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State of Senior Housing in NIC MAP Primary Markets

The Trifecta Shaping the Occupancy
Recovery

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During four consecutive quarters of increasing occupancy, from 78.0% in the second quarter of 2021 to 81.4% in the second quarter of 2022, the NIC MAP® Primary Markets recovered about 37% of the senior housing occupancy lost during the pandemic, equivalent to 3.4 percentage points (pps) overall according to NIC MAP Vision.

While senior housing occupancy still has room to make up with a gap of 5.8pps from the pre-pandemic level (87.2%), occupancy growth over the past four quarters has been notable and suggests that the market's recovery remains well anchored in the short and long term. In fact, according to July 2022 intra-quarterly NIC MAP data, powered by NIC MAP Vision, senior housing occupancy is on track for the fifth quarter of gain as it recorded its largest monthly gain since October 2021.

Many factors continue to influence occupancy recovery for senior housing. This analysis will focus on a trifecta of factors - demand recovery (as measured by the change in occupied stock), inventory growth during the pandemic, and the construction pipeline (as measured by second quarter 2022 construction as percent of inventory) - and how these idiosyncratic factors are shaping the senior housing occupancy growth and recovery across NIC MAP Primary Markets, resulting in a slower recovery in some markets and faster in others.

Demand Recovery

Within the NIC MAP Primary Markets, 78% of senior housing units vacated during the pandemic have been re-occupied as of the second quarter of 2022, equivalent to over 35,500 units absorbed on a net basis over the period from first quarter 2021 to second quarter 2022. However, 28% of units lost during the pandemic (equivalent to about 10,000 units) still need to be reabsorbed for occupied stock to fully recover and return to first quarter 2020 level. Said differently, second quarter 2022 occupied stock remained 1.8% below first quarter 2020 level.

Occupied units across 12 of the 31 NIC MAP Primary Markets have fully recovered or exceeded pre-pandemic occupied stock.

These markets include Boston, Minneapolis, Dallas, New York, Seattle, Riverside, Washington, D.C., Sacramento, Kansas City, Phoenix, Cleveland, and Atlanta. However, occupancy across all these markets remained below pre-pandemic levels due to new supply having entered these markets during the pandemic, over the period from first quarter 2020 to second quarter 2022.

Notably, occupied units are on track for a complete recovery within 2022 across other NIC MAP Primary Markets as well if the pace of demand remains consistent with the past four quarters.

Supply dynamics, including inventory growth during the pandemic and units under construction as a share of inventory, varied across markets.

Inventory Growth

Over the period from first quarter 2020 to second quarter 2022, the inventory of senior housing properties for the NIC MAP Primary Markets grew by about 34,700 units or 5.3%, although the pace of senior housing inventory growth since first quarter 2020 has remained slow compared with pre-pandemic levels.

Construction Pipeline

Within the NIC MAP Primary Markets, there were over 35,000 senior housing units under construction in the second quarter of 2022. As a share of inventory, this amounted to 5.1%.

Supply dynamics, including inventory growth during the pandemic and units under construction as a share of inventory, varied across markets.

Senior Housing Occupancy Up from Pandemic Low in All Primary Markets

The first chart in the exhibit below provides more detail on metropolitan market recovery patterns from the pandemic low by market. The top of the green bar shows the occupancy rate in second quarter 2022, and the top of the grey bar shows the first quarter 2020 occupancy rate. The bottom of the green bar shows the pandemic-related low point, which was first quarter 2021 for many markets, but some did not reach that point until later in 2021.

Based on the length of the bar in the chart, San Jose, St. Louis, Los Angeles, Miami, and Sacramento saw the deepest drops in occupancy, all more than 12 percentage points. In contrast, Orlando, Portland, San Antonio, Detroit, Seattle, and Washington, D.C. all saw peak to trough losses of less than 8 percentage points.

The market with the highest second quarter 2022 senior housing occupancy rate was Boston at 86.3%, followed by Minneapolis (85.1%), Portland, and Baltimore. And the lowest occupancy rates were in Houston (76.1%), Atlanta, and Cleveland.

Regarding improvements from their respective low points, Riverside saw a jump of 7.1 percentage points from its low point to 81.6%, but its low point was very low at 74.5%. Miami saw a gain of 6.4 percentage points to 80.2% from a low of 73.8%. The smallest improvements occurred in Cincinnati, Seattle, and Chicago.

Drilling deeper into the NIC MAP Primary Markets, the occupancy recovery is taking a lot longer for some markets than others and has been influenced by both supply and demand dynamics.



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The Lowest Occupancy Rates in Second Quarter 2022

Atlanta and Cleveland experienced the fastest recoveries in terms of units vacated during the pandemic that have been re-occupied. Notably, these two markets saw the largest demand improvements and exceeded pre-pandemic first quarter 2020 occupied stock by 5.2% and 2.3%, respectively. However, due to their respective relatively large increases in inventory during the pandemic, Atlanta and Cleveland occupancy rates remained below pre-pandemic levels and ranked the lowest among the 31 NIC MAP Primary Markets. These two markets illustrate the impact of supply offsetting demand and putting downward pressure on a market's average occupancy and thereby slowing down its recovery.

Markets Near Full Occupancy Recovery

San Antonio (81.8%) and Dallas (82.4%) occupancy rates have been recovering fast. From their pandemic lows, San Antonio recovered 5.9pps and is now 1.5pps below its pre-pandemic level, and Dallas recovered 6.1pps and is now 1.4pps below its pre-pandemic level. Interestingly, the occupancy rankings for both markets among the 31 NIC MAP Primary Markets saw notable improvements—San Antonio went from being ranked 28th in first quarter 2020 to 14th in second quarter 2022, and Dallas improved from 24th in first quarter 2020 to 10th in second quarter 2022. These notable improvements in occupancy rates and rankings are the result of a fast recovery in occupied stock but also importantly a balanced new supply.

Markets with the Highest Rates of Construction

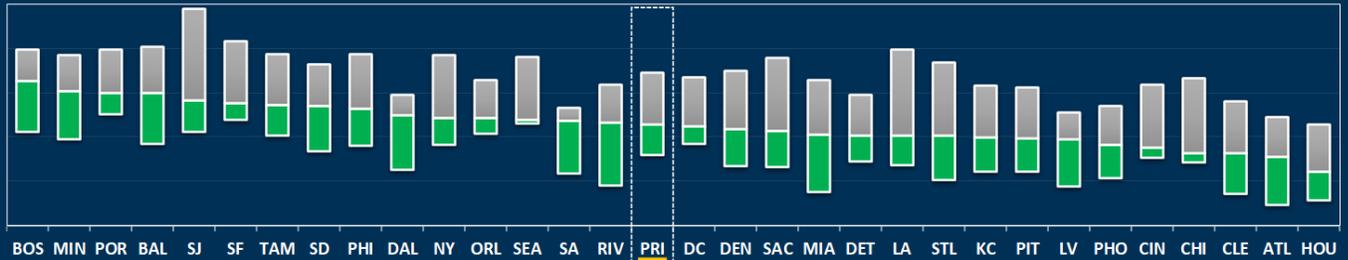
Looking ahead, markets with the largest number of units under construction as a share of existing inventory, such as Miami, may experience a slowdown in occupancy growth as new units enter the market. This is also the case for Portland where demand recovery has been slow but due to relatively weaker inventory growth during the pandemic, the market maintained a relatively high occupancy rate in the second quarter of 2022. However, second quarter 2022 units under construction of about 2,100 units and accounting for 9.8% of existing inventory may impact the market's occupancy growth in the next two years if its pace of demand remains slow.

This analysis examined and showcased the impact of supply and demand dynamics on occupancy growth and recovery. The exhibit below provides a zoomed-in view of these measures for senior housing across the 31 NIC MAP Primary Markets since the pandemic began to influence the sector in first quarter 2020.



STATE OF SENIORS HOUSING IN THE NIC MAP PRIMARY MARKETS

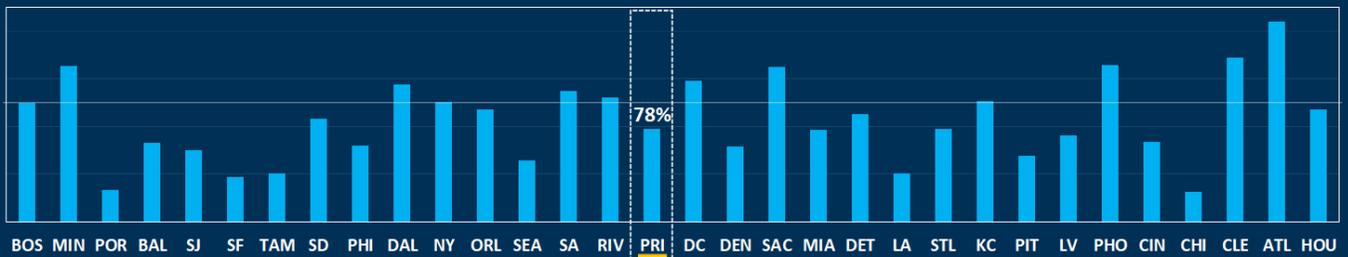
Occupancy Recovery, Supply and Demand Dynamics



Occupancy Ranking | NIC MAP Primary Markets

2Q 2022	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
1Q 2020	4	10	6	3	1	2	7	14	8	24	9	18	11	28	20		16	15	12	19	25	5	13	22	23	29	27	21	17	26	30	31

Demand Dynamics - Share of Seniors Housing Units Vacated During the Pandemic that Have Been Re-occupied - As of 2Q2022 NIC MAP Primary Markets

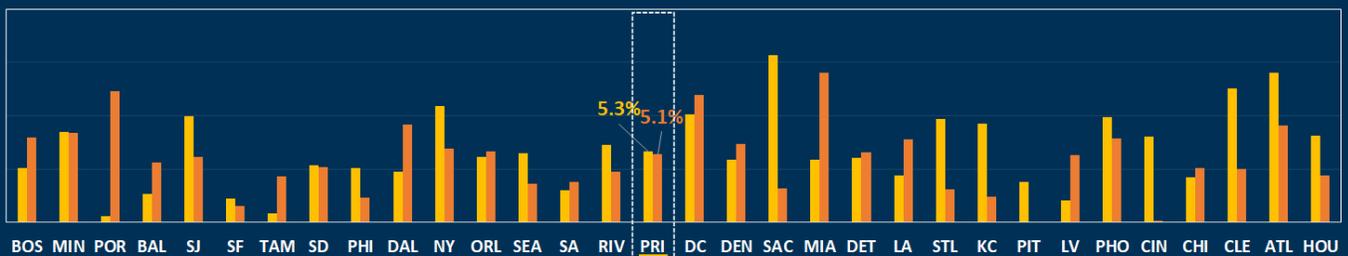


2Q 2022 Occupied Units Relative to 1Q 2020 (%)

0.0%	1.9%	-4.9%	-3.8%	-3.9%	-6.1%	-5.8%	-1.3%	-3.1%	0.9%	0.0%	-0.4%	-3.3%	0.6%	0.5%	-1.8%	1.2%	-3.2%	2.1%	-2.7%	-0.7%	-7.7%	-2.3%	0.0%	-3.9%	-2.1%	2.2%	-2.3%	-6.7%	2.3%	5.2%	-0.4%
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Supply Dynamics - Seniors Housing Inventory and Construction NIC MAP Primary Markets

- Inventory Growth During the Pandemic (1Q 2020 - 2Q 2022)
- 2Q 2022 Construction as Percent of Inventory



BOS - Boston, MA | MIN - Minneapolis, MN | POR - Portland, OR | BAL - Baltimore, MD | SJ - San Jose, CA | SF - San Francisco, CA | TAM - Tampa, FL | SD - San Diego, CA | PHI - Philadelphia, PA | DAL - Dallas, TX | NY - New York, NY | ORL - Orlando, FL | SEA - Seattle, WA | SA - San Antonio, TX | RIV - Riverside, CA | **PRI - Primary Markets** | DC - Washington, DC | DEN - Denver, CO | SAC - Sacramento, CA | MIA - Miami, FL | DET - Detroit, MI | LA - Los Angeles, CA | STL - St. Louis, MO | KC - Kansas City, MO | PIT - Pittsburgh, PA | LV - Las Vegas, NV | PHO - Phoenix, AZ | CIN - Cincinnati, OH | CHI - Chicago, IL | CLE - Cleveland, OH | ATL - Atlanta, GA | HOU - Houston, TX.

-2Q 2022 occupied units relative to 1Q 2020 - The percent change in occupied stock between 2Q 2022 and 1Q 2020

-2Q 2022 Construction as percent of inventory - The number of units under construction divided by the inventory currently in the market.

-Inventory growth during the pandemic (1Q 2020 - 2Q 2022) - The percent of new inventory added during the pandemic (over the period from 1Q 2020 to 2Q 2022) minus any deletions that occurred.

Source: NIC MAP® Data, powered by NIC MAP Vision

Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)

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