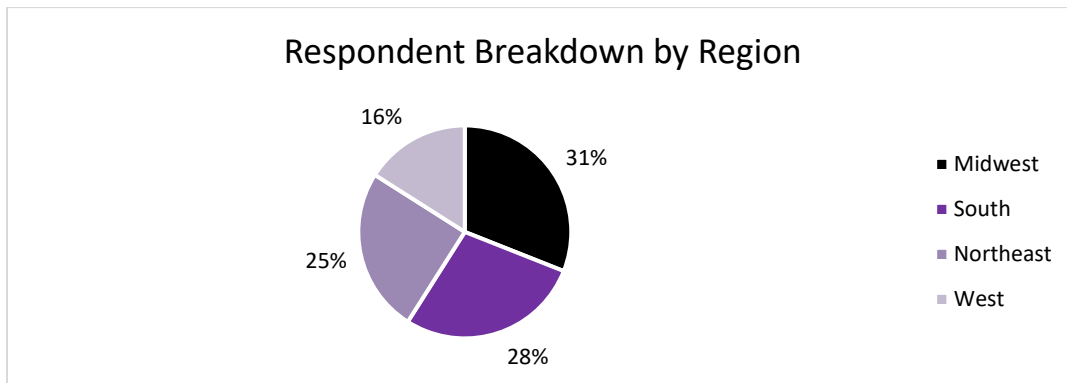


RESIDENT FEE INCREASES

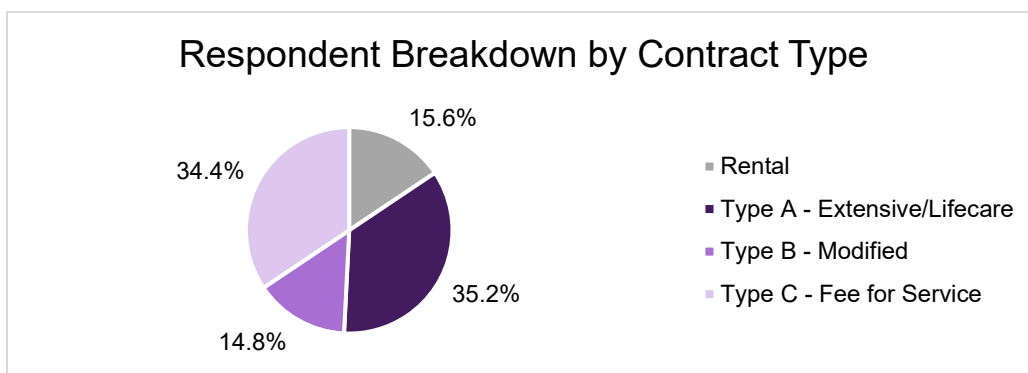
ZIEGLER CFO HOTLINESM

The September 2024 Ziegler *CFO Hotline*SM poll was devoted to the topic of Resident Fee Increases. This has been an annual poll conducted by Ziegler for several years and is valuable to senior living organizations for budget planning. Over 250, primarily not-for-profit senior living CFOs and financial professionals from around the country responded to the survey, with 63% representing single-site organizations and 37% multi-site organizations. This summary report provides data received from the current survey and details the historical comparison of changes from previous years. This year also includes new data on entrance fee modifications in 2024 and projected changes for 2025.

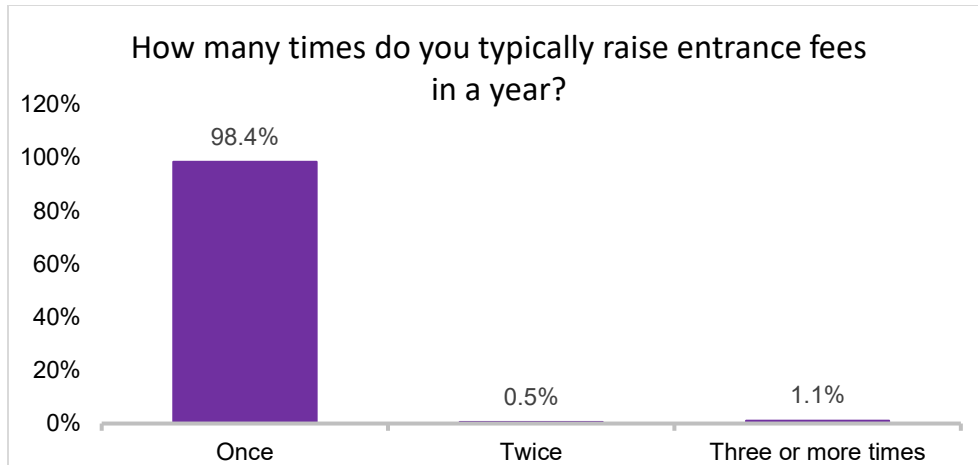
Respondents were first asked where their primary headquarters were located, to clarify the areas (as defined by U.S. Census regions) being surveyed. This year, the most highly represented states were located in the Midwest (31%) and the South (28%), respectively. See the chart below for details.



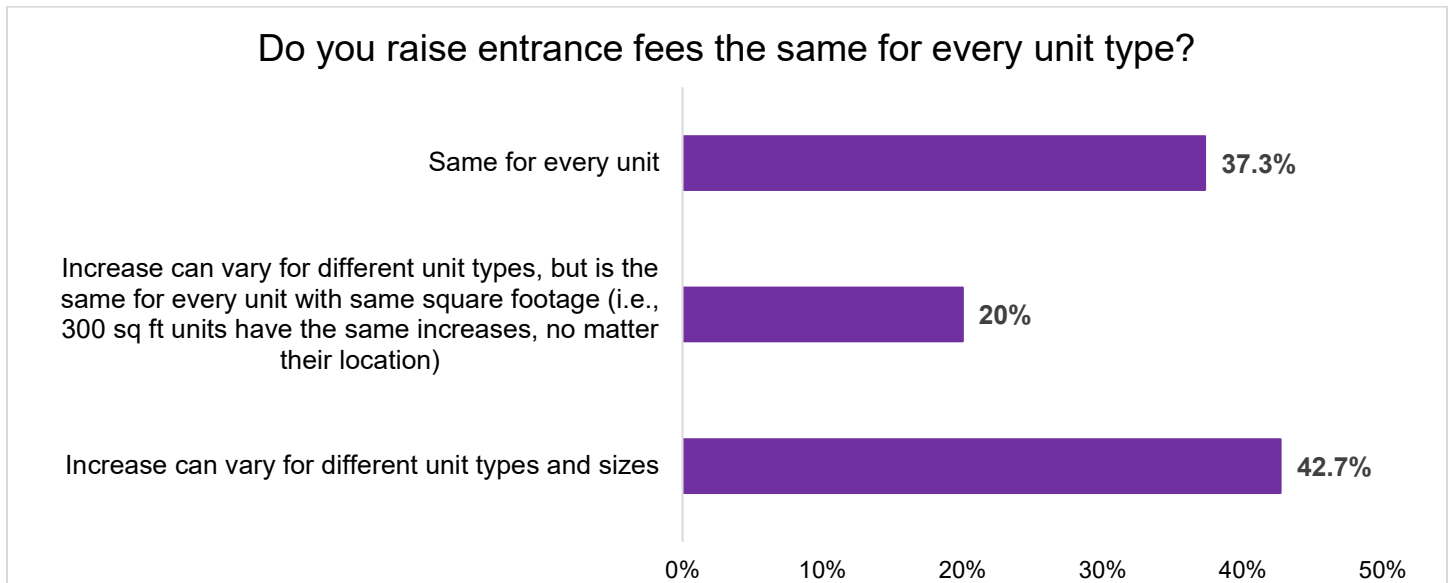
The next question asked what the predominant contract type is within the organization and, if respondent represents a multi-site organization, what contract type is most common among communities overall. Type A and Type C Contracts were the most common, with roughly one-third of the respondents indicating each. Please note only one respondent selected “Equity” so this category has been removed.



This year’s survey is the first to include questions about entrance fees. Those that indicated they have an entrance fee were asked how many times they typically raise those fees during the year, and the majority indicated that they do so just once.



Respondents were also asked if they raise their entrance fees the same for every unit. The results were mixed, with the largest number indicating they vary increases for different unit types and sizes, but only slightly fewer said they keep increases the same for every unit.

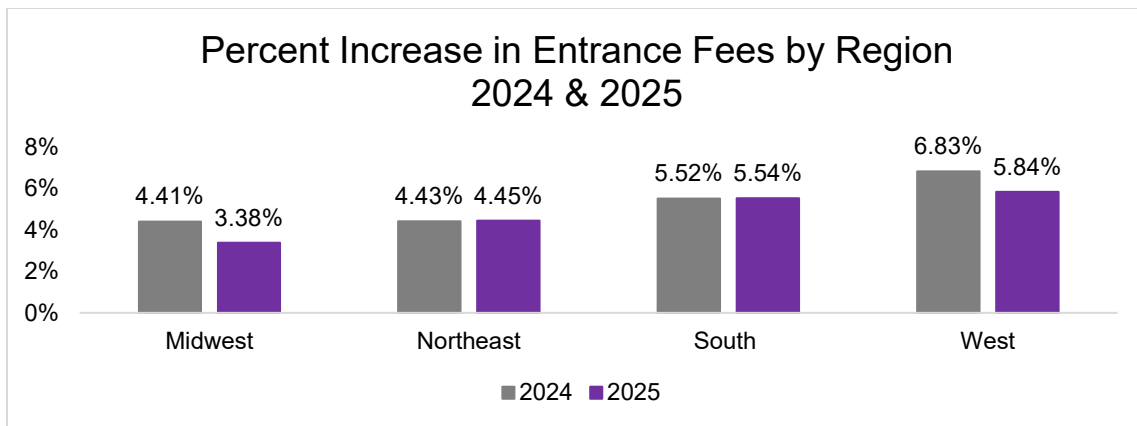


When asked about entrance fee increases for 2024, the average increase was 5%, with some respondents not raising fees at all, and the largest increase up to 20%. Some in the higher ranges also indicated in comments that they did so to catch up after years of lower increases or no increases. Additionally, the table below displays the projected

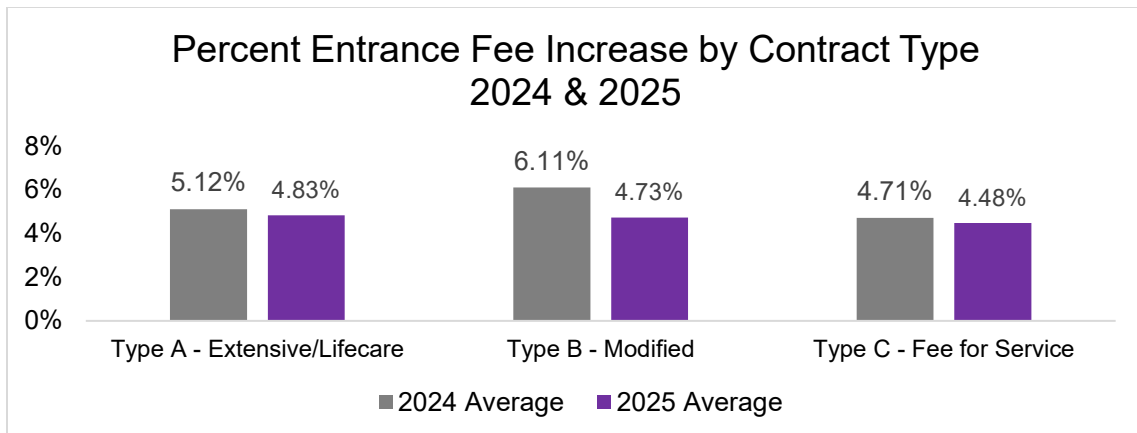
increases for entrance fees in 2025. While some projections show slightly smaller increases in the coming year as compared to 2024, the maximum increase is still considerably more elevated than the projected average.

	2024 Entrance Fee Increases (%)	2025 Projected Entrance Fee Increases (%)
Minimum	0%	0%
1st Quartile	3%	3%
Median	5%	4%
3rd Quartile	6%	5%
Maximum	20%	20%
Average	5%	4.6%

The table below breaks down the average increases in entrance fees by region in 2024, as well as the projected increases by region in 2025. While the Midwest and West are projecting slightly smaller increases in 2025 than the year prior, the Northeast and South are just slightly elevated.



Below is the breakdown from respondents on entrance fee changes in 2024 and projected 2025 by contract type. The most significant difference between current and projected fees is the decrease of the Type B – Modified contract.



When asked what the primary driver of entrance fee increases would likely be in the year ahead, providers had a variety of responses. The housing market is the largest predictor for most respondents on projected entrance fees. Capital Improvements, including the cost to turn over units, was also a top factor. Inflation, competitive analysis of the surrounding market, and increases in the cost of labor were also influential elements. The table below summarizes those responses (note respondents could list multiple drivers).

Primary Driver of Predicted Fee Increases	# Of Mentions
Housing Market	74
Capital Improvements	51
Inflation	25
Competitive Analysis	22
Wages/Labor	12
Increased Operating Costs	8

Table 1 below shows the descriptive statistics of Independent Living monthly fees for the past several years, for 2024 year-to-date, and what providers project for 2025. For 2024, the median percentage increase in monthly fees, 5.00%, is higher than the typical 3.00% increase of prior years, but slightly lower than the 6.00% increase of 2023. The projections for 2025 however, by all metrics except the minimum, are lower than 2024. Table 2 below outlines the 2024 increases that were implemented by level of care (Independent Living, Assisted Living, and Skilled Nursing), and Table 3 below shows the same metrics as projected for 2025. Please note some significant outliers have been removed.

Percentage Increase to Independent Living Monthly Fees (Table 1)										
Statistic	2025(Proj.)_	2024	2023	2022	2021	2020	2019	2018	2017	2016
Minimum	0.00%	-4.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1 st Quartile	3.95%	4.23%	5.00%	3.50%	2.71%	2.90%	3.00%	3.00%	2.90%	2.80%
Median	4.00%	5.00%	6.00%	4.48%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3 rd Quartile	5.00%	5.95%	7.50%	5.50%	3.75%	3.90%	3.80%	3.50%	3.50%	3.50%
Maximum	12.75%	15.00%	15.00%	15.00%	12.00%	10.00%	6.88%	6.00%	8.00%	5.50%
Average	4.38%	5.19%	6.24%	4.70%	2.98%	3.26%	3.14%	3.17%	3.12%	3.09%

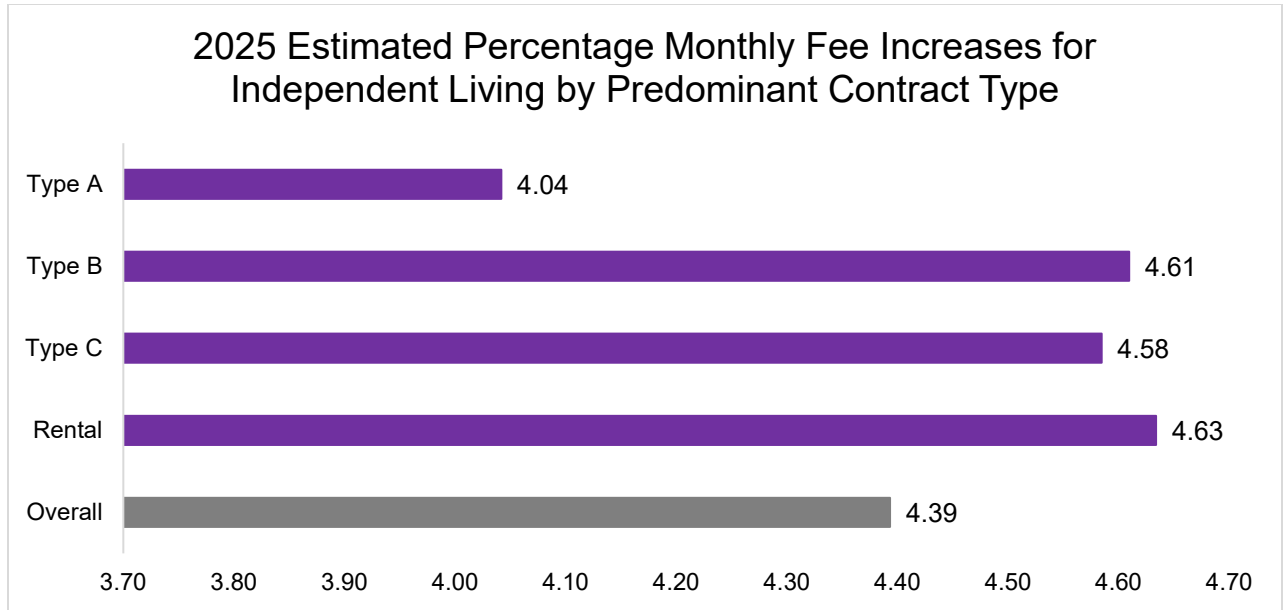
2024 Percentage Increases by Care Level (Table 2)			
Statistic	IL	AL	SN
Minimum	-4.50%	-4.50%	-4.50%
1st Quartile	4.23%	4.00%	4.00%
Median	5.00%	5.00%	5.00%
3rd Quartile	5.95%	6.00%	6.00%
Maximum	15.00%	25.00%	20.00%
Average	5.19%	5.32%	5.10%

2025 Estimated Percentage Increases by Care Level (Table 3)			
Statistic	IL	AL	SN
Minimum	0.00%	0.00%	0.00%
1st Quartile	3.95%	3.91%	3.00%
Median	4.00%	4.00%	4.00%
3rd Quartile	5.00%	5.00%	5.00%
Maximum	12.75%	11.00%	11.50%
Average	4.38%	4.27%	4.12%

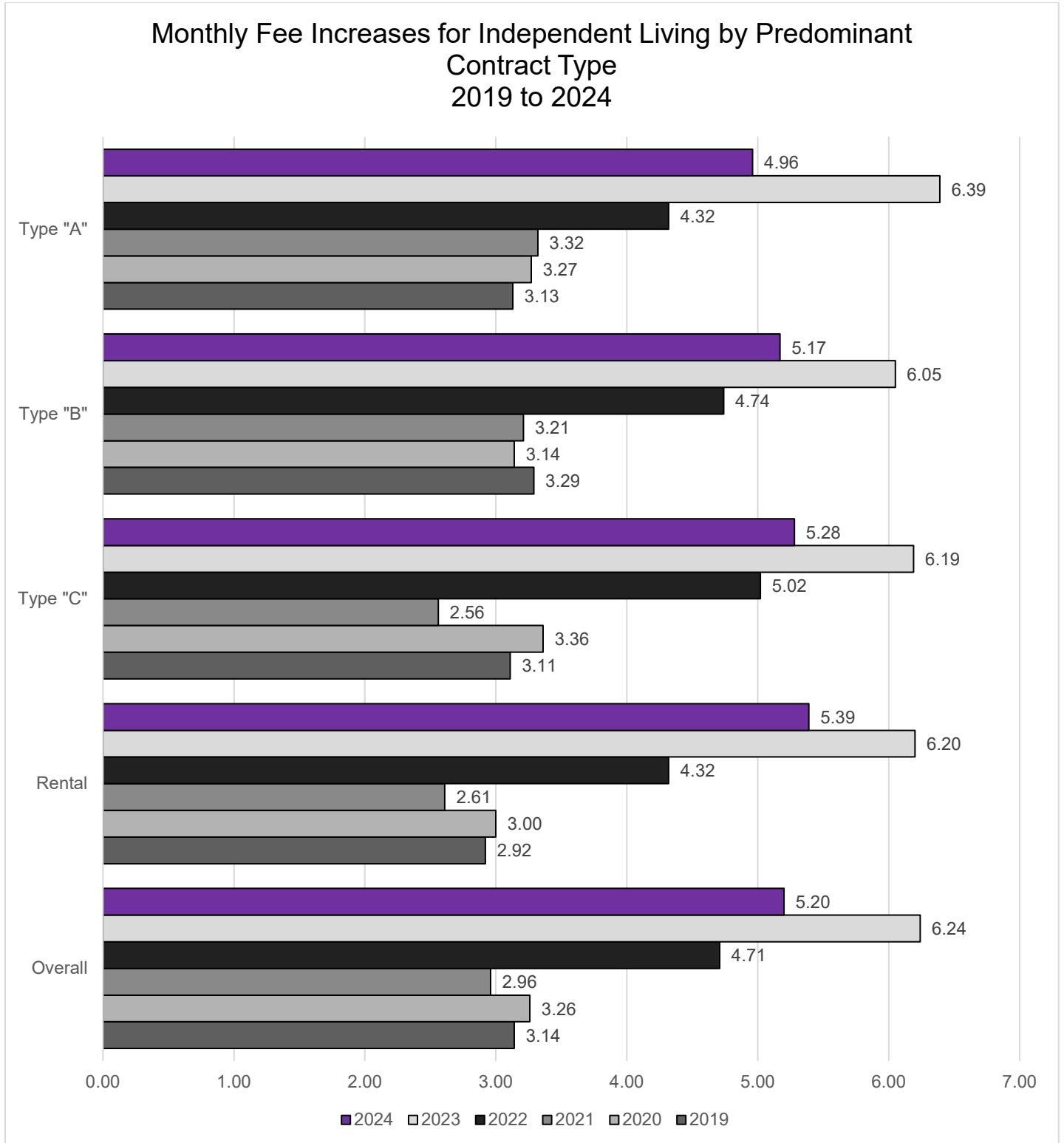
The table below showcases the monthly fee increases for 2024 and projected increases in 2025 for all levels of care broken down by geographical region.

Average Increases by Region		
	2024	2025 (Projected)
Northeast	5.01%	4.10%
Midwest	5.70%	4.28%
South	4.99%	4.14%
West	5.66%	4.79%

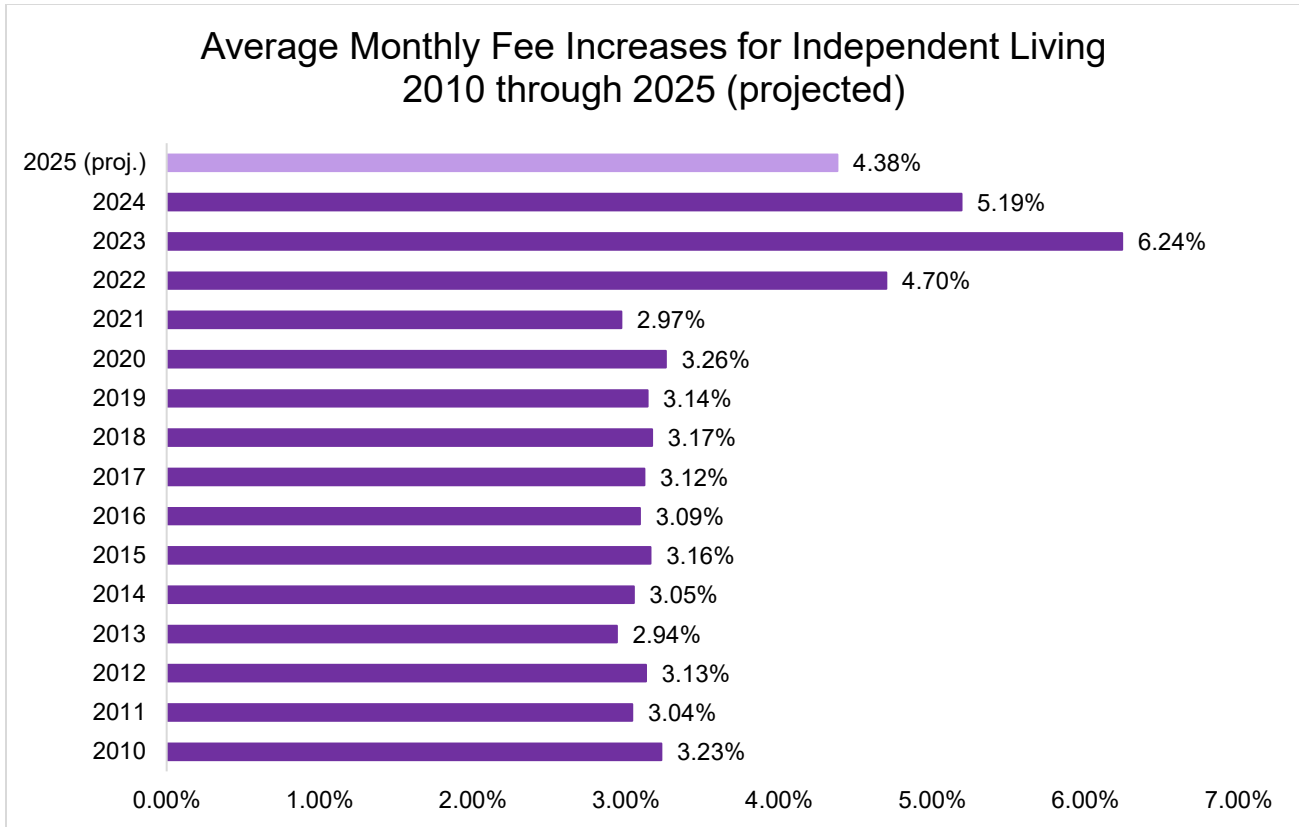
Below is a breakout of projected fees for 2025 by primary contract type for Independent Living.



The following graph breaks out monthly fee increases for Independent Living by contract type from 2019 to 2024.



The following graph shows the overall average monthly resident fee increase from 2010 through the 2025 projection.



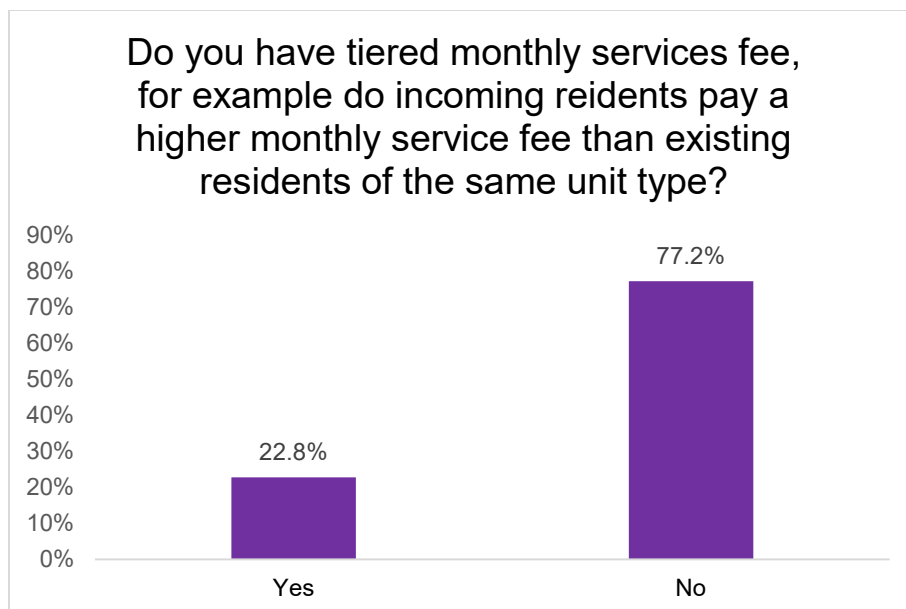
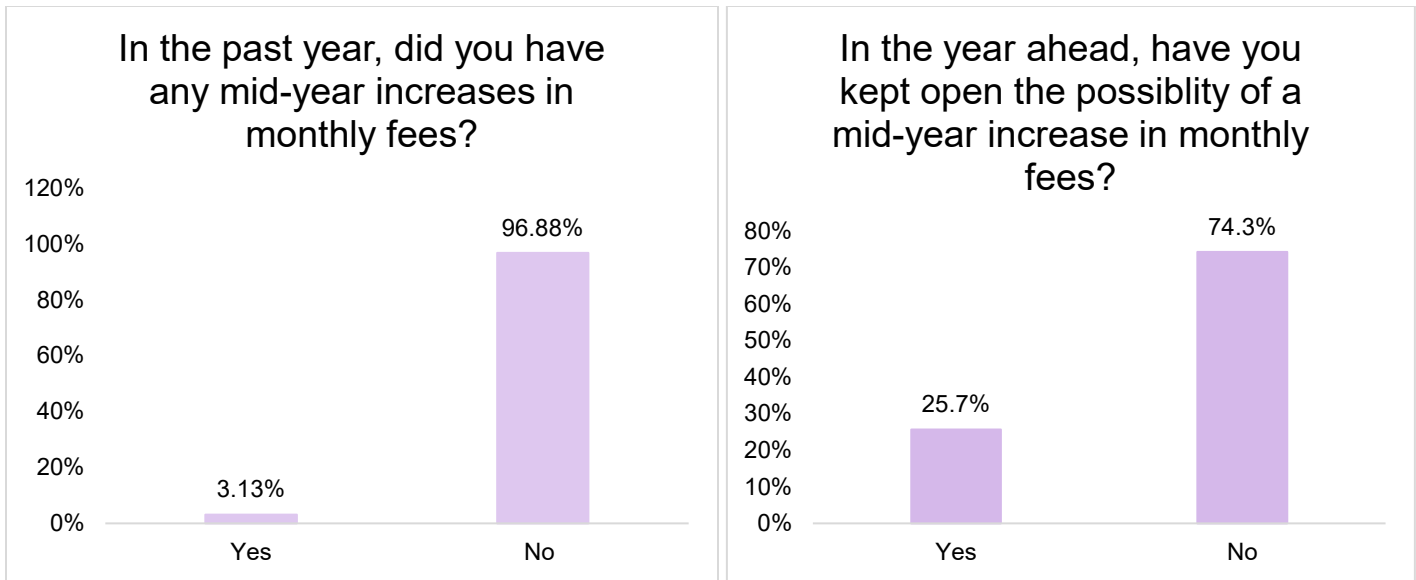
When asked what the primary driver of monthly fee increases would likely be in the year ahead, providers had a variety of responses. Consistent with previous years, most pressing by far is increased wages for employees. Remaining competitive in the labor market and providing employee benefits are common concerns. Inflated costs for food, insurance, and utilities are also predicted factors in fee increases, as inflation was the general theme across all responses. The table below summarizes those responses (note respondents could list multiple drivers).

Primary Driver of Predicted Fee Increases	# Of Mentions
Wages/Labor	126
Inflation	78
Increased Operating Costs	53
Insurance	10
Competitive Analysis	7
Rising Cost of Capital Expenditures	5

The next five questions prompted respondents to answer yes or no regarding mid-year increases, and tiered monthly fees for incoming residents.

Roughly 3% of providers had a mid-year increase in monthly fees during 2024, yet nearly 75% noted that they kept open the possibility in the year ahead.

Nearly 75% of respondents indicated that they do not have a tiered monthly service fee, so that their incoming residents pay the same monthly fees as existing residents, and nearly 25% have a tiered monthly fee for new residents.



Respondents were also able to share additional comments regarding monthly fee increases. Below is a sampling of these comments, which may be edited for length or minor grammatical errors.

- *A key driver in increases continues to be the expense of wages and increased costs of benefits. Keeping monthly fees balanced with the needs/demands of the workforce.*
- *Although the media presents a positive narrative on inflation, its impact has yet to be meaningfully felt in the day-to-day operations of senior living communities. Wage growth has far outpaced reasonable standards, ultimately passing the increased costs onto consumers. Higher than average rental rate increases, level of care increases, additional fees, increased community fees, mid-year rate increases, etc., will continue until margin compression is under control.*
- *Bond holders also weighed in on fee increases - without knowing competitive analysis - and thinking they should be much higher*
- *Have move to Dynamic Entrance fee pricing with market driven rates throughout the year. Evaluating a similar Dynamic or tiered MSF approach for future*
- *Increased operating costs are coming from multiple directions - property & liability insurance, wages & benefits, etc.*
- *Over the past 10 years our annual increase in monthly fees averages about 2% over CPI. We do a weighted average CPI based on our budget and make certain our annual increase is close to this percentage.*
- *Past three years have seen higher than historical increases, and residents are expressing anxiety that this is the new norm. And not sustainable for some.*
- *The stabilization of the labor markets will be a turning point for our communities in 2025. Still have to deal with the healthcare labor supply/demand imbalance but at least it will be some relief.*
- *We also added a Property Insurance surcharge which decreased mid-year 2024*
- *We are increasing the EF based on unit type and current occupancy, where we are fully occupied those units will get a higher increase than others, our goal is to have a weighted average of 5% across all units.*
- *We are seeing some delays in homes selling which proceeds usually are used to pay entrance fees*
- *We went to a zero-based budget this year and have departments explaining in detail programs, contracts, staffing needed to enhance our program and community.*
- *With occupancy levels continuing to recover and larger rate increases in recent years, able to return annual rent increases back to more normal inflationary levels.*
- *Tommy Brewer's presentations at Ziegler CFO Conference and then at AV Powell User's Group Conference in Atlanta in July had us thinking we need to be more aggressive with our Entrance Fee Pricing*

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