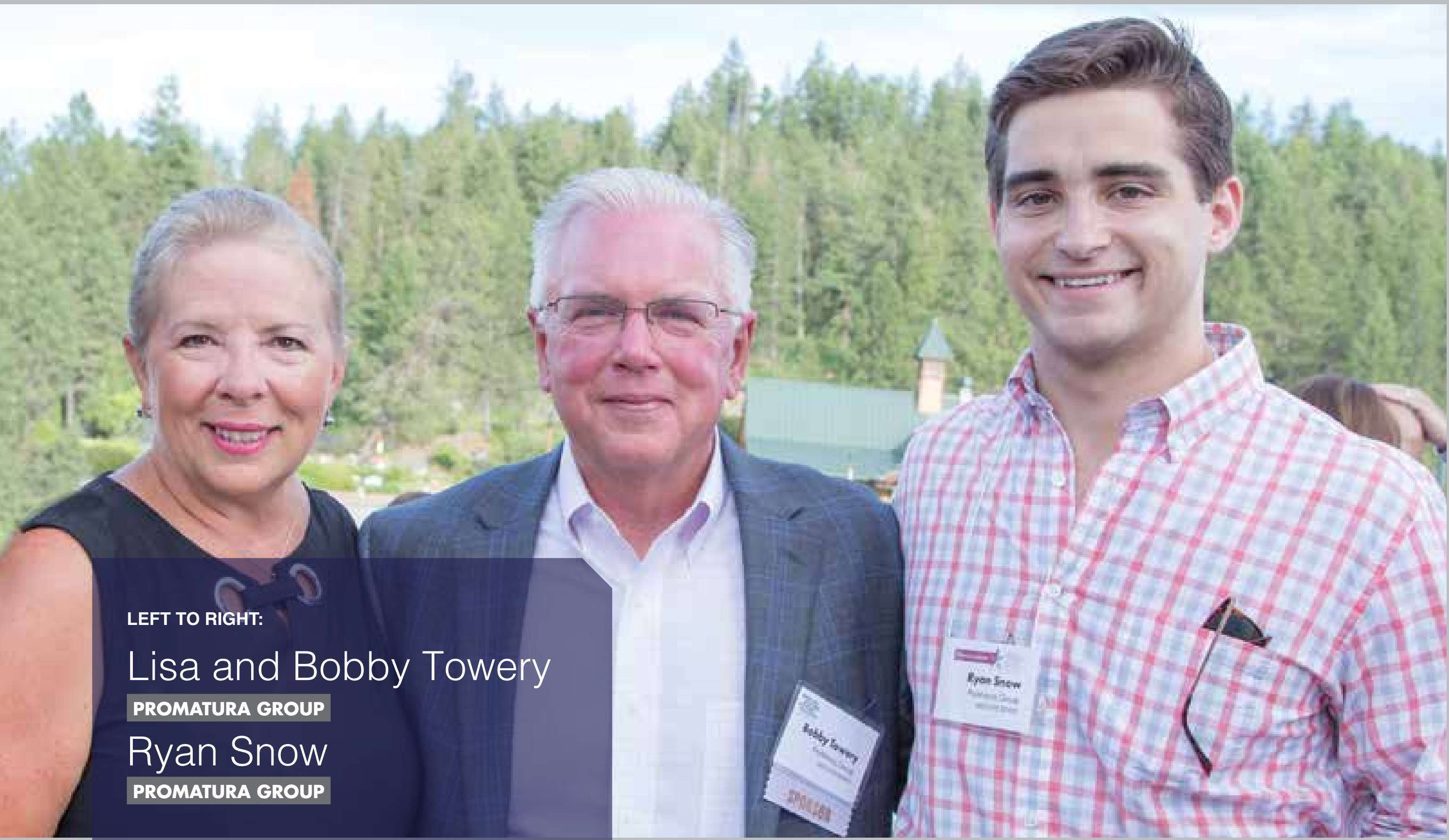
Traditional marketing still works. Event advertising allows somebody to talk to a sales person.

Traditional marketing still works. Direct mailer calls for us average 20 percent longer than an online media call. We do try to get all of our direct mailer calls directly to a salesperson. Event advertising allows somebody to talk to a salesperson in a soft way about senior living. We often hear on our call tracking that somebody will call in to RSVP, and they'll say I want to come to this event. I'm going to RSVP for two. And then they pause, and they start to ask just a little bit more about senior living. Tell me a little bit about what it's like.

It's so important to get those calls to the sales team, because sometimes you'll find that your reception team is thinking, oh, it's just an RSVP. I'll write it down. Reception gets busy and sales doesn't get that opportunity. Targeted publications can reach unique profiles. Meaningful outreach can generate referral relationships. Even if they didn't come in from an online source, still ask for an email address, because they're going to be online at some point.

Look for your tipping point. Where do those diminishing returns start to happen? And how can you be more efficient? How can you repurpose over multiple channels with different content? How can you keep content consistent, but still personalize it for the community, so you're more efficient and effective? Use keywords and title tags anywhere you can. You just don't know where that content's going to end up and get forwarded. And then test. Test for conversions.

LEFT TO RIGHT:
Scott Stewart
CAPITOL SENIORS HOUSING
John Reinsma
CONFLUENT SENIOR LIVING
Lisa Widmier
CBRE CAPITAL MARKETS



LEFT TO RIGHT:
Lisa and Bobby Towery
PROMATURA GROUP
Ryan Snow
PROMATURA GROUP

LEFT TO RIGHT:
Jodi Hill
SENIOR LIFESTYLE
Margaret Scott
FORMERLY OF BELMONT VILLAGE SENIOR LIVING (RISING LEADERS MENTOR)

Dave Boitano
VENTAS

LEFT TO RIGHT:
Richard Thomas
GRANDBRIDGE REAL ESTATE CAPITAL
Doug Schiffer
ALLEGRO SENIOR LIVING
Colleen Blumenthal
HEALTHTRUST

MID-YEAR MEETING

Left to Right:

- DONNY EDWARDS, SAGORA SENIOR LIVING
- SEBASTIAN BROWN, RSF PARTNERS
- TANA GALL, BLUE HARBOR SENIOR LIVING
- ARON WILL, CBRE CAPITAL MARKETS

STAYING THE COURSE TO CAPITALIZE on Emerging Opportunities

Scan the senior living horizon, and while there are certainly some turbulent times ahead, there are also bright spots with plenty of promise.

During the American Seniors Housing Association's (ASHA's) 2019 Mid-Year Executive Board Meeting, a panel shared insights and observations on various factors impacting their businesses, as well as their outlooks for emerging opportunities.

Participants were Sebastian Brown, RSF Partners; Donny Edwards, Sagora Senior Living; and Tana Gall, Blue Harbor Senior Living. Aron Will, CBRE Capital Markets, served as moderator.

WILL: We're seeing labor markets that are incredibly tight, and the use of temporary staffing is impacting the bottom line in a lot of markets. This is hitting the P&L for properties that otherwise would be economically stabilized. Within your respective portfolios, how is this impacting you?

EDWARDS: We haven't had much in terms of staffing charges, but it's more overtime. Everybody's facing the same thing, but we are trying to limit the staffing, because it can be so expensive. Taking care of the resident is the primary focus. It's so tough with the macro environment, because everybody — hotels, restaurants — everybody is competing for that employee.

GALL: When I started at Blue Harbor about three years ago, our turnover was one of the biggest things we decided we had to tackle. We started at the executive director level, because if there's a silver bullet for our industry, it's having the best executive

director or general manager you can. They carry out the vision. They create their teams, and that's where I wanted to see less turnover.

Where we're struggling the most is in assisted living and memory care with the aides and the med techs. Number one, there just aren't a lot of them, and we're competing with hospitals and everything else. And the wages are a lot higher than they have been before.

Owners ask why are your year-over-year results down? It's that wage push. When you push minimum wage to $15, it's not that it just raises it for your minimum wage people. It's that compounding effect of the person who used to make $15, who also receives a significant increase. So it has a huge impact on the bottom line.

When I go out into a buildings, I get together with eight to 10 line staff. I sit down and casually talk about what brought you into our community and more importantly, what will make you stay. If I've learned nothing else from that, it is they don't know what to ask for. When I say things like what about tuition reimbursement? You're a CNA now. Could I pay for you to get your nursing degree? They don't think about asking about that. Instead, they go across the street for 50 cents an hour more. It's really about educating the line level staff regarding what we will give them to hopefully keep them longer.

BROWN: On the investment side, you always look at supply and demand characteristics. Available labor is actually becoming a major consideration. We've passed on markets, even though they did exhibit strong supply/demand characteristics, because of the lack of labor. We started to acknowledge some markets will be very difficult for the operator.

Operators are poaching each other with bonus plans and incentives for new hires. Baby boomer caregivers are retiring. If you look at the number that are entering into the workforce from the Millennial demographic, there's a gap. We're starting to feel that compound on the labor side.

Construction labor is something we don't think about from the operations side, but we've had to adjust our contingency on our budgets, because construction is a 18- to 22-month process. We've seen over six percent growth on construction labor, in addition to increases in mate-

LEFT TO RIGHT:
Michelle Clark
DOMUS DEVELOPMENT
Anne Campbell
JUNIPER COMMUNITIES

rials. That's been a strong challenge outside of the operations.

WILL: There's still a lot of projects going up in primary market areas with tremendous saturation. How long do we have to work all this development out, given that construction has tapered down considerably in some markets? There's a long road ahead of us. We're seeing 18, 24 months to work through it to stabilize, particularly in the higher acuity segments of the market in assisted and memory care that have been over-developed.

BROWN: I hate to always pick on San Antonio, but I think that's the bellwether. It has finally picked up, but albeit still in the low 80 percent range. I have not seen a package on my desk for another proposed project to finance in San Antonio for well over six months, so maybe that's a positive indicator for all of us.

There's still tremendous demand out there in secondary, tertiary markets that have been overlooked. There are a lot of underserved communities out there that got bypassed through the construction wave.

As far as how much will development taper off, there's a lot of capital sitting on the sidelines right now eager to get in. There's ample financing and equity capital trying to enter into the space. And we're starting to see absorption of the supply that's been built in the last couple of years.

EDWARDS: From the operations side with existing communities, it feels like memory care has been the toughest internally. That's only about 10 percent of our overall portfolio, but it seems like that's where we have our lowest occupancy. Where we have a component of that in our campuses, we are either 100 percent, or we're at 50 percent. It seems like there's nothing in between.

As far as developing, it's tougher to get going. It does feel like it's slowed down. And construction costs, as a lot of you know, have gone through the roof. During the last three years, there's been a double-digit increase. Construction costs are making it tough for us to even look at developments right now. As far as stabilization of occupancy, we see that particularly in our Florida and Texas markets.

WILL: The marketplace today is predominantly the Silent Generation resident. But new communities that stand the test of time need to appeal to the generation we are targeting today, as well as the Baby Boomer demographic in order to have enduring value 10, 15 years down the road.

GALL: I'm not sure if we've built communities yet for the Baby Boomers. When you look at the Baby Boomers, who today are our family members, they're highly involved in the decision making of having mom or dad move in. What they want for their mom and dad is a little different than what they're going to want for themselves. I find that is an interesting dichotomy.

What we're seeing as we work with development partners is creativity with the flexibility of a building. What could you do today that may turn into something different down the road? The multiple dining venues is a norm. We actually have restaurants in our buildings now. I watch the Boomers come in when they're touring their parents, and that's very important to them.

Having high-tech exercise equipment with a personal trainer is going to be important. The menu within our restaurants is also going to be important. The delivery of care will continue to be something that they're looking at, but they're moving away from the medical model and looking for hospitality. I want to go into a community where you don't know I'm moving into a retirement community. I'm just moving into the place in my neighborhood that just happens to have assisted living, but you don't know I'm getting the services, because it's done discreetly in my apartment.

EDWARDS: The biggest change we've seen in independent living is we don't do anything with studios. Apartments are larger and there's more common space. But for the services we offer, we've changed over the last 10 years to be more flexible and available. I don't think we have even begun to see how much flexibility that we're going to need. Everybody's going to have an opinion on what they're going to want.

The good thing is everybody's more educated about what they want, which I think is great for our industry. People like what we do, and they like the service component. A lot of what we do will be focused more on that service side as opposed to the real estate side where we are now.

BROWN: There are a lot of beautiful communities out there. We've added a lot more light, higher ceilings and fun designs that you're seeing from the multi-family side. People recognize those trends. I think it'll serve the Baby Boomers as well, but at the end of the day, we are still dealing with a need-based resident.

On the independent living side, a lot of the older product is not going to be very accommodative. We're doing well serving the top 10 percent of seniors. There's the other 90 percent out there, and a lot of them don't have the pensions and the 401(k)s that the Silent Generation had. There is going to be an affordability need, and my opinion is they are still going to need that studio unit mix. The challenge is how do you build that product type given the construction costs today? How do you build an affordable product for a large demographic generation coming in?

WILL: There was a significant wave of development in our sector in the '90s. Today, a lot of that product sits relatively full and serves a certain segment of the market, but oftentimes it is becoming more and more functionally obsolete. What happens with all these buildings that aren't going to appeal necessarily to the Baby Boomer age cohort? What segment of the market will they serve, and how do you reposition those assets to make them competitive with the new Class A stock that's being developed today?

A lot will be focused more on the service side than the real estate side.

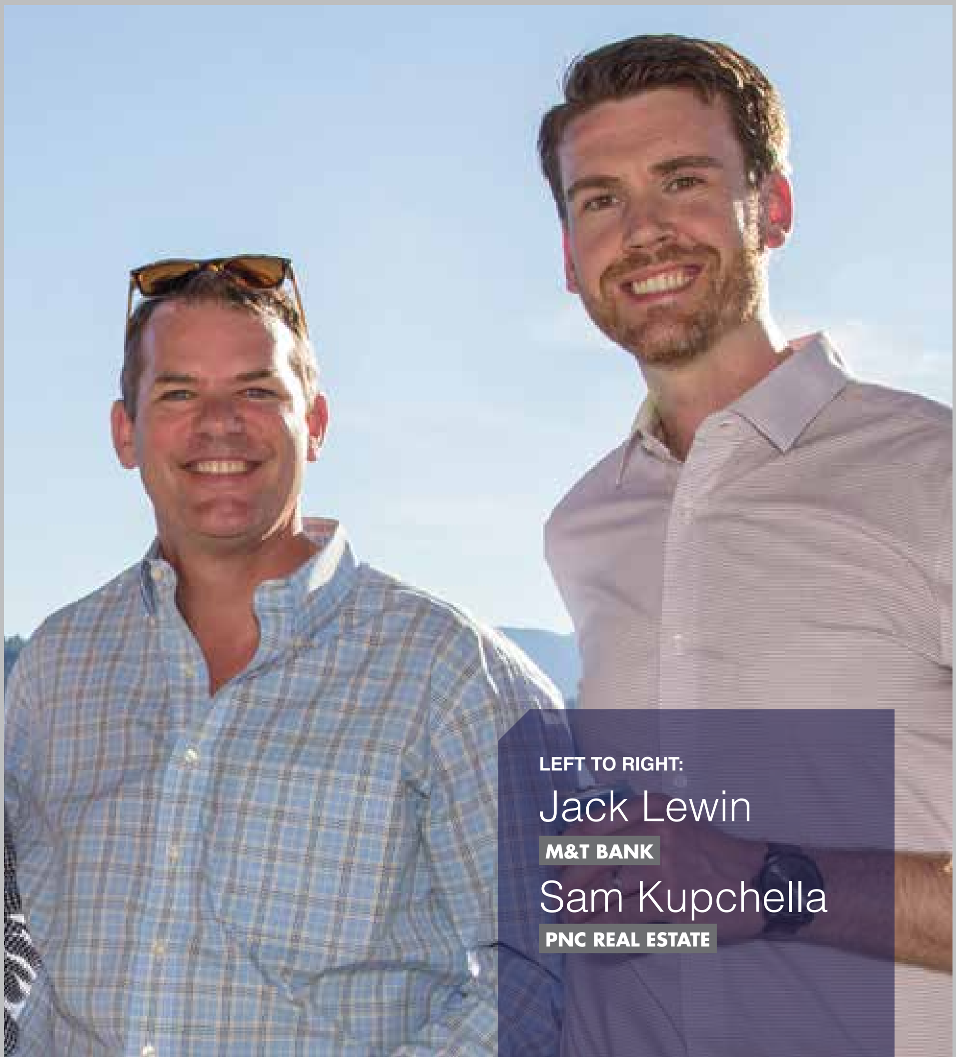
LEFT TO RIGHT:
Sara Veit
OMEGA HEALTHCARE INVESTORS
Kasia Dobrzanska
CAPITAL ONE
Hedy Rubinger
ARNALL GOLDEN GREGORY
Sheryl Marcet
FORMATION CAPITAL
Alexis Evanich
POINTCLICKCARE

LEFT TO RIGHT:
Justin Dickinson
CA SENIOR LIVING
Aron Will
CBRE CAPITAL MARKETS

Eric Chekal
UNITED PROPERTIES

LEFT TO RIGHT:
Shane Ness
MBK SENIOR LIVING
Jeff Fischer
MBK SENIOR LIVING

Sabel Kaminski
BERKADIA SENIORS HOUSING



LEFT TO RIGHT:
Jack Lewin
M&T BANK
Sam Kupchella
PNC REAL ESTATE

BROWN: We all need to recognize that using $300 a unit for CapEx reserves is an outdated figure, especially when you're dealing with product type that's over a decade old. We all need to, as investors, be aware of that. ASHA puts out very good reports that highlight the different CapEx needs by age and vintage of properties. It's something I always try to highlight for people looking to invest into the industry and acquire properties that are older. It really highlights the level of high CapEx needs that some of these older projects need. If you're looking to buy a property, you have to be prudent and recognize that you're going to have a lot more CapEx needs in those buildings that are 10-plus years old.

The newer product that's being built today feels like it's going to sustain the test of time better than some of that first-generation product. As we look at properties that are well located in good markets, but have that age and vintage, it's recognizing that you are going to have a substantial CapEx need. During the first couple of years, maybe up to $5,000 to $10,000 a unit on those unit turns will be needed to bring them up to a standard that's acceptable.

GALL: I wish my buildings were just 10-years-old. The average age of the buildings in my portfolio is 21-years-old. Buildings in that vintage should become affordable. What's interesting to me now is the new competition coming in has made those communities affordable, because we're in price wars with them. You've got new buildings that opened up and are struggling to get the occupancy to meet their pro formas, so they've lowered their rents dramatically, which in turn makes older communities lower their rents dramatically.

I operate a few communities that are all independent living, and they're mostly full. I was looking at that from a price point. The average rent among those buildings is about $2,090 per month, and those stay full. The more you creep up on rate, the more census-challenged you can be. How do we either take back some of the services we provide or become more efficient with those services to take care of the residents, so that they can live with us as long as possible?

EDWARDS: For some of our older buildings, we're in them at $117,000 a unit for our basis, which is where you need to be. We develop for that upper middle market or upper end. When we acquire, it's to hit more of the middle, lower middle market. If we're buying a 20-some-odd-year-old building, we like to budget maybe $6,000 or $7,000 per unit at a minimum to go ahead and take care of a significant amount of work up front. And we just got through doing about $10,000 per unit for a renovation.

The big key is you're going to have some benefits, as I'm sure several of you have, if you have that older community that's in a fantastic neighborhood. Some of the older communities are in fantastic locations, and you try to keep those upgraded, but knowing you're going to have to have that CapEx responsibility.

The apartments are the hardest thing to do. It is tough to take them offline, to be able to get those done. The common space is typically easier, because it's that first impression when people are coming in. But what we're doing now with those 30-year-old buildings is bringing the apartments up to where the common space is. It's important to understand what resident you're targeting and what they're looking for to be comfortable in their new home.

WILL: The cost to care for seniors is more or less the same from a labor and staffing ratio perspective, but you're not getting the same rent structure in some of these older buildings. Is there a place for the '90s vintage communities in particular in the higher acuity segment of the market?

Andrew Agins
CA SENIOR LIVING

And how do you deliver quality care at a price point that works for that?

EDWARDS: It comes back to the basis you have in the building and how much margin is going toward the real estate. If we have a basis in that $117,000 range, a vast majority of that rent can go toward the service component. Now, it's a different meal we're serving. We still offer the selection, but it's a different type of meal you're providing there than we are at our high-end community in Florida or San Antonio. It's differentiation.

Obviously the important part is the resident care, but to be able to provide an assisted living service that we're only charging $2,800 a month for, we have to have a lower basis in that building, so a significant portion of the rate can go to resident care.

GALL: We're not going to negotiate on care. One of the areas where we do have to potentially cut back, but still provide great quality is in dining services. Instead of having the full menu, maybe you have more cycle menus. Nothing wrong with it. It's still quality food.

We can find ways to make our employees more efficient. Technology has stepped up in assisted living and memory care, so hopefully you can have fewer people doing more work. But the challenge is finding that price point for a resident, but continuing to keep your business running successfully?

BROWN: We're going to have to recognize that there's going to be an expansion of Medicaid in assisted living and memory care. A lot of states have gotten ahead of that. Washington and Oregon have very strong Medicaid programs. North Carolina does. Arizona is getting better and better at expanding their Medicaid program, as well. I know no one in this room likes government reimbursement, but it is a reality that we're going to have to recognize. We're going to have to work with it in order to serve the lower-end income seniors out there that are coming into the market in the next five years.

WILL: How does the active adult segment compete with independent living? The jury's still out. There hasn't been enough purpose-built product, although there's large waves of it coming in now, both from the senior housing side and the multi-family side. It's certainly going to be an asset class within its own right in a handful of years, competing with independent living.

BROWN: You're always nervous to be the first to invest in a new product type like that. I've seen a lot that have not done as well as they were proformed

LEFT TO RIGHT:
Tim Smith
SAGORA SENIOR LIVING
Andrew Schumert
ALLEGRO SENIOR LIVING
Greg Adams
MATHER LIFEWAYS
Aaron Shelley
SAGORA SENIOR LIVING
Tedd Van Gorden
ZIEGLER INVESTMENT BANKING

to do. But it is a product type that is going to become more popular. It caters to a younger senior who is looking to downsize and have the bare minimum of services. It is a true active adult senior that has taken that product on.

There's a lot of capital and money behind it right now, and there's a lot of multi-family developers that are trying to jump into that segment. Will it be accepted outside of the traditional senior retirement locations like Florida? Are we going to see that product type be successful in other areas in the country? I'm not sure yet, but it's certainly coming, and I think it will have a place in our industry.

EDWARDS: We do not have any senior apartments. Cottages have been great for us. It's been a great scalable component that we've had in our communities, and they've done fantastic. We've looked at some senior apartments to buy. We just haven't seen the right thing that makes sense.

It feels like it could be a price point situation, so the resident is not paying for those services that maybe they don't want. The acquisitions I looked at were all non-stabilized communities. The price point for those was targeting the younger resident, and also letting them have more flexibility with how they're going to spend their money on the service side, as opposed to having that fixed in a monthly rent.

GALL: They definitely will have a seat at the table in our industry. The folks that are moving into the senior apartments today were my IL residents in 1994. They look like them. They are the planners who are looking at the price point and saying if I move in here my money will last a little bit longer.

What will be interesting is to see is what happens to senior apartments in 10 years when the 77-year-old who moved in that was quite healthy is 87 and doesn't want to move. Will they be bringing home health in?

In my communities that offer IL, AL and MC, we make an assumption that when an IL resident needs services, they will move into an AL apartment and then MC, if needed. But when we build really great IL apartments, they don't leave that IL apartment. They bring home health in, because that's their home, and they don't want to leave it. And there's not much we can do about that.

They're building a great product, so I welcome them to the industry. I just think it will be interesting to see what happens in five to 10 years. What will that product look like?

EXCELLENCE WINS: HOW RITZ-CARLTON EXCELS

Through Employee Selection, Impeccable Service

Horst Schulze was not only a founder, but he also — and perhaps more importantly — was the creator of the operating and service standards that made the world-renowned Ritz-Carlton the embodiment of excellence in hospitality.

He recalled how the vision for the Ritz-Carlton started with a scientific analysis of the customer, which in turn laid the foundation for creating processes to:

- Select new hires
- Define, deliver and assess service
- Build loyalty

Throughout his 20-year tenure with the Ritz-Carlton when he was on-site to open 55 hotels across the world, his mantra during the first 10 days of training was no one is superior to anyone else.

"I made it very clear to them. If you don't come to work when we open the hotel, and you don't wash dishes, don't make beds, don't check people in, or don't cook food, we have a serious problem. If I don't show up, nobody will even know, and there's no problem. So you're important," he stressed.

To drive home his message, he referred to his early days when he first started in the hotel business and trained under an exceptional maitre d'.

"He said don't come to work to work. Come to work to create excellence in what you're doing," Schulze said. "When he walked in the room, you could feel his presence was somehow something very special. If he went to a table, I could clearly see the guests were proud that he came to the table. Although we were the servants, and

they were the ladies and gentlemen, that was a total reversal.

"We, the employees, thought he was the most important person in the room. And the guests thought he was the most important person in the room," he continued. "If we are excellent in what we are doing, we define ourselves as ladies and gentlemen. We define ourselves by what we do in life and who we are. We are ladies and gentlemen serving ladies and gentlemen."

When Schulze was opening the Ritz-Carlton's first hotel and hiring was underway in Atlanta, he was adamant that "our purpose was to become the finest hotel company and finest brand globally. Join me in a dream.

"How can we become the finest brand? I concentrated on understanding what the customer perceives as better. We carefully studied what the customer wanted. If they like my product more than they like anybody else's product, and if I'm the most efficient with my customer, sooner or later I will be the leader.

"I wanted to scientifically understand the expectation of the customer, the affluent traveler on businesses and vacation," he commented. "The first shock was, my goodness, they all want the same thing. Everyone wants a product to be defect-free. Number two is timeliness. In fact, timeliness is extremely important. Number three, you want people to be nice to you."

Recruiting new employees wasn't simply a matter of going through a hiring process. It was a well-defined selection strategy.

"We created a profile after we did an analysis for 25 to 30 job categories," Schulze reported. "Consequently, our hiring percentage went up. If I can hire five percent better than the competition, I'm going to beat them. No question about it. But we think we hired 20 to 25 percent better than the competition. We selected.

"We didn't hire them to fulfill a function. We hired them to join our dream. But in order to accomplish this dream, we connected the dream with the motive of the company. Why do we want to be the finest in the world? Well, so we can grow. That's great for you, the employee, because it gives you opportunity to grow. By the way, you will be respected and honored, because you will be known as excellent.

"The Ritz-Carlton image was created by busmen and bellmen and doormen and maids and cooks and so on. First of all, they made more money with us than with anybody else. We didn't pay more, but the tips in our hotels were better. Secondly, if a Ritz-Carlton employee looks for a job, and there are 100 others looking for the same job, the Ritz-Carlton employee gets it, because of the image we created," he noted.

During orientation, a primary focus was emphasizing processes to achieve defect-free service and meet customer expectations. "There are 20 points we taught for two days that we had to follow to be superior to the competition," he said. "They were joining a team, which is a group of people who have a common goal, a common vision, a common objective, and they help each other achieve that objective.

"To sustain what they learned, we taught them the 20 points to help us be superior to the competition. Everybody had those 20 points in their pocket. Everybody had to have them their pocket.

The market expectation is Personalization and Individualization.

Every day we re-teach one point. You cannot go to work without learning the point of the day. The same point was repeated in every hotel around the world," Schulze added.

His definition of service emphasizes that it "starts the instant you make contact. We had 400,000 comment cards, which are unscientific. But we did a study with J.D. Power to see if there's anything they could learn from these. They found that during the first four contacts, and that means reservations, doormen, front office and bellman, if it was a positive experience, there was never a complaint afterward.

"But if there was one problem during the first four contacts, there was always — let me repeat, underlined — always another complaint that followed. So the first contacts have to be exceptional. The next step for service is complying to the guest's needs and wishes to make sure everything is done right. And finally, farewell. Service is welcome, comply, farewell," Schulze remarked.

Ritz-Carlton always set its sights on four priorities. "In a great company, everybody in the organization needs to make sure the customer comes back. Number two, grow by attracting new customers. Number three, maximize how much money you get from the customer. Number four, be efficient about it. You have to have processes behind all that," he said.

Schulze divides customers into three categories: Dissatisfied, satisfied and loyal. "Dissatisfied customers are terrorists against your company. They will talk and hurt you," he warned. "You cannot afford that. Satisfied customers are neutral. They will move on for a better deal or something that is more convenient. And then there's the loyal customers. They have developed trust in you. They know you care for them. They know you pay attention.

"You can define yourself, but watch out. The people around you can also define you despite your best efforts. If there is dissatisfaction with one employee, that experience affects the perception of the whole organization. Understand that the expectation of the market is personalization and individualization," he added.

One of the Ritz-Carlton's most fundamental principles for upholding personalization and individualization is exemplified by how it expects employees to respond to complaints.

"If you get a complaint, you own it, no matter what it is," Schulze declared. "If you're the greeter in the morning, and the guest comes down and says my toilet didn't flush, you own the toilet. You say please forgive me. I am sorry. In fact, I feel so bad, I'll buy your breakfast. You see, our people were not only aligned, they were empowered.

"I made a decision that created fireworks. We had about 15,000 employees at that time," he recalled. "I made a decision to empower every employee to use up to $2,000 to keep the customer. My goodness. I thought people were dying with agony. Two thousand dollar? You want the busboy to give $2,000 away? No. I want him to keep the customer. I want him to be empowered to keep the customer.

"I knew the average age of my customer and how many more years they would travel and how much they would spend on average," he continued, "so the customer potential was $200,000 lifetime. I'm happy to spend money to keep him rather than advertise to find new ones. Nobody ever spent $2,000, but they did things like buy the guest breakfast."

He concluded by reiterating that "we align our organization around the customer. We make sure our employees are respected, and they have purpose. Employees are not there just to fulfill functions. They are part of something higher. Sustain what you do by applauding and rewarding your employees."

Left to Right:

- MATT PHILLIPS, SENIOR LIFESTYLE
- BEN BURKE, CA SENIOR LIVING
- JULIE FERGUSON, FORMERLY OF TITAN FUND MANAGEMENT
- SCOTT STEWART, CAPITOL SENIORS HOUSING

GROWING WITH NEW DEVELOPMENT

While Others Struggle

The surge in senior living development that swept across the country in recent years has left a lot of investors with communities that are struggling to stabilize and turn a profit.

Unabated new construction has taken its toll, forcing many new entrants in the business to re-evaluate their commitment and long-term prospects.

And then there are the developers with deep senior living experience and portfolios that have stood the test of time. They remain steadfast and continue to determinedly forge ahead.

Pursuing plans for growth, while others work through their challenges, was one of the topics covered by a panel of developers that featured Ben Burke, CA Ventures; Julie Ferguson, Titan Fund Management; and Scott Stewart, Capitol Seniors Housing.

The moderator was Matt Phillips, Senior Lifestyle.

PHILLIPS: How do you find a good site, and then the corollary to that is what's a bad site?

BURKE: First, we have to say what's a good market? Then, we find a good site. We are top-down, market-driven 100 percent. We first look at demographics and then we look at supply. We force our team members to understand those markets from a new-entrant standpoint, a lease-up standpoint, a concession standpoint, and a labor, tax and regulatory standpoint, so we can underwrite it. Then we say here is a whole map of some markets we like, and we go mining in those markets.

From a real estate perspective, for a long time people said the site is less important. We don't believe that as

much anymore. It's still about visibility, accessibility and also being in the life of that adult daughter. Are we by the school? Are we by the really nice grocery store? Are we by places of work, places of worship? We want to be in a vibrant area. We want to have accessibility and visibility. But once again, we start with the market.

STEWART: You want to stick to the fundamentals. You want to go to institutional markets in New York, D.C., some parts of Chicago, a couple maybe in southeast Florida, maybe Houston and Dallas, Seattle, the Bay area and Southern California. That's where institutional capital thrives and real estate is a highly liquid asset. The way you make it more liquid is by putting it in markets where folks traditionally trade.

But then you get into the sub-markets and into the micro-markets, where it's all about the demographics, number of qualified caregivers, number of qualified seniors, median household income, and median household value. If it passes that test, then you go to the comp set for occupancy, which NIC and ASHA provide for us. If it is in the mid-80s, that's a huge red flag, and the market doesn't need another property, so you drop it.

It's all about sticking to the fundamentals. Steve Blazejewski with PGIM said they built a property in Sioux Falls, SD. Now that made my knees knock, and yet he says it's one of the best properties in his portfolio. That's great, but I would have a hard time floating that one in an investment committee. If you're the only game in town, then you're going to do well.

FERGUSON: Titan has taken the approach of looking at the secondary and tertiary markets, which when we were in the early days of finding institutional capital did become somewhat of a challenge for us, because we had to convince people that New Braunfels, TX, was actually a place you should build something. We spent a lot of time justifying why New Braunfels was better than downtown San Antonio.

It definitely is labor-intensive for that institutional capital piece, but you have to be realistic about your exit caps and everything else as you're underwriting it. It does take a different approach versus here I am in downtown Los Angeles, so yes, yes, yes.

It has definitely taken more effort to get the institutions interested, but then we have a great track record of investing and being successful in those markets,

Jason Skalko
HFF

which I think absolutely helps our story today. We find there's plenty of people who are also looking at those secondary and tertiary markets, as well.

It's really about getting ahead of the person who's coming right behind you and scaring that person off, because New Braunfels, TX, did not need three new communities. It needed one and another one came right on our heels. That absolutely impacted the lease-up.

BURKE: I would add that it depends on where you are in the cycle, too. There's plenty of people who have done very well in suburbs of second-tier, Midwestern cities. Those are the markets where it's like someone had a large master development and left a final piece of land. They didn't know what to do with it, so they built seniors housing. It ended up doing well, and that was a one-off thing.

In the last recession in a lot of those markets, pools of demand grew. If there isn't something added into a market for a period of time, the demand will grow. If you're the newest comp in that market, you can take advantage of that growing demand in that sub-market.

But those are also the areas that people who really haven't known as much about this industry have gone into for ease of entry and ease of development. Having three or four properties at one time open up in a relatively thin market is something that creates long lease-ups and rent compression and increased concessions. That's a big component of what's pushing folks to the coasts right now.

PHILLIPS: Scott, I want to go back to something you said about the institutional market. What about the entitlement process? Have you had a deal where you've gotten down the road, and you said even though it checked all the other boxes, I just wish we hadn't gone there?

STEWART: The longer and the more heinous the entitlement process, the better. I love it. Why? Because you don't have to keep looking over your shoulder and worrying about Ben finding this site across the street. Tough entitlement processes go hand-in-hand with affluent and great markets. There's a strong correlation between those two.

You can go to some places in Florida or Texas or Georgia and start in the morning and walk your plans through and end up at the end of the day with a building permit. That's the definition of low barrier to entry.

LEFT TO RIGHT:
Alex Loo
ZIEGLER INVESTMENT BANKING
Danielle Monastiero
DISCOVERY SENIOR LIVING
Belle Fortte
DISCOVERY SENIOR LIVING

Brady Johnson
HUNT REAL ESTATE CAPITAL

LEFT TO RIGHT:
Ryan Stewart
BMO HARRIS HEALTHCARE REAL ESTATE FINANCE
Brandon Taseff
KEYBANK REAL ESTATE CAPITAL

High barrier to entry is a phrase that gets kicked around all the time and it sounds cool, but it's a real thing. We embrace it when it's going to be an 18-month to two-year entitlement process. We're fine with that. We have the staying power to stick with it. When you emerge at the other end, you've got a piece of ground that is a lot more valuable than when you started.

PHILLIPS: Where are we in the building cycle? Are there more barriers to development after all the activity that we've seen recently?

FERGUSON: Over the last six months, I've heard more frequently from lenders that they have now started allocating between the different property types. For example, we're looking for debt on an IL project, and they've said we don't have any more money to lend in the IL space, but we still have money available in AL/memory care. Six months ago, it was just seniors housing in general that they were lending in, not necessarily specifically on either 55-plus or IL or AL/memory care.

Banks are now saying I'm smarter than the market. I'm only going to give so much money in this sector or this sector. Are you smarter? I don't know the answer, but there's definitely some money to be borrowed without questions. It's just been interesting hearing feedback from lenders that they're allocating now amongst the different types of projects, whereas before, it was just seniors housing.

STEWART: With that 85 percent for comp set occupancy, run, don't walk away from that site. If you're doing active living and independent living, you're much more vulnerable, because you're tied to the housing market.

We saw that happen in the great recession, but as far as assisted-living goes, since it is needs-based, since it is recession-proof or as close to recession-proof as you can get, if you've got good, favorable market dynamics and site dynamics, then we'll be developing through the next recession all day long.

BURKE: We have stopped developing in certain markets. It's very market-by-market. The reason we stopped has been market-driven with supply concerns, pushdown rents, increased labor costs, lengthened lease-ups and lower rent growth.

But it's also due to construction. When we look at construction cost increases versus rent increases in a market, combined with labor increases and combined with tax increases, you get all of those going in the wrong direction. Your investment returns start to look very thin. Add to that a risky market, and that's not where we're interested in going.

There are still underserved markets where a lot of developers have stayed away, because of the length of time it takes to entitle something, which compounds the duration of the investment. It's somewhat opposing in the sense that institutional capital is very internal rate of return-based, which duration hurts. But the high barrier to entry has the ability to attract those institutional capital partners.

PHILLIPS: Assisted living drew a lot of attention because it did so well during the recession. Now we're hearing a lot about independent living and active adult attracting more interest. What are your thoughts?

STEWART: The lines have been blurred between active living and independent living, and independent living and assisted-living/memory care. It's cannibalized IL, and the walls are closing in. I'm not a big proponent of IL anymore for those reasons.

There's no getting around the fact that independent living and active living are directly tied to the housing market. Nobody is going to move into your community if one day their house was worth $475,000, and the house next door just sold for $275,000. They're going to sit on it and stay at home.

BURKE: It depends on how you define independent living. Is it freestanding independent living, or is it the IL you're seeing in a continuum that's under one roof? There's a nuance there that you have to consider.

In my experience in a continuum, the IL looks a little bit more like AL, and that AL is a very high-acuity AL, because people hang onto that IL longer. The signs I look for when I go into an IL are walkers and wheelchairs . How much activity programming is there? Look at the residents. Are they well-kept? Are there couples? You have to look at all those nuances to really understand.

It is also tied to the wealth in that market. In wealthy markets, that IL ends up becoming more AL, and that AL is pushing nearly to a SNF level. In some of the higher-end markets, I see IL, especially in the continuum, as pretty viable. It's the freestanding IL that's having the walls come in on it.

PHILLIPS: Back when I was with Class C Residence by Hyatt, and we were developing, it was predominantly IL. Actually the AL and nursing were the loss leaders. We did it just to fill out the continuum, so 80 percent of our units were IL. That model is heavily susceptible to the real estate market.

What hasn't been developed as much today is independent living. In the communities where we have 30 percent or 40 percent IL units, we find those are in high demand, because our customer thinks they're independent and that's what they want to believe. Our product is need-driven, but there's an advantage when somebody perceives a community to be independent.

> We're looking at a longer runway to mature and stabilize.

Shifting to another topic, when you're raising money for your funds, are you reserving a portion of that, or are you making commitments right away?

FERGUSON: We're not changing the strategy of how much of our fund we're actually spending. We're looking at giving ourselves a longer runway for things to mature and stabilize. If somebody thinks a project is going to lease-up in 30 months, we'll do our underwriting at 36 or 40 months and make sure we've built that into some of the operating reserves.

Given time, all the communities will fill up, so we want to make sure we've built in enough runway on the fund to reach those stabilized occupancies. I'm affecting how much we're spending, because I'm grabbing a little bit more per project on the upfront side of things and incorporating that into my development budget.

BURKE: We're changing our investment mandate a little bit, in that we're starting to get prepared for opportunistic acquisitions that may be in good markets, but it's got a little bit of the supply bug in that market, combined with overstretched operations. The third-party and joint venture operating world is being relatively stretched, which has led to a lack of focus and lack of execution.

We've positioned ourselves to use capital to pick up something that maybe has an operations story with a little bit of a supply story in a good market. We're able to infuse capital into the deal, bulk up the reserves and improve the operations with a product that we like in a market that we would build in. There'll be more of those opportunities in the future.

Rising Leaders Meeting

Speaker:

▾ KRISTEN PARIS PH.D., PROMATURA GROUP

RESIDENT, FAMILY MEMBER PERSPECTIVES on Quality of Life in Assisted Living

How do assisted living residents view their quality of life? And how do their family members characterize quality of life in assisted living communities?

ProMatura Group shared key findings from a forthcoming American Seniors Housing Association/ProMatura study that delved into these questions.

Survey results divided between residents and family members across freestanding AL; IL/AL; AL/MC; IL/AL/MC; and CCRC communities were derived from 2,322 AL residents, 605 family members, and 106 communities operated by 15 companies.

Kristen Paris, Ph.D., with ProMatura explained that key takeaways from the study center around:

- AL residents differing in age and health across the five property types
- Opinions and perceptions of AL residents and how they compared to those of family members
- Measuring perceptions of quality of life in assisted living stretches far beyond merely quantifying whether residents feel at home

Looking deeper into how AL residents differ in age and health across the five property types, Paris reported that "if we look at the breakout of age groups by property type, we can see the AL/memory care communities have the highest proportion who are less than 80 years of age. Likewise, the CCRCs or life plan communities had the greatest proportion of AL residents who were 90 years old or older.

"More importantly, age at move-in reflects those same results," she continued." Age at move-in among the AL/memory care communities was 83.6.

8 Key Quality Indicators

Feeling at Home	Overall Satisfaction	Willing to Recommend	Safe and Secure	Sense of Control	Runs Smoothly	Value for the Dollar	Would Choose Again
Camaraderie	Quality of Common Areas	Camaraderie	Staff Competent	Visits Outside Community	Staff Competent	Camaraderie	Apartment Arranged
Staff Know Me	Food Quality	Staff Know Me	Staff Respectful	Privacy	Same Staff	Food Quality	Privacy
Food Quality	Quality of Family Visits	Dining Schedules	Housekeeper Respects	Quality of Family Visits	Staff Have Time with Me	Staff Have Time with Me	Food Quality
Apartment Arranged	Number of Friends	Community Transportation	Quality of Common Areas	See Non-Resident Friends	Variety of Food	Variety of Food	Camaraderie
Number of Friends	Visits Outside Community	View from Apartment	Quality of Family Visits	Variety of Food	Dining Schedules	Staff Know Me	Number of Friends

At those life plan/CCRCs, it was 86.5. One of the variables has to do with the fact that those AL/memory care properties also had the greatest proportion of residents to report that their health, as compared to others their same age, was fair or poor. Likewise, they had the smallest percentage to report that their health was excellent or very good.

"AL residents' sense of feeling at home was directly related to their health. As you might expect, the higher a resident rated his or her health to the better, there also was a greater propensity to feel at home in their community," she said.

Paris added that the AL/memory care property types had the smallest proportion of customers who felt at home in their communities.

Moving to comparisons of resident and family survey results, the mean age of AL resident respondents was 86.7 and the mean age of AL residents who had a family member respond to the survey was 88.4. Sixty-two percent of AL residents said they had limitations, while 88 percent of family respondents said the AL residents had limitations.

Asked whether AL residents feel at home, 17 percent of residents and 23 percent of family members did not feel at home, 59 percent of both residents and family members felt sort of at home, and 24 percent of AL residents and 18 percent of family members said I'm home.

The primary drivers of feeling at home that were ranked by AL residents and family members were:

- Camaraderie, residents 40 percent, family 32 percent
- Apartment arrangement, residents eight percent, family 16 percent
- Staff know me, residents eight percent, family 12 percent
- Food quality, eight percent each for residents, family
- Number of friends for residents was eight percent
- Privacy for family was six percent

The primary drivers of overall satisfaction ranked by AL residents and family members were:

- Quality of common areas, residents 21 percent, 20 percent family
- Food quality, residents 18 percent, family 25 percent
- Number of friends, residents 14 percent, family eight percent
- Quality of family visits, residents 16 percent, family seven percent
- Visit outside community, residents six percent
- Staff know family member well, family 12 percent

The primary drivers of willingness to recommend that were ranked by AL residents and family members were:

- Camaraderie, residents 38 percent
- Food quality, family 26 percent

Rising Leaders
GROUP DISCUSSION

LEFT TO RIGHT:
Dawn Kussow
BROOKDALE
Sarah Belmont
BROOKDALE

- Quality of common areas, family 18 percent
- Housekeeping respects belongings, family 14 percent
- Staff know me well, residents 12 percent, family seven percent
- Residents' knowledge of community, family 10 percent
- Dining schedule, residents eight percent
- Community transport and view from apartment, residents six percent for each

"A lot of operators use willingness to recommend as their net promoter score," Paris observed. "What I want to highlight is these rankings are completely different, so other than the staff knowing the resident well, everything else is completely different between residents and family.

"What drives a resident's sense of their willingness to recommend the community to others is the camaraderie they feel with the other residents in their community. What drives the willingness for the family members to recommend the community is the food quality and the quality of the common living areas.

"My key takeaway here is your residents and your family have two completely different sets of opinions. They align on a lot of the things that they feel, but when it comes down to operational attributes that you can work on to improve these drivers of quality of life, they're a little different based on the survey group that you're looking at," she pointed out.

Residents and family have two completely different sets of opinions.

When measuring quality of life in assisted living, Paris broke the elements that impact the emotions of assisted living residents and their families into eight categories:

- Feeling at home
- Overall satisfaction
- Willing to recommend
- Feeling safe and secure
- Sense of control
- Community runs smoothly
- Value for the dollar
- Would choose again if able to do over

Among these eight key quality indicators, camaraderie ranked number one within feeling at home, willing to recommend, and value for the dollar.

Competent staff was number one for safety and security, and runs smoothly.

Food quality came in second under overall satisfaction and value for the dollar, and was ranked third under feeling at home and would choose again.

Staff know me finished second under feeling at home and willing to recommend, while privacy was second under sense of control and would choose again.

"We see camaraderie is a big deal," Paris noted. "We've been talking for years about how important it is to help residents feel like they belong, to feel like they have friends and to feel plugged into their community. It's a primary driver on four of those eight key quality indicators.

"Also, food quality is important and is another of those operational attributes that communities can work on to increase the scores across the board. Two other areas to focus on are the competency of the staff and feeling that the staff know them well. Finally, we'll add that they should feel they have the privacy they want.

"What I want to emphasize here is the importance of analyzing across multiple key quality indicators and seeing which of those operational attributes you should identify to get the biggest bang for your buck. Those are the attributes you should focus on when spending your money and deciding how to spend your time and where to focus your resources. When you focus on those few things, I can pretty much guarantee you'll improve your scores across the board in all the fields," she said.

Left to Right:
- STEVE BLAZEJEWSKI, PGIM REAL ESTATE
- JAYNE SALLERSON, CHARTER SENIOR LIVING
- LORI ALFORD, AVANTI SENIOR LIVING
- DAN MADSEN, LEISURE CARE

ADAPTING AND INNOVATING TO CONNECT
With the Next Generation of Leadership

Employee engagement and retention are one of the most acute issues dominating senior living. Reaching out to enlist and rally the next generation that will lead the industry and bring a fresh perspective with new innovations was the focal point of a discussion with Lori Alford, Avanti Senior Living; Steve Blazejewski, PGIM Real Estate; Dan Madsen, Leisure Care; and Jayne Sallerson, Charter Senior Living.

Madsen turned his attention to Millennials, who he adamantly defended and embraced. "I love Millennials, because they're so much more focused. The Boomers were all about work first. There were plenty of employees in the Baby Boom and only so many jobs. Now, there's plenty of jobs and only so many people.

"Millennials have purpose. That gives us an opportunity to learn more about life and embrace who they are, not what they are. I hate that, 'We don't like Millennials,' thing. They practice the 'who'. We can reflect on ourselves and say who are we as a company, not what are we. Through servant leadership, we provide a lifestyle for our employees where they can flourish and have families that flourish. If we encourage philanthropy, and we practice it, we're going to do great.

"When that happens, your residents are going to be happy, and you're going to be full. When you focus on those great things, it's pretty magical what happens. You have low employee turnover, and those that you do turnover are passionately seeking new opportunities. We should support that versus going the other way. This is the greatest time I've ever had, working and being a leader, because you get to learn so much and get to support great people," he commented.

Blazejewski echoed Madsen's sentiments. "With respect to our team and hiring and retention and talent, our Millennials — people in their 20s to 30-plus — are some of the hardest working people we have, period. They get a bad rap. Their motivations are a little bit different, so I've personally had to adapt and be, frankly, a little bit more encouraging and more supportive by providing more positive feedback with respect to our team. There's been a change for me as a Generation X guy.

"But with respect to the investor perspective, the first thing I think about when I walk into a building to evaluate an operator is the upkeep of the building. That really is an evaluation of the sense of ownership that the staff has. That sounds a little superficial, but if they don't care enough to take care of the building, then they really don't care.

"The second most important thing is how the executive director interacts with both the residents and with the team. If the team embraces that executive director and there's actually some rapport between the staff and the executive director, that's a very good sign. We tell our partners all the time, 'Don't ever lose an executive director over $5,000 or $10,000,' because they're worth their weight in gold. As investors, we absolutely understand that and think the best operators are the best at retention and the best at culture," he explained.

Training assistant executive directors to move into a leadership role is another point of emphasis. "When they have an opening, they're the logical person to fill that job. Those types of talent development or retention tools are extremely important. That's absolutely something that we underwrite from an investor perspective," Blazejewski confided.

"We obviously watch and are mindful of line talent. When we look at some of these higher barrier-to-entry markets, what does that mean in terms of the ability for staff to commute to work?" he asked. "Is there access to the bus? Is there access to the train? You could build in the nicest, most expensive area in the country, but if employees can't get there, you're going to struggle."

Taking a deep dive into payroll-related data was illuminating for Alford. "That's how I know 52 percent of our payroll are Millennials," she reported. "We were all very shocked. We like it. At our company, we have an entrepreneurial spirit, and we love change.

"This year, we switched to weekly pay, because if you study other industries like the restaurant business and retail, they're already doing it. They're paying daily with Uber. So all of our hourly employees are now on a weekly pay schedule.

"That has been phenomenal. It's a little bit more work," she conceded, "because obviously, we have two extra payroll processes to go through, but our view was our job isn't to make it easier for us. Our job is to make their lives easier."

Ongoing training and education for all department heads are another "big initiative that we've done for the past two years. In our industry," Alford observed, "we invest a lot in teaching our executive directors to be good leaders. But we bring all of our department heads in four times a year for two full days. We talk about the Avanti DNA and our culture, because you can't preach that enough.

"We take deep dives with breakout sessions for the various departments, so our chefs, maintenance people, wellness folks go into their groups with a set agenda that's a learning topic for their department. On the second day, a third-party person comes to talk about leadership. We had someone from the military come in and talk about leadership and how to have difficult conversations. Last time, we talked about personalities and how working as a team, you respect personalities.

"We do that every single quarter, and it pays dividends. They're all receiving leadership knowledge to help grow personally and professionally. It's a budgeted line item that has helped quite a bit with retention. A lot of them even say, 'Wow, it's helped me personally, because I've learned to have a difficult conversation at home,'" she added.

Attitudes regarding traditional employee benefits are in flux, which became apparent after reviewing the Avanti payroll data. "We have traditional benefits, but we're learning from studying our payroll that what we did five or 10 years ago is not what's important," Alford noted.

"To Dan's point, we're learning our team members would rather be given comp days to go volunteer and be paid to volunteer versus just PTO, which blew my mind. They're not necessarily running after health insurance. They would rather donate to a charity of their choice.

"I wasn't thinking like that, but it's when we went to the local levels and asked for feedback that we re-tweaked and rethought about what does our benefit package look like and will it serve and honor this next generation that's coming in, so we can be the employer-of-choice," she said.

For those in the early stages of their senior living careers, these industry veterans offered some advice and guidance.

Sallerson was candid in suggesting that "if you don't love this industry and love what you do, get out. I'm just being blatantly honest. You've got to love it

LEFT TO RIGHT:
Andrew Cohen
WELLTOWER
Dan McGrew
LCB SENIOR LIVING

LEFT TO RIGHT:
Kari Onweller
INVESQUE
Bill Roosa
LONGVIEW SENIOR HOUSING ADVISORS
Giancarlo Riso
BLUEPRINT HEALTHCARE REAL ESTATE ADVISORS

LEFT TO RIGHT:
Laura Wildsmith
SUNTRUST BANK
Kim Huffstutler
GRANDBRIDGE REAL ESTATE CAPITAL
Allison Holland
JLL

LEFT TO RIGHT:
Austin Summy
VIRTUS REAL ESTATE CAPITAL
Bryan Schachter
WATERMARK RETIREMENT COMMUNITIES

Elizabeth Wright
THE MOMENTS

and love the people. Number two is you've got to tell your supervisors and your CEOs, anyone that's going to listen, what you want to do and how you want to grow.

"Number three is when you're doing a really good job, sometimes when the COOs and the CEOs only look at P&Ls of the poor-performing buildings, you need to present what you've done to make a building great. Don't be afraid to shine your light and show what you've been able to accomplish," she urged.

"The last thing is don't be the whiner. Be the one that says, 'Look, this is a challenge, but I have a solution.' Maybe it's not the best solution, but at least you came up with something. You don't want to become known as the whiner," Sallerson commented.

Madsen followed up by stressing the importance of passion, "because this is a tough industry and a tough job all the way through. It's operationally intensive and it is 24/7. There aren't any days off, so be passionate about it.

"Over the course of 30 years, I've watched a lot of people go from company to company," he continued. "One of the things that I would look for is some consistency. Find a way to make a difference in your company. If it's really bad, then you've got to move. There are opportunities out there, for sure. But boy, don't burn those bridges. People jump just for a little bit of salary.

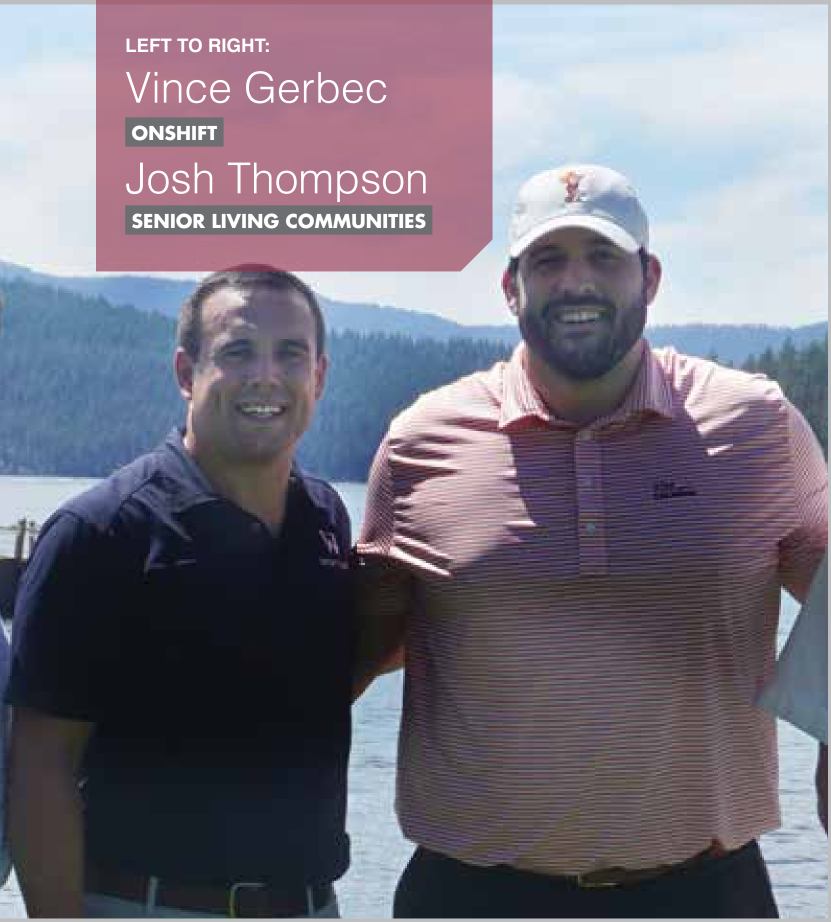
"There's a point where you say, 'Okay. Is this a job or is it a career?' If it's a career, then treat it like one. Invest in it. Invest in your company. Be the change agent from within. Be innovative in your companies and be persistent, because that gets noticed by investors and lenders. When they see stability, they're more likely to lend to you than if you have a bunch of job hoppers. Put your arms around it, embrace it, change it and then buy it," Madsen advised.

Blazejewski warned about avoiding risk. "Don't be risk-averse. Be willing to take some risks. The other thing I would say is be somewhat contrarian and creative. From an investor perspective, we like to analyze various markets, geographically speaking, and different sectors and different care levels and look at what's being done and try to figure out how can we exploit that, frankly."

"Whether it's changing product type or looking at different markets that are flying under the radar or looking at an opportunity a little bit differently than somebody else might have, it's important to think a little bit differently and think contrarian and how you can exploit," he said.

Alford added that "everyone in the room has a voice, so use it and use it really loud. Sometimes we are afraid to say what no one else is saying, and sometimes it's what everyone's thinking. Have the courage to use your voice and project it.

"Then, have a seat at the table. I see a lot of mistakes in career paths where people put themselves in a silo. Anytime you can have a seat at the table to listen to a deal transaction or a negotiation or if you're on the capital side and you can go and sit in a meeting about operations and spend a day, go do it, because that knowledge will help you no matter what. Use your voice and always take that seat," she concluded.



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ONSHIFT
Josh Thompson
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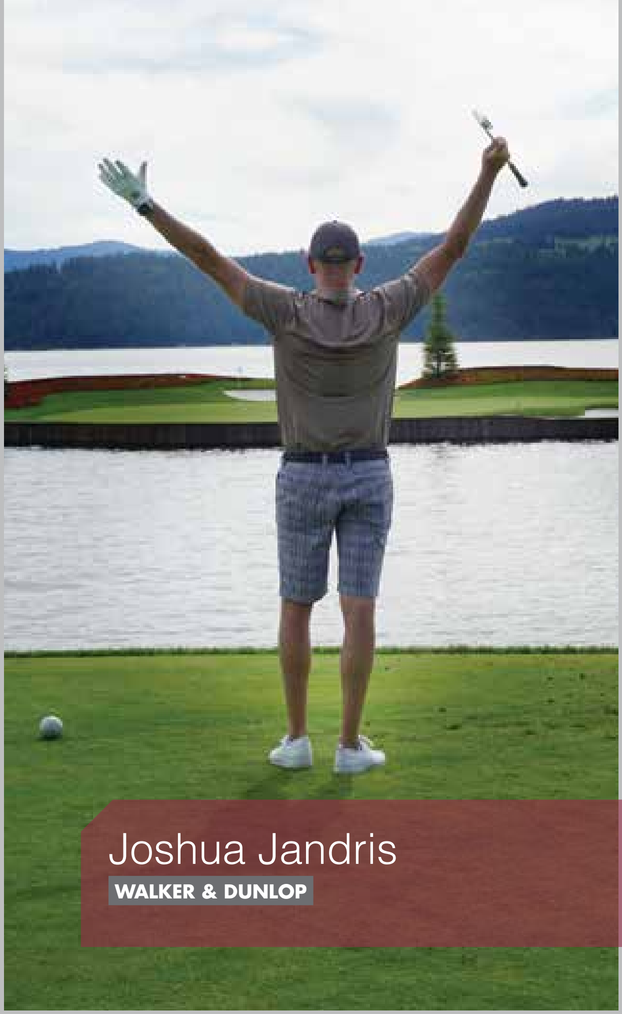

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