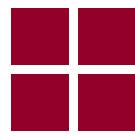


2018 Seniors Housing and Care Survey

LANCASTER
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About Lancaster Pollard

Lancaster Pollard helps health care and senior living providers expand and improve their services by delivering sound financial strategies. The firm offers a full range of investment banking, mortgage banking, private equity, balance sheet financing and M&A advisory services.

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. Securities offered through Lancaster Pollard & Co., LLC, a registered broker/dealer with the Securities & Exchange Commission and a member with the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and the Securities Investors Protection Corporation (SIPC). Lancaster Pollard Mortgage Company, LLC 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 Funds provide equity financing for the new development and acquisition of seniors housing and care properties.

Note to the Reader

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2018 SENIORS HOUSING AND CARE SURVEY

Methodology

In December of 2017, 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, 386 respondents completed the online survey. The survey has a 95% confidence level and a confidence interval of 4.7, meaning that the differences in responses of 5 percentage points or more are statistically significant.

Key Findings

Overall, our survey depicts a competitive market, with 87% of respondents indicating their local environment is competitive or extremely competitive. Eighty-two percent of respondents cited a shortage of workers as a key concern over the next 12 months. Additional notable findings include:

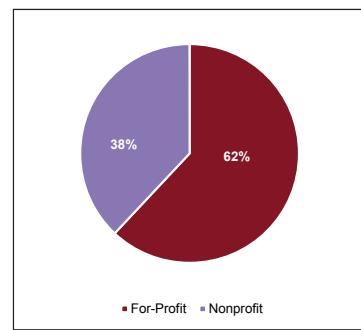
- A total of 88% of respondents have adopted some form of electronic health records (EHR).
- Thirty-four percent of respondents indicated a poor outlook for stand-alone skilled nursing facilities (SNFs).
- Respondents had a more favorable outlook for stand-alone assisted living (AL) facilities, with 58% predicting a good outlook over the next three years.
- More than half of respondents (55%) also had a favorable outlook for continuing care retirement communities (CCRCs).
- Forty-two percent of respondents indicated a CEO title, up from last year's 32%.
- Interestingly, fewer than half (46%) of respondents indicated they are extremely likely to pursue a new construction project in 2018. When we asked this question in 2017, more than half (53%) of respondents indicated they would pursue a construction project in 2017.
- Down from last year's 62%, less than half (47%) of respondents indicated that Affordable Seniors Housing would experience the most growth in 2018. More than half (53%) of respondents indicated Alzheimer's/Memory Care would see the most growth, up from last year's 45%.
- Only 37% of respondents indicated a plan to build an assisted living construction project, down from last year's 44%.
- Up from our previous survey's response, 39% of respondents would consider private domestic investors as a source of equity for construction/acquisition projects, as compared to last year's 29%.

Demographics

Out of the 386 respondents, 62% were for-profit providers and 73% identified themselves as either CEOs, CFOs or owners. The majority operated facilities with fewer than 250 beds/units and all aspects of the continuum of care were represented.

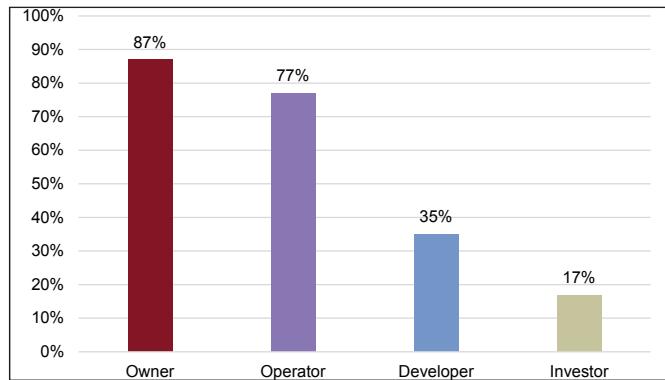
1. What is the tax status of your organization?

Survey respondents were more heavily weighted to for-profit providers. This differs from our past surveys, as nonprofit providers were the dominant respondents previously. 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.



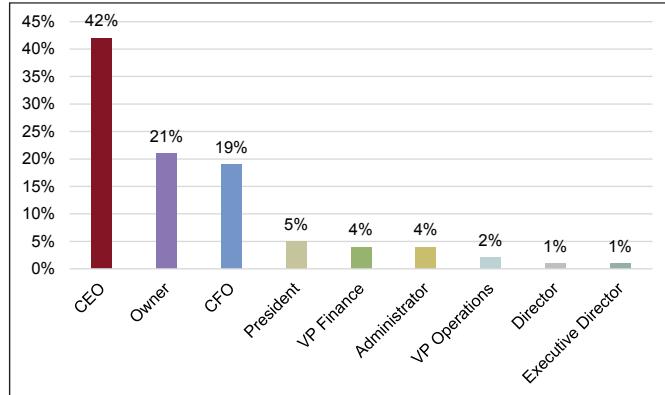
2. Which best describes your organization?

The descriptor “owner” was included in 87% of responses, while “developer” was included in only 35% 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 responses in 2017.



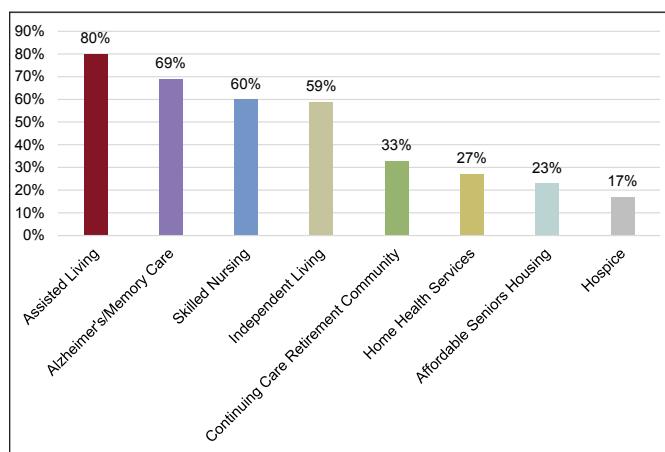
3. Which best describes your job title?

The survey was completed primarily by CEOs, owners and CFOs. Collectively, these three job titles comprised 82% of answers. In 2017, 73% of respondents comprised of CEOs, owners and CFOs. 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.



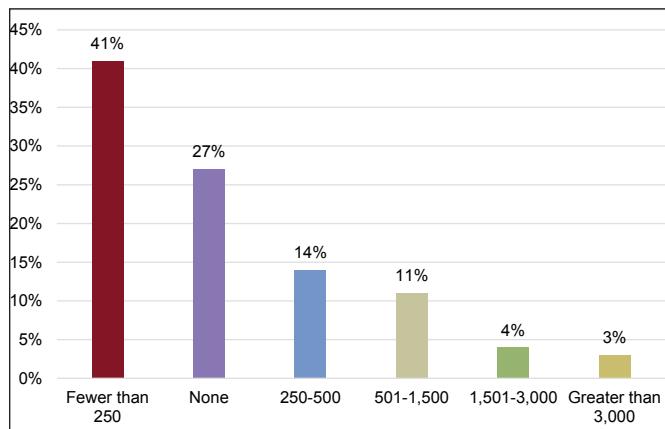
4. Which elements of the continuum of care does your organization own, develop or manage?

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 2017.



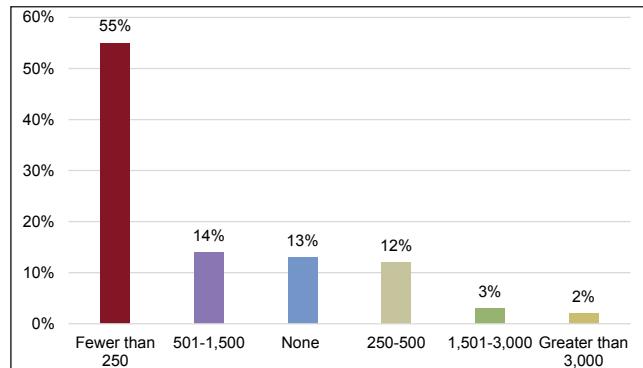
5. How many independent living (IL) units does your organization currently own, manage or lease?

We found that 41% of respondents own, manage or lease fewer than 250 IL units. Statistically, this is no different than the responses in 2017. 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.



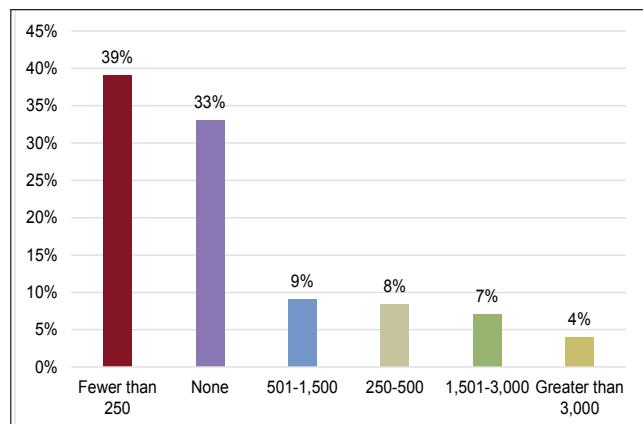
6. How many AL/MC units does your organization currently own, manage or lease?

The majority of respondents own, manage or lease fewer than 250 AL/MC units. These results remain consistent with the survey we conducted in 2017. Sixty-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).



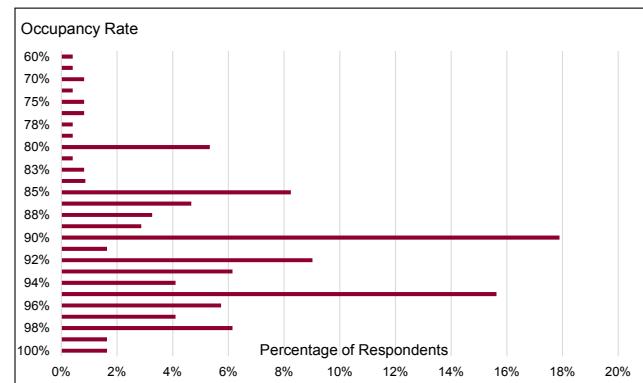
7. How many skilled nursing facility (SNF) beds does your organization currently own, manage or lease?

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 2017, we also found that 72% of respondents own, manage or lease fewer than 250 skilled beds or none.



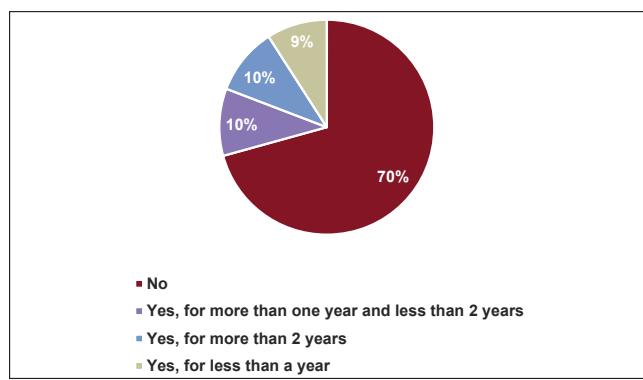
8. What is the average occupancy rate of your seniors housing project over the past year?

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 2017 survey.



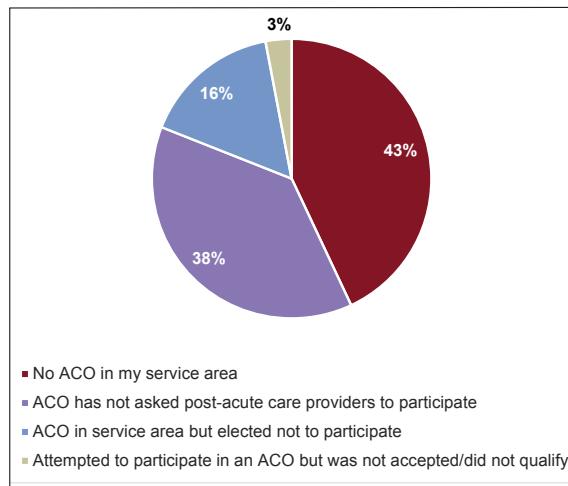
9. Is your organization participating in an ACO?

The majority (70%) of respondents' organizations are not participating in an ACO. Twenty-nine percent of respondents responded that they have participated in an ACO. Statistically, this is no different than the responses in 2017.



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

The reason for the low participation rates in ACOs is because 43% of respondents report that there is no ACO in their service area. In 2017, 46% of respondents reported that there was no ACO in their service area. Thirty-eight percent have not been asked to participate in an ACO, up from last year's 31%. A directionally higher percentage of for-profit respondents indicated that there are no ACOs in their service area. There was no statistical difference between 2017 and 2018 for organizations that were asked to participate but declined.

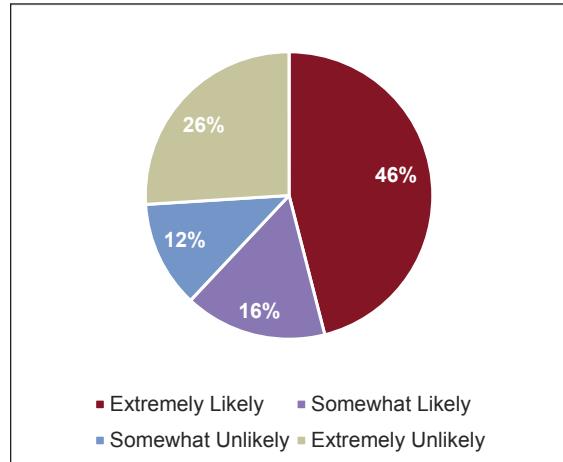


Respondent's Likelihood for 2018 Projects

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

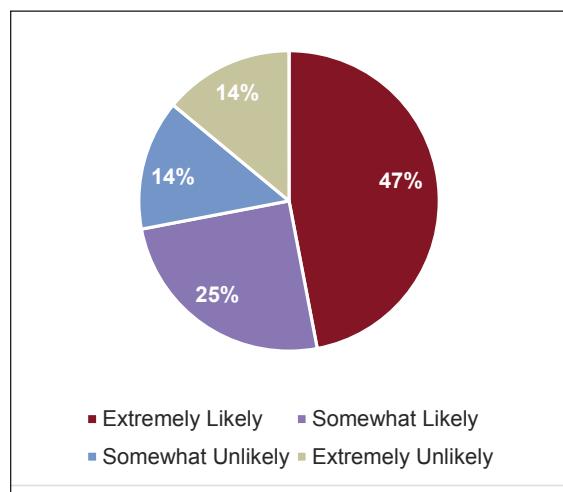
11. Likelihood you will pursue a new construction project in the next 12 months.

There is less of a probability of respondents pursuing a new construction project in 2018. Forty-six percent of respondents indicated it is extremely likely they will pursue a new construction project. In 2017, 53% were extremely likely and 22% were somewhat likely, a total of 75%. In 2018, 62% are extremely likely or somewhat likely to pursue new construction.



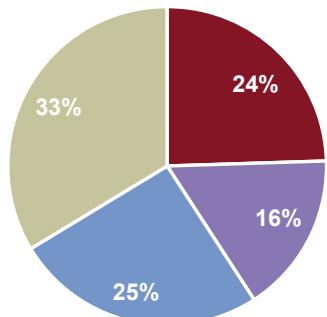
12. Likelihood you will pursue a renovation project in the next 12 months.

There is a similar likelihood that respondents will undertake a renovation project in 2018, as compared to a new construction project.



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

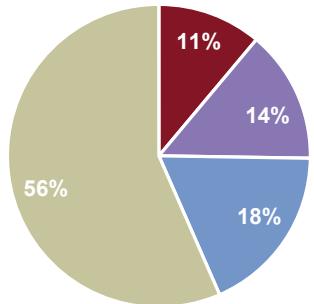
Forty percent of respondents stated that it is extremely likely or somewhat likely that they will pursue an acquisition project. This is statistically no different than the response in 2017.



■ Extremely Likely ■ Somewhat Likely
■ Somewhat Unlikely ■ Extremely Unlikely

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

Twenty-five percent of respondents indicated that they are extremely likely or somewhat likely to attempt to sell a facility. In 2017, 22% of respondents stated they are extremely unlikely to attempt to sell a facility.



■ Extremely Likely ■ Somewhat Likely
■ Somewhat Unlikely ■ Extremely Unlikely

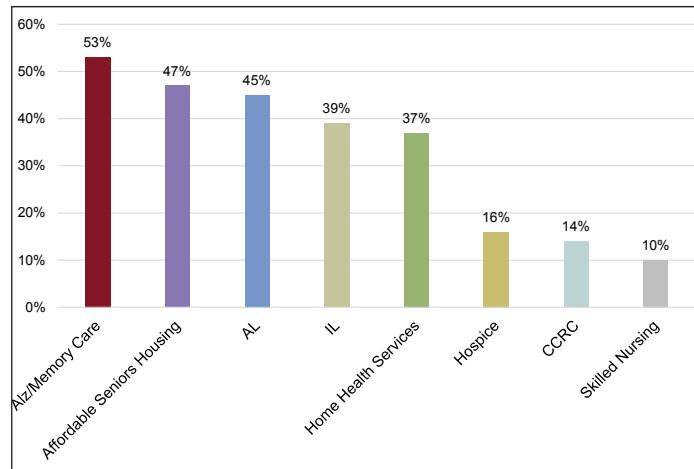
See following page for a report of expectations in growth during 2018...

Expectations for 2018

Looking forward, respondents believe that Alzheimer's/Memory Care will see the most growth.

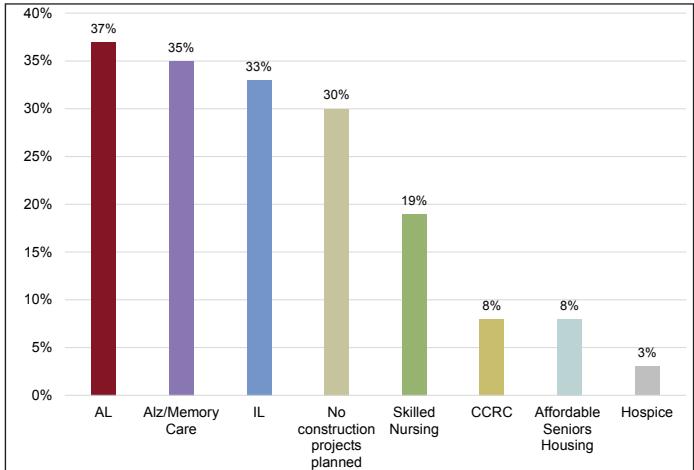
15. Which elements of the continuum of care do you think will experience the most growth in the next 12 months?

For this question, respondents chose their answers in four clear levels, with Alzheimer's/Memory Care being higher than all others for predicted growth in the next 12 months. In 2017, when we asked this question, Affordable Seniors Housing was predicted to have the most growth at 52%. Last year when we asked this question, 14% of respondents chose Home Health Services, compared to this year's 37%. Respondents could choose as many as applied so the total exceeds 100%.



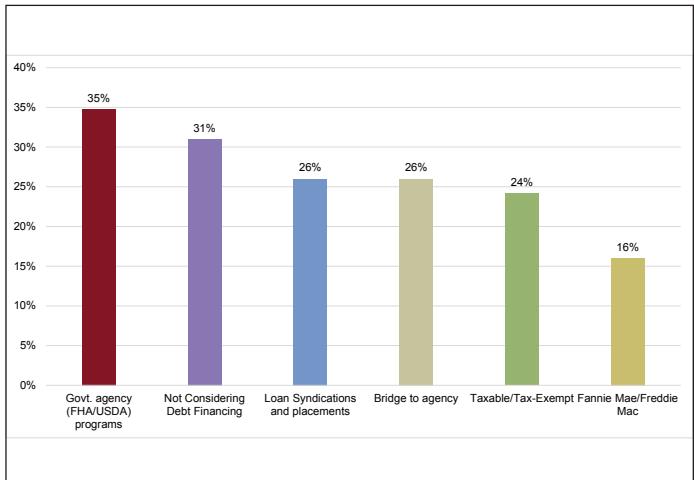
16. For which elements of the continuum of care do you have construction projects planned in the next 12 months?

Respondents cited AL and Alzheimer's/MC most often as the type of construction projects they have planned. However, only 37% of respondents indicated assisted living, compared to last year's 44%. Thirty-five percent of respondents chose Alzheimer's/Memory Care, as compared to last year's 40%.



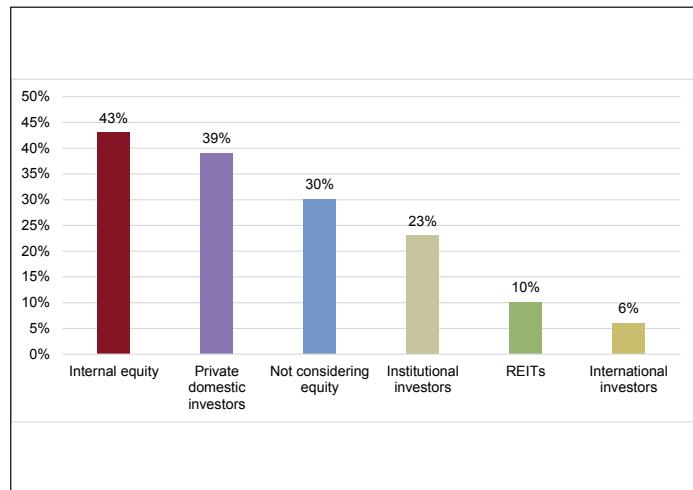
17. What types of debt financing are you considering for construction/acquisition projects in the next 12 months?

In 2018, 35% of respondents indicated they are considering government agency programs for their construction/acquisition project. The other types of debt financings listed shared statistically similar results to 2017.



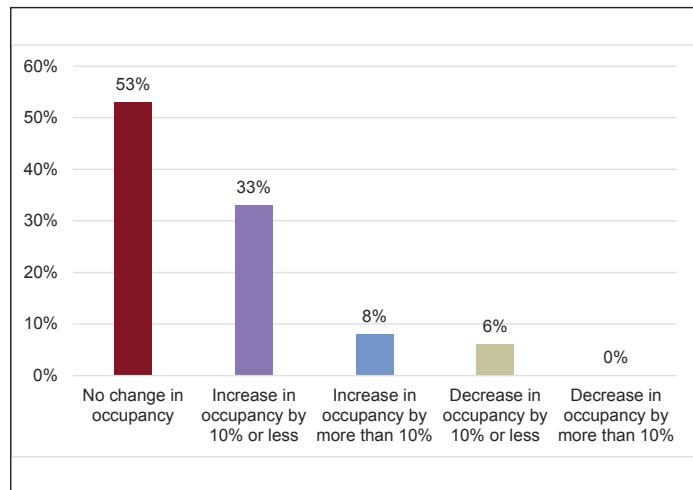
18. What sources of equity are you considering for construction/acquisition projects in the next 12 months?

When considering sources of equity for construction projects, most respondents selected internal equity. In last year's survey, 30% of respondents selected private domestic investors, compared to this year's 39%. Thirty percent are either not considering equity or intend to use institutional investors.



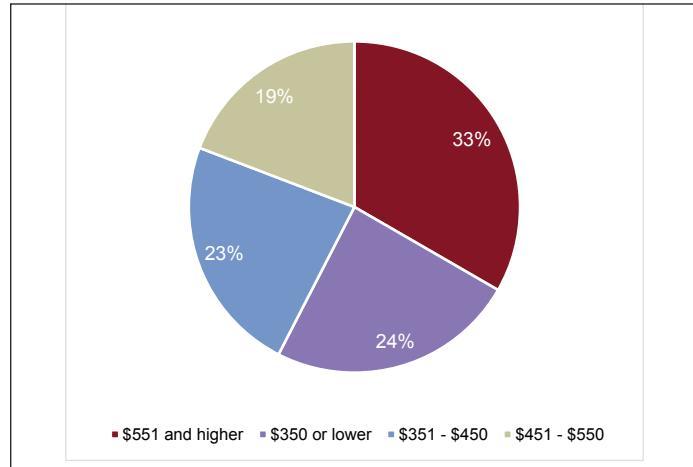
19. How do you expect the occupancy level of your seniors housing properties to perform over the next 6 months?

Fifty-three percent of respondents expect no change in occupancy level over the next 6 months. Only 6% expect a decrease in occupancy levels. In 2016, 55% of respondents expected no change in occupancy level.



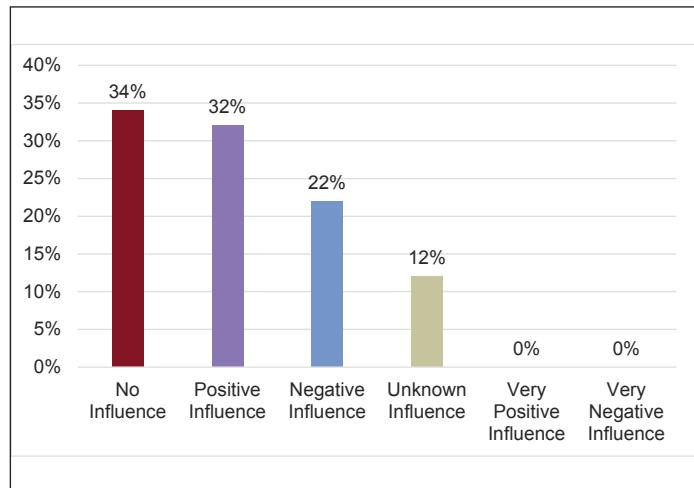
20. What are the annual estimated capital expenditures per bed required to maintain your organization's competitive market position?

Thirty-three percent of respondents estimate that it costs \$551 per bed and higher to maintain their organization's competitive market position. In addition, 24% of respondents estimate it costs \$350 per bed or lower to maintain their organization's competitive market position, up from last year's 21%.



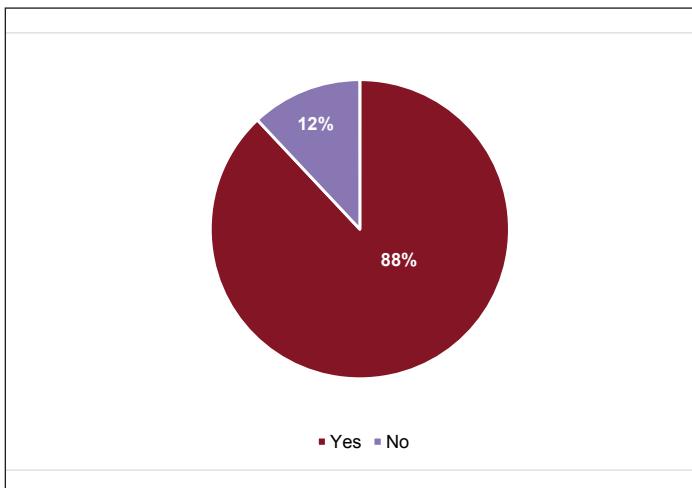
21. What influence do you gauge the presidential administration has had on your business over the past year?

Thirty-four percent of respondents indicated the presidential administration has had no influence on their business. This is up from last year's 17%. Twenty-two percent indicated that they anticipate a negative influence on their business, up from last year's 12%.



22. Have you adopted some form of electronic health records (EHR)?

Eighty-eight percent of respondents indicated they have adopted some form of electric health records. We did not ask this question in previous surveys.

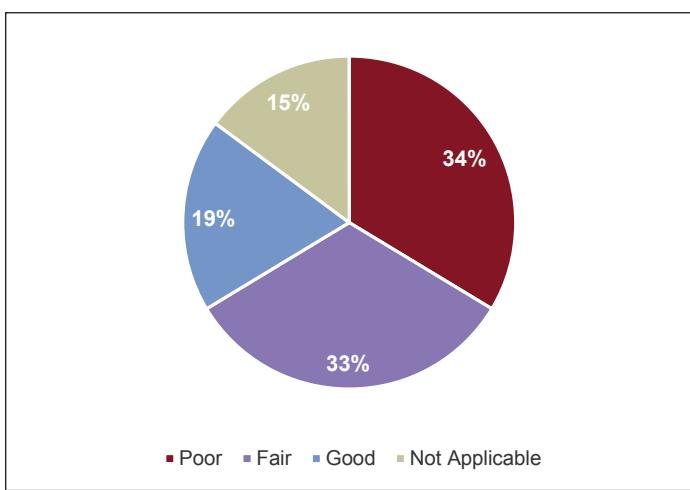


Outlook for 2018

New to Lancaster Pollard's survey, we asked respondents about their prediction on overall outlook and competition.

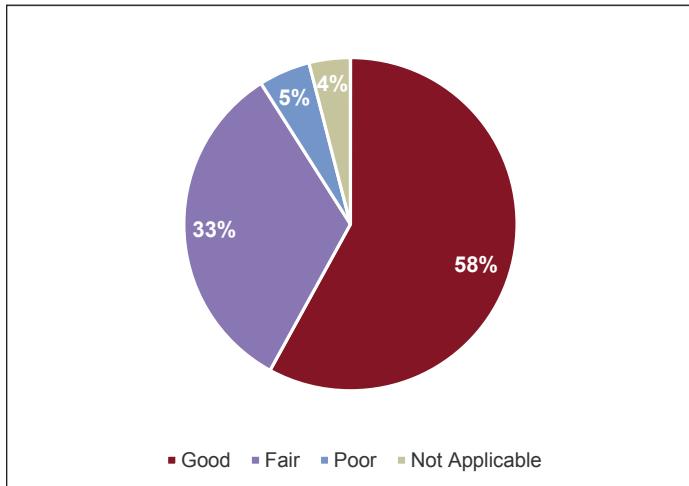
23. What is your outlook for the next three years concerning the economic viability of local stand-alone skilled nursing facilities?

Thirty-four percent of respondents indicated a poor outlook concerning the economic viability of local stand-alone skilled nursing facilities. Close behind, 33% of respondents indicated a fair outlook.



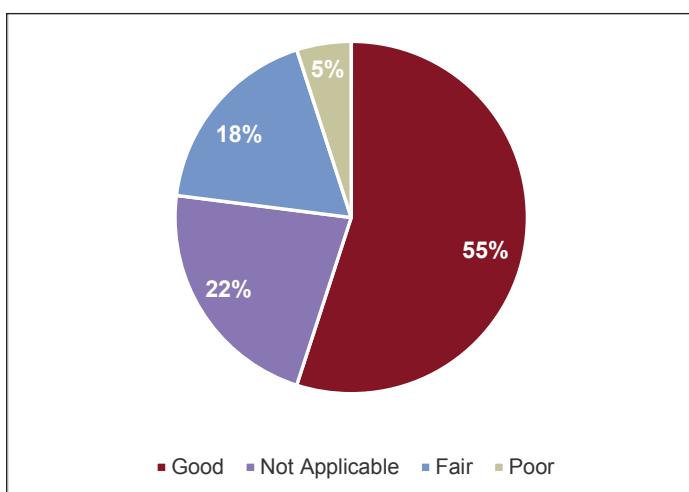
24. What is your outlook for the next three years concerning the economic viability of local stand-alone assisted living facilities?

Respondents predicted a more positive outlook for stand-alone assisted living facilities, with a majority of respondents indicating a good outlook. Thirty-three percent predicted a fair outlook.



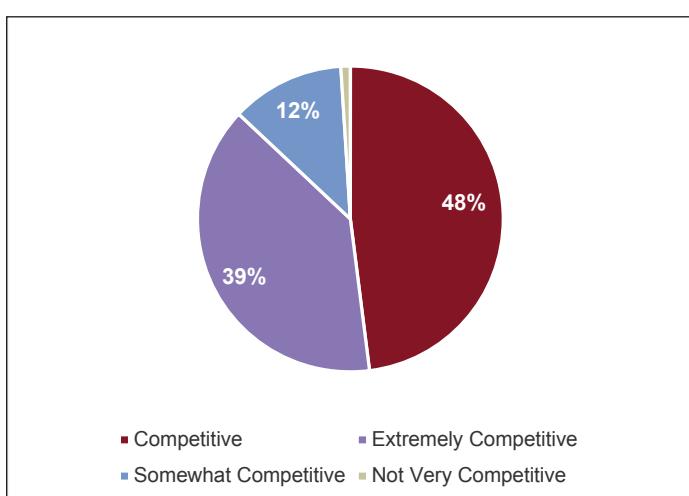
25. What is your outlook for the next three years concerning the economic viability of local CCRCs?

More than half of the survey respondents indicated a good outlook for the economic viability of local CCRCs. Twenty-two percent indicated not applicable and 18% indicated a fair outlook for CCRCs.



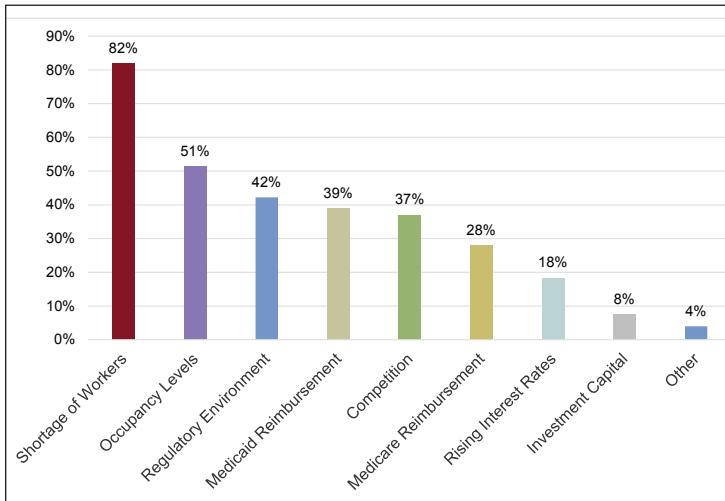
26. How would you describe your local competitive environment?

Eighty-seven percent of respondents indicated a competitive or extremely competitive environment. Only one percent of respondents indicated a not very competitive environment.



27. What are your key concerns over the next 12 months?

Eighty-two percent of respondents indicated a shortage of workers is a key concern over the next 12 months. Slightly more than half indicated occupancy levels as another key concern. Forty-two percent of respondents cited regulatory environment as the third highest concern. Respondents could choose as many as three answers, so the total exceeds 100%.



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.

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