



GLOSSARY OF REAL ESTATE & FINANCIAL TERMS

As a resource for conference attendees, NIC has compiled this glossary of frequently used real estate and financial terms in the Seniors Housing and Skilled Nursing Industry. If there are terms/acronyms you recommend be added, please email dcohen@nic.org.



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Absorption The change in the number of occupied units from the previous quarter

Activities of Daily Living (ADLs) Activities related to the care for and mobility of residents, including: walking, bathing, dressing, medication provision, toileting, brushing teeth, and eating

Asking Rent Growth (%) The annual growth rate of “Average Asking Rent” for properties reporting rental data in both the current quarter and the same quarter a year ago—a “same-store-rent” concept.

Annual Absorption The annualized change in occupied units

Annual Rent Growth The annual growth rate of “Average Asking Rent” for properties reporting rent data in both the current quarter and the same quarter a year ago

Average Rent Asking private-room rent plus the average fee for care services. For nursing care, this represents the average per diem private-pay rate for private rooms. Average rent may also be referred to as AMR for independent living, assisted living, and memory care, and ADR for nursing care.

CAMPUS Type The arrangement of the units and/or buildings of the property

- **CCRCs:** Continuing Care Retirement Communities, which are properties offering at least independent living and nursing care services
- **Combined Campus:** Properties offering at least two types of service, except where independent living and nursing care are jointly offered
- **Freestanding:** A property offering only a single care segment (e.g., exclusively independent living)

Capitalization Rate The average cap rate from closed transactions, where the cap rate is defined as the ratio of net operating income (NOI) to property asset value. For example, if a property was listed for \$1,000,000 and generated an NOI of \$100,000, the cap rate would be $\$100,000/\$1,000,000$, or 10



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Care Type Levels of care and services provided by the property. This also can be referred to as a Care Segment. One unit of independent living, assisted living, or memory care is equivalent to one nursing care bed

- **Assisted living (AL) Units** - The part or section of a property that provides assisted living services, not including memory care, and is regulated by the state. The same services are provided as in independent living, but supportive care from trained employees also is provided to residents who are unable to live independently and require assistance with ADLs
- **Independent Living (IL) Units** - The part or section of a property that provides independent living services. As part of the monthly fee, access to meals and other services, such as housekeeping, linen service, transportation, and social and recreational activities, is provided to residents. Independent living does not provide assistance with ADLs (cont'd next page)
- **Memory Care (MC) Units** -The part or section of a property that provides services to persons with Alzheimer's disease or other forms of dementia. These are generally separate or secured areas, with specific programming for persons with memory impairment in addition to services provided for persons in assisted living
- **Nursing Care (NC) Beds** -The part or section of a property that provides only nursing care services. Residents receive 24-hour nursing and/or medical care. Properties offering nursing care are generally licensed for Medicaid and/or Medicare reimbursement
- **Seniors Housing** - The combination of independent living, assisted living, and memory care units

Competitive Set Properties specified by the user to be used in analysis and deemed as competitive to the property in study



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Contract Type A contract between an independent living resident and a property guaranteeing a care structure if additional care is needed, as well as future payments for the increased level of care.

- **Type A:** A contract between an independent living resident and a property manager that offers a continuum of care to cover long-term care (assisted living or nursing care) without any substantial increase in a residents' monthly payments
- **Type B:** A "modified" contract between an independent living resident and a property that offers a continuum of care, that covers a specified amount of long-term care (assisted living or nursing care) during a set period of time without a substantial increase in residents' monthly payments, or at a discounted rate indefinitely
- **Type C:** A fee-for-service contract between an independent living resident and a property that offers a continuum of care. If such care is needed, it is paid at a specified daily rate
- **Type D:** A rental contract between an independent living resident and a property that offers no guaranteed access to health care services. There is no entrance fee, and monthly fees cover the cost of maintaining the unit

EBITDAR or earnings before interest, taxes, depreciation, amortization and rent/restructuring costs, is the same calculation as EBITDA, with the exception that rents and/or restructuring costs are excluded from the expenses

EBITDARM A financial performance measure that stands for earnings before interest, taxes, depreciation, amortization, rent and management fees. EBITDARM is used in comparison to more common measures such as EBITDA when a company's rent and management fees represent a larger-than-normal percentage of operating costs

Instrumental Activities of Daily Living (IADLs) Activities that support an independent life style, including: cooking, housekeeping, driving and transportation, using the telephone or computer, shopping for groceries or clothing, managing money and keeping track of finances

Inventory (units/beds) The number of independent living units, assisted living units, memory care units, and nursing care beds that are operational and available for residence. One unit of independent living, assisted living, or memory care is counted the same as one nursing care bed

Inventory Growth The amount of new inventory added within a quarter minus any deletions



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Occupancy (%) The average unit occupancy of reporting properties

Occupied penetration (%) The number of occupied units/beds divided by the number of households, which is the number of age 75+ households unless otherwise noted

Patient Day Mix Actual patient days of each payor source divided by the total actual days

PAYMENT TYPE The payment plan through which residence and services are paid

- **Entrance fee:** A property that charges the resident a lump-sum amount of money at the beginning of the stay for the right to occupy the residence. This type of property generally charges an additional monthly fee
- **Rental:** A property that charges residents for their residence and services primarily on a lease basis

Penetration The number of units/beds that are operational divided by the number of households, which is the number of age 75+ households unless otherwise noted

Price Per Unit The closed price in a transaction divided by the unit/bed inventory of the property

Primary Markets (i.e., Top 31) The aggregate of seniors housing data collected from 31 of the largest core-based statistical areas (CBSAs) in the continental United States. Data is available in these markets beginning in 4Q2005

Profit Status Whether a property's owner/sponsor is chartered as a for-profit or not-for-profit entity

Property Age The reported age of the property in years



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PROPERTY TYPE The building or buildings and grounds that house the residents, and common areas shared by the residents. Properties in the NIC MAP database generally include at least 25 units/beds and are market rate. Properties are listed as majority independent living, majority assisted living, or majority nursing care

- **Majority Assisted Living properties (AL):** Properties where assisted living units and/or memory care units comprise the largest share of inventory. Residents receive personal care services such as assistance with bathing, dressing, eating, walking, and toileting. Twenty-four-hour protective oversight is provided, but 24-hour medical care is not. The majority assisted living properties included in NIC MAP are only market-rate properties
- **Majority Independent Living properties (IL):** Properties where independent living units comprise the largest share of inventory. Majority independent living properties typically include services such as communal dining, housekeeping, transportation, emergency call, and social programming services in the monthly fee
- **Majority Memory Care properties (MC):** Properties where memory care units comprise the largest share of inventory Residents receive specialized support for dementia
- **Majority Nursing Care properties (NC):** Properties where nursing care beds comprise the largest share of inventory. A majority nursing care property is generally a licensed long-term health care and residential property that serves persons who require constant medical supervision and/or who require significant physical assistance in transferring, management of continence, and use of medical devices. The NIC MAP database does not include properties that are limited to sub-acute, properties limited to inpatient-based, or properties that are hospital-based

Quality Mix Total number of Medicare, managed Medicare/other, and Private days divided by total number of actual patient days

Secondary Markets The aggregate of data collected from 68 large core-based statistical areas (CBSAs) in the continental United States and that are not included in the NIC MAP primary markets (NIC MAP 31). These are the markets ranked 32 to 99 in CBSA size. Data is available in these markets beginning in 1Q2008



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Revenue Per Patient Day (RPPD) Total Revenue divided by actual patient days for each payor source

RIDEA The REIT Investment Diversification and Empowerment Act—passed in 2008, allows senior housing REITs to share in the operating income generated by their owned properties. This increases potential upside in an investment, compared with triple-net leases that simply guarantee escalating rent payments, but it also comes with greater risks should communities' operations suffer.

Sale-and-Leaseback This is a financial transaction in which one sells an asset and leases it back for the long term; therefore, one continues to be able to use the asset but no longer owns it. The transaction is generally done for fixed assets, such as real estate.

Skilled Mix Total number of Medicare and managed Medicare/other divided by total number of actual patient days

Stabilized Occupancy Occupancy of properties that are at least two years old or, if less than two years old, properties that have achieved occupancy of at least 95% occupancy rate since opening

Triple Net Lease A triple net (NNN) lease is defined as a lease structure where the tenant is responsible for paying all operating expenses associated with a property