SENIORS HOUSING ANNUAL TOTAL RETURNS EQUAL 12.79% IN Q1 2018

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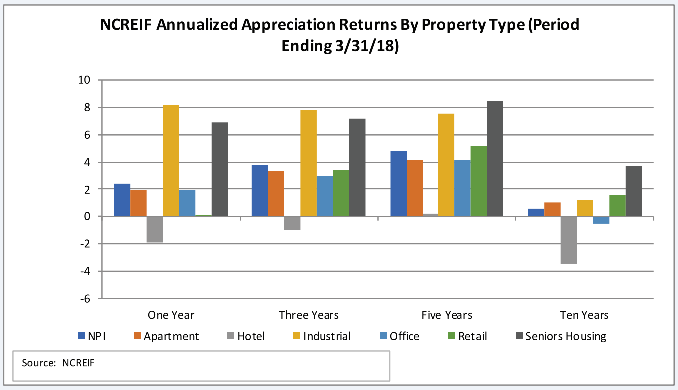
Returns Strong. First-quarter investment return data for the NCREIF-reported seniors housing properties equaled 2.14%, composed of a 0.79% capital return and a 1.36% income return. The annual total return through the first quarter of 2018 was 12.79%, overshadowing the NCREIF Property Index (NPI) result of 7.12% and the apartment result of 6.38%. However, at 13.53% industrial total returns outpaced seniors housing. Despite the relatively strong showing, the total annual return for seniors housing has been trending down since mid-2014 when it peaked at 20.37%. This pattern can also be seen in the broader index.

Looking more closely at the components of total returns, appreciation returns for seniors housing exceeded all major property types on a 10-year basis. Hotel and office both experienced negative capital returns over this period, while seniors housing had a 3.73% capital return. More recently, the capital return was 6.94% on a one-year basis, dwarfing all other property types except for industrial, which has benefited from e-commerce which has increased demand for last-mile warehouse space. With the exception of the hotel sector, seniors housing income returns have also exceeded the NPI as well as the other main property types on both a one-year and a ten-year basis.



These performance measurements reflect the returns of 104 seniors housing properties, valued at $5.3 billion in the first quarter. This is the first quarter that the market value of the NCREIF universe of seniors housing has exceeded $5 billion.

Market Fundamentals: Occupancy Rates Fall. The occupancy rate for seniors housing fell back to its lowest level in six years in the first quarter of 2018 as inventory growth continued to exceed net absorption. Compared with the fourth quarter of 2017, the occupancy rate was down 50 basis points. This quarterly decline stemmed from a marked slowdown in absorption as well as less inventory growth. Winter weather typically causes a slowdown in both inventory growth and demand in the first quarter. This year a particularly harsh flu season may have also slowed leasing activity as many properties lost marketing days due to flu-related property-level quarantines. We may potentially see a corresponding bounce back in in the second quarter as delayed move-ins from the first quarter take place.

At 88.3%, the occupancy rate is 2.0 percentage point below its most recent high of 90.2% in the fourth quarter of 2014. Construction as a share of inventory remains high at 6.7%, with 40,000 units under way.

Among metropolitan area markets, fifteen markets had occupancy rates higher than the 31 Primary Markets' average of 88.3%. The strongest performer continues to be San Jose, at 95.1%, followed by Baltimore, Portland, Sacramento, Pittsburgh and Seattle--all markets with occupancy rates above 91%. At the other end of the spectrum are San Antonio, with an occupancy of 78.3%, followed by Houston, Atlanta Dallas, Las Vegas and Kansas City, all with occupancy rates below 85.0%.

TOTAL RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2018	1.70	1.50	2.14
4th Qtr 2017	1.80	1.62	4.12
One Year	7.12	6.38	12.79
Three Years	8.72	7.99	13.16
Five Years	10.00	8.99	14.88
Ten Years	6.09	6.10	10.52

INCOME RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2018	1.12	1.06	1.36
4th Qtr 2017	1.16	1.07	1.34
One Year	4.66	4.37	5.59
Three Years	4.78	4.54	5.70
Five Years	5.03	4.72	6.09
Ten Years	5.53	5.20	6.61

APPRECIATION RETURNS

	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2018	0.58	0.44	0.79
4th Qtr 2017	0.63	0.55	2.79
One Year	2.38	1.95	6.94
Three Years	3.81	3.34	7.17
Five Years	4.79	4.12	8.43
Ten Years	0.54	1.03	3.73

Source: NCREIF, NIC Research & Analytics