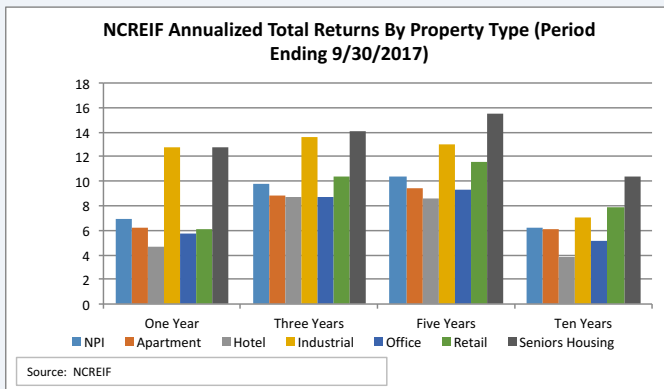


SENIORS HOUSING ANNUAL TOTAL RETURNS EQUAL 12.72% IN Q3 2017

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

Returns Strong. Third-quarter investment return data for the NCREIF-reported seniors housing properties equaled 2.73%, composed of a 1.38% capital return and a 1.36% income return. The annual total return through the first quarter of 2017 was 12.72%, overshadowing the NCREIF Property Index (NPI) result of 6.89% and the apartment result of 6.22%. However, industrial total returns slightly outpaced seniors housing at 12.80%. 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.

On a 10-year basis, total returns for seniors housing exceeded both the NPI and apartments by more than 400 basis points. The difference with hotel was even larger at 656 basis points (10.40% versus 3.84%), while the difference with retail was the smallest of the other five main property types at 257 basis points (10.40% versus 7.83%). On a one-year basis, the widest differential was between hotel and seniors housing at 810 basis points.



These performance measurements reflect the returns of 102 seniors housing stabilized properties, valued at \$4.9 billion in the first quarter. This is the first quarter that the property count of the NCREIF universe of seniors housing exceeded 100 properties.

Softer Occupancy Rates. Occupancy rates for seniors housing steadied in the third quarter of 2017 at 88.8%, unchanged from the prior quarter, but down 0.9 percentage point from year-earlier levels. Seniors housing annual absorption was 3.2% as of the third quarter of 2017, unchanged from the second quarter of 2017 and remained the fastest pace since NIC began reporting the data in 2006. The seniors housing annual inventory growth rate in the third quarter of 2017

was 4.1%, down 0.1 percentage point from the second quarter, when it had reached its fastest pace since NIC began reporting the data in 2006.

During the past year, there have been almost 38,000 units added to inventory among the nation's largest 99 CBSAs. Roughly one-third of this growth was majority independent living properties and two-thirds was majority assisted living properties. Nearly one quarter of the increase in seniors housing inventory occurred in seven metro areas: Dallas, Chicago, Minneapolis, Atlanta, Phoenix, Austin and Miami. Dallas alone accounted for 7% of all new seniors housing inventory in the past 12 months.

TOTAL RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	1.70	1.66	2.73
2nd Qtr 2017	1.75	1.45	3.24
One Year	6.89	6.22	12.72
Three Years	9.83	8.87	14.04
Five Years	10.35	9.47	15.49
Ten Years	6.23	6.10	10.40

INCOME RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	1.14	1.07	1.36
2nd Qtr 2017	1.16	1.10	1.42
One Year	4.66	4.45	5.89
Three Years	4.86	4.63	5.94
Five Years	5.14	4.82	6.29
Ten Years	5.56	5.05	6.65

APPRECIATION RETURNS			
	Total NPI	Total Apartment	Total Stabilized Senior Housing
3rd Qtr 2017	0.56	0.59	1.38
2nd Qtr 2017	0.59	0.35	1.82
One Year	2.15	1.71	6.56
Three Years	4.80	4.11	7.76
Five Years	5.02	4.49	8.80
Ten Years	0.64	1.02	3.57

Source: NCREIF, NIC Research & Analytics