

# 2017 Seniors Housing and Care Survey

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# About Lancaster Pollard

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Based in Columbus, Ohio, Lancaster Pollard consists of four affiliated companies and has regional banking offices in Atlanta, Austin, Bozeman, Chicago, Denver, Kansas City, Minneapolis, Newport Beach and Philadelphia. Through Lancaster Pollard & Co. LLC we are able to underwrite taxable and tax-exempt bonds and provide interest rate risk management and M&A advisory services. The firm is a registered broker/dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). Lancaster Pollard Mortgage Company originates, underwrites and services mortgage loans insured or guaranteed by governmental agencies, including Fannie Mae, the Federal Housing Administration (FHA), Government National Mortgage Association (GNMA) and United States Department of Agriculture (USDA), and is a U.S. Department of Housing and Urban Development (HUD)-approved LEAN and Multifamily Accelerated Process (MAP) lender. Lancaster Pollard Finance Co. LLC provides balance sheet financing. The Propero® Seniors Housing Equity Fund LLC provides equity financing for the new development and acquisition of seniors housing and care properties.

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2017 Seniors Housing and Care Survey

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# 2017 SENIORS HOUSING AND CARE SURVEY

## Methodology

In December of 2016, Lancaster Pollard sent an online survey to approximately 4,000 leaders at seniors housing and care facilities throughout the U.S. Over the course of two weeks, 273 respondents completed the online survey. The survey has a 95% confidence level and a confidence interval of 5.38, meaning that the differences in responses of 5 percentage points or more are statistically significant.

## Key Findings

Overall, our survey findings depict an environment similar to 2016 as new construction and renovation projects are increasingly being pursued, particularly in regards to assisted living (AL) and Alzheimer's/memory care (MC). We also found that the likelihood of acquisition projects and attempting to sell a facility is lower than our 2016 findings. Some of the notable findings include:

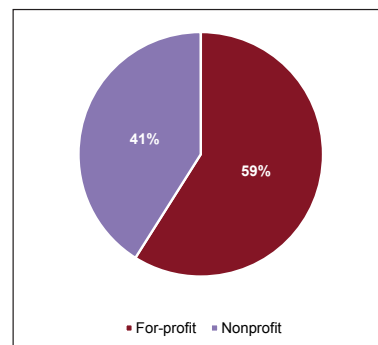
- A total of 69% of respondents answered they are extremely likely or somewhat likely to pursue a renovation project in the coming year.
- There is a high probability that the majority of respondents will pursue a construction project in 2017, as 53% are extremely likely and 22% are somewhat likely, a total of 75%. When we asked this question last year, 70% of respondents stated they were either somewhat or extremely likely to pursue a construction project in the coming year.
- Forty percent of respondents indicated that they anticipate the presidential administration will have a very positive or positive influence on their business. Fourteen percent indicated that they anticipate a very negative or negative influence on their business.
- Sixty-two percent of respondents believe that the Alzheimer's/MC market will experience the most growth in the coming year. Statistically, this is no different than the response in 2016.
- Interestingly, 22% of respondents indicated that they are extremely likely or somewhat likely to attempt to sell a facility in 2017. This is significantly lower compared to our 2016 results, seeing as 65% of respondents stated that they were extremely likely or somewhat likely that they would attempt to sell a facility in the next 12 months.
- Further, 43% of respondents stated that they are extremely likely or somewhat likely that they will pursue an acquisition project. When we asked this question last year, 53% of respondents stated they were likely to pursue an acquisition project in the coming year.
- When asked what the annual capital expenditures are to maintain their organization's competitive market position, \$551/bed and higher was the most selected answer at 36%. Twenty-one percent of respondents estimate it costs \$351 - \$450/bed to maintain their organization's competitive market position. This aligns with our 2016 survey results.

## Demographics

Out of the 273 respondents, 59% were for-profit providers and 73% identified themselves as either CEOs, CFOs or owners. The majority operated facilities with 250 beds/units or fewer and all aspects of the continuum of care were represented.

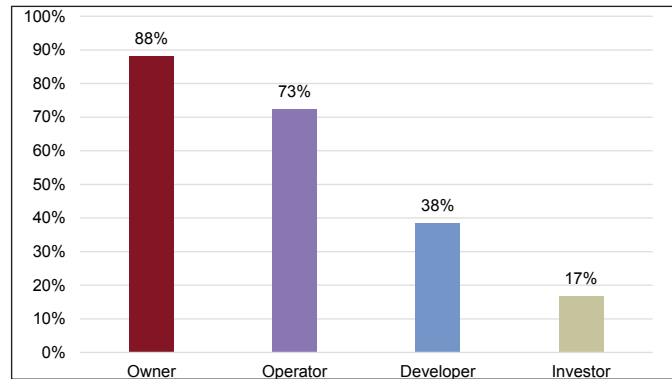
### 1. What is the tax status of your organization?

Survey respondents were more heavily weighted to nonprofit providers, as compared to the overall senior housing and care provider community, which is comprised of approximately 65% to 70% for-profit providers. These numbers remain consistent with our results from the 2016 survey. We will point out differences in responses between for-profit providers and nonprofit providers in subsequent responses as necessary for greater clarity. Given the smaller sample size of each group, the data will be directionally relevant as opposed to statistically significant.



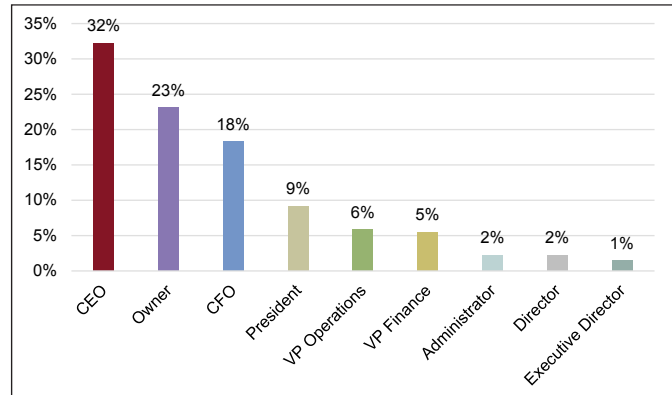
## 2. Which best describes your organization?

The descriptor “owner” was included in 88% of responses, while “developer” was included in only 38% of responses (respondents could choose as many as applied so the total exceeds 100%). Only 17% of survey respondents identified as an investor. Statistically, this is no different than the response in 2016.



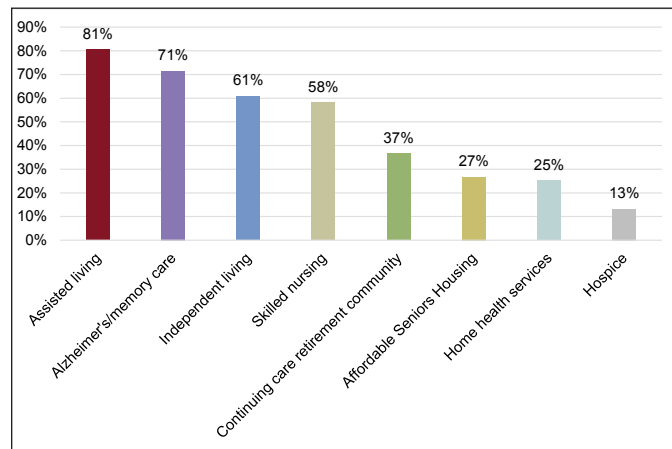
## 3. Which best describes your job title?

The survey was completed primarily by CEOs, owners and CFOs. Collectively, these three job titles comprised 73% of answers. These results remain consistent with our results from the 2016 survey. The majority of respondents who chose “owner” also chose for-profit as their organization’s tax status. A larger percentage of respondents who chose “CFO” described their organizations as nonprofit.



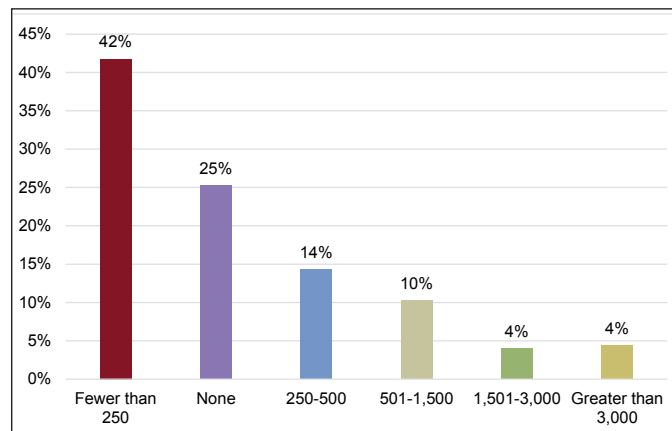
## 4. Which elements of the continuum of care does your organization own, develop or manage?

All elements of the continuum of care were represented in the survey. Respondents could choose as many as applied so the total exceeds 100%. Statistically, this is no different than the responses in 2016.



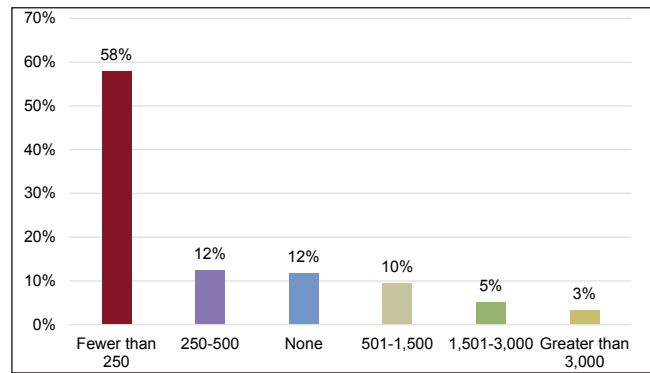
## 5. How many independent living (IL) units does your organization currently own, manage or lease?

We found that 42% of respondents own, manage or lease less than 250 IL units. A directionally higher percentage of for-profit respondents reported having this unit range. A directionally higher number of nonprofit respondents selected the 250 to 500 unit range. These results remain consistent with our survey results from 2016.



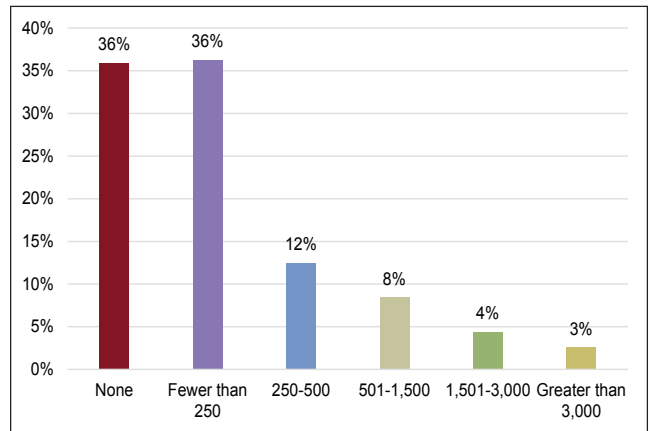
**6. How many AL/MC units does your organization currently own, manage or lease?**

The majority of respondents own, manage or lease less than 250 AL/MC units. These results remain consistent with the survey we conducted in 2016. Seventy-three percent of nonprofit respondents were in this range and we judge that the majority of respondents selected this answer because they are less likely to have AL units except as part of a continuing care retirement community (CCRC).



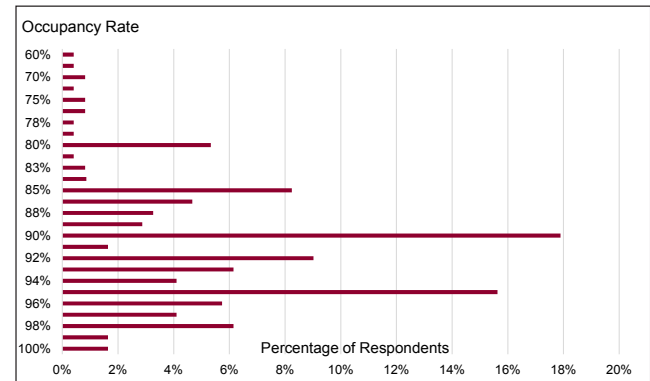
**7. How many skilled nursing facility (SNF) beds does your organization currently own, manage or lease?**

As with the preceding questions regarding the elements of care, the majority of respondents (72%) own, manage or lease fewer than 250 skilled beds or do not own, manage or lease any beds. In 2016, we found that 77% of respondents own, manage or lease fewer than 250 skilled beds or none.



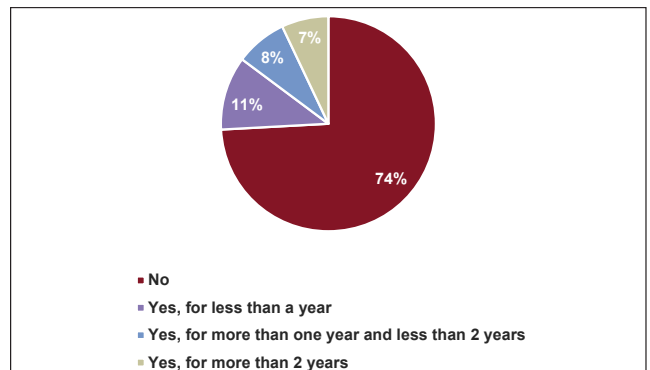
**8. What is the average occupancy rate of your seniors housing project over the past year?**

We found that nearly 18% of respondents reported average occupancy at 90% and nearly 16% reported average occupancy at 95%. Seventy-two percent of respondents reported average occupancy at or above 90% and nearly 24% of respondents reported occupancy between 80% and 89%. These results remain consistent with our results from the 2016 survey.



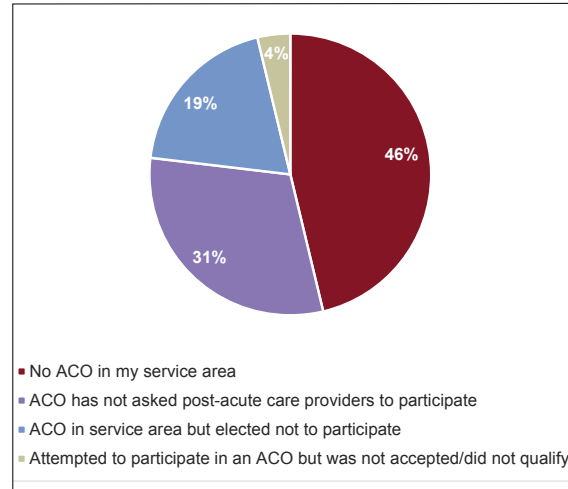
**9. Is your organization participating in an ACO?**

The majority (74%) of respondents' organizations are not participating in an ACO. Twenty-six percent of respondents responded that they have participated in an ACO. Statistically, this is no different than the response in 2016.



### 10. If you are not participating in an ACO, why not?

The reason for the low participation rates in ACOs is because 46% of respondents report that there is no ACO in their service area. In 2016, 31% of respondents reported that there was no ACO in their service area. Thirty-one percent have not been asked to participate in an ACO, this is up from last year's 25%. A directionally higher percentage of for-profit respondents indicated that there are no ACOs in their service area. A larger percentage of respondents reported that there was no ACO in their service area or that they were not asked to participate in 2017. There was no statistical difference between 2016 and 2017 for organizations that were asked to participate but declined.

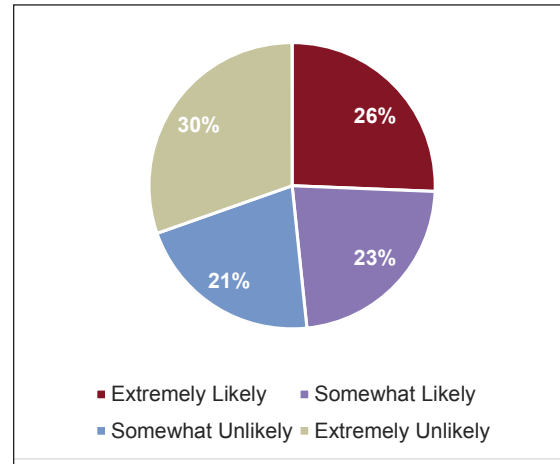


### Respondent's Likelihood for 2017 Projects

Overall, respondents indicated they are more likely to pursue construction and renovation projects as opposed to repositioning or acquisition projects.

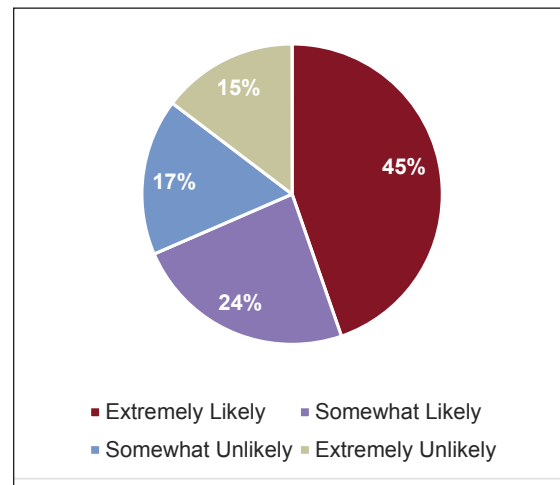
### 11. Likelihood you will pursue a repositioning project in the next 12 months.

Forty-nine percent of respondents are either extremely likely or somewhat likely to undergo a repositioning project in 2017, slightly down from last year's 53% of respondents.



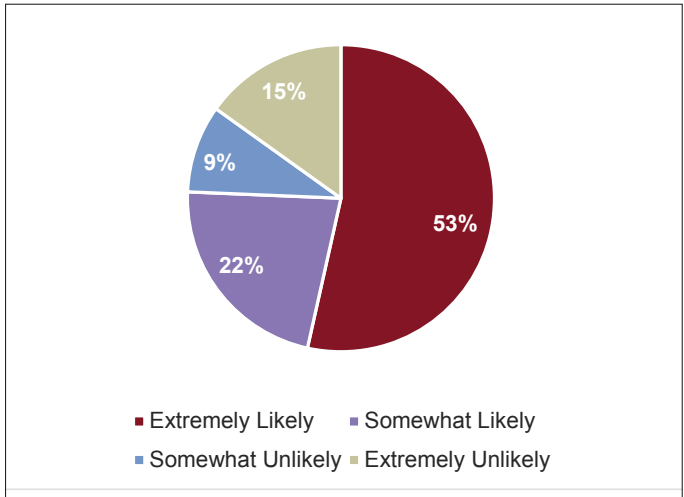
### 12. Likelihood you will pursue a renovation project in the next 12 months.

There is a much higher likelihood that respondents will undertake a renovation project in 2017 as compared to a repositioning project. Identical to last year, 69% of respondents are either extremely likely or somewhat likely to begin a renovation project.



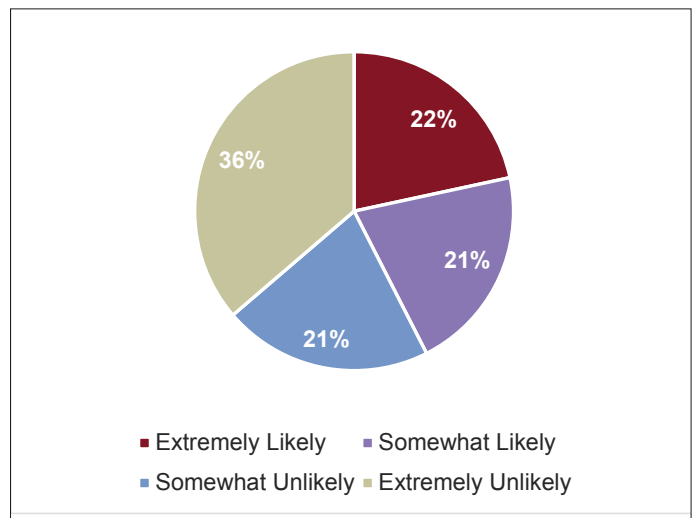
### 13. Likelihood you will pursue a construction project in the next 12 months.

There is a high probability that the majority of respondents will pursue a construction project in 2017, as 53% are extremely likely and 22% are somewhat likely, a total of 75%. When we asked this question last year, 70% of respondents stated they were likely to pursue a construction project in the coming year.



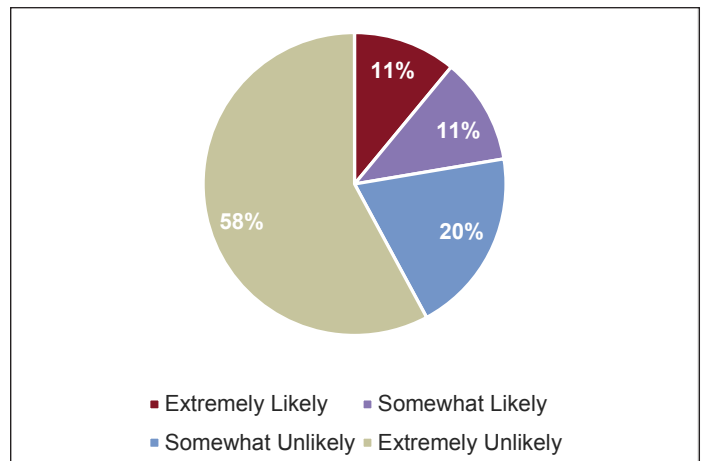
### 14. Likelihood you will pursue an acquisition project in the next 12 months.

Down from 2016, 43% of respondents stated that it is extremely likely or somewhat likely that they will pursue an acquisition project. When we asked this question in 2016, 53% of respondents stated they were likely to pursue an acquisition project in the coming year.



### 15. Likelihood you will attempt to sell a facility in the next 12 months.

Twenty-two percent of respondents indicated that they are extremely likely or somewhat likely to attempt to sell a facility. When we asked this question in 2016, a majority (65%) of respondents stated that they are extremely likely or somewhat likely to attempt to sell a facility in the next 12 months. In 2017, a majority (58%) of respondents stated they are extremely unlikely to attempt to see a facility, compared to 2016's 20% of respondents.



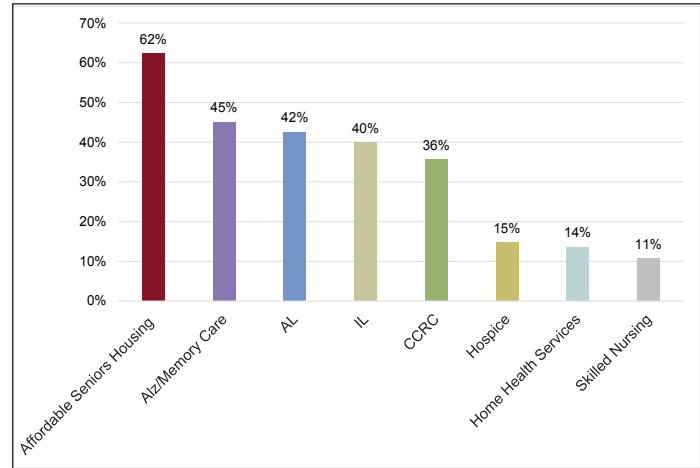


## Expectations for 2017

Looking forward, respondents believe that AL and Alzheimer's/MC will see the most growth.

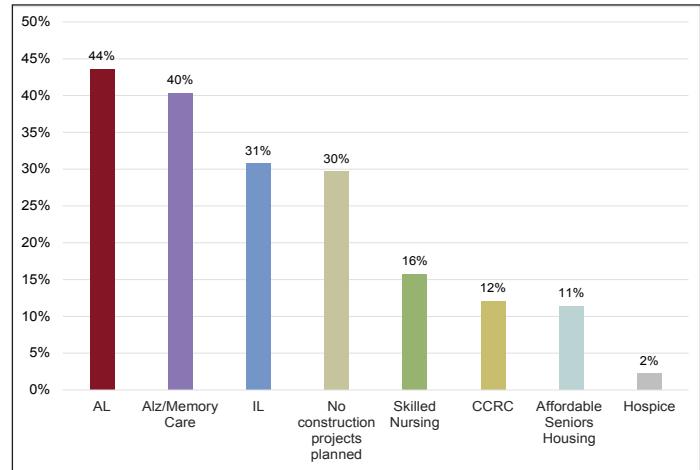
### 16. Which elements of the continuum of care do you think will experience the most growth in the next 12 months?

For this question, respondents chose their answers in four clear levels, with Affordable Seniors Housing being higher than all others for predicted growth in the next 12 months. Alzheimer's/MC, AL and IL are in the next group of predicted growth. CCRCs stand alone and hospice, home health services and skilled nursing are in the lowest group. These results are consistent with the results we received in 2016. Respondents could choose as many as applied so the total exceeds 100%.



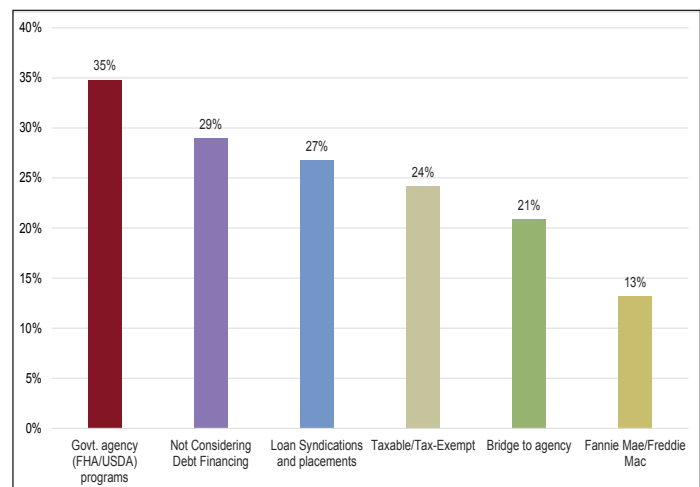
### 17. For which elements of the continuum of care do you have construction projects planned in the next 12 months?

Reflecting their expectations for the elements of the continuum of care with the most growth in 2017, respondents cited AL and Alzheimer's/MC most often as the type of construction projects they have planned, which is consistent with the results from our 2016 survey. Interestingly, although 62% expect Affordable Seniors Housing to experience the most growth, they don't expect to be doing the construction (only 27% of our survey respondents own, develop or manage Affordable Seniors Housing).



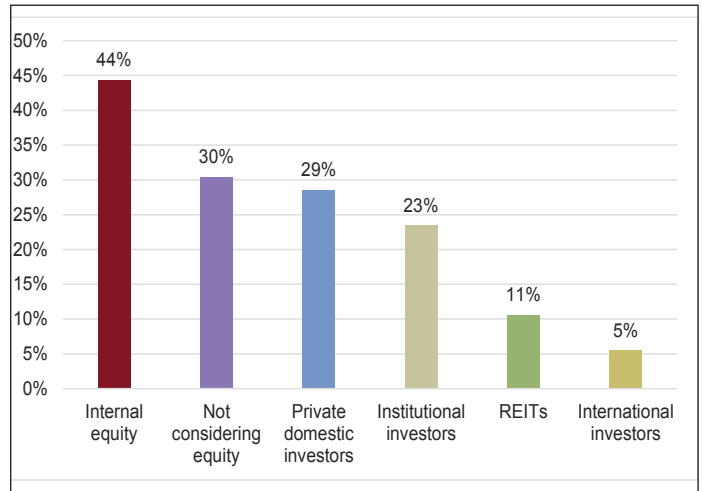
### 18. What types of debt financing are you considering for construction/acquisition projects in the next 12 months?

In 2017, 35% of respondents indicated they are considering government agency programs for their construction/acquisition project, up from 30% in 2016. The other types of debt financings listed shared statistically similar results to 2016.



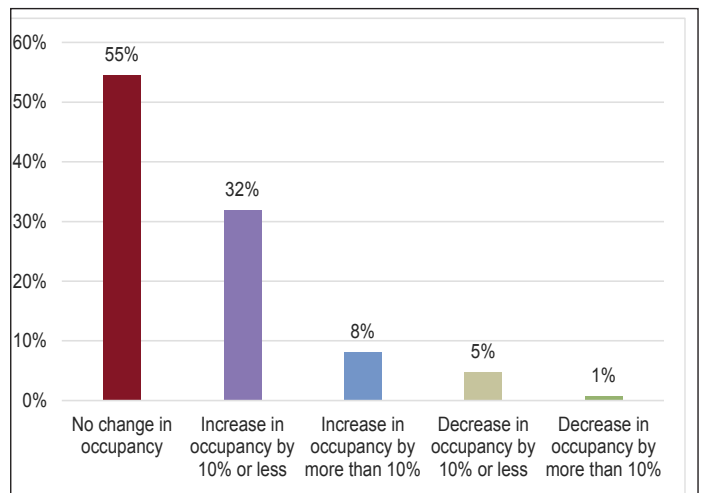
**19. What sources of equity are you considering for construction/acquisition projects in the next 12 months?**

When considering sources of equity for construction projects, most respondents selected internal equity. An equal amount (30%, 29%) are either not considering equity or intend on using private domestic investors. This remains consistent with our results from 2016. For-profits were responsible for 53% of the response levels for private domestic investors and REITs, while nonprofits were responsible for 11% of the response levels for these two answers. In 2016, for-profit providers were also responsible for a majority of the response levels for private domestic investors and REITs.



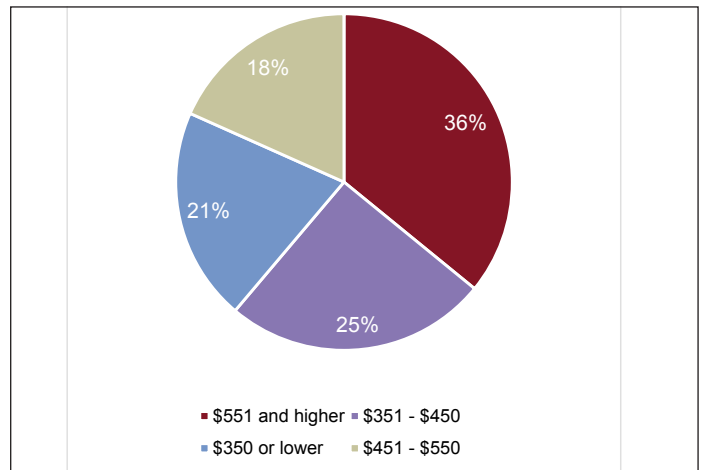
**20. How do you expect the occupancy level of your seniors housing properties to perform over the next 6 months?**

Fifty-five percent of respondents expect no change in occupancy level over the next 6 months. Only 5% expect a decrease in occupancy levels. In 2016, 49% of respondents expected no change in occupancy level.



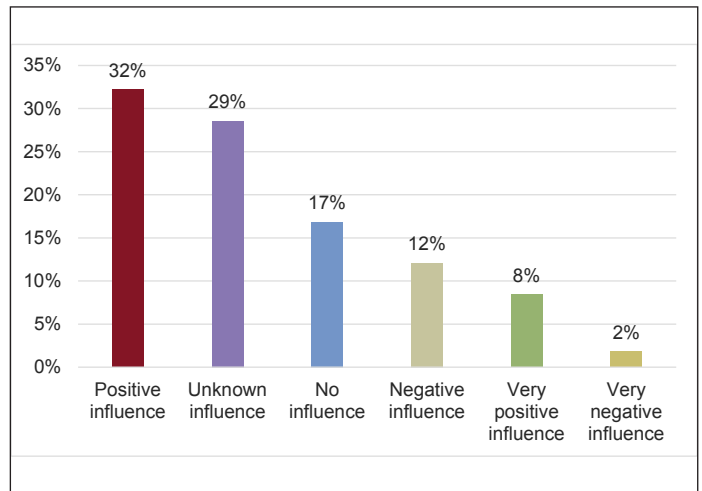
**21. What are the annual estimated capital expenditures per bed required to maintain your organization's competitive market position?**

Thirty-six percent of respondents estimate that it costs \$551 and higher to maintain their organization's competitive market position. In addition, 25% of respondents estimate it costs \$351 - \$450 to maintain their organizations competitive market position. This is consistent with the results from 2016.



## 22. What influence do you anticipate the incoming presidential administration will have on your business?

Forty percent of respondents indicated that they anticipate the presidential administration will have a very positive or positive influence on their business. Fourteen percent indicated that they anticipate a very negative or negative influence on their business. We did not ask this question in previous surveys.



*To learn more about any of the elements discussed in the survey results, please contact your local Lancaster Pollard banker who can be found on our website at [www.lancasterpollard.com/find-local-banker.aspx](http://www.lancasterpollard.com/find-local-banker.aspx).*

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