

## NIC Attendees Speak Out: Growth Expected Despite Uncertainty



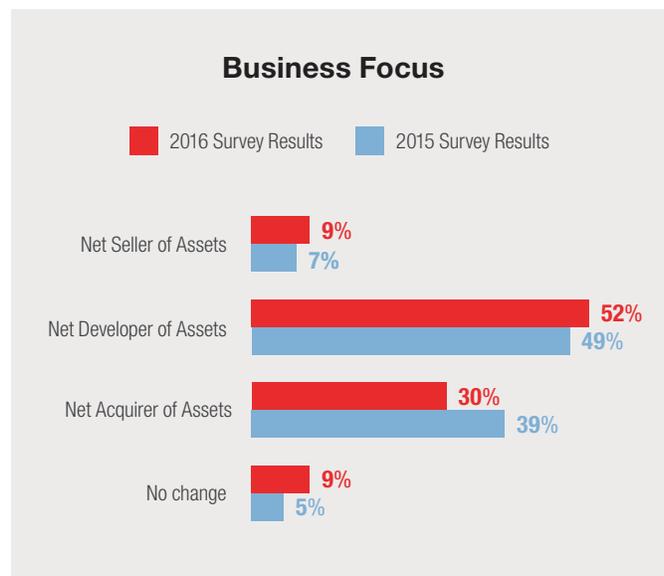
At the 2016 National Investment Center for Seniors Housing & Care (NIC) conference, KeyBank Real Estate Capital® asked owners and operators of seniors housing facilities who visited our meeting room space for their views on the current market and opportunities and concerns for the future. The results of this annual survey suggest that although most senior care businesses are in growth mode, uncertainty is beginning to seep into the overall optimism of industry insiders.

Nearly half of respondents are owner/operators, 41% are owners, and a few are third-party operators. More than half of respondents own more than one type of seniors housing: 6% own skilled nursing homes, 29% own assisted living or memory care facilities, and 13% own independent living properties.

Will the senior housing industry continue to sustain this growth? Following, industry insiders share their views on what's next.

### Growth through development, acquisition

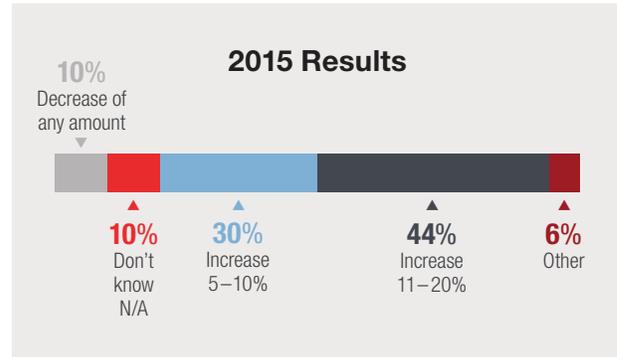
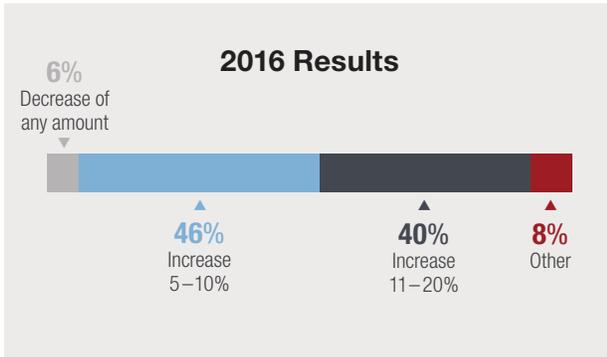
Overall, most respondents have been growing their businesses through development or acquisition from 2014 to 2016. When asked to describe their businesses over the past 24 months, about half said their focus was on development and 30% on acquisition. Meanwhile 9% said their businesses had no change, and the same amount described themselves as a net seller of assets.



## Market outlook

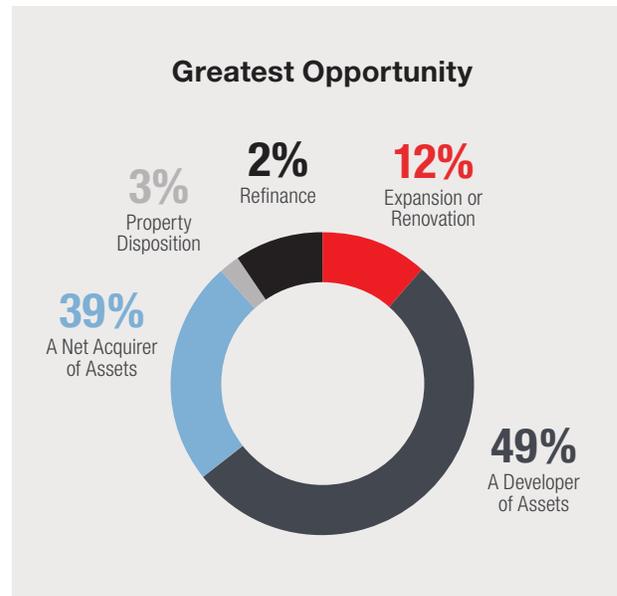
The overwhelming majority of respondents plan to continue to invest in this market. When asked to predict their deal volume in the next year, 40% of respondents indicated their volume would increase by 11% to 20% while an additional 46% think it will increase in the 5% to 10% range. Only 6% expect to experience a decrease of any amount.

### Deal Volume Outlook



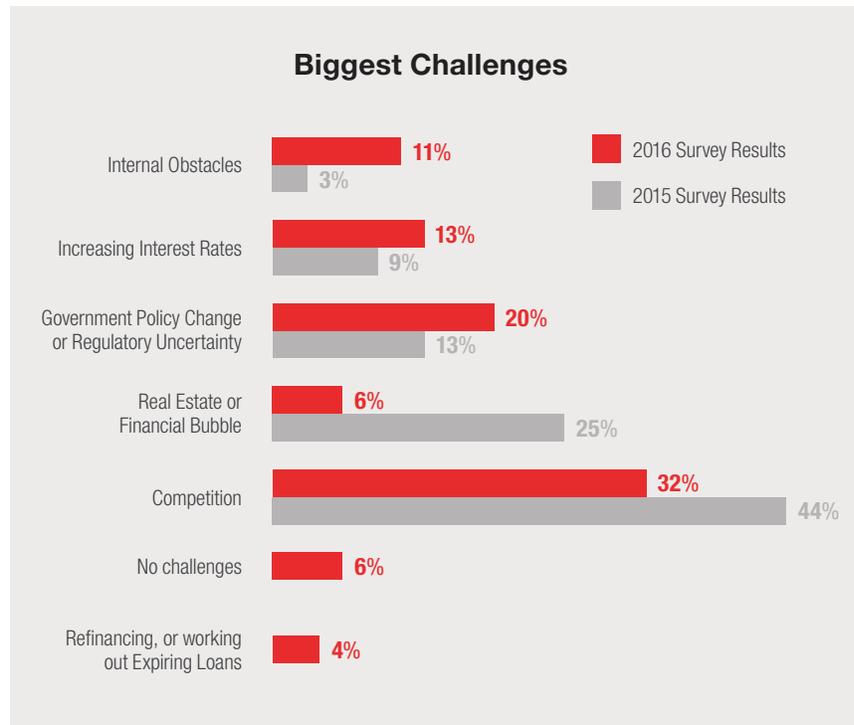
## Portfolio expansion, the greatest opportunity

Rich opportunity exists for portfolio expansion. Almost half of respondents see development as their greatest avenue for growth, while 39% believe acquisition is the best approach.



## Challenges ahead

More than one-third (34%) of respondents said over-supply and over-building leading to occupancy struggles keeps them up at night, with unpredictability/volatility in the interest rate at 22% and issues with labor, i.e., wage increases and staffing, at 15%.



## What keeps you up at night?

Despite this positive outlook, a crowded and competitive market remains a chief concern for most executives. Nearly a third of respondents (32%) named competition as the biggest challenge, while one-fifth (20%) are most concerned about regulatory uncertainty and potential government policy changes.

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Rising interest rates are a lesser, but still key concern. Almost a quarter of respondents (22%) report that volatility in interest rates are keeping them up at night. More than three-quarters of respondents said rising interest rates would impact their businesses slightly or moderately, while 13% said higher interest rates would have a significant impact.

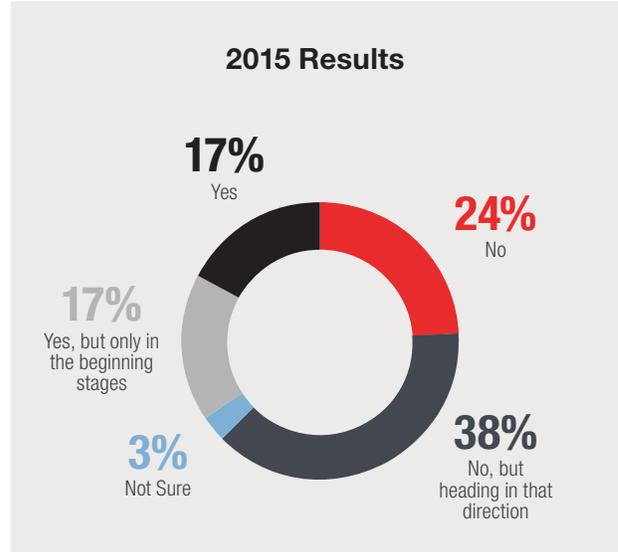
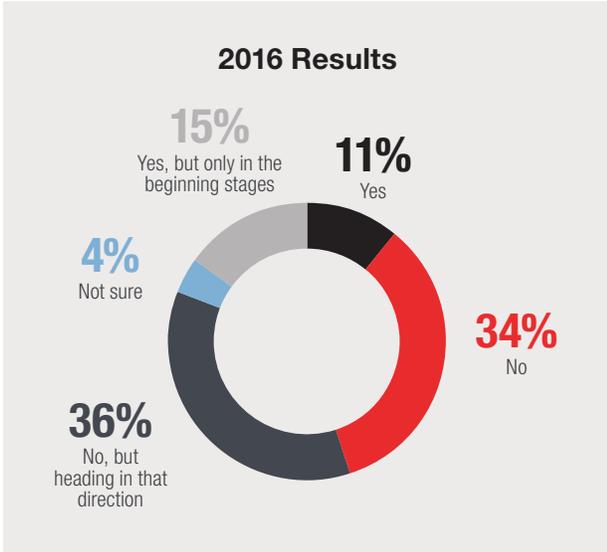
While these challenges have yet to impact the strong growth trajectory and owners remain poised to expand in the near future, they remain aware of potential challenges as described in these unscripted comments about expected challenges captured at the conference:

- “Limitations on future pricing power in low-growth/low-interest rate environment”
- “Staffing and recruitment issues due to wage pressure”
- “Misalignment between lessee and landlords coupled with increased REIT ownership”

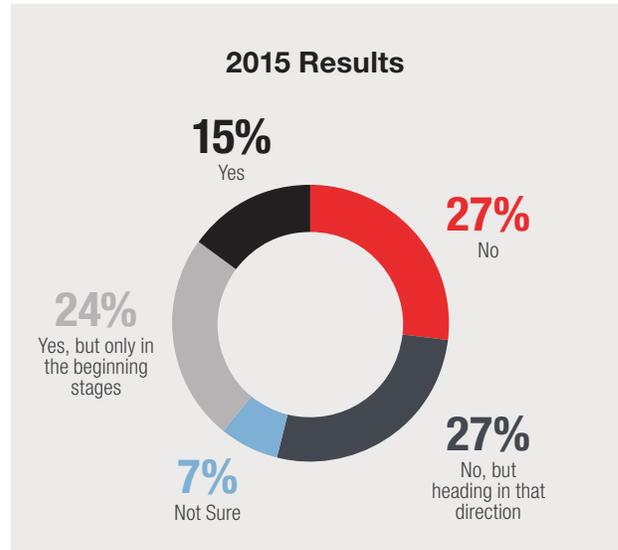
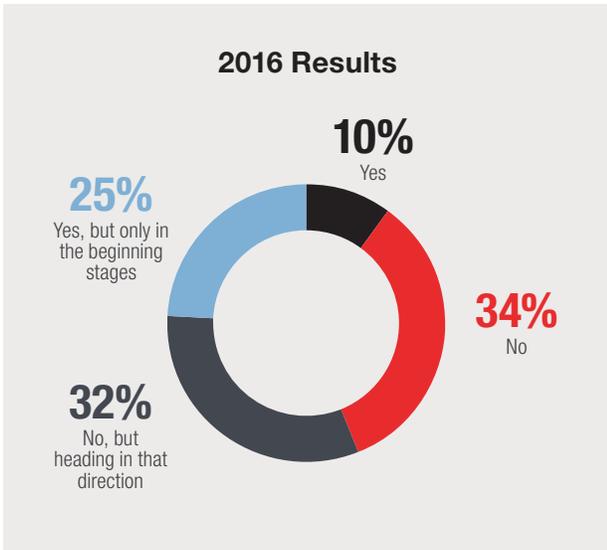
## Bracing for a bubble?

The 2008 housing market crash still casts a shadow on the outlooks of many owners and investors. Though most are still actively investing in today's robust market, some see potential for a looming downturn. More than half of respondents believe that both the seniors housing market and the consumer real estate market as a whole are in the beginning stages of a bubble or heading in that direction, which is not a significant change in sentiment from 2015.

### Seniors Housing Bubble



### Commercial Real Estate Bubble



KeyBank Real Estate Capital is present each year at NIC, and offers a full suite of financial products and services relevant to the seniors housing, multi-family, and real estate industries. Our annual survey tracks sentiment of seniors housing investment professionals shaping the market.

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