

NIC INSIDER

Newsletter

July 2023

Inside the July Issue

Welcome to the July edition of the NIC Insider Newsletter.

NIC's incoming Board Chair and Co-founder of Blue Moon Capital Partners Susan Barlow shares insights on how NIC's recently launched Strategic Plan positions NIC to lead the evolution of our industry. James Estes, Director, Investments for Blue Moon Capital Partners, provides insight into the allure – and hurdles – of the demographic trends providing tailwinds for active adult rental properties. An article on the inaugural NIC Data & Analytics Conference reveals the program agenda aimed to provide industry analysts how to leverage data and analytics to achieve business success. The key takeaways of the three NIC Leadership Huddle webinars of the past quarter are summarized to put current capital market trends in context. Industry and academia thought leaders address the need for more leaders in aging services in an overview of the recent Vision Centre Symposium. Last but certainly not least, Beth Mace shares her new role as Special Advisor for NIC and reflects on her passion for the senior housing and care industry, which she remains bullish on.

Table of Contents

- 3** **Incoming Board Chair Previews NIC's Future-Ready Strategic Plan: A Conversation with Susan Barlow**
- 7** **A Tale of Two Hearts, Two Hands, and Two Directions**
- 11** **Driving the Future, With Data**
- 13** **Is the Recovery Here Yet?
Popular NIC Leadership Huddles return to explore the answer and provide insights.**
- 16** **Vision Centre Symposium Addresses Need for More Leaders in Aging Services**
- 20** **Investing in Active Adult – The Inherent Allure and Near-Term Hurdles**
- 23** **Industry Event Calendar**

Incoming Board Chair Previews NIC's Future-Ready Strategic Plan: A Conversation with Susan Barlow



Susan Barlow

When Susan Barlow attended her first NIC committee meeting some time ago, she felt a real sense of energy in the room. The authentic commitment of service to seniors among the members was unlike anything else she had experienced during her career in commercial real estate. She was inspired to stay involved.

Today, Barlow, co-founder at Blue Moon Capital Partners, brings that same passion to her position as NIC's newly elected Board Chair. She recently discussed her career and plans for the organization with NIC Chief Operating Officer Chuck Harry.

Here is a recap of their conversation.

Harry: Susan, congratulations on having been elected as the Chair of NIC's Board of Directors effective July 1. That's exciting news for NIC, and NIC's volunteer leadership and staff alike look forward to working with you during your term.

Much of NIC's success over these past few decades is a result of the engagement by its volunteer leaders in championing the organization's initiatives. You yourself have served on our Fall Conference Program Committee, initially as a member and currently as a Co-chair, as well as in a couple of officer positions on NIC's Board of Directors and most recently as its Vice Chair.

Can you share with our readers your reflections of NIC since you first engaged with the organization as a volunteer leader back in 2018?

Barlow: I started my involvement with NIC as a member of the Fall Conference Program Committee. The first meeting I attended included 30 people, passionately committed to the sector and improving the lives of seniors. The energy and sense of service was palpable. It was inspiring, and I continue to feel that same energy and commitment at all NIC gatherings. You don't see that in other property sectors.

Harry: As is the case with so many of us currently in the sector, your career didn't start in senior housing and care. Prior to having been drawn to this sector, what had been your career path?

Barlow: I started my career in the consulting industry advising large public pension funds on how to put together an institutional real estate program. This included advising on the appropriate balance of risk/return, manager selection, and performance measurement. As part of that process, I was introduced to many different investment managers and strategies, and was especially attracted to new entrants – what is now called "emerging managers." I eventually started my own firm to raise institutional capital for those new entrants.

Harry: When you entered the senior housing and care sector, you did so in a big way—so to speak—by co-founding Blue Moon Capital Partners, where you serve as Managing Partner and Chief Operating Officer. How is it that your co-founding of Blue Moon came to fruition?

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Barlow: My partner, Kathy Sweeney, and I were asked to participate on a CREW (Commercial Real Estate Women Network) panel for the national conference in Washington, D.C. in 2012 by a CalPERS portfolio manager. While we didn't know each other, we had both managed money for CalPERS and worked closely with the manager. Kathy had an excellent senior housing track record and was trying to raise money. The CalPERS portfolio manager thought we would enjoy getting to know each other. That was the first time I had really heard about senior housing, and I was fascinated. I had been working as a consultant when pension fund investors decided to enter the multifamily sector, and senior housing seemed like a natural follow-on. We shared a cab to the airport, and the rest is history.

Harry: As reflected in its name, please share with our readers the uniqueness of Blue Moon—especially with regards to its focus and strategy.

Barlow: We formed Blue Moon as a 100% women-owned private equity firm focused exclusively on senior housing. Given the unique blend of operations and real estate, and to mitigate risks and optimize returns, we felt strongly that we should have that exclusive focus -- to be an inch wide and a mile deep, and not be distracted with issues/opportunities in other sectors. Given the challenges over the past several years, we haven't regretted the sole focus decision for one minute.

The Blue Moon name comes from the saying "Once in a Blue Moon" – a unique and rare event. A blue moon only happens every two or three years. The next one is this year on August 30. We chose the name because our firm, a women-owned investment platform focused exclusively on senior living, is also a rare event.

Harry: Shifting back to NIC and speaking of strategy, during your tenure as the Vice Chair of NIC's Board of Directors, NIC developed its 5-year Strategic Plan, which was recently adopted by the Board. What was the motivation behind the development of NIC's Strategic Plan and the objective (or objectives) for the Strategic Plan?

Barlow: NIC creates a new Strategic Plan every five years that lays out several goals to be accomplished during the time period. A Strategic Plan Committee was formed just before the pandemic but was put on hold until we got through the crisis. Coming out of the pandemic, our industry had forever changed. NIC is the National Investment Center for Seniors Housing and Care, with a heavy emphasis on housing. But it became clear that we needed to place a heavy emphasis on both housing and care. The Strategic Planning Committee embraced that evolution immediately and went to work to create a plan that not only provided housing for older adults but provided an environment to improve their health and to recognize our industry's emerging role as part of the healthcare delivery system.

Harry: What aspect (or aspects) of the Strategic Plan are you most excited about seeing executed?

Barlow: We have five focus areas: partnering for health; capital for operations; the middle market; AgeTech; and the active adult segment. I'm very excited about all five focus areas. Each one is key to NIC's mission and reflects the evolution of our industry to meet the next generation of customers. Certainly, partnering for health is something I'm excited about. We need the ability to bring improved healthcare



The banner features the NIC Data & Analytics Conference logo at the top, which includes a stylized blue and green 'N' icon. Below the logo, the text reads "Data-driven senior living analyses. The first of its kind." in a blue serif font. A dark blue bar contains the dates "September 27- 28, 2023" and the location "Minneapolis, MN" in white. At the bottom, a green button with white text says "REGISTER NOW". The background of the banner has a light green and blue geometric pattern.

services into the community by forming a variety of healthcare partnerships. The industry is looking at this in a way we haven't before, and NIC will be at the forefront of those discussions. We also need to address the alignment between capital providers and operators. How can we capitalize operating companies? What do different alignments look like? The other aspects of the Strategic Plan are also critical. As the older population grows there will be a greater and greater need for middle market senior housing. New technologies or AgeTech will be key to improving operational efficiencies and customer satisfaction. And the emerging active adult segment is an innovative product, recently defined by NIC, that will have a big impact on our industry.

Harry: Are there any aspects of the Plan that you foresee as potentially challenging to execute?

Barlow: They will all be challenging because they represent big changes, but we need to address all five focus areas to improve and evolve our industry. We don't have solutions now, but the development of answers and new ways of doing business is how we will determine who the winners are in this industry. So, there is high motivation to do that.

Harry: To assist with implementing NIC's Strategic Plan, NIC recently named a new President & CEO, and subsequently NIC's Board of Directors elected a number of new Directors and named a couple of new Officer positions, also effective July 1. Late last year, **Ray Braun** was named as NIC's President & CEO, and he also previously served as a Chair of NIC's Board of Directors now a couple decades ago. Please share with our readers your enthusiasm in having recruited Ray for this role and our opportunity to collaborate with Ray in leading NIC.

Barlow: Ray joined NIC last October, shortly after the strategic plan had been approved by the Board. Over the past eight months, he has worked with the NIC Board to build out the details of the plan and the organizational design changes that are needed to execute it. Ray leads with a sense of urgency that is allowing us to move forward with a sense of purpose on the plan's important initiatives.

Harry: NIC's Board of Directors just elected new Directors to the Board itself as well as to the Executive Committee as Officers of NIC—and added a couple of new Officer positions. What's the significance for NIC of these new Directors and these new Officer positions?

Barlow: Yes, we are excited about the NIC Board and the new Directors. The Board selected five new Directors with the following thoughts in mind: To achieve strategic objectives; meet current market conditions; mentor the next generation of industry leaders; attain diversity, equity, and inclusion goals; and reflect the skill set of the retiring board members.

The new Board members include:

- **Bre Grubbs**, Partner & Chief Strategy Officer, Leisure Care;
- **Vikas Gupta**, Senior Vice President of Acquisitions and Development, Omega Healthcare Investors, Inc.;
- **Sevy Petras**, Co-founder and CEO, Priority Life Care;



The banner features the NIC Academy logo at the top, followed by the text "2023 Senior Housing BOOT CAMP" in large, bold letters. Below this, it says "Minneapolis, MN | Sept. 27". A prominent blue button with white text says "Register Now". The bottom portion of the banner shows a photograph of a group of people in a professional setting, likely attending a conference or boot camp.

- **Kathy Ryser**, Director, Freddie Mac; and
- **Aron Will**, Vice Chairman and Co-head National Senior Housing, CBRE Capital Markets.

In addition to myself as Chair, the new Executive Committee Officers include:

- Vice Chair, Strategy, **Fee Stubblefield**, Founder and CEO, The Springs Living;
- Vice Chair, Communications, **Ken Segarnick**, Chief Corporate Officer, Brandywine Living;
- Secretary **John Rijos**, Co-founding Operating Partner, CEO of CPF Living Communities;
- Assistant Secretary, **Bre Grubbs**;
- Treasurer **Imran Javaid**, Managing Director, BMO Harris Bank; and
- Assistant Treasurer, **Aron Will**.

Though we previously have had one Vice Chair, we now have two Vice Chairs given our new strategic plan and our ambitious goals. As Vice Chair of Communications, Ken Segarnick will work with Ray and the staff focusing on successful implementation of the plan. With Ken’s passion for NIC’s role as a thought leader and his interest in the strategic plan and appropriately positioning and promoting NIC, this is an excellent role for him. Fee Stubblefield is a strong advocate for operators and aligning the interests of capital providers and operators and will be an excellent Vice Chair of Strategic Initiatives. John Rijos, Secretary, and Imran Javaid, Treasurer, will continue to bring experienced, industry veteran perspective to the Executive Committee. Bre Grubbs is a rising leader with a long history of engagement with NIC and strong network with the emerging leaders. We will ask her to develop recommendations for potential board members and members of the Standing Committees. Aron Will is also a leader of the next generation and has a solid understanding of current conditions in the capital markets. His presence on the Executive Committee will be valuable during these uncertain times. I also want to point out that Imran, Bre, and Aron are all alums of NIC’s Future Leaders Council (FLC). The FLC is really impactful to bring up new leaders.

Harry: Before we conclude, is there anything else that you’d like to share or highlight?

Barlow: Yes, I would like to encourage all passionate, senior living industry professionals to familiarize yourself with NIC’s Five Focus Areas (partnering for health, capital for operations, the middle market, AgeTech, and the active adult sector), and if one of them appeals to you, reach out to a member of the Board or staff to ask how you can get involved. There is a lot to do, and your passion can help change the industry.



A Tale of Two Hearts, Two Hands, and Two Directions

By **Beth Mace**, Consultant and Special Advisor, NIC



I have mixed emotions as I write this article announcing that I will be transitioning my role at NIC. After nine years of being on the staff as NIC's Chief Economist and a comparable number of years being involved with NIC in various roles including being a member of the Board of Directors and the Chair of the Research Committee, I will be stepping back to spend more time on other activities. That said, I am not entirely stepping back! I will now be a consultant and special advisor to NIC focused on monitoring and reporting changes in the economy and the capital markets that impact the senior housing and care investments and operations.

Two Hands. As an economist, with two hands of course, on one hand I am excited about this change as it will provide me time to enjoy many other interests and passions. On the other hand, I can't entirely walk away from the passion that has consumed me for nearly 20 years—helping to support those that directly and indirectly provide care and housing options to America's older adults in the senior living industry.

I have truly loved my professional career, especially the many years devoted to the senior housing industry. I have watched senior housing grow into an acceptable institutional investable asset class, participated in improving the understanding of the sector—both its challenges and its opportunities, and assisted in creating and growing the first market fundamentals database—NIC MAP®—that started in 2005.

Importantly, I have helped shine a spotlight on the need to provide housing and care options for older adults and highlighted this need for the largely underserved middle-income cohort. I was privileged to co-author **["The Forgotten Middle: Many Middle-Income Seniors Will Have Insufficient Resources For Housing and Health Care,"](#)** published by the leading health policy journal Health Affairs. This groundbreaking research defined the "middle market" for senior housing and care and has been the subject of dozens of news stories, opinion pieces, and panel discussions.

This is a topic that will certainly not go away, and NIC will continue to focus on this critical matter for years to come as evidenced by its importance in NIC's recently adopted 5-year Strategic Plan (see the interview with Susan Barlow in this newsletter for details). As I write this article, my colleagues are putting together case studies that carefully describe businesses that have had successful implementations of projects that serve the Forgotten Middle. In addition, NIC is funding important research initiatives with the **[Milken Institute](#)** and the **[Joint Center for Housing at Harvard University](#)**.

Thank you, and you, and you. I have also had the honor to grow and lead NIC's well-regarded and respected Research & Analytics group. We have generated some amazing reports, commentaries, and analyses over many years. The NIC website, **www.nic.org**, provides access to many reports including white papers on the emerging active adult property type, labor market conditions, projections of future

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supply and demand, and the seminal [NIC Investment Guide](#). Our content is often picked up by the media, after it has initially been released as a blog on [NIC Notes](#) or as an article in the [NIC Insider Newsletter](#). Over the years within the Insider, we have interviewed industry leaders and icons, done deep dives on specific geographies, assessed occupancy conditions, dug into innovative ideas to address labor shortages, and featured best-in-class articles from members of NIC's [Future Leaders Council](#) (FLC).

A big shout out to all the Research & Analytics team including Ryan Brooks, Caroline Clapp, Bill Kauffman, Omar Zahraoui, and of course my partner in much of this work, Chuck Harry, NIC's Chief Operating Officer. And a big welcome to Yitao Luo and Karan Shah who have just joined the team and promise to be significant contributors to deep and important data-driven insights. And thanks to Lana Peck and Anne Standish who contributed much to the NIC Research & Analytics team in their many years of service at NIC.

And a shout out to NIC's awesome marketing and communications team led by Laurie Tomko, who works alongside Kathy Belleville, Michael Le, Darren Jasieniecki, Leigh Anna Geraghty, and Rebeca Ahumada. And a special shout out to Cathy MacKenzie who has always supported me with great enthusiasm and professional excellence. And huge appreciation to other members of the corporate support staff including Becky Bowen, IT engineer extraordinaire, Rose Phillips, Cheryl Hills, Carla Burt and of course Priscilla Hammett, who directs NIC's Finance and Administration team.

Over the years, I have also had the honor of presenting at many of NIC's conferences, hosting the NIC Chats podcast, and participating in industry and other Board of Directors' meetings. NIC's conferences are the best, as anyone reading this blog can attest to. If you have not attended one, don't miss [the next one taking place October 23rd to 25th in Chicago](#). It's also very exciting that NIC will be hosting its inaugural [Data & Analytics conference](#) on September 27th and 28th in Minneapolis. Kudos to Jill Blimline, Ashley Hurst, Jessica Pearce, Serena Lipton, Staci Goff, Jamie Bruchey, Katie Anderson, and other NIC staff team members for making these events shine with incredible execution and rich content. And I would be negligent not to mention Debbie Cohen who worked for many years supporting extraordinary content and its delivery. And, of course, thank you to the many, many volunteers that support, help create and provide robust subject matter for the conferences as well.

And lastly, thank you to the NIC Board of Directors and the NIC leadership team led by Ray Braun and formerly Brian Jurutka for providing me the opportunity to work alongside you to help co-create an awesome, effective and meaningful organization in which to work. The NIC Board deserves herculean recognition in its steadfast, deliberate, passionate guidance. Currently led by Susan Barlow, recently led by Kurt Read, preceded by Brad Razook, John Moore, Randy Richardson, Kevin McMeen, Kathy Sweeney, and Ray Braun (yes, he was formerly the Chair of the NIC Board!), it is a mighty leadership team indeed. The mission of NIC is a special one, and I feel honored to have participated in its execution.



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I have had the privilege of meeting so many industry leaders and have learned much and am in awe of the work you and your organizations do for older adults. Volunteer leadership is what makes NIC able to execute its mission—thank you! It is truly an industry where you can do well by doing good.

And a special thanks to Bob Kramer, founder of NIC, who hired me and provided me with a vision into which to grow, a platform from which to work, and the enthusiasm and excitement that matches no other person that I have ever known.

And lastly, thank all of you reading this article and all the many stakeholders associated with the senior housing industry broadly and NIC more specifically. Your passion to serve America's older adults is a privilege to witness. This refers to all of you, be it the finance side of the shop, the operations, the care provision, and the well-wishers too.

Looking Ahead. Today is an exciting time for the industry with the baby boomers (finally) almost at our doorstep! Hence, I'm not entirely going away!

However, today's turbulent capital market conditions are causing disruption in our industry. Higher debt costs have come at a difficult time for many borrowers, especially those senior housing operators who are still fighting to recover to pre-pandemic levels of occupancy—one third of operators in the NIC MAP Primary Markets have occupancy levels below 80%. Cash flows have already been hampered by rising costs associated with limited labor pools (such as average hourly earnings for assisted living employees were 6% higher than year-earlier levels in March 2023, although this does mark a significant slowdown from the 10% pace seen one-year earlier), rising food and energy costs, escalating insurance rates, and revenue growth that still has room for further recovery.

Transactions Stall. There are other consequences to the changing interest environment including the impact higher rates are having on transaction volumes, cap rates, and property valuations. The transactions market today is highly illiquid, with few transactions occurring and price transparency opaque at best. In the first quarter, transactions volumes for the senior housing and care sector fell below \$800 million according to preliminary data from NIC MAP Vision, a first-quarter pace well below that of any recent prior year. Bid-ask spreads remain wide as the reality of today's markets becomes fully understood. It's a bit of a waiting game as sellers remain on the sidelines to see where pricing stands and as buyers wait on the sidelines because they do not want to take a negative valuation adjustment once they purchase an asset.

Property values are falling, whether measured by lower prices per unit or by higher cap rates. Private sector appreciation returns are slipping, and publicly traded REIT values, which are often a preview into the private sector, fell sharply in 2022 and from year-earlier levels in the first quarter of 2023.

When Will it All Change? The question is when will markets stabilize and what must happen for this to occur. And this is the area that I will focus on in my new role as special advisor.

I will continue to do what I have done for NIC since I was hired. I will monitor the economy and market conditions and try to the best of my ability to get ahead of it, understand it, and inform NIC's stakeholders. It's my passion. I love tracking current trends, listening to others, and processing information in a way that makes sense of the many data points and views that exist. My job will continue to be keeping you all informed about how today's market conditions affect our sector and your businesses. I will strive to highlight emerging trends and opportunities.

And I will continue to work with the powerful NIC team and look forward to additional collaborations with them and the amazing base of volunteers that work side by side with the small but mighty NIC staff. While there may be near-term capital market challenges, the long-term view for the senior housing and care sector is compelling and bright, and the services provided by the sector are very much needed and in demand.

And with that, I welcome your comments and thoughts. Finally, let's stay in touch!

Most humbly,



Beth Mace



Driving the Future, With Data

In the ever-evolving landscape of senior living and skilled nursing, the need to understand data and its interpretation as well as knowing which data is critical and which is simply noise is increasingly important to achieve business success. Technology continuously brings change into how data can be used for effective decision making, and the rapid development of today's artificial intelligence applications may prove to be unparalleled.

With this in mind, NIC is launching its inaugural **Data & Analytics Conference** to be held on Wednesday, September 27 and Thursday, September 28 at the Minneapolis Marriott City Center. We hope you or members of your team can join us!

This groundbreaking learning symposium aims to bring together data analysts, investment specialists, industry experts, and other data and analytics professionals for a day of informative discussions and consequential networking opportunities.

At the NIC Data & Analytics Conference, attendees will learn about new data sources, how analysts choose which data sources are vital to their business operations, how to filter relevant and pertinent data for decision makers including dashboards, and ground-breaking artificial intelligence applications. In addition, conference attendees will hear leaders in the industry talk about the data and analytics they use to address among the most relevant business topics today including buy versus build investment decisions, the incorporation of value-based care into business operations, capital market trends and lending conditions, labor market availability, and emerging workforce and resident demographic patterns.

Senior Living Demographic Trends

Renowned demographer **Ken Gronbach** will share his insights into relevant trends that will affect demand projections for senior housing. His provocative comments will cause you to stop, think, and consider comments and points of views that you probably have long held. His entertaining style and interesting viewpoints will provide fodder for you and your business colleagues for insightful conversations as you gear up to serve tomorrow's baby boomer consumer. These insights will help you make data-driven decisions that align with the changing needs and preferences of the aging population.

Artificial Intelligence Applications in Senior Living

Artificial intelligence is revolutionizing informed decision making in the senior living industry. Groundbreaking trends in large language models are transforming the industry's data infrastructure. Arick Morton, CEO of NIC MAP Vision, will provide a thought-provoking presentation that will explain and explore how artificial intelligence has the potential to enhance decision-making processes, improve operational efficiencies, and drive innovative thinking to address many of the challenges facing the senior housing and skilled nursing sectors today.

Unlocking Demographic Insights: Workforce and Resident Trends

Leading subject matter experts Kim Lear, founder of Inlay Insights; Myra Norton, president and CEO of Arena; and Sevy Petras, founder and CEO of Priority Life Care, LLC; will deliver an engaging and informative discussion that explores intergenerational workforce dynamics and resident trends. Their expertise and deep understanding of analytics will provide attendees with data-driven insights, empowering analysts to make informed decisions and drive strategic initiatives.

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Driving Business Intelligence: Informing Executives and Teams

Transforming data insights into action, exploring the power of data, and embracing the next generation of data requirements will be discussed during this session led by Lynne Katzmann PhD, CEO and founder of Juniper Communities, and Molly Hawker, team lead, senior IQ for Senior Living with Yardi. Among the topics to be discussed will be the need to collect and present new relevant health care data and financial outcomes metrics to move the industry forward. In addition, examples of dashboards used for informing senior management teams as well as broader regional staff about relevant and important performance measurements over time against that of their own organizations as well as competitor groups.

Unleashing Predictive Analytics: Optimize Capital Market Values

With turbulent capital market conditions, data optimization is essential. Hear how capital market participants are using predictive analytics to better understand changing capital market environments and how to maximize value. The subject matter experts in this session will provide insights using data and identify historical correlations in operations to optimize operations and drive value.

Buy vs. Sell

This learning forum will include interactive discussions utilizing a buy-versus-sell property case study from the perspectives of both an owner and a potential buyer. Participants will join a facilitated discussion after hearing an overview on data availability and underwriting methodologies from Justin Hutchens, chief investment officer of Ventas. In these smaller group discussions, attendees will use the case study to determine whether as an owner to either hold or sell an existing property or as a buyer to pursue or forego a property acquisition. Discussions will address the importance of using data analysis to inform investment decisions, including understanding the impacts of financing costs, rent growth projections, and numerous other factors.

Join like-minded data and analytic peers on September 27 and 28 in Minneapolis, Minnesota, and be part of the groundbreaking event that will shape the future of senior living data and analytics through impactful and strategic discussions. Space is limited; be sure to register now to secure your spot!

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Is the Recovery Here Yet?

Popular NIC Leadership Huddles return to explore the answer and provide insights.

No pain, no gain.

The familiar catch phrase might apply to today's bifurcated senior housing and care market. Fundamentals are gradually improving, but the rapid rise in interest rates has dramatically worsened the availability of capital and debt.

So, when will the market see more gain than pain?

NIC recently hosted three complimentary Leadership Huddle webinars to address that question. The popular sessions were led by NIC Special Advisor, and former Chief Economist, Beth Mace. "We put current trends in context," she said. "Powerful insights can help tell us where the market is headed."

The webinars covered three topic areas: current market fundamentals; the stakeholder's view; and assessments from top researchers. What follows are key highlights from each session.

Webinar #1: NIC Blue Book

In early May, Mace presented the NIC Blue Book, a deep dive on senior housing market fundamentals through the first quarter of 2023. The highly detailed presentation included insights—backed by data—on the wider economy, senior housing occupancies, construction starts, labor trends, rents, transaction activity and valuations. NIC Chief Operating Officer Chuck Harry moderated the session which included real-time audience questions. Here are some noteworthy trends:

- **Rising interest rates.** The Federal Reserve has raised interest rates quickly to curb inflation. GDP growth decelerated in the first quarter to 1.1%, and inflation slowed to about 4%. But more rate hikes are expected.
- **Recession fears.** A survey of economists by the Wall Street Journal shows that 61% of economists believe there will be a recession in the next 12 months. "The good news is that a recession is expected to be fairly mild," said Mace.
- **Senior housing labor market improves.** The labor markets have remained strong, but layoffs are on the upswing. A positive sign is that total employment and jobs in assisted living are above the prior peak. The use of agency workers is declining.
- **Consumer demand strengthens.** The number of occupied units for senior housing is as high as it has ever been in the Primary Markets. Though the average occupancy rate is still below prepandemic levels, 38% of Primary Market properties had occupancies above 90%.
- **Banking challenges.** A series of regional bank failures has pressured lending activity. Roughly \$10 billion in senior housing loans are due in 2023-2024 just as the cost of capital is higher and fewer lenders are making loans.
- **Transactions slow.** In the first quarter of 2023, transactions totaled just \$800 million. "Businesses are waiting on the sidelines," said Mace, adding



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that valuations are hard to gauge with so few deals taking place. Webinar participants expect transaction volume for 2023 to total less than half of 2022 volume.

Webinar # 2: The New Reality

The second NIC Leadership Huddle addressed current markets trends affecting senior housing. Active industry stakeholders participated, including Steve Blazejewski, managing director at asset management firm PGIM; Kris Woolley, founder and CEO at Avista Senior Living; and Aron Will, vice chairman, CBRE Capital Markets.

Providing context, Mace presented data on current economic conditions and industry fundamentals. Key takeaways include:

- **Financing roadblocks.** “It’s incredibly inefficient to finance something,” said panelist Will. A large slice of equity capital has returned to the market, but debt financing is difficult to secure. The general slump in commercial real estate is having a spillover effect on senior housing, Blazejewski noted. “Nothing is transacting.”
- **Troubled properties.** Blazejewski expects write-downs, loan covenant modifications, and property sales at lower prices. Banks are already asking equity providers to put in more capital to finance loans. Opportunities could emerge for investors with capital to buy loans. Avista is fielding more inquiries about management assignments from institutional owners with troubled properties. A reset in valuations could provide an opportunity for operators to seek some form of ownership, said Woolley. “The market is creating a much deeper bench of mid-sized, regional operators.”
- **Pandemic recedes, rents rise.** From an operator’s perspective, Woolley expressed a big sense of relief. “It feels a lot better today,” he said. “COVID was just overwhelming.” His staff of 1,100 is in a better frame of mind, and reliance on expensive staffing agencies has decreased dramatically.

Overall, annual rent growth recently topped 5%. “That’s a remarkable statistic,” said Will. “The resilience of this asset makes it a shining star.”

Webinar #3: “Cycle Tested” Researchers Weigh In

The third NIC Leadership Huddle of 2023 spotlighted two top real estate investment researchers: Rick Brace, director at AEW Capital; and Mary Ludgin, head of global research at Heitman.

NIC’s Mace kicked off the discussion by noting that both researchers are “cycle tested.” They’ve been through the ups and downs of the commercial real estate market earning them valuable perspectives.

Here are some of their comments:

- **Slowdown likely.** Both researchers were in agreement with previous webinar panelists that an economic slowdown is likely. Except for the office sector, commercial property markets are broadly in good shape, according to Ludgin, though valuations are expected to fall.



The image is a promotional graphic for a webinar. At the top, it features the NIC Academy logo, which consists of a stylized 'V' shape made of three colored lines (blue, green, yellow) above the text 'NIC Academy'. Below the logo, the text '2023 Skilled Nursing BOOT CAMP' is displayed in white on a blue background. Underneath that, 'Chicago, IL | October, 25' is written in white on a dark blue background. A prominent green button with white text says 'Register Now'. Below the button is a photograph of a group of people sitting at round tables in a conference room, facing a screen at the front of the room. A name tag on one of the tables reads 'TANGO'.

- **This is not 2007-2008.** The global financial crisis started as a housing downturn followed by a banking meltdown. “We are not seeing that,” said Ludgin. However, Brace said the rapid rise of interest rates has given borrowers less wiggle room with lenders.
- **Expect lower returns.** The near-term outlook is for lower returns, but there will be opportunities for higher returns with potentially lower risks. AEW is rolling out its fifth senior housing investment fund. It will initially be less focused on new development. “It’s a little too early,” said Brace. For now, opportunities will be explored in debt platforms, preferred equity, and rescue capital.
- **Operators are key.** Both researchers agreed that an operator with a good track record is essential for any investment opportunity.

So, when will the market see more gain than pain?

The consensus from the three webinars is that the next 12-18 months will be challenging. But after that, the outlook for senior housing is quite bullish. New competition is limited with construction down 54% from its peak. The number of older people who need housing and services is growing quickly. Consumers are more aware of the senior housing product than they were 10 years ago. “The value proposition of senior housing has never been higher,” said Mace.

To watch replays of the complete NIC Leadership Huddle webinar series, [click here](#).



Vision Centre Symposium Addresses Need for More Leaders in Aging Services

Industry and academia collaborate to help build leadership pipelines.

Beryl Bannerman is a good example of the leadership development challenges faced by the aging services industry. She wanted a career where she could help people. The healthcare field was a natural fit that offered great career opportunities. So, she earned bachelor's and master's degrees at Penn State University in healthcare administration. She also completed a summer internship at a retirement community.

When it came time to find a job, however, she hit a roadblock. Potential employers said she had really great qualifications, but she wasn't getting actual job offers. "It's one thing to say there are all these great opportunities, but another to actually offer someone a job," said Bannerman.

Bannerman eventually landed an executive position at senior housing provider HumanGood after attending an innovative industry leadership summit that links recent graduates with job opportunities.

Reflecting on her experience, Bannerman is grateful that she was able to find a resource to help connect her to a great job. But she thinks the industry needs to make it easier for new well-trained graduates to get hired in the aging services industry.

A good start for provider organizations would be to offer more internships and undergo a change in attitude on the years of experience needed to fill certain positions. "We need to step outside the status quo," she said.

Bannerman was part of a panel discussion on career paths at the Vision Centre Symposium recently held in Chicago. The two-day event brought together industry stakeholders and college program representatives working to recruit a new generation of leaders to the aging services industry.

The **Vision Centre's** mission is to foster sustainable academic programs in aging services in partnership with providers to fill the critical need for executive talent as the older population grows.

The effort is backed by major industry groups, including the National Investment Center for Senior Housing & Care (NIC); Argentum; LeadingAge; the American Health Care Association (AHCA); and the American Seniors Housing Association (ASHA). Other supporters include a number of healthcare and academic associations, and colleges and universities.

Higher-ed Programs Expand

Kicking off the symposium, Vision Centre President and CEO Doug Olson said the goal is to develop 25 senior housing and care administrative programs at colleges and universities across the country by 2025 with 1,000 paid, quality internships/



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field experiences. “We are changing the landscape of leadership for senior living,” he said.

The Vision Centre recently launched an online directory of more than 70 college and university programs offering studies in long-term care. The Centre plans a national campaign this fall to help students find field experiences more easily.

Several new university programs have been created and industry outreach continues to various institutions, including the Historically Black Colleges and Universities (HBCUs).

“We have a sense of urgency,” said Vision Centre Board Chair Steve Chies. The 77 million aging baby boomers will need services. “That means our industry will need 250,000 new leaders. The Vision Centre initiative is about creating career opportunities for them,” he noted.

The symposium featured four panel discussions, along with a presentation on women in senior living leadership. Industry leader Bob Kramer offered inspirational concluding remarks. He is Co-founder, Past President and CEO, and current Senior Advisor to NIC, as well as Founder & Fellow at **Nexus Insights**, a think tank advancing the well-being of older adults through innovative models of housing, community, and healthcare. Kramer challenged participants to recognize the great potential of the senior care field which is playing a bigger role in the healthcare continuum. “We are the future,” he said.

Some of the most insightful observations came from the student and early career panel led by Christy Kramer, vice president of student engagement and workforce partnerships at LeadingAge. She asked the panelists about their experiences with the aging services field. Here are some of their comments:

- “Students don’t know about this profession.” Shay VanEyll, student at University of Wisconsin-Eau Claire.
- “We need to show students that the industry is tech smart and that we are not behind the times.” Maggie Holm-Wachholz, director of interim & leadership services, Pathway Health.
- “Schools should have a clear roadmap for a career in aging services.” Alejandro Pepino, graduate student, St. Joseph’s College of Maine.

Prioritizing Diversity

Women and people of color make up a large portion of the industry’s workforce, and diversity of leadership is a big goal. A panel discussion on best practices included representatives from the sector’s major associations and interest groups. “We want to bring down barriers,” said panel moderator, Nancy Swanger, founding director of the Granger Cobb Institute for Senior Living at Washington State University.





Industry groups are diversifying their board membership. For example, the first woman of color was elected in May to the board of the American College of Health Care Administrators (ACHCA). “Progress happens over time,” said ACHCA President and CEO Bob Lane. Meanwhile, the National Association of Home Care & Hospice (NAHC), whose membership is primarily female, recently elected its first male board chair.

Argentum is working to create pipelines of students from communities of color and those who are foreign born. Military spouses represent another group seeking career opportunities. “You have to go where the people are,” said Argentum’s Ashanta Abubakar, vice president of workforce initiatives.

LeadingAge has a major Diversity, Equity, Inclusion and Belonging (DEIB) workforce initiative. It includes summer enrichment and mentorship programs. The group plans to launch a fellowship program with six to eight providers in 2024. “We need to offer jobs,” said Robyn Stone, senior vice president of research at LeadingAge. The American Health Care Association (AHCA) offers a future leader’s program that includes diverse individuals.

Lynne Katzmann, board director at NIC, said the organization’s DEIB efforts have several goals: 1) Ensure that NIC Conference panel discussions include women and people of color; 2) Improve awareness of DEIB throughout the industry; 3) Provide practical guidance on how to recruit diverse talent; and 4) Work with other industry groups to develop a diverse pool of leaders.

Partnerships are Key

A panel of providers discussed how to develop partnerships with colleges and universities. “Building partnerships is a journey,” said Chris Mason, president and CEO at Senior Housing Managers. “It’s a long game.”

The providers agreed that the best approach is to start locally, focusing on schools near the company’s communities. They also agreed that it takes time to build awareness among students, faculty, and administrators.

The most logical partners for a senior living program are the schools of hospitality or healthcare. Providers have used both strategies with success.

Merrill Gardens worked with the school of hospitality at Washington State University. The first class with a major in senior living graduated in 2024. “It took 10 years,” said Tana Gall who has taught classes in the program and is president at Merrill Gardens.

The image shows a promotional banner for the NIC Academy 2023 Skilled Nursing Boot Camp. The banner features the NIC Academy logo at the top, followed by the event title "2023 Skilled Nursing BOOT CAMP" in large, bold letters. Below the title, it specifies the location and date: "Chicago, IL | October, 25". A prominent green button with white text says "Register Now". The bottom portion of the banner shows a photograph of a large conference room with many people seated at round tables, facing a stage area.

NIC executives have also taught at various college programs. Members of NIC's Future Leaders Council are conducting an outreach campaign to the schools they attended to help create new programs. The panelists agreed that outreach to potential students is most effective from recent grads or young executives who can better relate to someone closer to their own age.

Field experiences and internships are important. For example, Illuminus, a Wisconsin-based provider, now offers 41 field experiences for students from the University of Wisconsin-Eau Claire.

The symposium wrapped up with a discussion by representatives of education associations and credentialing entities. They detailed their roles to support academic programs focused on senior living and health administration. The speakers noted that interest in the field is growing quickly both here and overseas because of the aging population worldwide.

In concluding remarks, industry veteran Kramer emphasized three points about the value of the Vision Centre.

1. The Vision Centre raises a positive profile of the industry. "Our profile is too small and too negative," said Kramer. "We should stop being defensive."
2. The Vision Centre connects different partners, universities, and providers alike.
3. The Vision Centre provides needed resources to create educational curriculums and helps to identify industry professionals eager to teach.

Kramer also encouraged executives to mentor others. "Aging services has a huge opportunity," he said. "It's time for us to collaborate to help create the next generation of leaders. It's time to embrace the future."



Investing in Active Adult – The Inherent Allure and Near-Term Hurdles

by James Estes, Director, Investments, Blue Moon Capital Partners LP

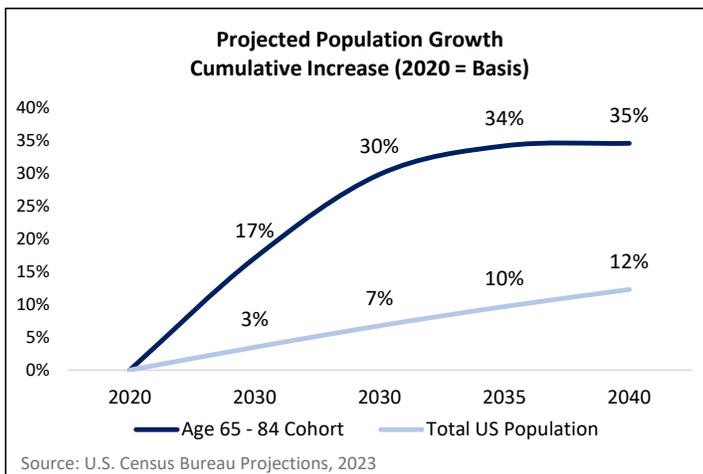
A Compelling Opportunity

It is widely reported that the demographic trends present a strong investment case for senior-based housing. Per U.S. Census Bureau projections, the population cohort within the ages of 65-84 is projected to grow by 30% from 2020 to 2030, compared to the total U.S. population growth of 7% over that period. The growth projections are even greater when including the 85+ year-old cohort, though the 65-84 age range is more reflective of active adult residents. A significant uptick in housing inventory for the country’s aging population will be required across each product type, though there are several factors that make active adult rental properties especially attractive.



James Estes

Active adult rental properties present as somewhat of a blend between independent living and general multifamily, with age restrictions in place but a physical build mirroring traditional apartments with minimal operational components. For those developers and investors that have experience in both areas, this segment presents an intriguing opportunity.



This sentiment was echoed when speaking with Greg Glade, co-founder and principal of MGL Partners, a Denver-based real estate development and investment firm. MGL Partners has developed and acquired over \$1 billion (cost basis) of multifamily rental communities across Colorado over the last two decades, spanning market-rate, affordable, workforce, and senior housing. With a deep expertise in multifamily developments and several successful senior housing projects, Greg expressed his interest in this blooming housing segment.

“First off, from a consumer’s standpoint, I can absolutely understand the attraction to this type of setting. An upscale, apartment setting for healthy, active people in their late 60’s or early 70’s to live alongside alike people is very enticing,” said Greg. “There’s value in the offering for those who are tired of the upkeep



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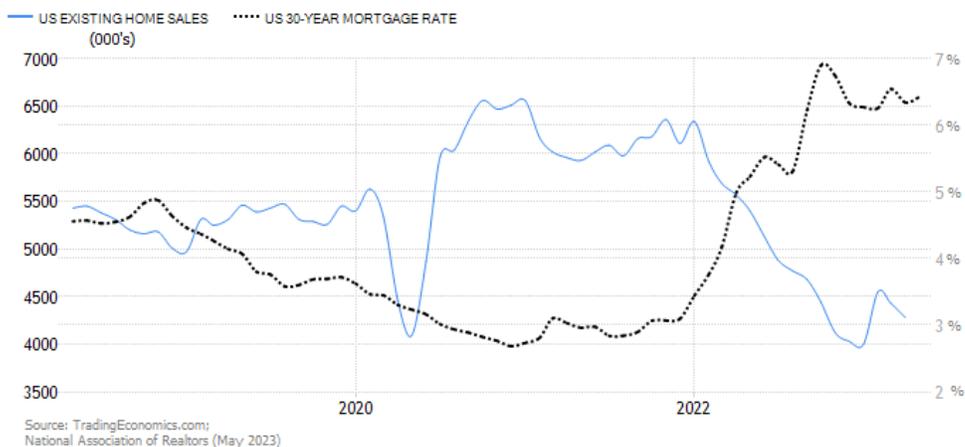
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that comes with homeownership but don't want the loud, 25-year-old neighbor in an apartment building or the acuity in an independent and assisted living community."

Compared to an independent living community that offers a full dining program, housekeeping, programming, and other amenities, the staffing levels in active adult are minimal. This is an appealing aspect unique to this product type, especially given the challenging labor market since the pandemic that's led to outsized wage increases, increased utilization of higher-cost agency staffing when needed, and in turn lower operating margins. "With targeted independent living margins in the 40% or so range, the thought of breaking north of 50-60% range is very alluring," Greg emphasized. "The profitability component is great, but from the developer's/investor's seat, I would say the lack of operational intensity is a differentiator. Taking the operator specialization variable out of the equation makes things far simpler and more scalable – brings it closer to multifamily but specialized towards the growing, older demographic."

Headwinds To Counter

Having just taken a front seat in conversations within the industry, active adult's timing relative to the general investment environment for commercial real estate (CRE) has certainly impacted near-term development plans. With the dramatic rise in interest rates over the last 18 months, CRE development has become far more expensive as rates have more than doubled since 2021. The increased rates have led conversely to the notable decline in home sales, resulting in fewer prospective residents selling their homes for the means to move into other settings.



While the lack of existing supply of active adult rental properties presents as an opportunity, it also reflects the uncertainty and lack of understanding of the product type. Senior housing has been an accepted product for decades, creating an expansive basis of data and information for comparison against transactional measurements (cap rates) and targeted operating metrics (margins). The overall lack of investment track record in active adult rental properties presents the segment as an uncharted territory for most, creating a barrier to entry for many investors who are apprehensive to join the group of first movers into the space.

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The broad gap in total inventory between senior housing and active adult rental properties is evident, however the gap widens further when comparing penetration rates, a measure of a market’s housing inventory for older adults (units) as a percentage of older adults in the market. NIC MAP Vision reported in first quarter of 2023 that the senior housing national penetration rate across all markets was 11.1%, compared to estimates for active adult rental properties ranging from 0.1% - 0.4%. Penetration rates can be interpreted in several ways, though higher rates – assuming comparable occupancy levels – indicate strong product acceptance. With active adult penetration rates dramatically lower, opportunity is presented on the supply side, while the demand, or occupancy levels, will be an important measurement to monitor as data becomes more accessible.

Despite the belief that there is likely strong demand for this product in select markets, Greg Glade outlined the reasoning behind MGL not having invested in the segment just yet. “At the end of the day, there isn’t as much of a precedent set given the lack of supply, at least in the Denver or Colorado market,” Greg admits. “As a niche, newer product, there isn’t much of a basis to go off – seeing the product acceptance realized is key. Assisted living and memory care communities have definitely fought to become more accepted by demonstrating the value proposition. If active adult communities can present themselves as more than ‘apartments for old people’ with an emphasis on the lifestyle aspect, then it is a huge opportunity. We definitely will be keeping an eye on any of these projects that sprout up in Colorado.”

“If active adult communities can present themselves as more than ‘apartments for old people’ with an emphasis on the lifestyle aspect, then it is a huge opportunity”

Greg’s perspective serves as an effective proxy for the larger senior housing investment landscape. While it is impossible to ignore the potential upside in active adult rental properties given the demographic tailwinds and current supply levels, the lack of clarity in product acceptance compared to senior housing has investors inherently cautious. As NIC and NIC MAP Vision continue to enhance data reporting and increase transparency into the segment, active adult rental properties will be a property type actively monitored by many investors, developers, and operators in the coming years.

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Senior Housing & Care Industry Calendar for July 2023

- 7/11-12..... NCREIF Summer Conference 2023 (Chicago, IL)
- 7/11, 13, 18, 20Senior Living Foresight Evolve 2023 (Virtual)
- 7/16-19..... CAHF Summer Conference (San Diego, CA)
- 7/17-19..... LeadingAge Florida's 60th Annual Convention & Exposition (Orlando, FL)
- 7/20.....Senior Housing News BRAIN Memory Care Conference (Washington, DC)
- 7/20-212023 Population Health Management Forum for Payers & Providers (Chicago, IL)
- 7/23-26Center for Innovation Conference, Ready to Impact (Pittsburgh, PA)
- 7/23-27FHCA 2023 Annual Conference & Trade Show (Orlando, FL)
- 7/25ASHA Regional Roundtable (Denver, CO)

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