



**National Investment Center  
for Seniors Housing & Care**

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**2016**

**INSIDER**  
NEWSLETTER

**June Issue**



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## In the Insider June 2016 Issue

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- » [Operations: The Key to Investment Success](#)
- » [Increasing Transparency, One Market at a Time](#)
- » [2016 NIC Talks: The Longevity Revolution](#)
- » [Seniors Housing & Care Industry Calendar](#)

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## Operations: The Key to Investment Success

### An Interview with Sentio Healthcare's John Mark Ramsey



John Mark Ramsey hasn't forgotten his roots. He began his career in seniors housing as an owner/operator in the 90s when the industry was just taking shape. But he gained the kind of hands-on experience that has turned into investment success as CEO of Sentio Healthcare Properties Inc.

The Orlando-based company is a public non-traded REIT that currently manages a \$732 million portfolio. Sentio took a big leap in 2013 when it obtained a \$150 million equity stake from the global investment firm Kohlberg Kravis Roberts & Co. (KKR). That commitment has since been increased to \$158.7 million.

NIC recently spoke with Ramsey about Sentio, and the direction of the seniors housing market.

#### NIC: What's in Sentio's portfolio?

**Ramsey:** We have investments in 35 assets spanning 16 different states. The portfolio is mostly private-pay seniors housing, with independent living, assisted living, and memory care. We also own a private-pay entrance fee community, and several skilled nursing and specialty medical facilities. We have 11 seniors housing operating partners. Most of the partnerships are in RIDEA structures, allowing us to participate in the upside beyond a lease payment..

#### NIC: What's the history of your growth strategy?

**Ramsey:** Our original investments were made in 2009-11. We felt, at the time, that the acquisition of existing private pay seniors housing made the most sense. We brought in KKR as our capital partner in the first quarter of 2013. But our view of the market has changed over time. Acquisition pricing has moved in a direction that we're not as comfortable with as we once were. So our recent investment activity has been ground-up development, and the acquisition of projects in early lease-up. We've also taken on some distressed properties in order to add value and reposition them. We are committed to maintaining a healthy financial profile in anticipation of additional shifts in the investment climate for seniors housing.

#### NIC: What are your new projects?

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**Ramsey:** We have a new campus investment under way in Georgetown, Texas, and the first resident will move in later this year. It's called the Delaney at Georgetown Village. It's a straight rental community that includes independent and assisted living, and memory care. We have another ground-up development under way: Accel at Golden Ridge, in Golden, Colorado. It's a transitional rehab facility with an emphasis on short-term stays expected to open in the fourth quarter of 2016. Also, we opened Buffalo Crossing in May 2015. The property is a 108-unit, assisted living community in Florida, located in The Villages, the nation's premier, active adult retirement community.

**NIC: Are you planning more new projects?**

**Ramsey:** Our new development deals were seeded two years ago. It's a different environment now. The market is in flux. Every conversation in the industry nowadays includes some discussion about supply. We're hesitant to say seniors housing is oversupplied. There are markets that are oversupplied, but even in those broader markets there are opportunities, so we continue to be disciplined in the spots we pick. NIC Map® Data Service's data is helpful in this regard.

We partner with regional operators, and if they have insights or relationships in a given market that are unique, and we feel a project could be successful, we'd look at that irrespective of what might otherwise be perceived as too much supply. We're always talking to our operators about what they're seeing in their markets.

The market is also in flux from a capital standpoint. It's an election year and there are questions about interest rates. There's a lot of volatility among the listed REITs. They've had a nice recovery of valuations lately, but there are fewer large transactions. It's a unique time.

**NIC: What other factors influence your decision-making?**

**Ramsey:** I started out in this industry in the late 90s as an owner, operator and developer. So we have a tendency to look at our investments as operating companies. I've traded a lot of real estate over the years, but ultimately, we're buying seniors housing businesses in a community. It's a very localized business. There are strong national brands, but at the end of the day, a family is trying to find a community with a good reputation that's close to their home and one that will meet the needs of their family.

As former operators, we spend energy facilitating best practices across our partner network. We're approaching \$1 billion in total value, but we're still smaller than the listed REITs. That gives us the chance to have direct interaction with our partners. We regularly hold operator summits so our partners can share ideas.

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**NIC: Are you selling properties?**

**Ramsey:** We haven't been an active seller. But we're always evaluating strategically how to position the business to optimize long-term value creation. If we did sell properties, it would be to focus more on seniors housing.

**NIC: How are changes in health care impacting the business?**

**Ramsey:** We believe in delivering the best outcome in the most efficient manner, and skilled nursing has a place in that equation. That view applies to assisted living too. The operators that can function in an environment with bundled-payment models will end up being able to differentiate themselves in the long term and capture some additional allocation from states and other reimbursements mechanisms. We're looking to partner with operators that have had experience making adjustments, working with a variety of different payor sources, but providing a high quality, high touch care.

**NIC: Other thoughts?**

**Ramsey:** Unlike the other public non-traded REITs, our model doesn't only rely on retail investors. We have the backing of an institutional investor in KKR. This benefits our broader investor base by providing institutional accountability, and capital markets expertise. KKR is helpful in so many areas. Our partnership with them gives us a lot of flexibility in how we structure and capitalize our investments. It's a real plus for all our investors.

## Increasing Transparency, One Market at a Time

### NIC MAP Market coverage Expands by 41 Additional Markets

The NIC MAP Data Service will expand its market coverage to include an additional 41 metropolitan markets on July 6, with the release of 2Q2016 data on the same date. This expansion will increase NIC MAP's market coverage from 99 to 140, further improving transparency of the seniors housing and care property market.

"One of NIC's primary goals is to provide thorough and reliable data that increases transparency in seniors housing and care in order to educate investors and entice long-term capital that's knowledgeable about the opportunities and challenges of the sector," said Chuck Harry, NIC's chief of Research & Analytics. "Adding these new metropolitan markets expands NIC's footprint across the nation's regions to give investors and operators alike further insight into the sector's

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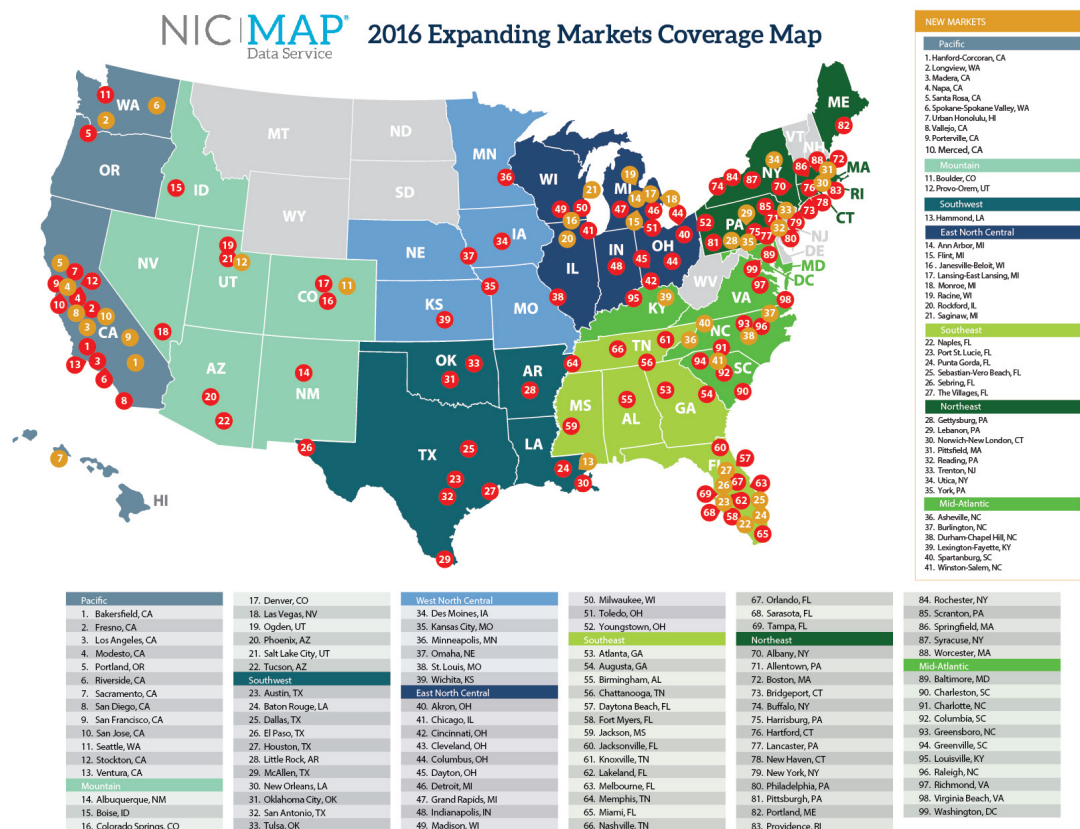
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market dynamics across the country.”

## Increasing Coverage and Meeting Clients’ Requests

The 41 additional metropolitan markets include both markets that are contiguous to currently covered markets (such as Durham, NC; Naples, FL; and Santa Rosa, CA) and markets that have been frequently requested by clients (such as Honolulu, HI; Lexington, KY; and Winston-Salem, NC). The following map identifies the 41 new additional markets along with NIC MAP’s 99 currently covered markets:



So that NIC MAP’s data can be easily compared and correlated with metropolitan market aggregates of other data, such as economic and demographic data, all of NIC MAP’s metropolitan markets

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## Year-Over-Year Comparisons

While the new markets qualify as secondary markets, their shorter historical data time series means they will not be rolled into the existing secondary markets national aggregate at this time.

Primary Markets	Secondary Markets		Additional Markets*
Atlanta, GA	Akron, OH	Lancaster, PA	Ann Arbor, MI
Baltimore, MD	Albany, NY	Little Rock, AR	Asheville, NC
Boston, MA	Albuquerque, NM	Louisville, KY	Boulder, CO
Chicago, IL	Allentown, PA	Madison, WI	Burlington, NC
Cincinnati, OH	Augusta, GA	McAllen, TX	Durham, NC
Cleveland, OH	Austin, TX	Melbourne, FL	Flint, MI
Dallas, TX	Bakersfield, CA	Memphis, TN	Gettysburg, PA
Denver, CO	Baton Rouge, LA	Milwaukee, WI	Hammond, LA
Detroit, MI	Birmingham, AL	Modesto, CA	Hanford, CA
Houston, TX	Boise, ID	Nashville, TN	Honolulu, HI
Kansas City, MO	Bridgeport, CT	New Haven, CT	Janesville, WI
Las Vegas, NV	Buffalo, NY	New Orleans, LA	Lansing, MI
Los Angeles, CA	Charleston, SC	Ogden, UT	Lebanon, PA
Miami, FL	Charlotte, NC	Oklahoma City, OK	Lexington, KY
Minneapolis, MN	Chattanooga, TN	Omaha, NE	Longview, WA
New York, NY	Colorado Springs, CO	Portland, ME	Madera, CA
Orlando, FL	Columbia, SC	Providence, RI	Merced, CA
Philadelphia, PA	Columbus, OH	Raleigh, NC	Monroe, MI
Phoenix, AZ	Dayton, OH	Richmond, VA	Napa, CA
Pittsburgh, PA	Daytona Beach, FL	Rochester, NY	Naples, FL
Portland, OR	Des Moines, IA	Salt Lake City, UT	Norwich, CT
Riverside, CA	El Paso, TX	Sarasota, FL	Pittsfield, MA
Sacramento, CA	Fort Myers, FL	Scranton, PA	Port St. Lucie, FL
San Antonio, TX	Fresno, CA	Springfield, MA	Porterville, CA
San Diego, CA	Grand Rapids, MI	Stockton, CA	Provo-Orem, UT
San Francisco, CA	Greensboro, NC	Syracuse, NY	Punta Gorda, FL
San Jose, CA	Greenville, SC	Toledo, OH	Racine, WI
Seattle, WA	Harrisburg, PA	Tucson, AZ	Reading, PA
St. Louis, MO	Hartford, CT	Tulsa, OK	Rockford, IL
Tampa, FL	Indianapolis, IN	Ventura, CA	Saginaw, MI
Washington, DC	Jackson, MS	Virginia Beach, VA	Santa Rosa, CA
	Jacksonville, FL	Wichita, KS	Sebastian-Vero Beach, FL
	Knoxville, TN	Worcester, MA	Sebring, FL
	Lakeland, FL	Youngstown, OH	Spartanburg, SC
			Spokane-Spokane Valley, WA
			The Villages, FL
			Trenton, NJ
			Utica, NY
			Vallejo, CA
			Winston-Salem, NC
			York, PA

\*Part of the expanded market coverage, effective July 2016

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## 2016 NIC Talks: The Longevity Revolution



Will boomers, out of necessity or desire, retire the 20th century concept of retirement? Will the phrase “senior care” be viewed in the future as an anachronism laced with condescension? As the focus shifts from serving the Greatest Generation to preparing for the boomers, who begin turning 80 in 2026, questions abound as to how aging and aging services will be different. The conference offers a host of opportunities designed to meet each attendee’s networking goals—from lounges and a 5k for more informal conversations, to large receptions ideal for making a lot of new contacts in a short amount of time.

The effects this huge demographic cohort will have on aging is the focus of NIC Talks, a series of 12-minute talks by industry leaders and outside experts and disruptors that will be held at the 2016 NIC Fall Conference, September 14-16 in downtown Washington, DC. The NIC Talks speakers will share how they believe developments in the next ten years will revolutionize the aging experience of the boomers, and how the boomers will transform the products, services and businesses designed to serve them.

The ideas shared in NIC Talks will be important conversation starters for those in the industry, said NIC CEO Bob Kramer. “We’re bringing NIC Talks back for a second year because the visions these dynamic speakers will share are critical for those who serve seniors today and those who want to be positioned to serve the boomers ten years from now.”

Confirmed speakers to date include:

- » **Ken Dychtwald, Ph.D.**, Founder and CEO, Age Wave, LLC
- » **Billie Jean King**, Presidential Medal of Freedom Recipient, and Founder, Billie Jean King Leadership Institute
- » **Dr. Tom X. Lee**, CEO, One Medical Group
- » **Zeke Turner**, CEO, Mainstreet

To register for the conference or view the NIC Talks schedule, visit the [registration site](#).

The 2015 NIC Talks presentations are available for [viewing](#).

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## Seniors Housing & Care Industry Calendar

### September 2016:

14-16 2016 NIC Fall Conference, Washington, DC

### October - November 2016

16-19 AHCA/NCAL Convention & Exposition, Nashville, TN

24-26 ULI 2016 ULI Fall Meeting, Dallas, TX

30 - 2 LeadingAge: 2016 Annual Meeting and EXPO, Indianapolis, IN

15-17 REITWorld: NAREIT's Annual Convention, Phoenix, AZ

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