

Intelligent Investment

U.S. Senior Housing & Care Investor Survey H2 2023

REPORT

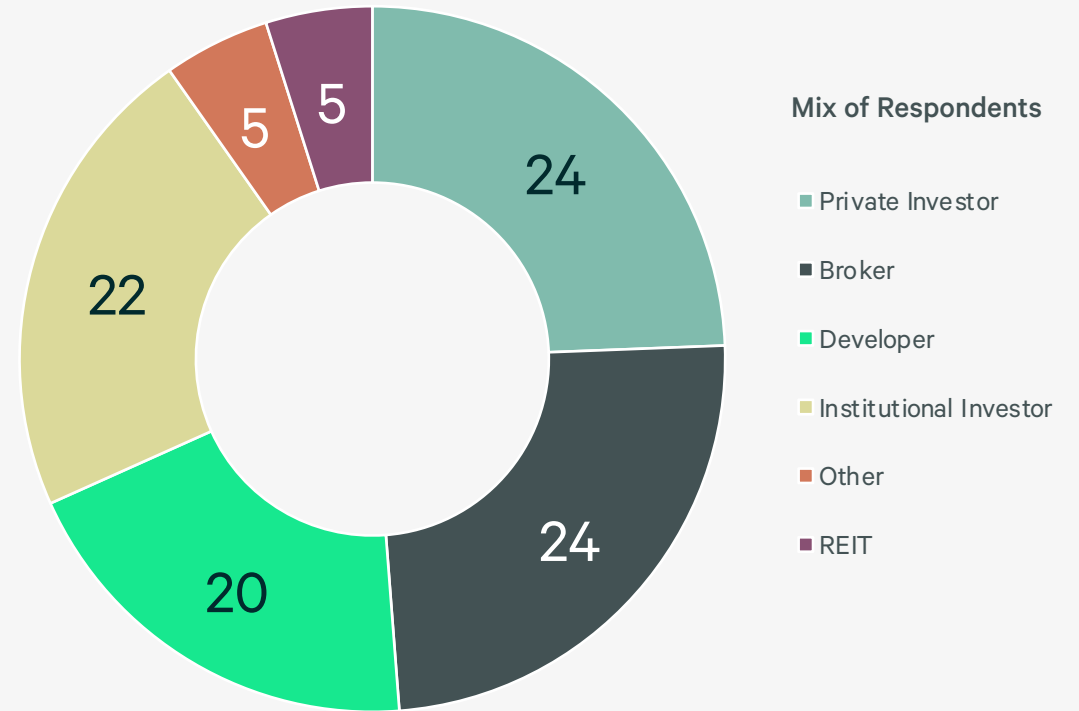
CBRE Research
December 2023

About Our Survey

This 13th edition of CBRE’s Senior Housing & Care Investor Survey, conducted in October 2023, polled the same group of senior housing real estate professionals and investors as our last survey in April and had a 98% response rate.

While the April survey focused largely on changing market conditions caused by inflation and staffing shortages, the October survey focused more on debt liquidity and rising interest rates.

Figure 1: Survey Respondent Categories (%)



CBRE Senior Housing & Care Investor Survey results, H2 2023.

Senior Housing Trends

- Skilled Nursing (SN) capitalization rates increased by 71 basis points (bps) between April and October, after falling by 34 bps between our previous two surveys.
- The average cap rate for Active-Adult (AA) communities increased by 68 bps between April and October.
- Cap rates for Independent Living (IL), Assisted Living (AL) and Memory Care (MC) facilities increased by 73 bps on average over the past six months, with greater increases for Class C assets than Class A and for non-core markets than core. This is a reversal from the April survey, which reported the biggest increases for Class A assets and core markets.
- Seventy-five percent of survey respondents reported cap rate increases of 50, 75 or 100 bps across all senior housing categories. Thirty-one percent reported increases of 100 bps or more.
- For AA, IL, AL and MC facilities, 66% of survey respondents said they expect rental rate increases of 3% to 7% over the next 12 months.
- The percentage of respondents who reported underwriting rent growth above 7% fell to 15.6% in the October survey from 21.5% in the April survey.



Change in cap rates
over past six months
(bps)

▲ **AA**
+68

▲ **IL**
+72

▲ **AL**
+78

▲ **MC**
+84

▲ **SN**
+71

▲ **CCRC**
+73

Investor Survey Results

The average senior housing cap rate increased by 74 bps between April and October.

Non-core Class C Memory Care assets had the biggest increase, up by 89 bps to 10.5%, while core Class C Skilled Nursing assets had the smallest increase of 63 bps to 12.9%.

Core Active Adult assets had the lowest average cap rate at 5.8%, while non-core Class C Skilled Nursing had the highest at 13.4%.

Figure 2: Senior Housing & Care Capitalization Rates

	Class A			Class B			Class C			
	Low - High (%)	Avg. (%)	Change (bps)	Low - High (%)	Avg. (%)	Change (bps)	Low - High (%)	Avg. (%)	Change (bps)	
Core	Active Adult	5.0 - 7.0	5.8	64	5.0 - 7.0	6.6	66	6.0 - 9.0	7.3	70
	Independent Living	5.0 - 7.0	6.4	67	5.0 - 7.0	7.2	71	7.0 - 9.0	7.8	77
	Assisted Living	6.0 - 9.0	7.1	73	6.0 - 9.0	7.9	77	7.0 - 10.0	8.9	85
	Memory Care	6.0 - 9.0	8.3	84	6.0 - 9.0	9.2	82	7.0 - 12.0	10.0	88
	Skilled Nursing	8.0 - 13.0	11.2	64	8.0 - 13.0	12.2	69	9.0 - 14.0	12.9	63
	CCRC/LPC	6.0 - 11.0	8.4	67	6.0 - 11.0	9.2	69	6.0 - 13.0	9.9	65
Non-Core	Active Adult	5.0 - 8.0	6.5	66	5.0 - 8.0	7.2	68	6.0 - 10.0	7.8	76
	Independent Living	5.0 - 8.0	7.0	69	5.0 - 8.0	7.8	72	7.0 - 10.0	8.5	75
	Assisted Living	6.0 - 9.0	7.5	73	6.0 - 9.0	8.5	76	7.0 - 13.0	9.5	84
	Memory Care	6.0 - 10.0	8.7	81	6.0 - 10.0	9.5	79	7.0 - 12.0	10.5	89
	Skilled Nursing	8.0 - 14.0	11.9	70	8.0 - 14.0	12.7	78	9.0 - 14.0	13.4	83
	CCRC/LPC	6.0 - 12.0	8.9	75	6.0 - 12.0	9.7	82	7.0 - 13.0	10.4	79
Average Change per Class			71	74			78			

CBRE Senior Housing Investor Survey results, H2 2023; change from H1 2023, Survey.

The largest share of respondents reported cap rate increases of 100 bps over the past six months for all senior housing categories except Active Adult.

Figure 3: Capitalization Rate Change from Prior Survey

Proportion of Responses; Change from Prior Survey Response						
	Active Adult	Independent Living	Assisted Living	Memory Care	Skilled Nursing	CCRC/LPC
+200 Basis Points	0%	0%	0%	0%	0%	0%
+150 Basis Points	4%	6%	13%	17%	8%	4%
+100 Basis Points	29%	34%	28%	31%	32%	33%
+ 75 Basis Points	18%	17%	23%	25%	26%	30%
+ 50 Basis Points	32%	23%	15%	9%	14%	16%
+ 25 Basis Points	17%	20%	20%	17%	17%	16%
+10 Basis Points	0%	0%	0%	1%	1%	0%
Unchanged	0%	0%	0%	0%	0%	0%

CBRE Senior Housing Investor Survey results, H2 2023.

Capitalization Rate Trends

Figure 4: Senior Housing & Care Capitalization Rate Spreads; Investment Class & Location

Investment Class Spreads (bps)							Location Spreads - Core vs. Non-Core (bps)							
	A - B	Change	B - C	Change	A - C	Change		A	Change	B	Change	C	Change	
Core	Active Adult	75	2	69	4	144	6	Active Adult	67	2	59	2	48	6
	Independent Living	86	4	61	6	147	10	Independent Living	61	2	61	1	60	-2
	Assisted Living	83	4	100	8	183	12	Assisted Living	43	0	60	-1	54	-1
	Memory Care	90	-2	85	6	176	4	Memory Care	40	-3	37	-3	48	1
	Skilled Nursing	95	5	69	-6	164	-1	Skilled Nursing	65	6	51	9	49	20
	CCRC/LPC	86	2	65	-3	152	-1	CCRC/LPC	53	8	50	14	52	14
Non-Core	Active Adult	67	2	58	8	125	10							
	Independent Living	86	3	60	3	146	6							
	Assisted Living	101	3	94	8	195	11							
	Memory Care	87	-2	96	10	183	8							
	Skilled Nursing	81	8	67	5	148	13							
	CCRC/LPC	84	7	67	-3	151	4							

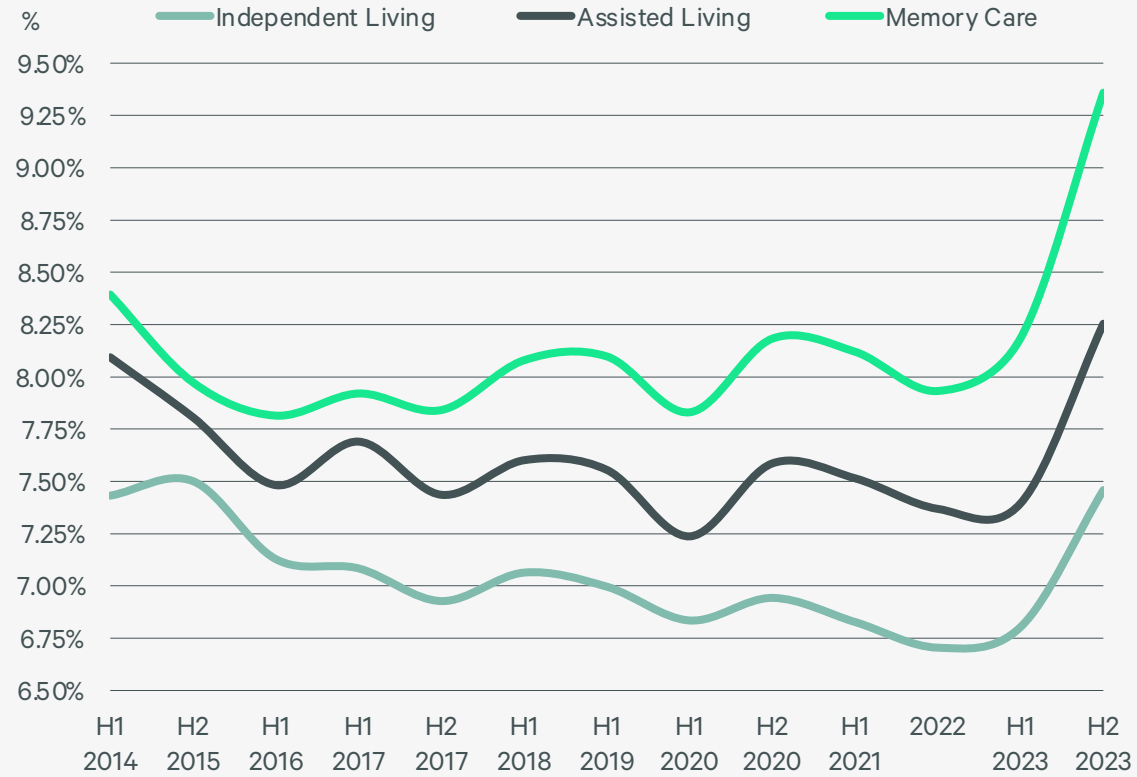
CBRE Senior Housing Investor Survey results, H2 2023; change from H1 2023, Survey.

Cap rate spreads between asset classes were essentially unchanged except for Class C assets and assets in non-core locations.

Location spreads also remained consistent with the prior survey, except for Skilled Nursing, which had a material increase in spread for Class C assets in non-core locations.

The average spread between core and non-core assets was essentially unchanged.

Figure 5a: Senior Housing & Care Capitalization Rate Trends — Independent Living, Assisted Living & Memory Care



Note: Time periods represent when surveys were done.
 CBRE Senior Housing Investor Survey results, H2 2023.

Figure 5b: Senior Housing & Care Capitalization Rate Trends — Skilled Nursing

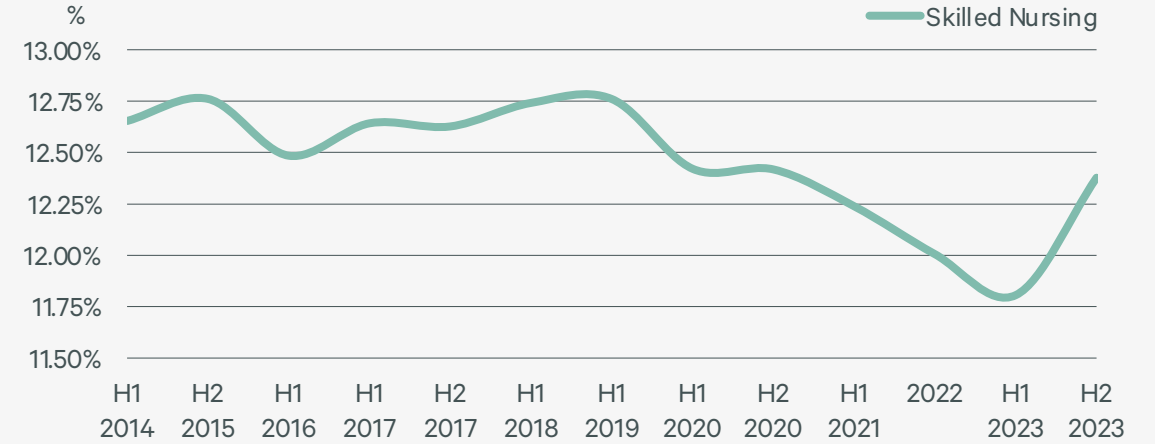
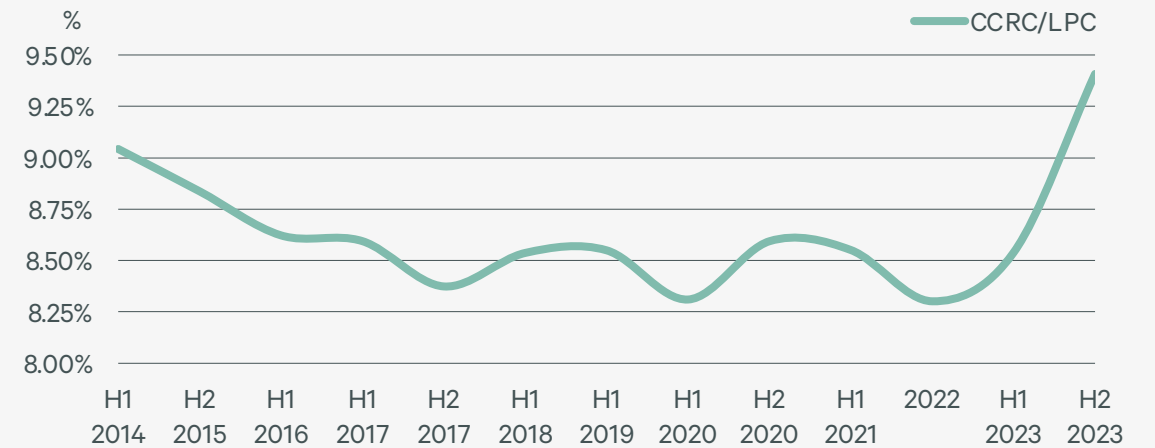


Figure 5c: Senior Housing & Care Capitalization Rate Trends — CCRC/LPC



Rent Growth Expectations

More than 77% of respondents expect rental rate increases of 3.0% or more over the next 12 months for all classes except Skilled Nursing. No respondents expected rent decreases for any asset class. The percentage of respondents who reported underwriting rent growth above 7% fell to 15.6% in our October survey from 21.5% in the April survey.

Figure 6: 2024 Rent Growth Expectations

Response	Active Adult	Independent Living	Assisted Living	Memory Care	Skilled Nursing	CCRC/LPC
Increase 7%+	13.3%	19.4%	28.1%	25.0%	0.0%	4.0%
Increase 3-7%	63.3%	61.3%	56.3%	53.1%	47.8%	72.0%
Increase 1-3%	20.0%	16.1%	12.5%	15.6%	43.5%	12.0%
Flat	3.3%	3.2%	3.1%	6.3%	8.7%	12.0%
Decrease 1-3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Decrease 3-7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Decrease 7%+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Primary Indications						
Increase 3%+	76.7%	80.6%	84.4%	78.1%	47.8%	76.0% <small>Texas Remaining: HKS</small>
Increase 1-7%	83.3%	77.4%	68.8%	68.8%	91.3%	84.0%

CBRE Senior Housing Investor Survey results, H2 2023.

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