The NIC Bluebook: Current Market Conditions and the Senior Care Industry

Beth Mace:

Thank you for staying until Friday. I'm usually on Fridays. It's a good crowd so far, so that's good. Sometimes we have just a few, but this is good. My name is Beth Mace. I'm the chief economist at NIC. Today, I'm going to give you a presentation that I call my Bluebook. It's called the Bluebook because it's meant to answer your questions related to all things related to seniors housing. So if you're in college, at least older versions of us in the room, you probably had to write out blue books, the younger ones, maybe not. That's the idea of it.

Beth Mace:

In fact, the Federal Reserve has something called the Beige Book, which is a pulling of what it does for all of its regional Federal Reserve Banks across the country. This is kind of our version of that. So before I start, obviously, you guys are here at NIC, so you know what we are, but I don't know if everyone knows that we're actually a 501C3 not for profit organization. Our mission is to enable access and choice for seniors housing through what we do, which is we provide data and analytics, and then we hold events like this. A lot of the comments I'm going to give you today, especially near the end of the presentation, is going to be related to the data that we collect through our NIC map service, which is highlighted here where we have this says 13. We actually have 14 years of data now.

Beth Mace:

I'm looking at Kathy Sweeney because she and I were some of the first ones who worked on it, so that was a while ago now Kathy. It does. This is before the corona virus. I was feeling pretty good about what was going on the economy. I was cautiously optimistic. I'm going to relate my comments to before and then after, because I didn't have time to change the presentation because we put it together a few weeks ago.
Certainly, before the coronavirus hit, I think we were in a pretty good shape in terms of the economy. Now, we've been hit by a significant economic shock, so I'm going to talk to you about that.

Beth Mace:

Before I do that, I'm going to lay out some of the base case of this view of being cautiously optimistic. I think it was John Kennedy and others who said maybe we live in interesting times, and boy, this week has been an interesting week from my point of view at least as an economist in terms of what's happening with the coronavirus, what's happening with the markets, what's happening with the Federal Reserve. We'll get into that. For context, the reason I even want to talk about the economy is because I think that that really does have a significant impact on our sectors, seniors housing.

Beth Mace:

In addition to that, today, I'm going to be talking about demographics. You might all say, "Well, we always knew about demographics," but I'm hoping to give you a little bit different view on demographics. Another big influence is technology. Then the theme of this conference has been healthcare payment and delivery disruption. You've heard a lot about that, so I'm not going to get too much into that, but I will highlight some themes from that as well. Then I'm going to talk about the NIC map data that we collect looking at senior housing market fundamentals for seniors housing as well as skilled nursing.

Beth Mace:

Then for those who are interested, I'm going to go a little bit deeper into one market. It's just a random market. I had chosen Minneapolis to look at what NIC data can actually do in terms of peeling the onion

to get deeper and deeper into a market. The economy, again, this is what I wrote a few weeks ago, cautiously optimistic for now. Little did I realize that for now was then and now here we are now. If I look at the economy, again, this is the before version. When we went into up until two weeks or three weeks ago, there was a lot of discussion that this indeed was the longest economic expansion that we've ever had.

Beth Mace:

Down here, it's highlighted. As of February, it was 128 months. Prior to that, it had been back here in the 1991 expansion of 120 months so 10 years, so we were beyond 10 years. People said, "Well, is that sustainable?" A colleague of mine from a former job I had Mike Acton did an analysis that actually looked at this. We call it the downturn this time. It was really significant, and it took us a long time to get back to that pre-recession job peak. Once we did, in his analysis, he shows that once we got to that point.

Beth Mace:

Then you compare where we are on an expansion now compared to past expensions, we actually had a long way to go to get to the prior expansion after we had gotten to the prior job peak, if that makes sense. In his analysis, it really showed that there was a lot of room left to go in the economy in terms of growth. GDP, this is again how it was. This is looking at GDP growth on a quarterly basis. That was during the period where we had the great recession. You can see we came up but it was a sputtering up and down and up and down. The forecast had been for generally moderate growth through the rest of this year through 2020 and into 2021.

Beth Mace:

For those who remember last year when we talked about this, there was a pretty good chance that we thought there was going to be a recession this year, and especially as the trade war started to heat up, which was a significant amount of pressure on the economy. As a result of that, in a surprising move, the Federal Reserve increased or decreased interest rates, which gave the economy additional legs to last prior to the coronavirus. That's just context. The projection had been for GDP, so keep this in mind. For 2020, it was probably about 1.8%. That would have been down from about 2.3% last year. So we slowed down, but still pretty significant growth.

Beth Mace:

Now, let's look at this because this is important. This is the Fed funds rate chart. This is what the Federal Reserve directly controls in terms of interest rates. If you go back in time, this is prior to the last recession. Prior to the last recession, the Fed funds rate was about five percentage points, because of the great recession, the Fed dropped rates again and again and again, so we dropped rates over that whole period five full percentage points. It went from up here to zero. It was zero for six years. It was an unprecedented time. We've never had interest rates at 0% for that length of time.

Beth Mace:

Now, fast forward to today, and this is what I was talking about that the Federal Reserve back in 2016 started to increase rates. Then you see this drop again. This happened last year in anticipation of what the potential would be for the trade wars, and how it could slow down the overall broad economy. The Fed was acting preemptively, but notice now, with this, I haven't even updated this, but before Monday, this week, the Fed funds rate was about one and a half percent. So if the Fed is going to react and

respond. Here, we had five full percentage points for it to respond. Here, we have at 1.1 and a half. Then earlier this week, they dropped the Fed funds rate by 50 basis points, so we even have that much less maneuvering room.

Beth Mace:

Keep that in mind as I talk about the corona virus in a minute. Let's look at the housing market. This is important for seniors housing, because we think about the people need to sell their homes as they start to get ready to move into seniors housing, and they use a lot of that equity to help them make that purchase decision. That could be the one good news from this coronavirus, because the mortgage rates, the long-term mortgage rates have gone down a lot. Since what's happened this week, they're in about 3.5% according to government data. If you had a mortgage that was maybe 4.5%, which is where it was about a year ago, it would make really good sense for you to refinance your mortgage.

Beth Mace:

If you look at the data, the applications for redoing a mortgage have really soared this week, so in some weird way that this would be one silver lining perhaps for the lower interest rate environment that maybe could have a positive impact on our sector if people are more willing to be able to sell their homes now. The flip side of that is that confidence levels have been zapped by this, so maybe people won't do that, but that would be one positive from what we see with this impact of the coronavirus would be a lower interest rate environment.

Beth Mace:

The outlook prior to coronavirus was generally positive. The Federal Reserve thought it was generally positive. Most economists thought it was generally positive. There were some risks to the economy, but more or less that we will get through 2020 and likely go into 2021 with a decent, strong economy. Now, since the corona virus, this is like fast break, and this has been the most active week I've had in a long time to keep track of all this stuff. Since then, well, this morning, we had a jobs report for February. That was the jobs before the storm so to speak, and that was really strong. It showed 273,000 jobs generated in February.

Beth Mace:

The prior two months have been revised up by 87,000 positions. So we came into 2020 really strong, the unemployment rate actually fell to 3.5%. That's all good from the sense of this economic shock that we're going to feel because at least we're going into the shock from a place of strength. Now, it's anyone's guess how long this will last, but every day, I mean, every minute, you look at your phone. There's another update of some corona virus outbreak somewhere. One of the groups I follow is a group called capital economics. They're looking at two possible scenarios from what we know today.

Beth Mace:

They have a pandemic like the world is falling, where GDP actually drops an entire three percentage points. That would be huge. That would be really significant. That would be a really big recession that would have ramifications for all of us. How could that play out? We're already seeing the effects of what's happened in China, how it's trickled through into our economy through the supply chain networks. We've already seen the impacts its had through drop in tourism. We're seeing and hearing about ships that are outside the LA port down here that are empty or they can't come into port.

Beth Mace:

Or there’s nothing on them. The ships that are over in China, that have nothing on them that are sitting there. We know for sure from... I don't know if you've seen it, but there's pictures now and images of the pollution levels over China. That's actually a good indicator of how much activity goes on or doesn't go on. The sky is actually cleared for two weeks, because there was no pollution, because the plants were totally shut down because people weren't allowed to go to work. Think about that. Some people lost their paychecks for two or three weeks.

Beth Mace:

That alone has a potential to affect our economy because of all the linkages that we have. How would that work? I'm not saying this is going to happen, but this is like a worst case scenario. If I'm in China, and I can't have worked for three weeks, four weeks, I don't get a paycheck. I can't service my debt. That puts stress on the overall financial system in China. China is one of the largest holders of U.S. debt, our long-term bonds. If they decided that they had to start to sell those bonds, the U.S. bonds, because they had to put liquidity into their market, that could feed through into our bond market and really cause chaos in our bond market.

Beth Mace:

I'm not saying that's going to happen, but that's an example of it. Another implication of this could be potentially that people get really spooked, and they look at the supply chains that have gone on around the country and around the globe. They say, "I'm not doing this again. I'm done." They reduce their globalization. They bring their activity closer to home, and the supply chains, the efficiencies that we've created through globalization could get get really harmed. Ultimately, that would lead to a situation of stagflation or minimally inflation, because you wouldn't be going to the lowest cost places to produce goods and services.

Beth Mace:

What we know is that just this morning in the papers, talking about the impact of this on the airline industry, huge. It would be interesting as we all go home to our various places to see how many people are on planes. There's been a lot of empty seats. Maybe we'll get all rows to ourselves. So air transportation. HIMSS Conference was canceled next week, so a lot of conferences that are being canceled. That has an impact on all hotels on accommodation and that think about the convention business and how that ripples through local economies as well. Discretionary spending could be affected pretty significantly.

Beth Mace:

If people start to really freak out, especially in public places, what if you don't go to movies? What if you don't go to dinner? What impact that has by not going out and using retail services? The flip side is we've seen this huge run. I've heard from a few people like Costco can't keep the shelves stocked fast enough runs on toilet paper, runs on water. I couldn't figure out the water piece because I think our faucets are still going to work. The biggest affected sectors probably would be transportation, accommodation, hotels, tourism. Then if the supply chains really start to have an effect, that we can't produce the goods that we normally produce, because we need the parts that are coming from other parts of the world, that could have a pretty significant impact as well.

Beth Mace:

I'm not necessarily saying that. We don't know because we don't know how severe this will be, but we now know as of this morning, there are 100,000 cases of this worldwide. We know that 20 or more states now have had experiences now with the corona virus. LA, Orange County have declared states of emergency largely to get the funds associated with that classification. Just yesterday, an $8 billion spending plan was approved to try to put focus on this. Minimally, money is being used and deflected in different ways than it had been, and that's going to have a ramification on the economy as well.

Beth Mace:

In our industry, the Chinese Center for Disease Control has been looking at... They've got the experience because they've had a lot of illness. They're looking at the coronavirus mortality rate. They found that for 60 to 69 year olds, it was 3.6%. This is Chinese data. Let me just put that as a caveat out there. Sometimes it's accurate. Sometimes it's less. 70 to 79 year olds had a mortality rate of 8%. 80 plus had a mortality rate in the data that they have a 14.5%. That puts our industry at risk. We've seen responses to that. We heard ACA this week came out and really put out a statement about how important it is for hand washing for more than 20 seconds, for different ways if something happens, how to respond to that, emergency plans.

Beth Mace:

I have a document here from Cindy Baier from Brookdale that she sent out to all of her residents, all of her residents' families and their staff. She sent it out to a lot of people in the senior housing industry, on plans that Brookdale is putting in place. ASHA has written letters to Congress about that of that eight billion dollars, a lot of it needs to go and take care of people in our industry, specifically in nursing homes and in seniors housing. It's an alarming situation that we're in. I don't know. I don't want to cause any panic or anything, but I think it's something we have to really be attentive to.

Beth Mace:

For those who are operators, we really need to be paying attention to what systems are in place. I've talked to a lot of operators this week, and everybody, the alarms are raised, and people are doing everything they can to keep people safe as they possibly can. It's a concern because of the environments in which we work. That's the end of that. One other thing I want to say, so in terms of the markets, so the 10 year treasury has never ever, ever been below 1%. This morning as of 10:43 AM, it was 0.7%, 0.7%.

Beth Mace:

For those who follow the yield curve, that means that the yield curve is inverted, which means that based on the market expectations, recession is imminent. The Dow Jones Industrial peaked at 25, excuse me, 29,000. Today, it was at 25,000. It was almost at the new low point that it hit last week. Crude oil prices down today to $42. A year, a year and a half ago, it was $71. We will see a plunge in all commodity prices, because there's no demand. People aren't making things. They're not manufacturing, so the factories that have closed in China, China is the biggest consumer of those raw materials, and that's had a huge impact on oil, on copper, on raw materials.

Beth Mace:

That's going to feed through the economy too. Part of the reason that we've seen a rush or a downturn in the 10 year Treasury is despite all that, U.S. is still considered a safe haven. So people pour their money into here because they trust the dollars in the United States more than they trust elsewhere. In

Germany right now, a comparable 10 year Treasury is yielding negative, negative, negative, -.7%. You're not earning anything. You're paying for the privilege of borrowing money. It's a strange world we live in, right? All right, we'll stop there for a second.

Beth Mace:

Any comments, questions, cries of screams of panic? All right. Back to where the world is not quite as scary, go to senior housing. Actually, this is kind of scary too. This is looking at the wage rates for assisted living. This is data that comes out of the Bureau of Labor Statistics. It's looking at average hourly earnings for those in assisted living relative to what we're getting for asking rates based on NIC data. Up here, you can see it says 6.2%. On a year over year basis, wages have gone up by 6.2% as of the third quarter of 2019.

Beth Mace:

Now, for a while, we weren't seeing that high. We were seeing it in the 3% to 5% range, but operators are telling me that they're seeing it much higher. Now the data is starting to show that at 6%. Depending on where you are in the country, it's worse. Certainly in California, San Francisco with the minimum wage laws, it might even be higher than that. Now, down here is the asking rate growth that we've seen in independent living of 3% and assisted living od 2.5%. These are proxies for expense growth and the proxies for revenue growth is. Wages and salaries account for about 60% of an overall expense load for an operator.

Beth Mace:

So if your expenses, we'll just use this as an example, are growing at 6% and your revenues are growing at 3%, it's not good for your NOI. It's going to squeeze, and we're feeling that and we're seeing that, and a lot of operators are experiencing that and investors are bearing the fruit of that. That is putting the coronavirus issue aside. That's been an alarming issue. In addition to the shortages of labor, which everybody is talking about, the pressure on wage rates has gone up significantly related to the fact that we have a national unemployment rate at 3.5% and in certain parts of the country that unemployment is even less than 3.5%.

Beth Mace:

There is maybe a little bit of good news somewhere. I went through the data from BLS, and looked at the unemployment rate by different age cohorts. There was possible opportunity. This is where the... well, actually as of February now, the unemployment rate is 3.5%. This data is a little bit old, because the data just came out today, but there is this group of 16 to 19 year olds, these high school students that actually do have pretty high unemployment rates relative to what the average is. So this might be an opportunity, if you look at that number, to actually go into high schools.

Beth Mace:

I know a lot of operators are going into high schools and trying to recruit students, and because there's more tracks right now for kids not necessarily going to college, a lot of operators are going into the high schools trying to bring these kids and training them, getting them some experience, and then providing them education opportunities as they go along, so 12.6% for that unemployment rate. The other area that's a little curious is there’s a category that BLS tracks of women residing with one or more family member but not an opposite sex spouse, so not a traditional marriage.

Beth Mace:

That four two versus three and a half, not a huge opportunity, but it might be a way to go out and try to recruit some women, at least at a part time basis to come in. These might be women that are taking care of ill relatives or have dropped out of the workforce or might be looking for a part-time opportunity for jobs. I think businesses are trying to get creative in where they can draw their labor. A lot of businesses now actually are going outside of the workforce trying to bring people back into the labor market. There have been, I think, sessions here.

Beth Mace:

We've been talking about this now for a few years on innovative practices of people, what people are doing. That's the end of my comments on economics. Any questions, comments, concerns? Yes. So demographics and longevity revolution, so this says for those who can't see that, well, actually, it doesn't say anything, does it. I wrote, "We're all focused on aging," and you see a guy reading a newspaper, and everything you see in there is aging. If this is the new 50, what happens at 80? The world's change.

Beth Mace:

Back in the day, you can see who would be typified as if it was a golden girl and now it's JLo. God, help us, right? Better all go out and get on that treadmill really quick. This slide, I know I show this a lot, but there's always good information to glean from this and new information. This is looking at the number of people that are born every year starting in 1909 through today. On the far left here, there are about two and a half billion people that were born in 1909. Then as you follow that, you'll see there was a dip here. That's in the mid 1930s. Then this picks up here. This is the baby boomer group that we're always talking about. Those are the people that were born between 1946 and 1964.

Beth Mace:

Then it falls off. Then it picks up, and it falls off. A lot of those dips, interestingly enough, actually are associated with periods of recession, because when there's a recession, fewer people have babies because they don't think they can afford it. The implications of that drop in birth rates back in the 1930s is affecting us today, because those people are today's residents. If you add 82 to 84 years to those people born in the 1930s, so this is the 80 year olds of today. The good news is that we're past that really, really low point. That happened after the Great Depression because people didn't have children as much, and was starting to pick up.

Beth Mace:

It doesn't really pick up until we get to about 1946 when the baby boomers, so in parentheses, these slide decks should be on your apps, so you can see. In parentheses, I added this time the actual number of people left, who are still alive for each of those generations. Traditionally, we thought for a long time that we served really the greatest generation. Well, there's only 1.7 million of those individuals left. Now, we're working with what's called the silent generation. There's 23 million of those people left. The baby boomers are 72 million or larger.

Beth Mace:

That's why everybody's eyeing this group, because baby boomers are so big. What we do know is that each of those generations has really different... They're not homogenous. They have really different tastes and really different preferences. Even within the baby boomers, that's from 1946 to 1964, there's a lot of variation between somebody who was born in 1946 and 1964. Tastes are different among those

different groups. Another stat that you have heard me talk about is the caregiver ratio. Today in 2020, there are seven adult children for every person who's over 80. An adult child here is considered someone who's 46 to 64.

Beth Mace:

There would be the adult children of the residents of today. Now, you can see that in this chart. These are the adult children now. These are the baby boomers taking care of these people. There's a lot more of these guys compared to this group. By 2030, that seven to one ratio drops to four to one. Now, you can see why that is because these guys become the children of these guys. Here, there were a few. Here, there are more. Here, there are a few. Here, there are more, so there's fewer adult children to take care. It's demographics.

Beth Mace:

As that happens, there are going to be fewer adult children to step up and to take care of their parents. We also know from the middle market study that individuals are less likely to be married with a spouse as they get older. That means that there's going to be less children, fewer children to take care of seniors, as well as fewer spouses to take care of seniors, which that alone to me really suggests and supports the idea and the notion that we really need all the services that we provide, because there's going to be no one to take care of all these older people that have these huge needs.

Audience:

[inaudible 00:25:31].

Beth Mace:

Sure.

Audience:

So [inaudible 00:25:36 - 00:25:54].

Beth Mace:

The question is often when we look at demographic data to do feasibility studies, we don't just look at the straight demographics. We income qualify it. Would this ratio stay the same? I don't know the answer to that actually, but I do know from the middle market study that these numbers held up, because in that, we actually did throw income on the strata. These ratios essentially held up. There were a few people that had spouses and the same issue with children. We didn't do exactly this analysis, but there was an issue that there were fewer children to take care of those seniors as well.

Beth Mace:

This would be one chart to put in your brain as a memory for takeaway, because it tells a lot of stories. It also shows that, again, that 82-year-old won't be... Excuse me, that person that was born in the 1930s will turn 82 in the year 2028. In our middle market study, we actually did the endpoint was 2029. That's just the beginning. It goes to 2046 until that baby boomer, until this group is no longer a senior. We're starting in 2028 and we go to 2046. That's why there's this huge anticipation. It's not just to get to the beginning of it.

Beth Mace:

Once we get to the beginning of it, it's here for a long time. So anyone who's particularly young in this audience, you have a long life ahead of you to take care of all these little people. They're going to be around for a long time. Now, based on this, you can see that if I fast forward that, and I look to see which part of that age cohort is actually the fastest growing, it's the younger group. I break this chart into 75 to 82, 83 to 87, and then 88 plus. You can do this any way. You can slice and dice the numbers any way you want to.

Beth Mace:

The greatest growth really is coming from that 75 to 82 group between now and the year 2025. Between those two year periods is 5.1 million new people that will be between the ages of 75 and 82. That's why you see multifamily developers coming into the sector. That's why you see a lot of active adult interest, because that's the beginning of the baby boomers, and that's trying to figure out the housing that that first cohort needs. If you had more traditional senior housing, which is 83 to 87 or 88 plus, you can see there's growth. That blue bar is growing, and that yellow bar is growing, but not by the same magnitude.

Beth Mace:

That 75 to 82 group is growing by five million people over the next five years. The 83 to 87 is growing by one million, so a fifth as much. The 88 Plus is growing by 400,000. If you're looking nationally and trying to figure out where you're going to put your bets based on demographics, again, it's going to be in the younger core. Now, demographics isn't the whole story, but I think it's important to understand the demographics because there's a lot of people coming in and saying, "It’s all demographics." Well, if you're really working on seniors housing, it's not quite all demographics at least yet.

Beth Mace:

Demographics and the longevity revolution, on the right here, you see there's like a wave here, so silver tsunami or silver wave. Bob Kramer, the former head of NIC, the founder of NIC, really has a problem with the word silver tsunami, because it feels negative. It feels bad, right? It's like, "Oh, God, nobody likes a tsunami." He's been really trying to work to change language to silver wave. This isn't a problem. This isn't a negative. It's a positive. That's true. Well, all of us, I'm sure, in this room think that because this is the group that we always work with.

Beth Mace:

There's a big change. If you change that perception from negative to positive, there's a difference in how you perceive this cohort. The old view of retirement was to go away, disengage, disappear, decline, disconnect. Go play golf. Don't get involved. The new view is more of engage, enrich, experience, enjoy. I think that's the case when I'm going out to properties. People want to be more involved. They don't want to just retire and go away. I mean, people want to relax and maybe take a little stress out of their lives, but they do want to stay involved and commit and get purpose out of their life.

Beth Mace:

There's a woman, Lisa Marsh Ryerson from the AARP. She's starting to change the language of your activities director in your properties to purpose matchmaker, so giving people a reason to want to get up in the morning. There's lots of studies that show... I mean, we see these books all the time like How to Live A Life With Purpose. Well, it doesn't go away just when you retire. People are still interested in

purpose. There's a number of studies now that show, when you have purpose,you actually do in fact live longer.

Beth Mace:

We had a key speaker last year at a NIC talk, a doctor, who did some analysis and found that people can live three to four years longer when they get up in the morning and have some purpose. I think that that is quite true at least in my experience. In addition to what I was showing earlier in terms of the demographics, each generation is different. So the generation that we're moving towards from the silent to the greatest generation to silent generations to baby boomers, they have different beliefs. They have different desires.

Beth Mace:

I know a lot of us are trying to figure out exactly what that desire and what that interest is for that cohort. What are they going to want? We know they're not going to act as their parents did. The baby boomers never have. They've always done something different. That's certainly going to be the case with seniors housing as well. Another influencing factor is technology. Technology is everywhere in the senior housing world and in the seniors world. There's a group if you're not familiar with it called Aging 2.0. They've taken aging in technology, and brought it together.

Beth Mace:

They have chapters around the world of companies that are building technology applications and technology specifically for people who are older, and to help people. They divide those into eight areas. I think it's eight, engagement, there’s that purpose word again, financial wellness, mobility and movement, daily living and lifestyle, caregiving, care coordination, brain health, and end of life. For all of those areas, there's different technologies and different types of research being done.

Beth Mace:

At MIT, there's something called the Age Lab, which is nothing but a group of scientists and professors trying to figure out how they can apply technology as well as they can specifically to aging. I know you can't see this, but this is a group called the Gerontechnologist. They don't have the exact same categories that Aging 2.0 has, but they have a category up here. I know you can't see this, so I'll help you with it, health, and that would include fall detection, vital sign tracking, medication management, wellness, different wellness techniques, different apps that you wear on your wrist, social and communication, cognitive care.

Beth Mace:

They've taken those same categories and slightly re-categorized them, but there's a lot of interest in this and a lot of apps that are being developed to help all of us manage our properties, to help all of us look at systems of big data interpretation. Increasingly, we're collecting mounds of data that are being put together, being analyzed, and then predictive analytics are coming off of it. For example, a number of companies now are collecting data on fall rates. They're tracking how many people fall. When they fall, what time of day do they fall?

Beth Mace:

There are technologies out there to be able to put like an infrared monitor in a person's room. Watch their motion. Watch their movement. If their normal stride is to walk, walk, walk, walk, walk, and one

day they go, walk, walk, they can track that. They have systems now to look at that and say, "Somebody's motion has changed." That could be a predictor of when in fact they might fall, or someone's getting up three times a night, and they usually only get up one time a night. It could be a predictor of a UTI. When you understand that, if you had that information that Mrs. Smith was getting up three times a night, you could go and you could try to see what's going on.

Beth Mace:

Maybe you can prevent a further illness associated with that UTI from occurring. We're hearing a lot about this. It's all HIPAA compliant, and they're tracking it, so your privacy is kept intact. It's pretty remarkable if you could use a predictive analytic technique to really help to determine who your resident is and what their needs are and how they're changing, or standing on a floormat while you're brushing your teeth, a system that's taking blood pressure and measuring your heart rate, so trying to figure out technologies that are not invasive.

Beth Mace:

I went to a conference last week in Boston all about this, and what the people who are in the know on this say that you can't impose a technology especially on a senior that's different, that's making them act differently. It has to be embedded as part of their normal natural day that they normally do. To get them to put on even a watch, and so you have to... They might not be so used to that, but something that's completely innocuous that's tracking their emotion, they're not going to know. They might at first resist because of privacy issue, but once you walk through and talk through that, that might be an application.

Beth Mace:

So to try to figure out something that could help you from a labor saving device, can help you from a predictive analytics point of view from a healthcare and operations point of view, could be a really significant change in our industry, and save us money as well as increased length of stay for some individuals. Robotics on the bottom I'm talking about, that seems a little weird and invasive to a lot of people, but in Japan, where the work issues are even more severe than they are in the United States in terms of having few workers, robotics are use pretty heavily from a...

Beth Mace:

It might be offensive to some, maybe not, but from a companion point of view, from a reminder, this is the time to take your medicine. We have Alexa. We've probably all seen that Saturday Night Live joke story with Alexa on there with the older people, which is pretty funny. Actually, a lot of the uses are pretty helpful for people to be able to talk to their Alexa and say... I wonder if anyone has one in here, and she's going to talk right now, but to use Alexa. There's lots of cool new technologies, I think, that are being used out there.

Beth Mace:

A lot of the themes from this conference have shown the big players, Google, Apple, Amazon are into this market, and they're trying to figure it out. If you have an entrepreneurial part of your body, and you want to go back and figure out some really cool app that's successful, you'llprobably bought out a year or two by one of these big players because they're definitely actively coming into the market. Healthcare and delivery. Just for context remember we're going through like what I think are the big drivers affecting our sector.

Beth Mace:

Economy was first one. Technology, we've talked about, and demographics. The last one is this one, healthcare and delivery models. This has pretty much been the theme of this entire event this last few days. Since the Affordable Care Act, we've seen a significant trend to address how healthcare is delivered and the cost of healthcare. You're seeing the emergence of now cooperation and coordination between Medicare Advantage plans in seniors housing. What was once fee-based, volume-based services are now being consolidated into value-based systems.

Beth Mace:

Their role of their post acute hospital is significantly changing. This leaves a lot of room for seniors housing operators to start to get more involved in this. That level of involvement can change depending on your preference and how you like it, but simply helping with rehabilitation. As your resident comes home out of maybe a hospital, managing or helping with chronic care and helping with clinical care needs, so you can get in or out of this as much as you want. What we do know is that our population has changed. When I first started getting into seniors housing a number of years ago, it was a younger cohort that was in seniors housing without a lot of healthcare needs.

Beth Mace:

The acuity levels now, we all know in our properties has risen dramatically. So we have to address that. One way to do that is to partner, or another way to do it is bring in your own services, but it's something in most instances on the assisted living level, maybe not on the independent living, but that is happening in almost every single property. You can decide just to play the hospitality but then you have to have a plan to be able to move higher acuity residents into some other type of situation.

Beth Mace:

I'll go through this really quickly because again, this is the conference that we're at. On our website, I'm seeing... Will, are you here? Will Marshall. He's not here. Will Marshall who's on our staff at NIC manages this. It's a microsite. It's called senior care collaboration. On there, there are lots and lots of articles.
There's lots of interviews. There's lots of commentary. There's lots of blogs, focusing solely on the care collaboration theme. If you've come to this conference, and it's something that you're not that familiar with, or you want to find out more, or you want to stay on top of it on a regular basis, I would encourage you to go look at this.

Beth Mace:

It's just www.nic.org. You'll see a thing that says blogs, and then there's two blogs that says NIC notes. Then there's care collaboration, and you can go there and you can keep track of this. If you wanted to, it can also be pushed out to you. This side, I know you probably really are sick of this. I think this is like the fifth session that we've had this slide, but it's important, again, especially in the context of what we all do. We've discovered, this was a study that was done by Kaiser.

Beth Mace:

What we've discovered is that healthcare delivery is not the largest determinant of health. Here, we have individual behavior of diet and exercise and that type of thing, and care plan adherence, 40% of your health, and where you live. That's one of the ASHA commons. Where you live matters. Well, in fact, where you live does matter. That affects you as well. Genetics and healthcare itself account for about 40%. Increasingly, that's being acknowledged and recognized, and as a business, we can start to take

advantage of that in the sense of trying to help our residents in terms of their diet, exercise, in terms of where they live and in terms of behavior that they're exhibiting.

Beth Mace:

Those are the trends. Any questions or comments? Yep. I'm gonna plow through, then, strap on…I got another half hour here. Want to get up and do a stretch or? Next up is senior housing market fundamentals. This is based on NIC data that we have through the fourth quarter of 2019, so some big broad trends here. For context, to orient you to the chart, the blue bars here represent inventory growth. The orange bars represent what we call absorption. That's like a demand measure.

Beth Mace:

The green lines and the gray lines represent occupancy. A couple takeaways, on the far right is 2019, so the four quarters aggregated together for inventory growth and for absorption. In the 2019, that orange bar is as high as it's ever been. So demand is strong. It's the strongest it's ever been by this NIC measurements of demand. Specifically, this is based for the 31 largest geographies in the U.S. It's the independent living and assisted living, which includes memory care. That's what we at NIC call senior housing, so independent living, assisted living, and memory care.

Beth Mace:

Most demand for those 31 largest metro areas that we've ever seen. If I look at the blue bar, this is interesting in today's context of potential downturn in the economy. The last time we had a downturn in the economy, we saw a significant drop off in inventory growth. We also saw a significant drop in demand, which caused the occupancy rate to go from 90% to about 87%. Now, here we are over here today. In terms of inventory growth, right after the recession, there's very little capital that existed, so very little money went into development. So we saw this big drop in inventory growth here.

Beth Mace:

Post recession, it started to pick up, pick up, pick up. In 2018, we think it hit a peak, at least for assisted living, maybe not for independent living. We saw a pretty big drop in the overall category of inventory growth in 2019, so demand is strong. Inventory is slowing down. That would be good for market fundamentals if it holds. The absorb... Excuse me, the occupancy rate stayed at about 88%. It's up a little bit from where it was, but at least it started to level off after a number of years of where it was declining.

Beth Mace:

Yep?

Audience:

[inaudible 00:43:19].

Beth Mace:

The question is why did that drop off happen in absorption during the great financial crisis of the recession? It was largely because of independent living. Independent living is more of a choice based. Need-based assisted living held up stronger, and in fact, that's good timing, because I can show you this chart. This is looking at independent living, assisted living and seniors housing. Here you are during the

recession period. This is independent living, so it started at 93%, and it fell to about 87%. Now, assisted living also fell but it didn't start as high, so that decline wasn't as much.

Beth Mace:

Now, post recession, if you follow this line, this is independent living, which is blue. Independent living has not had the same drop as assisted living and stayed at 90%. Assisted living fell down and hit a really low point here of 85.1%. Then it came up to 85.7%. The reason for that is really because of supply growth and inventory growth. In the case of assisted living, people looked at assisted living during the recession and saw that actually it held up pretty well because it's a need based component. So when capital became available again after the recession, a lot of money in development is poured into assisted living.

Beth Mace:

You can see that here. This is looking at the number of units under construction, and then construction as a share of inventory. Assisted living came up. We think it peaked at about 10% back here in late 2017. Today, it's still high, but it is lower at about 7.3% over here. It came up, and the data suggests it's slowing down. Now, this data does get revised, so it can change, but I think the trends are deep enough and long enough that we can say that it peaked. Independent living didn't have the same run up initially, but a lot of capital now has switched into independent living or maybe even independent living light.

Beth Mace:

Maybe the same services aren't being provided, but there's capital going into straight independent living now. So we're starting to see more of a ramp up in independent living. That said, as the share of inventory, this is still 6.2%, and this is still 7.3%. It's still less than independent living, but there's a clear downward trend, we think. Again, this gets revised, but that's what we think is going on there. Any comments on this before I get into skilled nursing?

Beth Mace:

Skilled nursing, so NIC has an initiative that we started in 2010, 2011, that we're tracking number of skilled nursing properties that are being provided directly data from us from the operators that are working in skilled nursing. It's the same thing we do for assisted living, but it's a slightly different sample than what we had. This new sample that I'm going to show you provides us more data than what we had in our traditional NIC map. This is showing for skilled nursing different trends that we see in urban areas versus rural areas.

Beth Mace:

It's showing that back in this period of 2014, the occupancy rates were in the 89 percentage. We had several years of declines in skilled nursing. At a low point, the blue line here is national. It was about 83.1%, and it's picked up. You'll see all these lines are starting to flatten a little bit after years of decline. We're perceiving this as good news that at least well it’s not rising. At least it has stopped its overall decline. When I look at revenue per patient day, this is really interesting because there's four major payers of skilled nursing. There's Medicaid, Medicare, managed Medicare and private pay.

Beth Mace:

Those are the four sources, and they pay very different rates. Starting at the top is Medicare, which pays about $500 a day, $523. Medicare Advantage pays about $431 a day. Private pay is 266. Medicaid is the

lowest payer at $214 a day. Depending on your mix of patients if you own a skilled nursing operator, you're going to have very different revenue streams depending on what proportion of your population group is in your house, is in your property. Look at the Medicare Advantage, the decline. There's been a 16% decline since the data that we've been collecting in 2012.

Beth Mace:

16% decline in Medicare Advantage at that $431 range. It started at $514 when we started to track this data, so a lot of pressure. If you're in a Medicare Advantage plan, a lot of downward pressure in terms of what your daily rates are, and that's part of the advantage. That's why CMS is liking the Medicare Advantage plans because it's a lower cost option. For perspective, Medicare itself, generally flat about $524. It hasn't changed very much. Medicaid has moved up a little bit. It started at 188, and is now at 214. This is important if you're a skilled nursing operator because of the different payer rates here.

Beth Mace:

This chart is showing the share of patient days. Which of those four payer sources is the largest share of patient days? Well, it's Medicaid. It's the highest it's ever been at 67%. Lower is Medicare at 10.7, private at eight, and managed Medicare at 6.3. When I combine those factors of looking at who the largest payers are and what share of patient days they have, we end up here with the share of revenue mix. Medicaid at the top here, because again, it has a larger share of the population and it's got the lowest rates. The share of the revenue mix is about 51%. That's the highest it's ever been.

Beth Mace:

Medicare, even though there's fewer people in the population that are Medicare patients it pays the highest, so it's got 20% share of the overall revenue mix. Managed Medicare is 9.8, but it's growing, and we're seeing managed Medicare more and more as we've been hearing during this whole conference in terms of its impact on seniors housing and on skilled nursing. Then the last point I want to share on this was that there’s significant differences between rural and urban areas in terms of the payer mix. This chart is just one example of looking at Medicaid.

Beth Mace:

In urban areas, Medicaid accounts for about 69% of the patient day mix. In the rural areas, it's about 62%. We've also seen it's not in this chart, but we've looked at the difference between managed Medicare plans. They dominate urban areas. They're much more interested in urban areas, higher concentration of managed Medicare plans. In the private sector, private pay is much more dominant in the rural areas. So there's a difference and there's been a lot of press stories, we talked about this last night, about differences in rural versus urban areas in terms of skilled nursing and in terms of the payer mix.

Beth Mace:

It is significant. There's a lot of pressure in a lot of rural areas for skilled nursing operators to close because of these numbers. If you have a large Medicaid mix that's paying the less amount, it's hard to manage properties under those rates because those rates aren't really covering your costs. Breathe again. Yep, John.

John:

[inaudible 00:51:24 - 00:51:44].

Beth Mace:

The question is why do we see this difference in rates between Medicare and Medicare Advantage? We see that they started the same and a lot more downward pressure. I think your conclusion was right that they're under pressure, and they're squeezing operators and their partners as much as they can. Based on conversations I've heard at this conference, if you're in a Medicare Advantage plan, they're trying to get rid of the extraneous things and trying to hone in on what you actually need, and not put in a lot of extra testing and other services you may not need.

John:

[inaudible 00:52:20].

Beth Mace:

The question is is that an ominous trend? I don't really want to comment on that. At least maybe off the record, but not right now. How many people in this room actually use NIC map data? Alright, so a good number. I'm going to show you a way to look at the data a little bit deeper. My colleague, Lana Peck who's in the back there, she puts some of this data together. So thank you, Lana for helping on this. Specifically, I'm going to look at the West, North, Central Region and then Minneapolis. This chart and the next chart I'm going to show you, I think, if you're trying to select markets, are two of the best charts that I think NIC produces, because it shows you historical time trends of occupancy performance in this case, over time against market.

Beth Mace:

This is telling a whole lot of information. Let me explain it for a second. This is looking at the occupancy range, the highest and lowest occupancy range for these 31 markets from 2005 to the last quarter of 2019, so a long timeframe. Just the length of these blue bars show you that different markets have higher and lower occupancy terms over that 15 year time span. Some markets like New York right here on the left, their volatility and their occupancy rates is really small, in contrast to a market here, like Las Vegas or San Antonio, where that band is huge.

Beth Mace:

If you're underwriting a deal or you're operating a deal, you probably would underwrite it or operate it differently in New York than you would in Las Vegas or San Antonio. When you do your scenario analysis and your business plans and things, you would put different assumptions in, I think, in the markets that are more volatile than the markets that have that smaller bandwidth. That's one takeaway from the chart.
Another takeaway is the orange circle here represents a year ago occupancy, and the blue represents the current occupancy rate.

Beth Mace:

If you just scan this quickly, you'll see mostly orange dots are below the blue dots, meaning that many metropolitan areas have improved in the last year. This chart two years ago wouldn't have been this way. It would have been the opposite of that, so a lot of markets are improving. Again, this is for seniors housing, so again, IL and AL. That's one takeaway. This is the metro average. That's the 88% that we talked about before. There are 16 markets over here that have greater, better higher occupancy rates than the average. Then 15 that are less.

Beth Mace:

There are some markets that still are at rock bottom. This blue right here, this is Atlanta. Keep that in mind. I'm going to show you something more about Atlanta in a minute. That's at an all time low. Flip side over here, San Jose, all time high. You can't just paint a broad brush on the industry to say the market is this or the market is that. It varies a lot. If you look at the difference in those occupancy rates, over 95% in San Jose, first of all, there's very few other markets that even ever make 95%.

Beth Mace:

Then over here, Houston or Atlanta, they're at 82% or 83%. So you have a 12 to 13 percentage point difference between the best and the worst occupied markets in the country. That's huge. If I'm in Atlanta on the right versus San Jose on the left, I'm going to behave differently. When I'm looking at rents, is it a buyers market or a seller's market? If I'm in San Jose, and I'm the landlord, then I have the leeway to increase my rents, because there's a lot fewer options because the occupancy rates are high. If I'm in Atlanta, not so much.

Beth Mace:

In fact, our data, our actual rates data, so those who don't know, we have a project going on right now. We're collecting from operators' actual rates. So we know that there's asking rates, which we normally report on, but we know that that may not necessarily be what people are paying. We have actual rates. So actual rates, we're getting directly from operators with their rent rolls, and it's a big ordeal process. If you're an operator and you want to contribute, we really appreciate it. Plug. Plug.

Beth Mace:

What we saw is that we have three metropolitan areas that we have data for now. Atlanta is one of those markets, and had two months of concession off of its asking rates versus the national which is one month. Well, that's not surprising when you see that Atlanta's got the lowest occupancy rate in the country or among the lowest occupancy rates. They're buying occupancy. Even when they're buying occupancy, they're not buying occupancy all that well. Even with their two months of concession, so that market is very stressed.

Audience:

[inaudible 00:57:25].

Beth Mace:

Well, Atlanta is I would say a lot of the South, Southeast Texas as well have much lower barriers to entry than, say, a West Coast market like a San Jose. There is a lot of development that's going on. It's not just for seniors housing. It's for all areas. They're pro-development. They're much more pro development than is the Northeast, easier to get something entitled. They also are the... It's a growth market. It's got a lot of population that's coming into it, so some of that development is actually responding to the fact that its population is strong and its overall economy is relatively strong too.

Beth Mace:

It's somewhat of an imbalance, because it's all come on. Eventually, because of the demand in the market, it will get picked up. A lot of adult children move to Atlanta because of the job opportunities. So they're bringing their parents along. Can you wait one second, Steve? Don't stick your tongue out. That's one really important chart, I think, during market selection. This chart can be done for all the markets. We are just showing you the 31. I know you can't quite see it in the back, but this is looking at

construction. So you need to look at demand, and you need to look at construction, and then you put that together to get the occupancy rates.

Beth Mace:

For orientation, this is looking at construction as a share of inventory. If it's blue, it means there's very little construction activity occurring. The 31 markets are down here on the left. If it's red, it means that up to 22% of your inventory is under construction. That's a lot. Then if you look, you'll see first of all big blue patches in the middle. That was during the Great Recession, again, very little construction that went on across the country. Then as things picked up, 2014, '15, '16, you'll see there are areas that are red. That means there is a lot of construction.

Beth Mace:

If I look most, there's Atlanta. Red. Red. Red. A lot of red in Atlanta. There are some other markets. Denver, a lot of red. Houston, lots of red. If you go to Texas, always a lot of red markets in the Texas markets. When I combine that with the prior chart of looking at occupancy and looking at the history of occupancy, and then comparing that with supply, it tells a lot of information. This shows two charts. If you need to go away with three ideas for charts, it would be that demographic chart and then I think these two charts for trying to figure out market selection type concepts.

Beth Mace:

I did want to focus on Minneapolis for a second. Minneapolis is right here. It was blue, blue, blue, a little bit of red, little pink, and light blue, and then at the end. Minneapolis is a really interesting market. Minneapolis is one of the highest penetration rates in the country. Penetration rate is looking at the amount of inventory relative to the population of over... excuse me, relative to the households over 75 years of age, 22%, one of the highest in the country. We're trying to figure it out quite frankly, and why it has such a high penetration rate. I'm happy for any ideas you have about it.

Beth Mace:

By contrast, the U.S. penetration rate is about 11%, so 11% of households over 75 are in seniors housing. Portland, Oregon, 22%. Then on the lowest side is Miami, 7.5%, and New York, which is 4.5%, so very different penetration rates. What that means is very different levels of acceptance of seniors housing in those markets. Some of it is cultural, I think. Some of it is the dominance of an operator. Some of it is the reputation of an operator. Some of it is the concentration of not for profits, so the host of factors that we're trying to do research on this, because I get this question all the time.

Beth Mace:

It's interesting. At its peak, construction in Minneapolis was about 10%, yet its occupancy rate, which is... Oops, sorry. Its occupancy rate, it's right here. Its occupancy rate didn't vary very much. It's the sixth highest occupied market in the country and it has been, so high penetration rate, high occupancy rate, moderate levels of construction tapered off, more now. What's going on there? I don't have the full answer. If you have some ideas, pass them up. Then as a comparison, again, now, this part is just illustrative of what you can do with the NIC map data or what we can help you do if you want us to.

Beth Mace:

This is looking at by region. Most of the time, we've been talking about by the nation. This is by region, and this is specifically looking at the six metropolitan areas, the largest six metropolitan areas

that we track in the West North Central Region. In the case, again, we're focusing on Minneapolis. I know you can't see this too well the back, but Minneapolis is the largest market in the West North Central. It's got the sixth highest occupancy rate among those 31. It's got moderate construction activity, again, high penetration rates, and it's relatively affordable.

Beth Mace:

A couple takeaways on the west and west central more broadly, the national rate is 87.9%. Every market except Kansas City, which had a construction boom a while ago, every market is higher than the national average in the West North Central region. Interesting. This is looking at within the West North Central specifically. Have you ever wondered which does better for profit or not for profit properties? We can help you. Not for profit properties you can see here, for profit... Excuse me, for profit here, and not for profit in this column. What we know is that for profit takes up a much bigger share.

Beth Mace:

It's about 75% of the overall number of properties, but 61% of the overall inventory, and the for profits have lower... Excuse me, the for profits have lower occupancy rates, higher rents, weaker rent growth, and greater penetration. That's interesting, because we get that question sometimes. Payment types, which you can dig through our data too, entrance fee versus for rent, much more rental than entrance fee. What we find is that entrance fee, who should mostly be the CCRCs, have higher occupancy rates, lower rents, higher rate growth and lower penetration.

Beth Mace:

I don't know if there's any key takeaways or nuggets out of that, but you can look at this for your own markets to see if you can glean any insights from that. Then the last chart I want to show you is this. We track from the Bureau of Labor Statistics all the occupations that are relevant to our sectors. Among them is nursing assistance. From the data that we get from BLS, we can see that specifically in this instance, for nursing assistants, the average wage rate at the national level is about $29,000. For the state of Minnesota, it's about $33,000. Minneapolis and St. Cloud have higher rates than both national and Minnesota.

Beth Mace:

This market, Mankato is lower than that. This is important to use. To give you a benchmark. If you're trying to do underwriting properties or you're trying to do a business plan and you're in multiple states or multiple geographies, you have a sense here that if you're working in Minneapolis, get ready, you're going to be paying more than you would be at the national level. You're going to be paying more than you would for this specific occupation than you would in this state. If you did this for markets on the coasts, you'd find that that differential is even higher.

Beth Mace:

If you did it for markets that are in less expensive areas, you'd see that was different too. I know operators and investors use this data when they underwrite it, when they look at a deal. They do it not just for nursing assistants. They might look at it for RNs or LPNs. There's a lot of categories on this. It's easy to get this. It's on our website. Dan [inaudible 01:05:38] back there. Shout out to Dan. He put all this data together and made a really good easy to use tool for all of us in this room.

Beth Mace:

I think that would be the end except to tell you that our next client webinar is April 16th. We have 10 or 15 minutes. I guess we have eight minutes. Any questions? Steve.

Steve:

The thermal bars on [inaudible 01:06:04] perhaps normalize that by taking out any buildings that are still in a build up mode, so buildings [inaudible 01:06:16] year old or [inaudible 01:06:18].

Beth Mace:

Well, probably a fair amount because it's a... In this chart, this chart is looking at the difference between stabilized and total occupancy. By NIC definitions, stabilized is a property that's been open for two years or has already hit 95% occupancy. In 2019, the total occupancy rate was about 88. Stabilized was at 90, so it's a 200 or two percentage point difference between what's stabilized. That represents a number of units that still have been opened but haven't been yet leased up. That's a lot.

Beth Mace:

If you look at the gap there, it's wide. It's as wide as it's ever been. To answer your question in terms of how that would apply to the chart, this chart, I'd have to look specifically because different markets are different. I know I just did an analysis on Las Vegas, and there was a big gap bigger than nationally between stabilized and total. We can do this chart that way.

Steve:

[inaudible 01:07:27].

Beth Mace:

Well, stay tuned because we're actually doing an analysis on that right now. We're looking at how long it takes for a property to lease up. Not to give too much away, but it does take longer to lease up today than it did which makes sense. It's good when the data actually turns out the way you want it to be. It is showing that way. I don't have the specifics yet because we haven't done all the details on. We're producing a new product, so to speak, called actionable insights. It's looking at our data and trying to get some key takeaways. For those who don't know, for free, on our website, www.nic.org, we have something that we call the NIC Insider.

Beth Mace:

We have our blog post called NIC Notes. It's our way that we publish information that we're processing and we're looking at. This idea of actionable insights is to look at the data and see if we can prove out some basic things. Like, is it taking longer to lease up than it did? One that we just published was that it's taking longer to build than it did, so it's intuitive, and I've been hearing a lot about it, but our data actually proved out that it takes about six months longer to get something opened than it did five years ago. That's related to...

Beth Mace:

It's harder to get for the fewer of the trades that are out there in terms of labor. So it's just taking longer to get things inspected. It's also taking longer just to get to build. There's going to be six of those at least this year as I'm looking at everybody that I work with, so there's going to be a number of those this year that we're looking at. If you have an idea of something, anybody that you think that would be interesting

to look at, email somebody in our teams, and we can try to add that to our research list of things we're looking at.

Beth Mace:

Questions?

Speaker 5:

Sorry, I'm a student from USC, so correct me if I'm wrong. What I'm understanding why the occupancy rate will be so stable in New York is because they have to prove the demand when they build a senior housing, and why do you think that will be the trend for other states or metropolitans?

Beth Mace:

The question is as people are constructing and building that demand has to be there?

Speaker 5:

Yeah.

Beth Mace:

Yes. For sure, because if you don't have this sufficient demand... That's why you see the different performances. In the case of Atlanta, there's been more built than there has been demand. In time, presumably and hopefully, those units will get leased up, but in a market like Atlanta, you would think that there'll be distressed cells in any of those markets that are seeing low occupancy rates, because I'm sure that nobody underwrote their deals. We get people that underwrite deals in the audience. I'm sure that they didn't underwrite a deal to stabilize 83% if they had a deal in Atlanta.

Beth Mace:

Most people are stabilizing deals at very ambitiously, in my view, 95% or 94%. That chart shows that there's very few markets that stabilize at 95%. Now, that's not to say... We did this other analysis recently that looked at the distribution of occupancy by property. On our website, you can get a metropolitan area report, and in it shows you the occupancy rate, but it shows you the distribution of those properties on those markets. I did this for Las Vegas. While that occupancy might be low, despite that, there are a number of properties that actually had really good occupancy rates 95, because the numbers we're reporting to you on are average numbers.

Beth Mace:

We also report median. If you look at the difference between average and median, it's going to give you a sense of the distribution. We also actually have charts that show that. While I say Atlanta is going to have distressed properties, if I look at the distribution, there are a number of properties that are way below 85% occupied. At some point, if you underwrote a deal at 95%, but its competition is so strong, and that's at 85%, you're not going to make it. There are markets like that, and there are definitely properties that are like that, but the flip side is that even though those occupancy rates are 85, there are properties in those markets that are doing pretty well.

Beth Mace:

Can you wait for the mic? Thanks. Yep.

Speaker 6:

So Minneapolis happens to be a place that I know well, because both my grandmothers lived there.

Beth Mace:

Perfect.

Speaker 6:

The Mississippi River goes right through that metropolitan area. There are a number of freeways that go through it as well, and so people are very, very insular in terms of their neighborhoods. You could have a place that looks like it's not very far away, and nobody would ever dream of going there because it's on the other side of the river. I'm wondering if you've ever looked... I mean, there are a number of other metros that are either more like that in terms of just geographic things that make them very encapsulated as opposed to a place like Houston or Atlanta that would be much bigger and less carved up just by geography. Do you ever look at that?

Beth Mace:

That's interesting. Back in the day when I used to do more feasibility analysis, you can... In NIC map now, you can actually draw a line around what you consider as your primary market area. I live in Massachusetts, and there's a lot of that stuff that goes on there too. If you live in one town, you wouldn't think about living in another town because it's not the right town. I'm looking at those from New England. They go, "Yeah, that's right." When we used to do analysis, we would know that. If you're in the ground, you know that somebody from a certain town wion't want to live in another.

Beth Mace:

You'll have the ability to actually do that and to do a primary market area based on a natural boundary or based on a sociological boundary. You can do that in our data to get a sense of the supply and demand, and that would be helpful. I didn't know that about Minneapolis. That's good. Thanks. Did that answer your question? Yep.

Speaker 7:

In terms of demographics, so people are living older, and when you think of how that translate and how that translates into supply requirements, to take one of the questions on one of your slides, do you feel like people are living healthier longer? Are they moving in later? Is there really an extra supply requirement? Do you guys try and track that?

Beth Mace:

We know that people are residents of assisted living today definitely have higher acuity levels. Then these are more needs. That's definitely the case. We know since the recession happened, people that have delayed moving in and are moving in later than what they had been prior to the recession. We've tried to track data. We're coming up for those who are interested in our sixth edition of the investment guide, which is a really good handy document. Lana Peck back there is leading the charge on that.

Beth Mace:

One of the things we're looking at is trying to update some of the stats on the average age of residents and things, but anecdotally, we know that residents are moving in with higher levels of acuity, higher levels of needs than older ages than what they had been.

Speaker 7:

Older ages, you said?

Beth Mace:

Yeah.

Speaker 7:

Yeah.

Beth Mace:

We're done.