SENIOR HOUSING

Intersection of:

Real Estate
Healthcare
Hospitality

More than a place to live . . . .
SENIOR HOUSING PROPERTY TYPES

• **Home Healthcare** – Routine support/medical services provided in senior’s home

• **Age Restricted Housing** – Residential community restricted to those age 55+, 62+

• **Independent Living** – Residential apartment community with services and amenities that support independence (food, transportation, social programs)

• **Assisted Living** – Personal care services (bathing, dressing, medication)

• **Memory Care** – More intensive services than assisted living for Alzheimer’s and dementia

• **Skilled Nursing** – Licensed, long-term care; post operative acute care

• **Continuing Care Retirement Communities** – Continuum of above on one campus
## SENIOR HOUSING PROPERTY TYPES

<table>
<thead>
<tr>
<th>Community Type</th>
<th>Properties</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Living</td>
<td>2,800</td>
<td>427,000</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>7,200</td>
<td>585,000</td>
</tr>
<tr>
<td>Memory Care</td>
<td>1,400</td>
<td>73,000</td>
</tr>
<tr>
<td>Nursing Care</td>
<td>10,300</td>
<td>1,344,000</td>
</tr>
<tr>
<td>CCRC/Life Plan</td>
<td>1,800</td>
<td>604,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23,500</strong></td>
<td><strong>3,043,000</strong></td>
</tr>
</tbody>
</table>

Investment grade, minimum of 25 units, professionally managed  (Source: NIC MAP)
CHALLENGES/OPPORTUNITIES

• Operating
  ➢ Shortage of quality operators
  ➢ Increasing labor costs and scarcity of qualified labor
  ➢ Home healthcare service vs. cost of operating facility
  ➢ Regulatory environment (licensure, compliance, reimbursements)

• Supply/Demand
  ➢ Recent increase in supply

• Increasing fragility of residents

• Affordability

• Building design obsolescence/Outdated market appeal
EXHIBIT 1

Sizes of the senior population, by age and income in 2014 and 2029

- **Ages 75–84**
  - 2014: Low income = 5, Middle income = 4, High income = 1
  - 2029: Low income = 8, Middle income = 5, High income = 2

- **Ages 85 and older**
  - 2014: Low income = 2, Middle income = 1, High income = 1
  - 2029: Low income = 3, Middle income = 2, High income = 1

- **Ages 75 and older**
  - 2014: Low income = 7, Middle income = 5, High income = 2
  - 2029: Low income = 9, Middle income = 6, High income = 3

Note: The chart shows the estimated millions of seniors in different age groups and income brackets for the years 2014 and 2029.
Projected financial resources of middle-income seniors in 2029, by resource level

- Financial resources:
  - $24,450 - $30,000
  - $30,001 - $40,000
  - $40,001 - $50,000
  - $50,001 - $60,000
  - $60,001 - $70,000
  - $70,001 - $80,000
  - $80,001 - $90,000
  - More than $90,000

- With housing equity
- Without housing equity
AVERAGE MONTHLY RENT / LEVEL OF CARE

*The nursing care monthly rent is the average private-pay per diem rate calculated on a monthly basis; see Section 6 for the Medicaid and Medicare rates.

Source: NIC MAP® Data Service
AGE OF SENIORS HOUSING STOCK

Seniors Housing Property Age
Primary Markets | 2Q18 (in Years)

Source: NIC MAP® Data Service

1. Preliminary Data
## DEBT SOURCES FOR SENIORS HOUSING

<table>
<thead>
<tr>
<th>Type/Lender</th>
<th>FNMA/ Freddie</th>
<th>Life Co.</th>
<th>Banks</th>
<th>Bridge Debt Funds</th>
<th>CMBS</th>
<th>HUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Restricted (AR)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Independent Living (IL)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X*</td>
</tr>
<tr>
<td>Assisted Living (AL)</td>
<td>X</td>
<td>X*</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Memory Care (MC)</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Skilled Nursing (SN)</td>
<td>X*</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Continuing Care (CCRC)</td>
<td>X*</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
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</table>

* limitations apply
# AGENCY TERMS

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<thead>
<tr>
<th>Term</th>
<th>FNMA</th>
<th>Freddie</th>
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<tbody>
<tr>
<td>Term</td>
<td>5 – 30 yrs</td>
<td>5-7 yrs</td>
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<tr>
<td>Amortization</td>
<td>30 yrs</td>
<td>30 yrs</td>
</tr>
<tr>
<td>LTV</td>
<td>75%/80% (bond)</td>
<td>70%/75%</td>
</tr>
</tbody>
</table>

## DSCR

<table>
<thead>
<tr>
<th>Letter</th>
<th>FNMA</th>
<th>Freddie</th>
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</thead>
<tbody>
<tr>
<td>IL</td>
<td>1.30</td>
<td>1.35</td>
</tr>
<tr>
<td>AL</td>
<td>1.40</td>
<td>1.35/1.45</td>
</tr>
<tr>
<td>MC</td>
<td>1.45</td>
<td>1.35/1.45</td>
</tr>
<tr>
<td>SN</td>
<td>1.55</td>
<td>1.45/1.55</td>
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</table>

## Recourse

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<tr>
<th></th>
<th>FNMA</th>
<th>Freddie</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Carve outs</td>
<td>Carve outs</td>
</tr>
</tbody>
</table>
HUD’s ROLE IN SENIOR HOUSING

• Multifamily
  ➢ Mortgage Insurance (223(f), 221(d)4, and 231)
  ➢ Section 202 (Direct Loan and PRAC)
  ➢ Service Coordinator Grants

• Healthcare
  ➢ Mortgage Insurance (232 and 241)
## HUD PRODUCTION

<table>
<thead>
<tr>
<th>Program</th>
<th>Projects</th>
<th>Units</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>221(d)4, 220, 231</td>
<td>1,962</td>
<td>307,162</td>
<td>$29.2B</td>
</tr>
<tr>
<td>223(f), 223a7</td>
<td>8,264</td>
<td>1,090,598</td>
<td>$61.5B</td>
</tr>
<tr>
<td>202</td>
<td>1,399</td>
<td>51,812</td>
<td>$ 0.7B</td>
</tr>
<tr>
<td>202 PRAC</td>
<td>6,733</td>
<td>198,361</td>
<td></td>
</tr>
<tr>
<td>232 NC/SR</td>
<td>198</td>
<td>26,077</td>
<td>$ 3.0B</td>
</tr>
<tr>
<td>232/223(f),223a7</td>
<td>3,431</td>
<td>433,352</td>
<td>$29.9B</td>
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</tbody>
</table>
# 232 PARAMETERS

<table>
<thead>
<tr>
<th></th>
<th>232 NC/SR</th>
<th></th>
<th>232/223(f)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>SN/IL</td>
<td>AL</td>
<td>SN/IL</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>40 yrs</td>
<td>40 yrs</td>
<td>35 yrs</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>40 yrs</td>
<td>40 yrs</td>
<td>35 yrs</td>
</tr>
<tr>
<td><strong>LTV/LTC</strong></td>
<td>80%/85%</td>
<td>75%/80%</td>
<td>80%/85%</td>
</tr>
<tr>
<td><strong>DSCR</strong></td>
<td>1.45</td>
<td>1.45</td>
<td>1.45</td>
</tr>
</tbody>
</table>
INDEPENDENT LIVING

• Community rooms for educational or cultural enrichment
• Mini-clinic space for health screenings and visits by healthcare providers
• Libraries, billiard parlors, and landscaped atriums for socialization
• Café, coffee shop, or bistro for refreshments
• Barber and beauty salons
• Central dining facilities and a full-service kitchen
• Walking trails, landscaped patios and gardens
• Age appropriate fitness facilities and recreational programs
• Guest suites
INDEPENDENT LIVING
INDEPENDENT LIVING
INDEPENDENT LIVING
INDEPENDENT LIVING
INDEPENDENT LIVING

• Support services typically include:
  ➢ Front door concierge
  ➢ Transportation
  ➢ Housekeeping/cleaning services
  ➢ Laundry and linen service
  ➢ Meals (1-3 per day)
  ➢ Activities, events, and programs of interest to residents
  ➢ Coordination with local service vendors (home health aides, physical therapists)
INDEPENDENT LIVING

• Typical tenant demographic:
  ➢ Single female, 75 years +
  ➢ From local area
  ➢ Tenure is 5 – 8 years
  ➢ Savings of $300k - $500k
  ➢ Can pay $2,500 - $3,000/month in rent
  ➢ Immediate family members (daughter) concerned about Mom’s independence and security
INDEPENDENT LIVING

• Typical size: 100 – 125 units
• Typical staffing: 12-16 staff
  ➢ General Manager
  ➢ Leasing Agent
  ➢ Activities Coordinator
  ➢ Concierge
  ➢ Services Coordinator
  ➢ Housekeeping/laundry staff
  ➢ Maintenance staff
  ➢ Chef/Dinning Manager
  ➢ Kitchen and serving staff
MAP PROGRAM REQUIREMENTS

• MAP Guide 3.1 O 5 – Projects that offer the following are not eligible for multifamily mortgage insurance:
  ➢ Extensive service package
  ➢ Requires licensure other than normal apartments
  ➢ Requires Certificate of Need or similar documentation
  ➢ Design is less than a fully functional apartment unit (i.e., kitchenettes)
  ➢ Mandatory meals or other services
  ➢ Non-shelter income included in underwriting
LEAN PROGRAM REQUIREMENTS

- LEAN Guide Chapter 2F
  232 program allows up to 25% of project to be Independent Living

  Projects with more than 25% Independent Living need to combine 232 and 221(d)4 loan programs