



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

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**2015**

**INSIDER**

**NEWSLETTER**

**November Issue**



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## In the Insider November 2015 Issue

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- » Does Your Property have the “It” Factor?
- » Registration Opens for 2016 NIC Spring Investment Forum
- » Is Pricing Beginning to Cool the Transactions Market?
- » NIC’s 25th National Conference Inspires First-Time Attendees as New FLC Members Kick Off Inaugural Term
- » Seniors Housing & Care Industry Calendar

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## Does Your Property have the “It” Factor?

### *Torey Riso of Care Investment Trust Discusses the Key Elements of Success*



Torey Riso knows when a property has the “It” factor—the dynamics that make it a winner for residents, employees and investors alike. With deep experience in health care real estate, Riso has served since December 2009 as President and CEO of Care Investment Trust, a seniors housing-focused real estate investment and finance subsidiary of Tiptree Financial Inc.

Riso has been building Care’s current seniors housing portfolio since 2010. The New York-based company owns 24 properties in nine states, offering independent and assisted living, and memory care. NIC recently spoke with Riso about how to create a successful portfolio.

**NIC: Last April, Care Investment Trust purchased 11 properties from the Hollinger Group. What’s your strategy with the properties?**

**Riso:** Based on a number of factors, including geography and facility profile, we divided the properties into two portfolios. The six- property Southeast Portfolio includes properties in South Carolina and Florida. The five- property Mid-Atlantic Portfolio includes properties in Virginia, Maryland, Pennsylvania and New Jersey. We entered into a joint venture with Royal Senior Care for the Southeast Portfolio, and we entered into a lease with Greenfield Senior Living for the Mid-Atlantic Portfolio.

Together with our operating partners, both portfolios are currently undergoing a process designed to evaluate and improve the operations and physical plants of each property. These enhancements will better enable the properties to offer a level of service and care that residents and their families can feel good about for years to come. We have tremendous confidence in Greenfield and Royal, both of whom are exceptional operators with experience in acquiring properties, providing great service and adding value.

**NIC: You’ve talked in the past about the importance of a good operator. What do you look for?**

**Riso:** One of the first things I learned after entering the world of seniors housing was the importance of the role of the operator. An experienced and quality operator is the critical ingredient for success, which for us includes well-satisfied residents, staff members, and investors. I’ve found that the operators most focused on mission and people, together with an eye towards smart business practices, are best able to create and maintain value.

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Greenfield Senior Living is a great example and our partnership with them demonstrates our “relationship” approach to investing. Care initially partnered with Greenfield on a three-property lease transaction, and as the relationship has developed we have subsequently entered into a three-property joint venture and an additional six-property lease. Greenfield cares deeply about the human element of seniors housing as it pursues good business outcomes. The company has a mission-driven culture that focuses on performance and service. They have what I call the seniors housing “It” factor. They understand that creating and maintaining a successful seniors housing property based on caring for people and recognizing that combining the human element with sound business practices is the best path for success. The “It” factor is evident when you walk into any of Greenfield’s buildings. We’re proud of Greenfield’s accomplishments and those of our other operating partners.

#### **NIC: Are you planning to grow your platform?**

**Riso:** We continue to evaluate new opportunities. Over the past several years, we’ve made great progress identifying high-quality operators and partnering with them through structures that are mutually beneficial and that align the interests of both parties.

There is certainly a lot of competition for seniors housing assets and increasing institutional capital entering the space. We find ourselves passing on many opportunities due to price. However, we believe our “relationship” approach and flexibility with transaction structure allows us to continue to source attractive deals.

Whether a single property or a portfolio of several, we continue to evaluate opportunities to expand our relationships and portfolios with our existing operating partners or start new relationships with new, quality operators. What may be an unattractive “one-off” transaction for some may be an opportunity for us to expand an existing relationship in a geographic region where we already have a presence with a partner that knows the local market well.

#### **NIC: What about new construction?**

**Riso:** My view on new construction is that it is something that has to be evaluated on a market-by-market basis and it’s difficult to generalize on a national or even a regional basis. We all know that seniors housing is a local endeavor and new construction may be in the news a lot these days because we’re seeing an increasing level of activity after a prolonged period of limited development. There’s no question that new supply is needed to meet not just the growing number of seniors, but also to meet their changing needs and desires. Industry veterans remember the pain that can come from overbuilding. The macro data suggest development is

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needed, but location and understanding local needs are obviously critical. It also goes without saying, that choosing a quality operator is key to the success of a project.

**NIC: What's the biggest challenge facing investors in the sector today?**

**Riso:** The biggest challenge is maintaining a sharp focus on one of the most important aspects of the seniors housing business—serving people. I'm concerned about certain new entrants to the sector who may be seduced by attractive demographics, investment returns, and large deals in a vacuum. Even though these factors may exist, we can't lose sight of the fact that the industry at its core is about creating good outcomes for people, including the residents and staff members, which, among other things, will drive a more profitable business as residents remain in properties longer and staff turnover is reduced. I believe that the most favorable outcomes will result from combining a focus on this human element, while using sound, disciplined, business judgment whether you're a small regional operator or large Wall Street institution.

**NIC: Do you expect seniors housing and care to continue to perform well?**

**Riso:** I believe that seniors housing and care will remain strong and continue to perform well for many years. That's not to say that the sector will not change. In fact, I strongly believe that the market, consumer, and product will change, but there is an immense opportunity for providers to evolve along with it. There is a unique opportunity in the seniors housing and care sector to bring together strong demographic trends, creative capital, new technology, and intelligent people to assist the sector in evolving to its next stage so that we can better serve a larger number of seniors. And the good news is that we can do this while still providing superior financial returns to investors.

**NIC: You've talked before about affordability. Where do you see opportunities to deliver a product for middle-income elders?**

**Riso:** One of the initiatives that I feel strongly about addressing is providing more affordable options to seniors. We are currently partnered with people in the seniors housing sector that have dedicated years to building and running properties that would be considered more "affordable," including our investment in senior apartments. As the level of new developments increase, we are formulating ideas with our partners to convert existing inventory to serve more seniors at an affordable price point relying on efficiencies, technology, and superior management and programming.

I'm hopeful that we can make significant progress to provide more affordable options to seniors who cannot currently access the existing inventory while continuing to offer the same level of respect and dignity in clean and comfortable properties.

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2016

# NIC Spring Investment Forum

March 9-11, 2016 | Omni Dallas Hotel | Dallas, Texas

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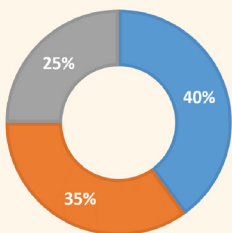
### Capital Connections

A NIC-facilitated networking opportunity designed for capital seekers to meet with select capital providers in a relaxed, non-pressured environment.

### Timely and Actionable Content

- Finding the right capital partner for your growth strategy
- Entering partnerships & going at-risk
- Development and construction trends at the local market level
- Finding the right tools to capture data & demonstrate quality outcomes
- Understanding the impact of interest rates on property values & costs of capital
- Opportunities for AL providers in the new health care continuum
- Rethinking underwriting models as operators create value
- Assessing the investment opportunities in the emerging care continuum

### 2015 Attendee Breakdown



■ Lenders, Investors, Financial Intermediaries  
■ Operators, Developers  
■ Other (Analysts, Brokers, Appraisers, etc.)

78%

OF ATTENDEES ARE  
C-SUITE EXECUTIVES

### What Our Attendees Say

“ For me, who works on the sales side, it's really an opportunity to see a lot of clients in one environment, so it's a cost savings and it's a good opportunity to catch up, find out what's going on in the market and reconnect with old friends and get some business done. ”

“ It's the easiest way to connect with all sorts of people from the industry all in one place, you can meet new operators, catch up with existing relationships that you've had for years, really talk to both capital providers, operators, and the like. ”

“ It's a great place to see my customers, to meet new providers, and to be able to communicate some of the service offerings that we have. ”

“ The NIC conference is very informative and educational. The business is always changing, so we come to continue to find education to keep us on top of all the issues. ”

“ It's a great conference for networking. Very informative to learn more about health care reform on a national level and see how providers are brought into the mix and can help innovate the space as well. ”

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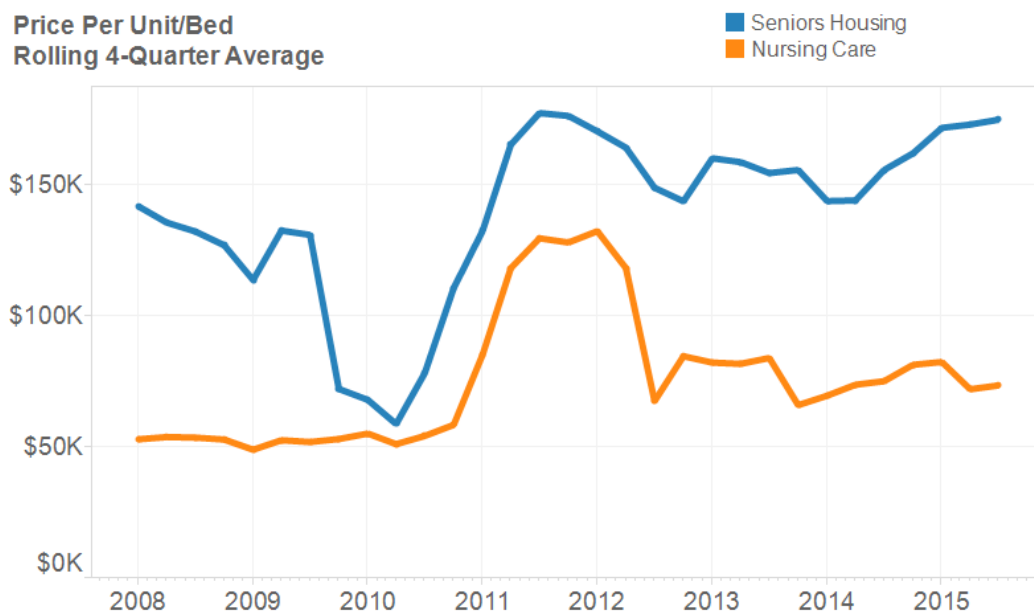
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## Is Pricing Beginning to Cool the Transactions Market?

**Chris McGraw, Senior Research Analyst, NIC**

The transactions market for seniors housing & care may be catching a breather as investors digest increasing prices along with a looming interest rate increase. The publicly traded REITs have begun to cite pricing as a reason for slowing investment activity and while they are likely not alone, it seems to be a burgeoning issue. The data supports the guidance, as the average price per unit for seniors housing climbed to \$175k during the third quarter.

**Price Per Unit/Bed  
Rolling 4-Quarter Average**



Source: NIC MAP Data Service

This doesn't mean the market is grinding to a halt. During the third quarter, closed transactions totaled \$2.3 billion of seniors housing properties and \$1.0 billion of nursing care properties. However, volume has slowed, driven by the absence of larger deals.

Transactions volume of portfolio deals totaled \$2.0 billion during the third quarter, down from \$7.1 billion in the prior quarter, but single properties volume totaled \$1.2 billion—up from \$957 million during the second quarter. As valuations have drifted higher, investors seem to be shying away from larger deals, but the market for one-off properties has remained active.

The direction of where valuations will go continues to be a big question, as expense growth accelerates and new competition enters the market. The pace of NOI growth is likely to be pressured. Coupled with rising interest rates which has traditionally shifted investments into riskier assets, i.e. out of real estate, there is a legitimate case that cap rates could begin to increase soon. Whether these concerns will continue to cool the market, or temporarily stoke it (get out while it's hot) remains uncertain.

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## NIC's 25th National Conference Inspires First-Time Attendees as New FLC Members Kick Off Inaugural Term

Drawing its largest attendance to date, NIC's national conference offered a vibrant and engaging atmosphere for colleagues to connect and explore new business opportunities. Held recently at Gaylord National, National Harbor, Md., the 25th NIC National Conference featured innovative "NIC Talks," vignettes by leading "disruptors" from inside and outside the sector, as well as a seniors housing and care boot camp.

Committed to its mission of leadership, NIC also welcomed eight new members to the Future Leaders Council (FLC) at the conference as the class of 2018. NIC recently caught up with several of the new FLC members to get their impressions of the conference. Here are comments from Justin Skiver, Senior Vice President-Investments, Welltower; Joel Mendes, Senior Vice President, JLL Capital Markets; and Allison Pendroy, Vice President/Director of Asset Management, LCS.

**How did your experience at this year's NIC conference differ from previous years now that you are on the Future Leaders Council?**

**Mendes:** Being a member of the FLC changed how I approached the conference. I looked for opportunities for us to add value to the attendee experience, and sought feedback from other attendees in this regard.

**Skiver:** It was interesting to get to know the history of NIC and what it has meant to the advancement and availability of financing within the seniors housing market. The conference also provided a forum to interact with colleagues and discuss not just new opportunities, but also some of the bigger issues facing our industry.

**What was the most noticeable difference in the attitudes of the attendees at this conference compared to prior years?**

**Mendes:** While most operators reported strong occupancies in their existing portfolios and strong lease-up trajectories in their new buildings, the buzz at the conference appeared to be one of caution. A number of the more seasoned attendees expressed concern regarding over-building, over-paying, and over-lending. However, within this caution, there was optimism that if the market does change, it will be less of a bursting of a bubble and more of a return to normalcy.

**Did the conference make you aware of any market shifts that you had not seen in previous years?**

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Changing  
Seniors  
Health Care  
Model**





**Mendes:** The competitiveness of private investors in seniors housing and care properties was more apparent at this conference than any in recent memory for me. The REITs, in my opinion, while certainly interested in continuing to invest in the space, did not appear to be as eager as the private sources, which was not the case in prior years.

**What presentation or talk at the conference did you find most engaging or interesting?**

**Skiver:** The 12-minute “NIC talks” were the most engaging, particularly Loren Shook’s talk about “Where’s Home”. Caring for seniors with Alzheimer’s and dementia is a pressing issue that deserves more attention and focus worldwide.

**Pendroy:** The “NIC Talks” were incredibly creative and inspiring. I attended Friday morning’s session. “NIC Talks” featured a unique format—from the room furniture layout to the visionary theatrical performances. It is also interesting to get perspectives from those both inside and outside of our industry. The 12-minute segments were the appropriate length of time to capture and hold everyone’s interest. The diversity of presenters and differences in stylistic approach also provided great entertainment. These sessions were focused on the future of seniors housing and presented confirmation of the robust opportunities ahead, including innovations in technology and service delivery. “NIC Talks” didn’t disappoint and lived up to its promise.

**What are you most interested to work on with the Future Leaders Council and what do you hope to accomplish?**

**Mendes:** I am excited to be part of the middle-market senior living initiative and to work with NIC to begin to develop data relevant to delivering seniors housing to this important, and large, demographic.

**Pendroy:** The creativity and drive demonstrated by Future Leaders Council members was inspiring. There was a certain level of excitement and engagement in the room and this energy was fully embodied in our Idea Lab brainstorming session. This rapid-fire idea generation module facilitated strategic discussion on key industry issues and market forces. The ideas captured during our time together will serve as a guide, under the direction of the NIC Oversight Committee, for more thorough study, analysis and reports in the future.

**Skiver:** I would like to be at the forefront of helping to further institutionalize investments in seniors housing. The sector has come so far, driven in large part by NIC.

**To learn more about the FLC, log onto <http://www.nic.org/nic/flc/>**

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## Seniors Housing & Care Industry Calendar

### December 2015:

1-4 ALFA Chief Executive Summit, Scottsdale, AZ

### January 2016:

28-29 ASHA Annual Meeting, Phoenix AZ

### March 2016:

9-11 2016 NIC Spring Investment Forum, Dallas, TX

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