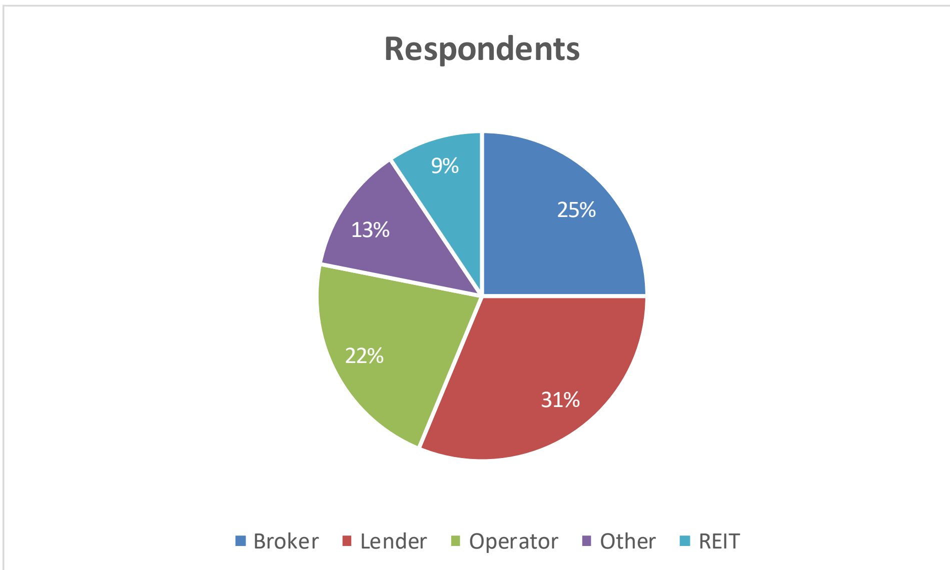
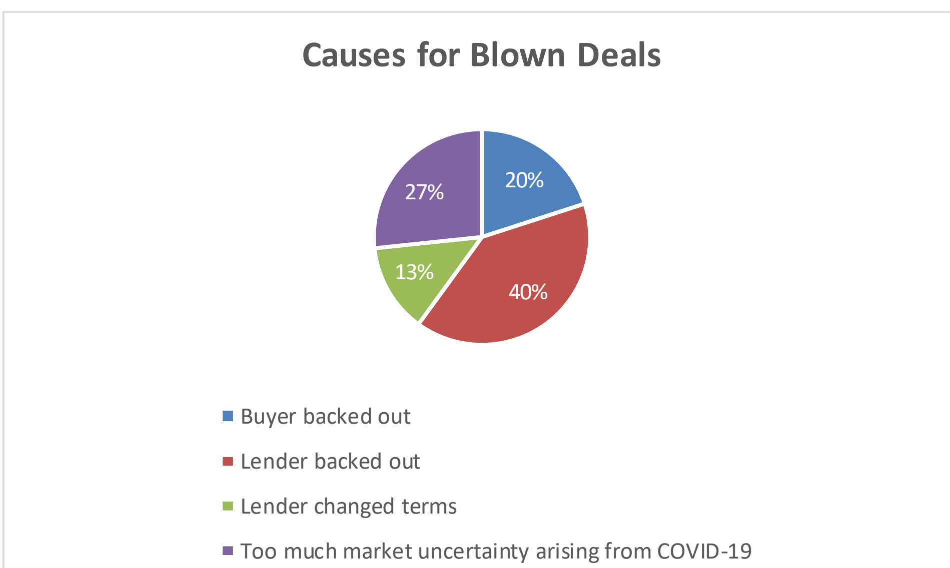
Seniors Housing and Care Investment Post COVID-19 Survey Results

From April 14, 2020 until April 21, 2020, HealthTrust tapped industry influencers to share their thoughts on life after COVID - specifically relating to financial and transactional activity of seniors housing and care communities as the United States emerges from stay-at-home orders and into the long term. Participants were comprised as shown:



More than two-thirds of the participants (69%) reported experiencing at least one deal (sale or financing) that had been pulled or canceled. Delays were typically initiated by buyers and access limitations for third parties. And while the reasons for deals coming undone varied, they generally fell into one of four categories:



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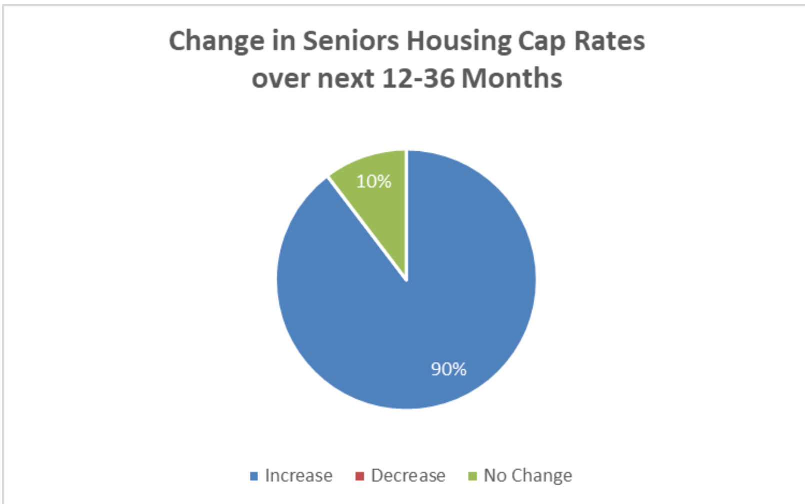
Of those transactions that did close, most did so at the pre-COVID sale price with only 20% indicating a price or proceeds reductions. Those situations typically reflected:

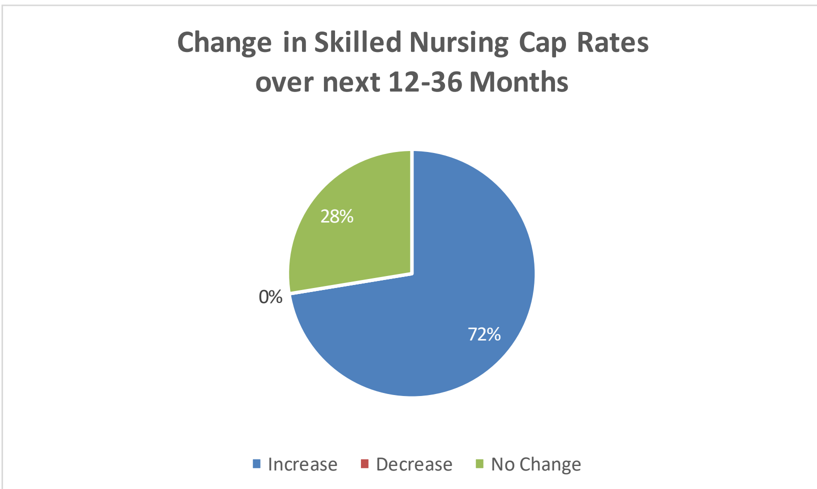
- Escrowed or held back funds contingent on changes in occupancy
- Price reductions based on changes in occupancy
- Loan term changes due to increased credit risk

In terms of activity, respondents suggest:

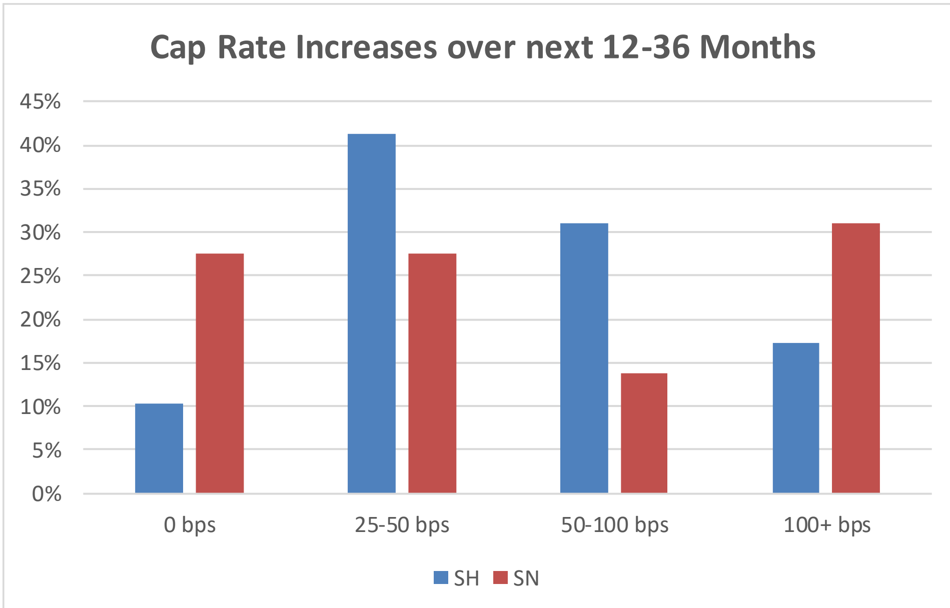
- Lending activity will resume in about 3 months (range of 0-9 months)
- Acquisition activity will resume in 3-5 months (range of 1-12 months)
- Development will be sidelined for 6-8 months (range of 0-24 months)

These industry influencers agree that investors' perception of perceived risk in the industry will not decrease over the next 12 to 36 months. However, they did not necessarily agree that perceived risk would be higher:





While most participants suggested that the change in capitalization rates for seniors housing would be zero to 50 basis points, they had no such accord regarding skilled nursing; opinion on skilled nursing was almost evenly distributed as having slight (zero to 50 basis points) to significant (50 to over 100 basis points):



Similarly to the broader economy, financial and sale transactions in the seniors housing and care sector have hit a pause with a significant slowdown and a trickle of transactions reaching the finish line. However, activity should resume over the next three to six months, although "normal" is likely to be further out. Broadly speaking, there is a long-term impact on seniors housing communities that is likely less than 50 basis points. However, for skilled nursing, which has never seen the drop to single-digit capitalization rates that seniors housing did, the impact could be nothing. Or, if daily headlines continue to report facilities rife with COVID-19 related deaths, the impact could be over 100 basis points. Stay tuned…

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