

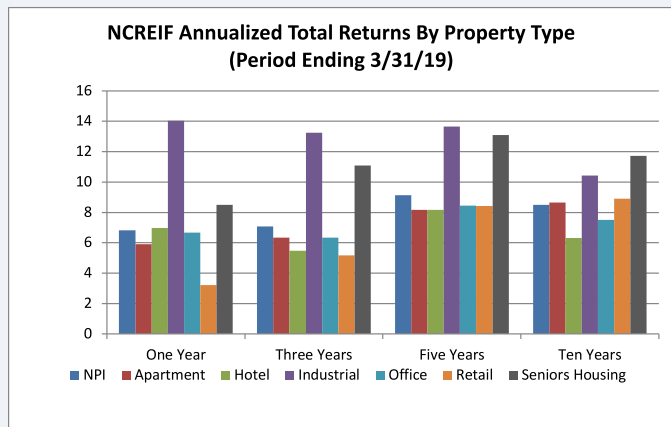
SENIORS HOUSING ANNUAL TOTAL RETURNS EQUAL 8.50% IN Q1 2019

By Beth Burnham Mace, Chief Economist, National Investment Center for Seniors Housing & Care (NIC)

Returns Strong. First-quarter investment return data for the NCREIF-reported seniors housing properties equaled 1.17%, composed of a 1.36% income return a negative 0.19% capital return. It was the first negative capital return since the second quarter of 2012 and compared poorly to the 0.30% increase in apartments and 0.69% increase in the total NPI.

The annual total return through the first quarter of 2019 was 8.50%, exceeding the NCREIF Property Index (NPI) result of 6.83% and the apartment return of 5.90%. However, at 14.04%, industrial total returns outpaced seniors housing. Industrial continues to benefit from e-commerce which has increased demand for last-mile warehouse space. Despite the relatively strong showing for seniors housing, the total annual return has been trending down since mid-2014 when it peaked at 20.37%. This pattern can also be seen in the broader index and reflects where we are in the cycle.

These performance measurements reflect the returns of 122 seniors housing properties, valued at \$6.0 billion in the first quarter. This is the first quarter that the market value of the NCREIF universe of seniors housing exceeded \$6.0 billion.



Occupancy Rates Edge Higher but Remain Low. The seniors housing occupancy rate increased to 88.1% in the first quarter, up 20 basis points from the seven-year low of 87.9% in the second and third quarters of last year. This placed occupancy 1.2 percentage points above its cyclical low of 86.9% reached during the first quarter of 2010 and 2.1 percentage points below its most recent high of 90.2% in the fourth quarter of 2014. Meanwhile, asking rent growth increased at a slower pace than average hourly earnings for assisted living workers. As a result, some operators are having challenges growing NOI. For many operators, labor expenses amount to 60% of their expenses.

TOTAL RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2019	1.80	1.35	1.17
4th Qtr 2018	1.37	1.35	2.63
One Year	6.83	5.90	8.50
Three Years	7.07	6.34	11.10
Five Years	9.13	8.16	13.10
Ten Years	8.51	8.64	11.73

INCOME RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2019	1.11	1.05	1.36
4th Qtr 2018	1.11	1.05	1.40
One Year	4.55	4.27	5.53
Three Years	4.65	4.40	5.67
Five Years	4.83	4.56	5.85
Ten Years	5.46	5.01	6.49

APPRECIATION RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
1st Qtr 2019	0.69	0.30	-0.19
4th Qtr 2018	0.26	0.30	1.22
One Year	2.20	1.58	2.83
Three Years	2.34	1.88	5.21
Five Years	4.14	3.48	6.95
Ten Years	2.93	3.51	5.00

Source: NCREIF, NIC Research & Analytics