FEATURED ARTICLE

LIFE PLAN COMMUNITY OCCUPANCY Q1 2022

Same-Store Analysis of LPC Occupancy Recovery

Our partners at National Investment Center for Seniors Housing & Care (NIC) are once again providing an in-depth analysis of the Life Plan Community (LPC)/CCRC occupancy figures for the most recent quarter of 2022. The focus of this issue of ***Z-News*** is a deep-dive into the Q1 data for the LPC/CCRC segment with guest contributors Lana Peck and Omar Zahraoui with NIC.

NIC MAP® data, powered by NIC MAP Vision, tracks occupancy, asking rents, demand, inventory, and construction data for independent living, assisted living, memory care, skilled nursing, and life plan communities (LPCs) for more than 15,000 properties across 140 metropolitan areas. NIC MAP® Data currently tracks 1,174 not-for-profit and for-profit entrance fee and rental LPCs in these 140 combined markets (1,098 in the 99 combined Primary and Secondary Markets).

This analysis shines a light on occupancy loss and recovery since the beginning of the pandemic (1Q 2020 to 1Q 2022), comparing LPCs to their freestanding and combined (non-LPC) counterparts in aggregate and by care segment. Unlike previous analyses provided by NIC to Ziegler, these results are calculated using "same-store" methodology. Same-store is defined as properties that have been open and reporting data at least since 1Q 2020 and have maintained their categorization (LPC or non-LPC) over the period from 1Q 2020 to 1Q 2022. Applying this same-store methodology, NIC identified 1,078 LPC properties and 13,273 non-LPC properties within the 99 NIC MAP Primary and Secondary Markets aggregate.

By NIC's definition, in order to be categorized as an LPC, the community must, at minimum, offer both independent living and nursing care. Newly opened, closed, and properties where the categorization has changed (from LPC to non-LPC or from non-LPC to LPC) due to fluctuations in the unit mix between 1Q 2020 and 1Q 2022 were removed from this analysis. In many cases, nursing care beds had been taken offline or converted to another care segment. For example, an LPC may have reduced their overall unit count of 100 to 80 units by taking all 20 of their nursing care beds offline or converting them to assisted living or memory care residences. These communities that now lack nursing care beds on campus would be recategorized in NIC MAP as non-LPC communities.

Key Takeaways

- While occupancy was better maintained by LPCs than non-LPCs prior to and throughout the pandemic, non-LPC occupancy is bouncing back faster than LPCs, but both remain below pre-pandemic levels.
- Occupancy for non-LPCs is recovering three times faster than that of LPCs based on recent patterns. Potential reasons for this include non-LPC occupancy falling further than LPC occupancy during the pandemic and pent-up demand for higher levels of care from residents with immediate care needs.
- The largest differences in year-over-year occupancy recovery between LPCs and non-LPCs were reported for the memory care and assisted living care segments (Q1 2021 – Q1 2022).
- The impact of the pandemic weighed heavily on non-LPCs, with an 11.8% decline in occupied units in the first year of the pandemic. Demand contraction across LPCs was relatively smaller at 7.0% (4.8 percentage points less than non-LPCs).
- By payment type, the depth of demand contraction also varied between entrance fee LPCs and rental LPCs, with a 9.5% and 5.8% decrease in occupied stock, respectively.

Occupancy Loss and Recovery Since 1Q 2020 – LPCs (by payment type) vs. Non-LPCs

Exhibit 1 on page 3 depicts the unit mix for the LPCs (by payment type) and non-LPCs within the 99 NIC MAP Primary and Secondary Markets. It also highlights the occupancy loss and subsequent recovery for these properties over the period from 1Q 2020 to 1Q 2022.

LPCs vs. non-LPCs unit mix. Among the 1,078 same-store LPCs spread across the 99 Primary and Secondary Markets tracked by NIC MAP, approximately 64% are operated as entrance fee LPCs, and 36% are operated on a rental basis. Note that LPCs often offer both entrance fee and rental contracts to give residents financial choice and flexibility. NIC categorizes LPC communities by the contract type used by the majority of residents. Same-store non-LPCs account for about 80% of all properties identified in this analysis, equivalent to 13,273 properties.

Same-store occupancy loss during the first year of the pandemic. Over the period from 1Q 2020 to 1Q 2021, non-LPCs within the 99 Primary and Secondary Markets aggregate experienced a much larger occupancy loss than LPCs. Occupancy for non-LPCs fell by 10.1 percentage points (pps), from 85.4% in 1Q 2020 to 75.3% in 1Q 2021, while LPCs' occupancy fell by 6.6 pps over this same period, from 91.3% in 1Q 2020 to 84.6% in 1Q 2021. The noteworthy difference in occupancy loss (3.5 pps) comparing LPCs and non-LPCs may be explained, in part, because new LPC residents are generally healthier than residents in other types of senior housing, resulting in a lower resident turnover in LPCs. LPCs also typically have larger campuses and differentiated residential environments separated by care segment — which may have allowed operators to mitigate the spread of the virus by protecting more vulnerable populations in autonomous settings. Additionally, the contract stipulations of entrance fee LPCs may have attracted retirees that were less inclined to leave the community during the pandemic.

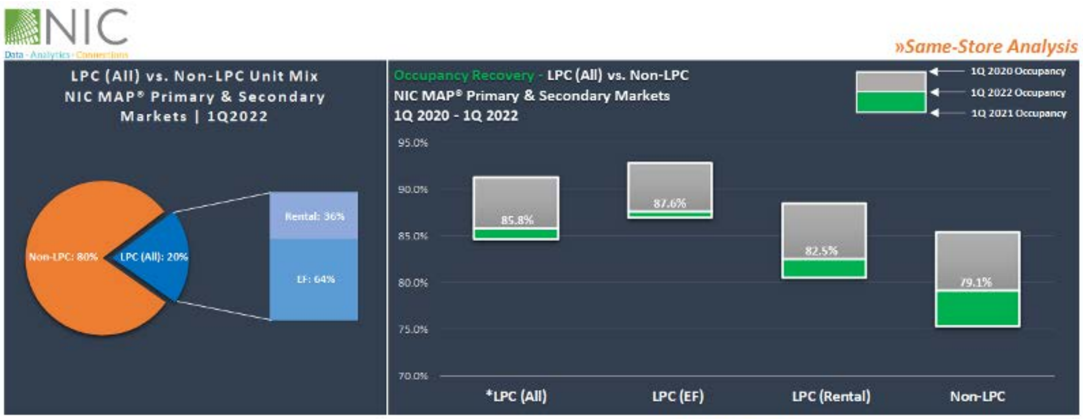
Further, the unit mix for non-LPCs has higher proportions of nursing care beds: non-LPCs comprise 52.3% of nursing care beds, equivalent to 771,597 beds, while nursing care beds in LPCs account for 26.5% of total units, equivalent to 94,972 beds. Findings from the 2020 study from NIC and conducted by NORC at the University of Chicago showed that the average mortality rate was relatively higher in nursing care than in other care segments. The study found that LPCs were significantly associated with a lower expected mortality rate compared to non-LPCs. The mean expected mortality rate for LPCs across all care segments was 10.0 per 1,000 as compared to 19.9 in non-LPCs.

By payment type, occupancy for rental LPCs fell by 8.0 percentage points, from 88.5% in 1Q 2020 to 80.5% in 1Q 2021 — 2.1 percentage points more than entrance fee LPCs. Over the same period, occupancy for entrance fee LPCs fell by 5.9 percentage points to 86.9%. Differences in the entrance fee and rental LPC unit mix, which, for entrance fee LPCs more heavily favored better-performing independent living units, can help explain the occupancy discrepancy.

Same-store occupancy recovery during the second year of the pandemic. While occupancy was better maintained by LPCs than non-LPCs throughout the pandemic, non-LPC occupancy bounced back faster than LPCs. (For LPCs, the occupancy declines were not as steep, nor were the levels as low as non-LPCs. Therefore, they have less to make up.) Non-LPC occupancy stood at 79.1% in the first quarter of 2022, up 3.9 percentage points from 1Q 2021 pandemic low levels but still 6.3 percentage points below 1Q 2020 levels. LPC occupancy reached 85.8% in the first quarter of 2022, up 1.2 percentage points from 1Q 2021 levels, but remained 5.5 percentage points below its pre-pandemic occupancy rate in the first quarter of 2020.

Notably, occupancy for non-LPCs is recovering three times faster than that of LPCs based on recent patterns. Potential reasons for this include non-LPC occupancy fell further than LPC occupancy during the pandemic and pent-up demand for higher levels of care from residents with immediate care needs. In fact, data shows that during the second year of the pandemic (1Q 2021 to 1Q 2022), the market experienced a high acuity trend. Notably, assisted living, memory care, and nursing care segments have been recovering relatively faster than independent living. And for LPCs, independent living units comprise 55.9% of total units (the largest share across all four care segments), while non-LPCs are comprised of just 14.2% of independent living units.

Exhibit 1: Unit Mix and Occupancy Recovery for LPC (All) vs. Non-LPC



	*LPC (All) vs. Non-LPC			
NIC MAP® Primary and Secondary Markets	LPC (All)	LPC (EF)	LPC (Rental)	Non-LPC
Total Units (1Q22)	358,960	230,232	128,728	1,476,703
Occupancy (1Q22)	85.8%	87.6%	82.5%	79.1%
	1Q21 to 1Q22			
YoY Change in Inventory	-0.2%	-0.1%	-0.5%	-0.2%
YoY Change in Occupancy (percentage points)	1.2	0.7	2.0	3.9

Life plan communities (LPCs): Age-restricted properties that offer at least independent living and nursing care, and may include a full continuum of care including assisted living, memory care, and other supportive services to residents all on one campus. *LPC (All) is the aggregate of entrance fee (EF) and rental properties.

Results calculated using "same store" methodology. This methodology includes only those properties that have been open and reporting data at least since 1Q 2020, and maintained their categorization (LPC or Non-LPC) over the period from 1Q 2020 to 1Q 2022. Newly opened properties, closed properties, and properties that have changed their categorization (from LPC to Non-LPC OR from Non-LPC to LPC) due to variations in unit mix, between 1Q 2020 and 1Q 2022 have been removed from the analysis

Source: NIC MAP® Data, powered by NIC MAP Vision

Prepared by: NIC Analytics, National Investment Center for Seniors Housing & Care (NIC)

By payment type, in 1Q 2022, entrance fee LPC occupancy (87.6%) was 5.1 percentage points higher than rental LPCs (82.5%). Occupancy for entrance fee LPCs increased by 0.7 percentage points from its pandemic record low of 86.9% in 1Q 2021 and is now 5.2 percentage points below pre-pandemic occupancy levels, while occupancy for rental LPCs gained 2.0 percentage points during the second year of the pandemic but remained 6.0 percentage points below pre-pandemic levels.

Occupancy Loss and Recovery Since 1Q 2020 – LPCs vs. Non-LPCs By Care Segment

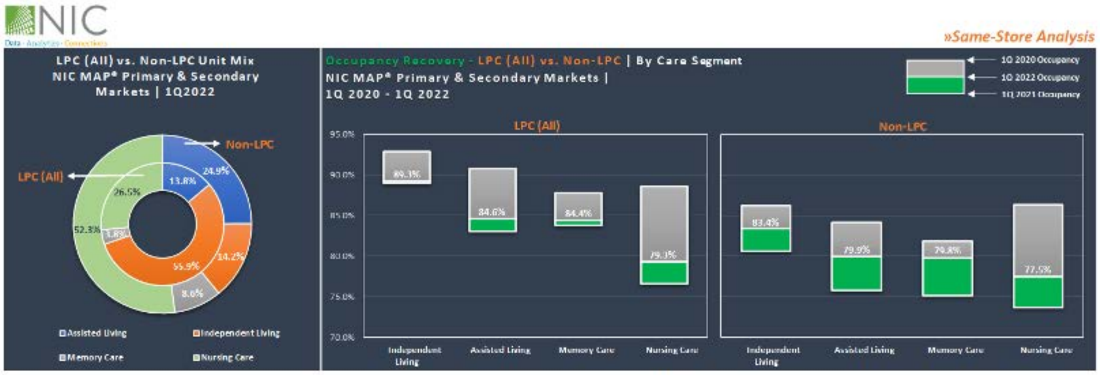
Exhibit 2 on page 4 depicts the unit mix for the LPCs and non-LPCs within the 99 NIC MAP Primary and Secondary Markets by care segment. It also highlights the occupancy loss and subsequent recovery for these types of properties and care segments over the period from 1Q 2020 to 1Q 2022.

By care segment: Same-store occupancy loss during the first year of the pandemic. Over the period from 1Q 2020 to 1Q 2021, LPC care segments reported slightly smaller occupancy losses by care segment than non-LPCs, with the largest occupancy loss disparity seen across memory care segments (2.7 pps difference between the occupancy loss across LPCs and that of non-LPCs).

For LPCs, nursing care occupancy fell the furthest from 88.6% to 76.5% (a 12.0 pps difference), while independent living saw the least decline in occupancy, falling from 92.9% to 89.0% (a 3.9 pps difference). The pattern is the same for non-LPCs, with nursing care experiencing the most significant percentage point decrease (12.7 pps) and independent living experiencing the least (5.7 pps).

By comparison, LPC occupancy rates for the assisted living and memory care segments in 1Q 2021 were notably higher than the non-LPC segments. The largest differences were for LPC independent living (8.4 pps), followed by LPC memory care (8.6 pps) and LPC assisted living (7.3 pps). The smallest difference was reported for the nursing care segment, where LPC nursing care was 2.9 pps higher than non-LPCs.

Exhibit 2: Unit Mix and Occupancy Recovery for LPC (All) vs. Non-LPC – By Care Segment



NIC MAP® Primary and Secondary Markets	Independent Living Segment		Assisted Living Segment		Memory Care Segment		Nursing Care Segment (Beds)	
	LPC (All)	Non-LPC	LPC (All)	Non-LPC	LPC (All)	Non-LPC	LPC (All)	Non-LPC
Total Units (1Q22)	200,669	210,028	49,551	367,596	13,768	127,482	94,972	771,597
Occupancy (1Q22)	89.3%	83.4%	84.6%	79.9%	84.4%	79.8%	79.3%	77.5%
1Q21 to 1Q22								
YoY Change in Inventory	0.0%	0.2%	1.0%	-0.1%	0.8%	-0.2%	-1.4%	-0.3%
YoY Change in Occupancy (percentage points)	0.3	2.9	1.6	4.2	0.7	4.6	2.8	3.8

LPC (All) vs. Non-LPC

Life plan communities (LPCs): Age-restricted properties that offer at least independent living and nursing care, and may include a full continuum of care including assisted living, memory care, and other supportive services to residents all on one campus.
Results calculated using "same store" methodology. This methodology includes only those properties that have been open and reporting data at least since 1Q 2020, and maintained their categorization (LPC or Non-LPC) over the period from 1Q 2020 to 1Q 2022.
Newly opened properties, closed properties, and properties that have changed their categorization (from LPC to Non-LPC OR from Non-LPC to LPC) due to variations in unit mix, between 1Q 2020 and 1Q 2022 have been removed from the analysis.
Source: NIC MAP® Data, powered by NIC MAP Vision
Prepared by: NIC Analytics, National Investment Center for Seniors Housing & Care (NIC)

By care segment: Same-store occupancy recovery during the second year of the pandemic. Over the period from 1Q 2021 to 1Q 2022, LPC occupancy remained at higher levels than non-LPCs but recovered at a slower pace. The largest differences in occupancy recovery between LPCs and non-LPCs were reported for the memory and assisted living care segments. Between 1Q 2021 and 1Q 2022, non-LPC memory care and assisted living occupancy improved by 4.6 and 4.2 pps, respectively, but remain 2.1 and 4.3 pps below their pre-pandemic levels. The same care segments improved 0.7 and 1.6 pps for LPCs but remained 3.4 and 6.1 pps below their pre-pandemic levels.

Exhibit 3 on page 5 illustrates demand patterns since the pandemic began to influence the senior housing and care industry in 1Q 2020 and evaluates occupied units' downturn and recovery for LPCs vs. non-LPCs across the 99 NIC MAP Primary and Secondary Markets. *Note that this analysis looks at demand only, as measured by the change in occupied stock, and does not consider inventory growth and properties under development.*

Demand contraction. The impact of the pandemic weighed heavily on non-LPCs, with an 11.8% decline in occupied units between 1Q 2020 and 1Q 2021, equivalent to 148,949 units "vacated" in the first year of the pandemic. Demand contraction across LPCs was relatively smaller at 7.0% between 1Q 2020 and 2Q 2021 (4.8 percentage points less than non-LPCs) and equivalent to 22,858 units "vacated" on a net basis.

By payment type, the depth of demand contraction also varied between entrance fee LPCs and rental LPCs, with a 9.5% and 5.8% decrease in occupied stock, respectively.

Demand recovery. The occupied units for non-LPCs are bouncing back relatively faster than LPCs. They grew by 4.9% over the past year. However, they remained 7.5% below pre-pandemic levels, while LPC occupied units increased by 1.2 percentage points from their pandemic-related low and remained 5.9 percentage points below 1Q 2020 levels.

Notably, about 37% of non-LPCs' occupied units "vacated" or placed back in the market during the first year of the pandemic have recovered during the second year, equivalent to 54,806 units absorbed on a net basis. For LPCs, 15.4% of occupied units "vacated" during the height of the pandemic have recovered, equivalent to 3,511 units absorbed on a net basis.

Exhibit 3: Demand Pulse Metric for LPC (All) & LPC By Community Type vs. Non-LPC

»Same-Store Analysis

NIC
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Demand Pulse Metric | LPC (All) vs. Non-LPC

◆ 1Q 2020 Occupied Units
◆ Min: Lowest Level of Occupied Units
◆ 1Q 2022 Occupied Units

NIC MAP® Primary & Secondary Markets | 1Q 2020 - 1Q 2022

LPC vs. Non LPC	[1]Occupied Units Trends (1Q 2020 - 1Q 2022)	[2]Occupied Units Loss (%) (Min vs. 1Q 2020)	[3]Occupied Units Recovery (%) (1Q 2022 vs. Min)	[4]Percent of Occupied Units loss recovered	[5]1Q 2022 Occupied Units Relative to 1Q 2020 (%)
*LPC (All)		-7.0%	1.2%	15.4%	-5.9%
LPC (EF)		-5.8%	0.7%	11.9%	-5.1%
LPC (Rental)		-9.5%	2.4%	23.0%	-7.3%
Non-LPC		-11.8%	4.9%	36.8%	-7.5%

Life plan communities (LPCs): Age-restricted properties that offer at least independent living and nursing care, and may include a full continuum of care including assisted living, memory care, and other supportive services to residents all on one campus. *LPC (All) is the aggregate of entrance fee (EF) and rental properties.
[1]Occupied units trends from 1Q 2020 to 1Q 2022 | [2]Occupied units loss (%) indicate the percent change in occupied units between 1Q 2020 and the lowest level achieved during the pandemic (min) | [3]Occupied units recovery (%) indicate the percent change in occupied units between 1Q 2022 and the lowest level achieved during the pandemic (min) | [4]Indicates the percent of occupied units loss (during the height of the pandemic) recovered as of 1Q 2022 | [5]1Q 2022 occupied units relative to 1Q 2020 indicate the percent change in occupied units between 1Q 2022 and 1Q 2020
»Results calculated using "same store" methodology. This methodology includes only those properties that have been open and reporting data at least since 1Q 2020, and maintained their categorization (LPC or Non-LPC) over the period from 1Q 2020 to 1Q 2022. Newly opened properties, closed properties, and properties that have changed their categorization (from LPC to Non-LPC OR from Non-LPC to LPC) due to variations in unit mix, between 1Q 2020 and 1Q 2022 have been removed from the analysis.
Source: NIC MAP® Data, powered by NIC MAP Vision
Prepared by: NIC Analytics, National Investment Center for Seniors Housing & Care (NIC)

By payment type, while occupied units for rental LPCs showed a relatively fast momentum in terms of recovery, 1Q 2022 occupied stock for rental LPCs remained below its pre-pandemic level with negative 7.3% vs. negative 5.1% for entrance fee LPCs.

This analysis examined the occupancy loss and subsequent recovery for life plan communities (LPCs) vs. non-LPCs over the period from pre-pandemic to the present (1Q 2020 to 1Q 2022) across the 99 NIC MAP Primary and Secondary Markets using a same-store methodology. Are you interested in learning more? Look for future blog posts from NIC to delve deep into the performance of LPCs.

To learn more about NIC MAP data, powered by NIC MAP Vision, schedule a meeting with a product expert today. Additionally, if you have questions related to the contents of this issue of ***Z-News***, we encourage you to reach out to the Ziegler representative in your region.

LANA PECK, SENIOR PRINCIPAL, NIC &
OMAR ZAHRAOUI, SENIOR DATA ANALYST, NIC

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MAY 16, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Miami Jewish Health System (FL)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	5/10/22
Riverview Retirement Community (WA)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR* Revised Outlook	5/10/22
El Castillo Retirement Residences (NM)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR*	5/16/22

* *IDR – Issuer Default Rating (FitchRatings)*

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

FEATURED FINANCINGS

WESTMINSTER CANTERBURY RICHMOND

WESTMINSTER CANTERBURY RICHMOND

Richmond, Virginia

Economic Development Authority of Henrico County, Virginia
Residential Care Facility Revenue Bonds
Series 2022A

$98,195,000

Bank Direct Purchase / New Money

$95,000,000

April, 2022

INTEREST RATES/YIELDS

WEEK ENDING MAY 13, 2022

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.27%	3.14%	1.81%
Senior Living 30-Yr "A"	4.93%	4.80%	2.52%
Senior Living 30-Yr "BBB"	5.28%	5.15%	2.84%
Senior Living Unrated	5.93%	5.80%	3.81%
Senior Living New Campus	6.63%	6.50%	5.31%
SIFMA Muni Swap Index	0.76%	0.60%	0.14%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index†	4.83%	4.81%	1.57%

† Ziegler Senior Living Municipal Long Bond Index
Source: Bloomberg BVALS

MARKET REVIEW

MONEY MARKET RATES

	5/13	LAST WEEK
Prime Rate	4.00	4.00
Federal Funds (weekly average)	0.80	0.80
90 Day T-Bills	0.96	0.83
30-Day Commercial Paper (taxable)	0.82	0.80
Libor (30-day)	0.88	0.84
7 Day Tax-Exempt VRDB	0.76	0.60
Daily Rate Average	0.59	0.34

COMPARATIVE YIELDS

TAXABLE REVENUE		
	GOVT	A
2 Year	2.58	3.33
5 Year	2.86	3.86
7 Year	2.93	4.18
10 Year	2.92	4.47
30 Year	3.08	5.18

	MMD	NR*	BB	BBB	A	AAA
1 Year	1.97	3.97	3.62	3.32	2.72	2.12
5 Year	2.56	4.66	4.36	4.01	3.46	2.86
7 Year	2.78	4.98	4.73	4.33	3.73	3.13
10 Year	2.94	5.39	4.94	4.64	3.94	3.34
30 Year	3.27	5.92	5.52	5.12	4.52	3.87

(Representative of institutional sales)*

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.37	3.27	+0.10
11 Bond Index	3.27	3.17	+0.10
Revenue Bond Index	3.65	3.55	+0.10
30 Year MMD	3.27	3.17	+0.10
Weekly Tax-Exempt Volume (Bil)	5.41	3.02	+2.39
30 Day T/E Visible Supply (Bil)	11.20	11.73	-0.53
30 year “A” Rated Hospitals as a % of 30 Year Treasuries	146.7	137.2	+9.50