



Ziegler

CAPITAL :: INVESTMENTS :: ADVICE

ZIEGLER INVESTMENT BANKING | SENIOR LIVING

STATE OF SENIOR LIVING INDUSTRY OVERVIEW

October 25, 2024

PRESENTED BY

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AGENDA

ITEM 1: (RE) INTRODUCTION TO ZIEGLER

ITEM 2: KEY TRENDS FOR NFP SENIOR LIVING & CARE SECTOR

ITEM 3: OPERATIONAL TRENDS

ITEM 4: STRATEGIC GROWTH TRENDS

ITEM 5: CONSOLIDATION – SPONSORSHIP AFFILIATION

ZIEGLER – THE MARKET LEADER

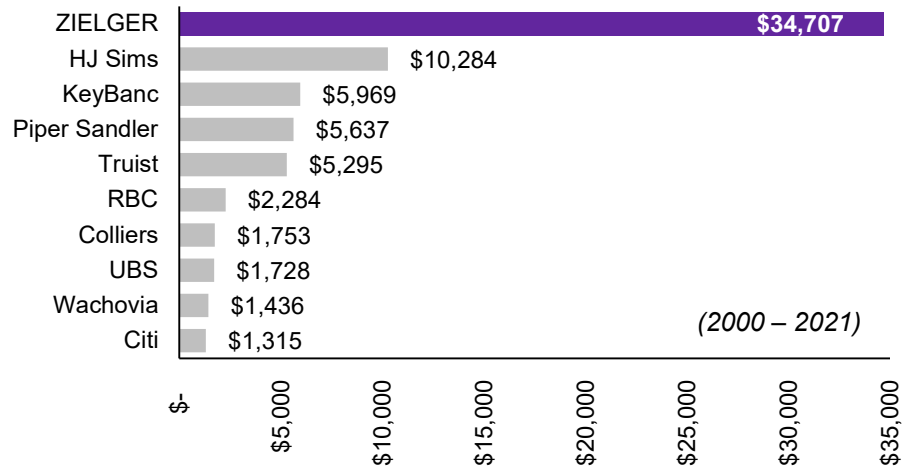
Ziegler stands alone as an objective, independent industry leader for non-profit senior living investment banking

- 120 year old full service independent financial services firm, founding in 1902 with a focus on non-profit providers since 1928
- National presence, demonstrated execution expertise and broad-based experience
- Ziegler’s mission is to provide tailored financial solutions and our goal is to be our clients trusted advisor and partner

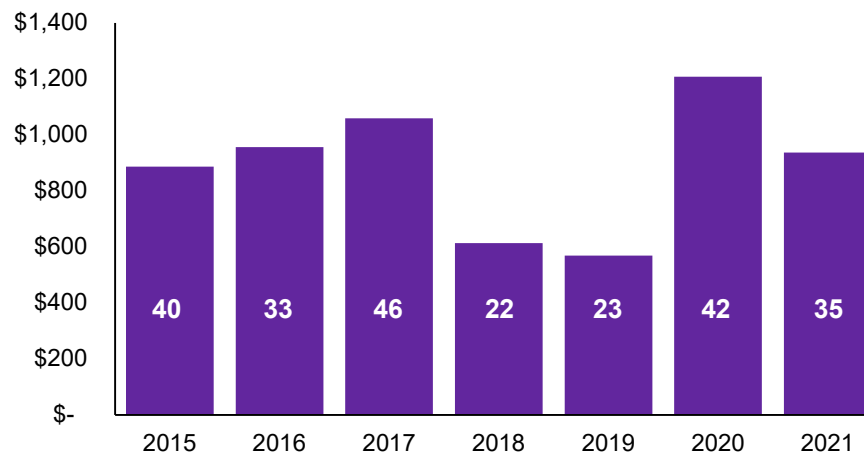


ZIEGLER SENIOR LIVING FINANCING VOLUME

Fixed Rate Bond Underwriter Rankings



Direct Bank Placement Experience



Source: Ziegler Investment Banking. Rankings through Refinitiv Data, as of 12/31/21.

COMMITMENT TO STRATEGIC INSIGHT RESEARCH, EDUCATION & THOUGHT LEADERSHIP

Routine Industry-Wide Communication

- Z-News
- CFO HotlineSM
- Topical Webinars
- Industry Whitepapers

Industry Education & Communication

- Ziegler Senior Living Finance + Strategy Conference
- Ziegler-LeadingAge CFO WorkshopSM
- CEO Symposiums
- Ziegler National Senior Living Investor WorkshopSM

External Industry & Market Research

- LeadingAge Ziegler 200
- CARF Financial Ratios & Trends Analysis ⁽¹⁾
- National LPC listing and characteristics
- Ziegler Credit Surveillance and Analytics
- COVID-19 Resources
- Tracking of: new campus development, Green House development, for-profit development, sponsorship transitions, bank activity, rating agency activity, etc.

2024 ZIEGLER LEADINGAGE NATIONAL SENIOR LIVING CFO WORKSHOP

SAVE THE DATES
APRIL 24 - 26, 2024

JW MARRIOTT AUSTIN
110 E 2nd Street | Austin, TX 78701

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27th ANNUAL SENIOR LIVING FINANCE + STRATEGY CONFERENCE
SEPTEMBER 25-27, 2024 | JW MARRIOTT DESERT SPRINGS & SPA | PALM DESERT, CA

ZIEGLER INVESTMENT BANKING SENIOR LIVING Z-NEWS

Week of September 26, 2022

[VIEW NEWSLETTER](#)

FEATURED ARTICLE
Projecting Resident Monthly Fee Increases for the Year Ahead

Ziegler launched its most recent *CFO Hotline*SM survey, with the focus on the resident monthly fee increases for 2022 and projected into 2023. This is an annual survey that Ziegler has been conducting for more than a decade. Two hundred and sixty, primarily not-for-profit, senior living CFOs and financial professionals from around the country responded to the most recent survey. The survey asked about increases given for the current year, projected increases for the year ahead, and other tactics that providers are using to offset rising expenses.

The table below details the reported figures for independent living increases in recent years, as well as projected for the year ahead. The projected median increase is 5.00% for the year ahead, with a number of organizations reporting double-digit increases. The full report lists the increases by region and by contract type. Communities with all contract types were reporting record-high increases.

Percentage Increase to Independent Living Monthly Fees					
Statistic	2023 (projected)	2022	2021	2020	2019
Minimum	-15.00%	0.00%	0.00%	0.00%	0.00%
1- Quartile	4.00%	3.50%	2.71%	2.90%	3.00%
Median	5.00%	4.48%	3.00%	3.00%	3.00%
3+ Quartile	6.90%	5.50%	3.75%	3.90%	3.80%
Maximum	22.00%	15.00%	12.00%	10.00%	6.88%
Average	5.38%	4.70%	2.98%	3.26%	3.14%

FEATURED TRANSACTIONS

VICAR'S LANDING
Porte Vedra Beach, Florida

Taxable Term Loan
New Money Expansion
\$30,000,000

September, 2022

EveryAge
Formerly United Church Homes and Services
EVERAGE
Newton, North Carolina

Source: Ziegler Investment Banking.

(1) Ziegler completes the CARF Financial Ratio & Trends Analysis in conjunction with Baker Tilly and CARF.



ITEM 2

KEY TRENDS FOR THE NFP SENIOR LIVING
& CARE SECTOR

WHAT WE ARE SEEING AND HEARING



OPPORTUNITIES

- Demographic growth
- Scale is essential – those that can are growing
- Demand for diversified services
 - Residential
 - Continuing care at home contracts
- Technology and innovation
- Not-For-Profit success in partnership



HEADWINDS

- Workforce challenges
- Expense pressures
- Construction-cost inflation
- For-Profit competition impacting demand
- Uncertainty with skilled nursing
- Financial pressures (for some)
- Cost of technology is increasing

Many organizations are identifying strategic growth priorities and “readiness” planning

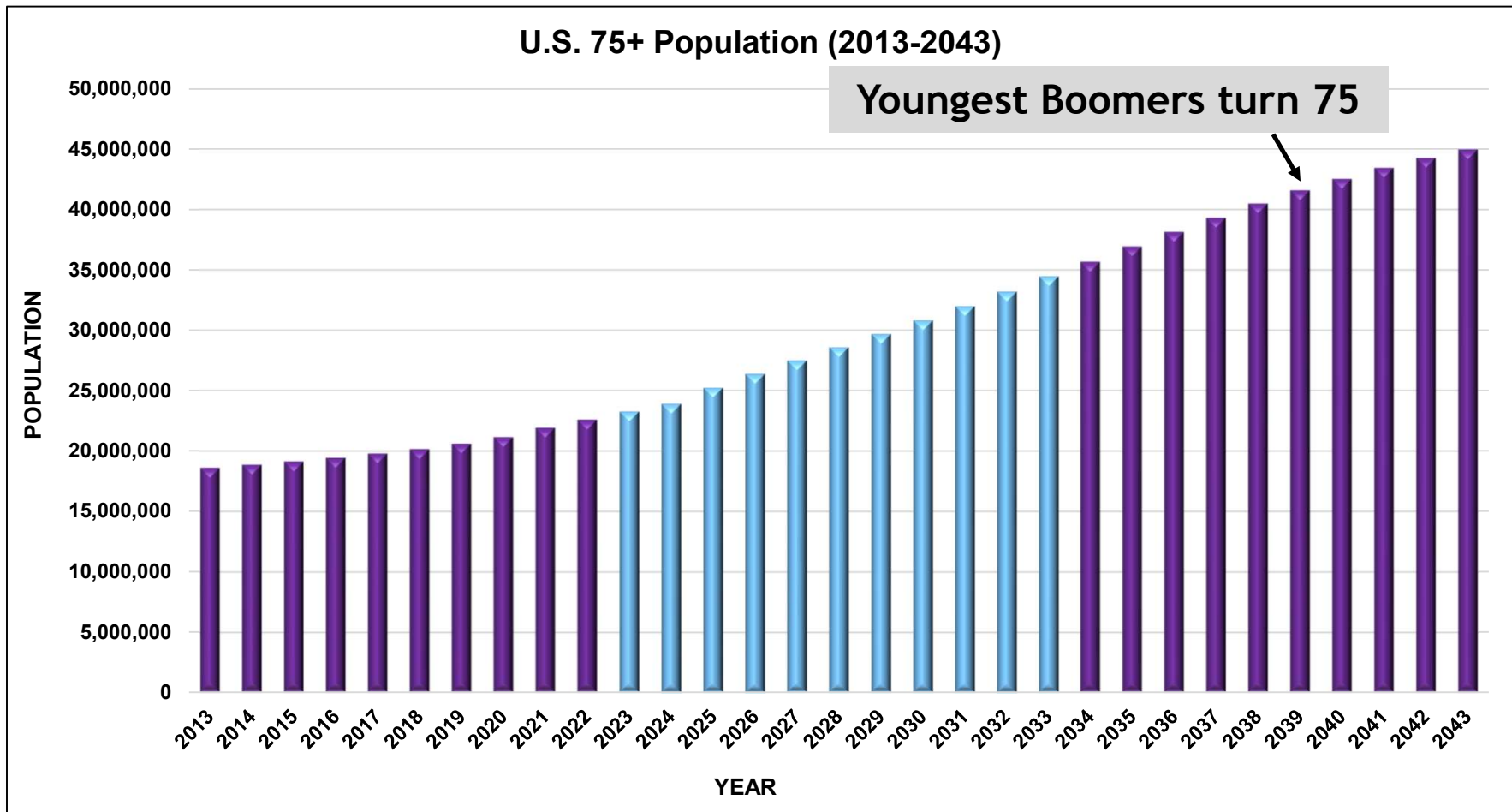
DEMOGRAPHICS: SIGNIFICANT DECADE AHEAD

Increase in 75+ Population by Decade

2013-2023: 6.9M

2023-2033: 11.7M

2033-2043: 7.9M



ADDITIONAL BABY BOOMER & DEMOGRAPHIC TRENDS

- Recent survey of 7,300 Baby Boomers reported that¹:
 - 22% have **no children**
 - 37% have **no grandchildren**
 - Middle & High-income Boomers less likely to live with or near their children
- Working longer: 49% expect to or are already **working past age 70**²
- Roughly 35% of American **divorcees** in 2021 were 55+, more than twice the rate of other age groups³
- Baby Boomers have greater number of **chronic health conditions** than previous generations⁴
- 48 states are projected to have double-digit percentage increases in the number of those 65+ with **Alzheimer's Dementia** between 2020-2025⁵

TODAY'S RETIREMENT OPTIONS

A LOOK AT SENIORS HOUSING & SERVICES SUPPLY

% NFP

Life Plan Communities ¹	1,911 communities	74%
Adult Day ²	4,127 centers	50%
Affordable Housing ³	2.86MM units	33%
Nursing Homes ^{2*}	14,933 homes	23%
Home Health ²	11,682 agencies	16%
Hospice ²	6,068 agencies	15%
Majority Independent Living ⁴ <i>excluding LPCs & AA</i>	1,924 properties	14%
Majority Assisted Living ⁴	6,785 communities	8%
Freestanding Memory Care ⁴	840 communities	4%
Active Adult ⁴	536 communities	1%

*Nursing Home data includes both freestanding SN and those within a larger continuum

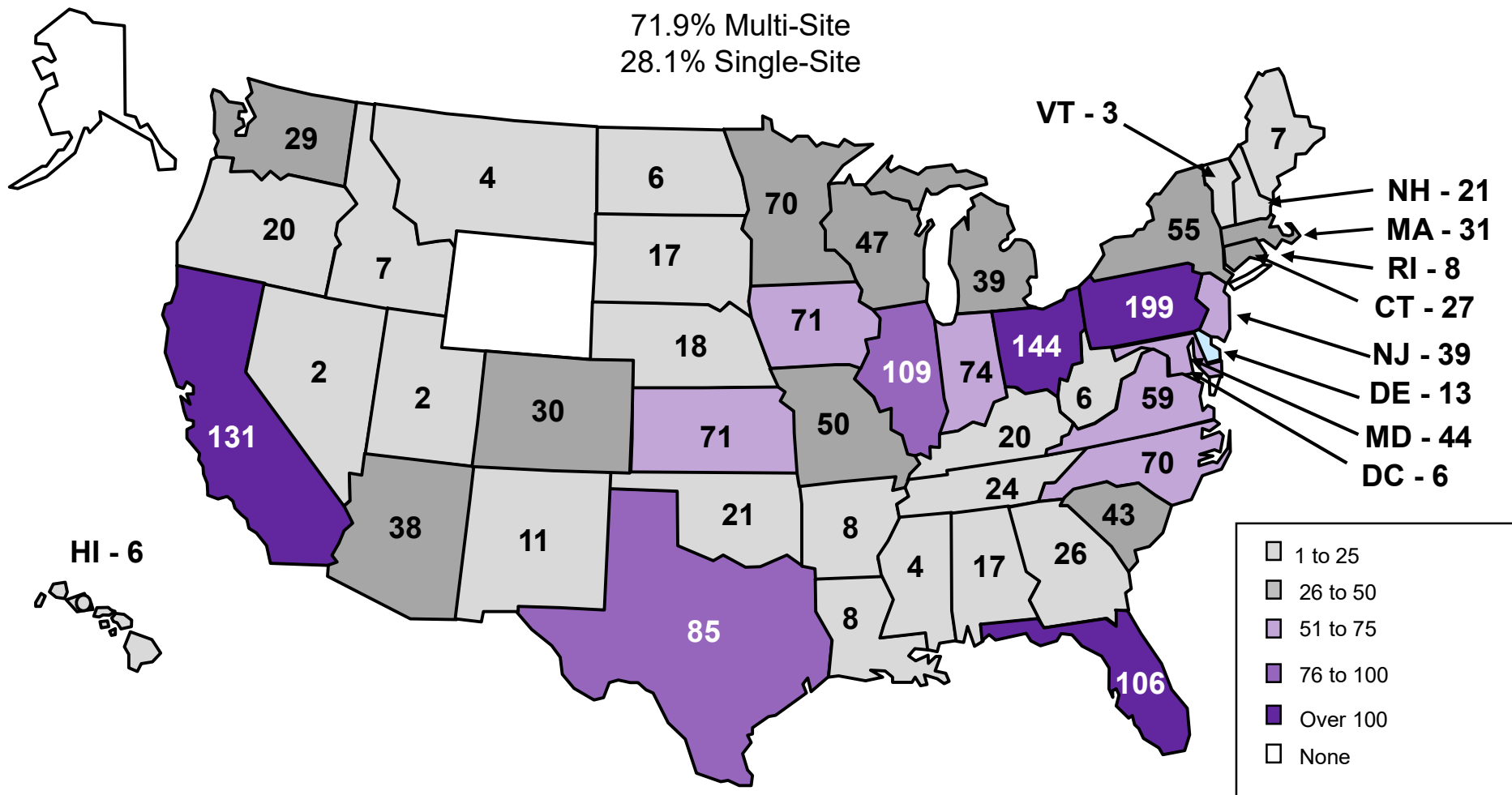
Sources: ¹Ziegler National LPC/CCRC Listing & Profile, Sept. 2023; ²Centers for Medicare and Medicaid Services, Aug. 2023; ³The Public and Affordable Housing Research Corp.-2020 Housing Impact Report: Seniors," 2020; ⁴National Investment Center for Seniors Housing & Care (99 primary and secondary markets), Q2 2023

ZIEGLER NATIONAL LIFE PLAN COMMUNITY DATABASE

ALL PROVIDERS

1,911 Total LPCs

71.9% Multi-Site
28.1% Single-Site



2022 LEADINGAGE ZIEGLER 200 SYSTEMS WITH VIRGINIA COMMUNITIES

2022 Rank	2021 Rank	System Name	HQ State	Units (as of 12/31/21)				Communities (as of 12/31/21)				
				Total	ILU	ALU	NCB	Total	LPC	IL	AL	NH
1	1	National Senior Campuses, Inc.	MA	21,753	19,026	1,720	1,007	16	16	-	-	-
27	26	Volunteers of America ⁽¹⁾	VA	2,484	604	873	1,007	23	4	2	9	8
53	63	LifeSpire of Virginia	VA	1,420	866	327	227	5	5	-	-	-
63	65	National Lutheran Communities	MD	1,255	697	247	311	4	3	-	1	-
75	77	Pinnacle Living	VA	1,125	544	391	190	5	5	-	-	-
77	79	Ingleside	MD	1,112	832	157	123	3	3	-	-	-
96	93	EveryAge	NC	955	681	175	99	3	3	-	-	-
107	107	Goodwin Living	VA	850	580	121	149	2	2	-	-	-
118	NR	Westminster-Canterbury Ches. Bay	VA	806	618	80	108	2	1	1	-	-
123	121	Sunnyside Communities	VA	789	500	157	132	3	3	-	-	-

(1) Volunteers of America operates only one assisted living facility in Virginia with roughly 52 units.

2022 LEADINGAGE ZIEGLER 200

LARGEST SINGLE-SITES IN VIRGINIA

2022 Rank	Campus	City	State	Market Rate Units (as of 12/31/21)			
				Total	ILU	ALU	NCB
10	Westminster-Canterbury Richmond	Richmond	VA	783	487	138	158
18	Atlantic Shores Cooperative Association	Virginia Beach	VA	671	555	66	50
32	Richfield Living	Salem	VA	567	97	226	244
49	Bridgewater Retirement Community	Bridgewater	VA	495	270	98	127
54	Williamsburg Landing	Williamsburg	VA	487	317	97	73
57	Virginia Mennonite Retirement Community	Harrisonburg	VA	472	266	86	120
65	Falcons Landing	Sterling	VA	459	328	71	60
100	Westminster Canterbury of Lynchburg	Lynchburg	VA	398	239	54	105
106	Brandermill Woods	Midlothian	VA	393	274	59	60
111	Westminster-Canterbury of the Blue Ridge	Charlottesville	VA	390	281	57	52
125	Warm Hearth Village	Blacksburg	VA	380	170	150	60

Source: 2022 LeadingAge Ziegler 200 Publication (data as of 12/31/23) – excludes communities that are part of systems

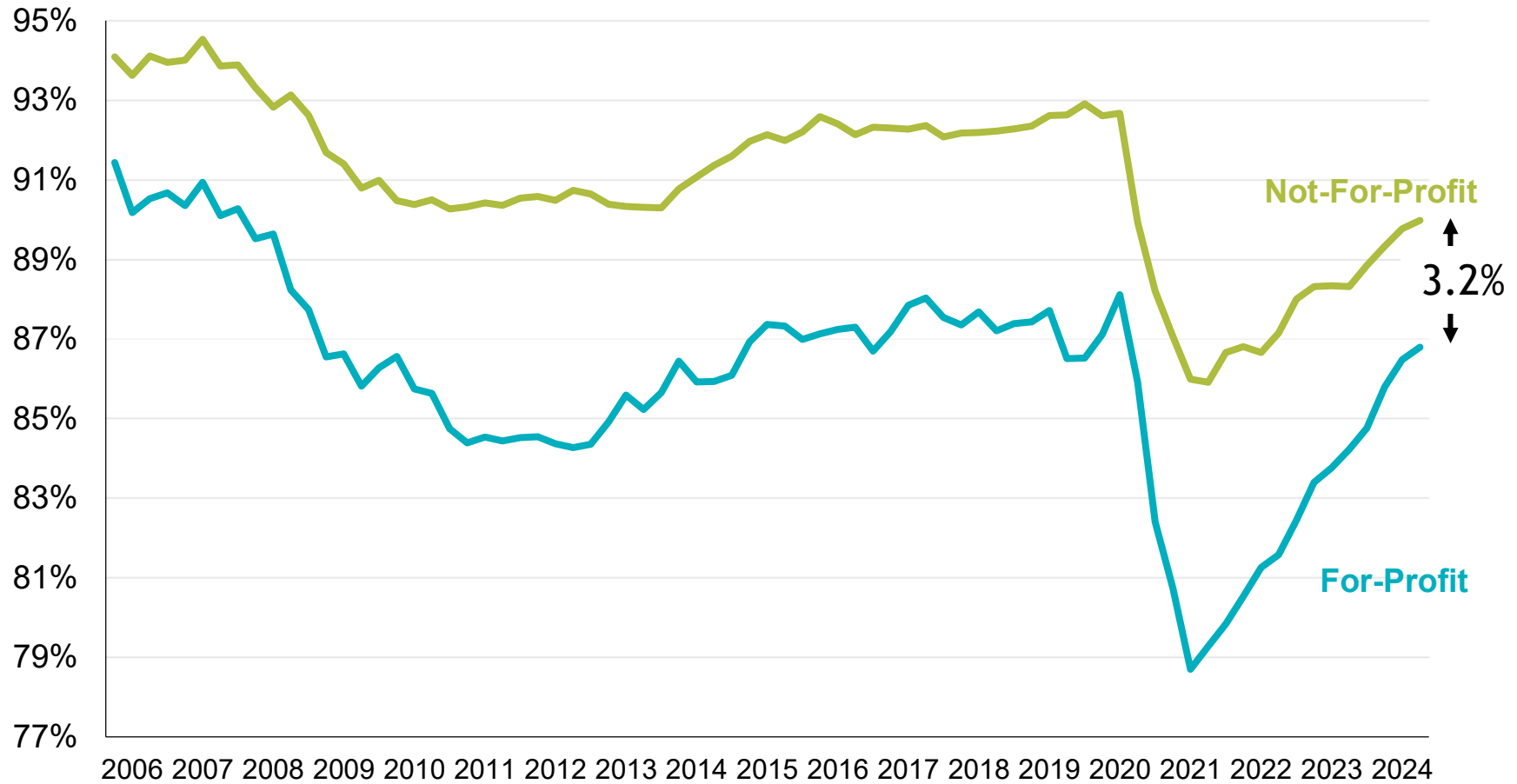


ITEM 3

OPERATIONAL TRENDS

OCCUPANCY TRENDS FOR LPCS/CCRCS

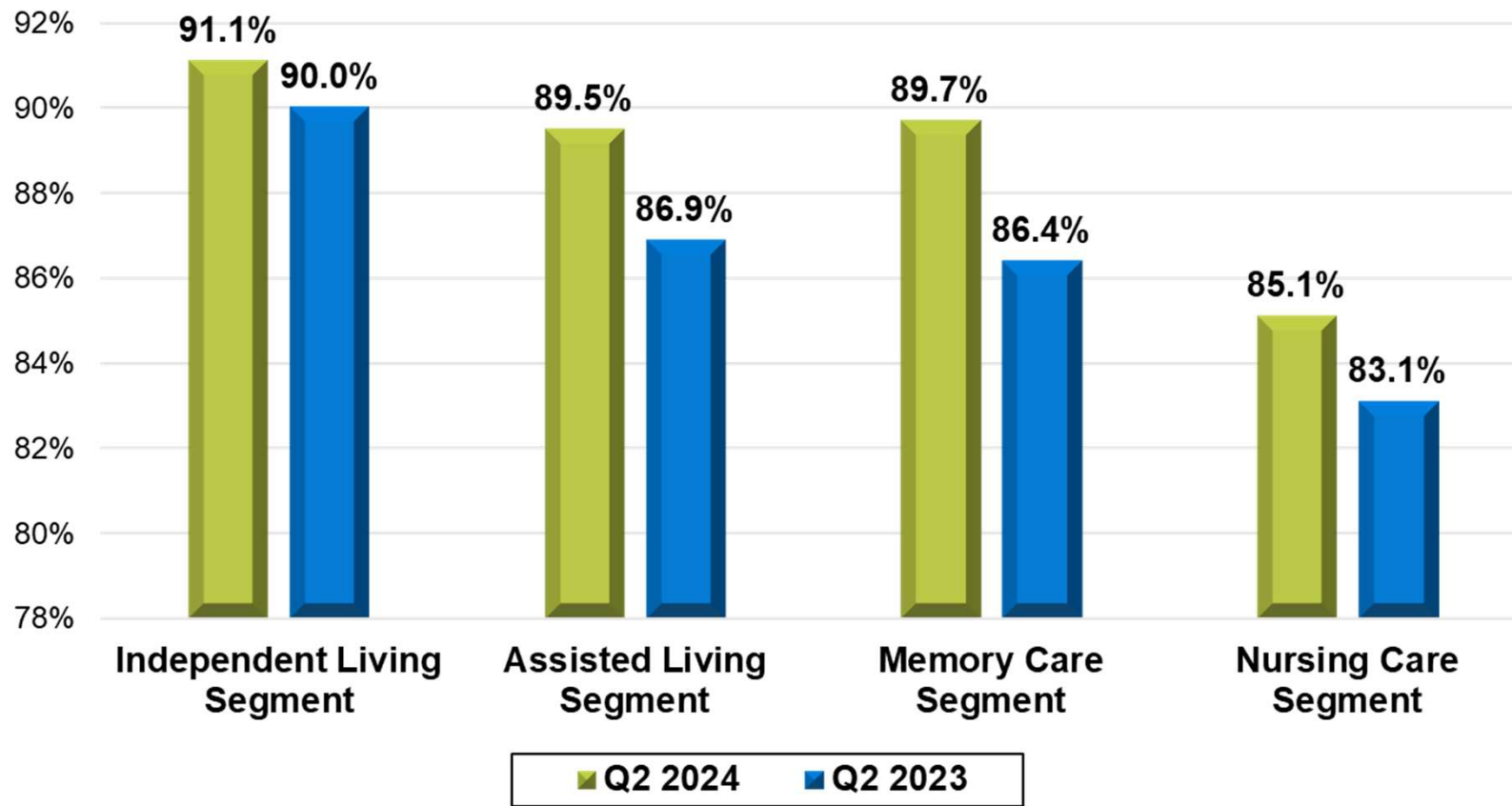
CCRC/LPC Occupancy by Profit Status; MAP31 4Q05 – 2Q24



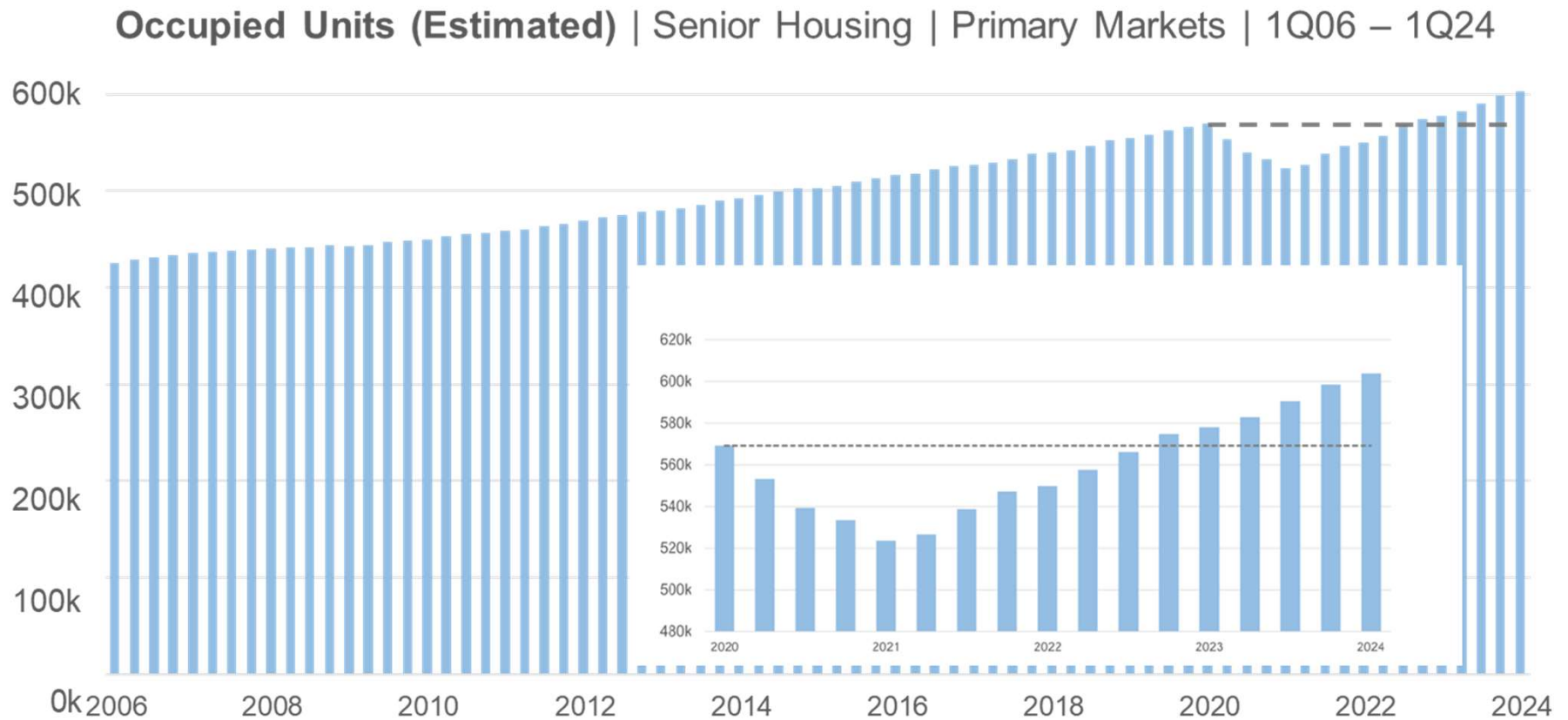
MANAGING THE TOP LINE: OCCUPANCY BY LEVEL OF LIVING Q2 2024 VS. Q2 2023

CCRC Occupancy (Year-over-Year Trends)

Life Plan Community Occupancy (YOY Trends)



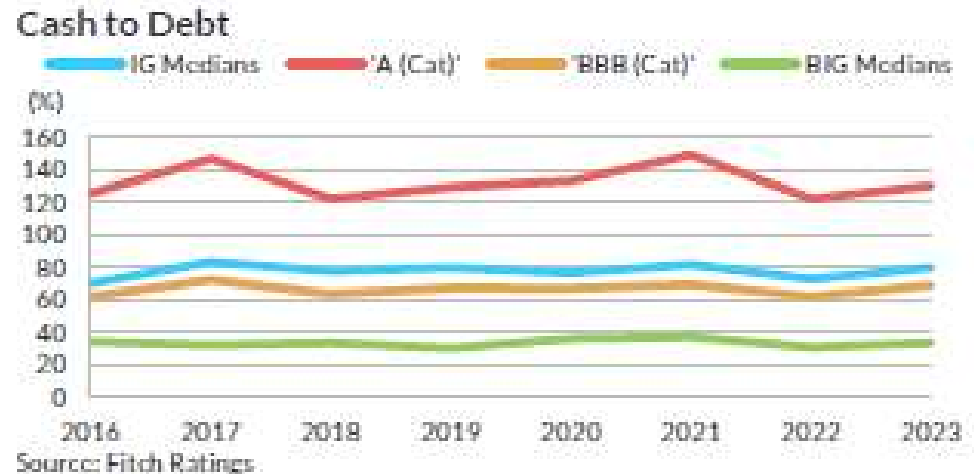
RECORD NUMBER OF OCCUPIED UNITS: EXCEEDING PRE-PANDEMIC NUMBERS



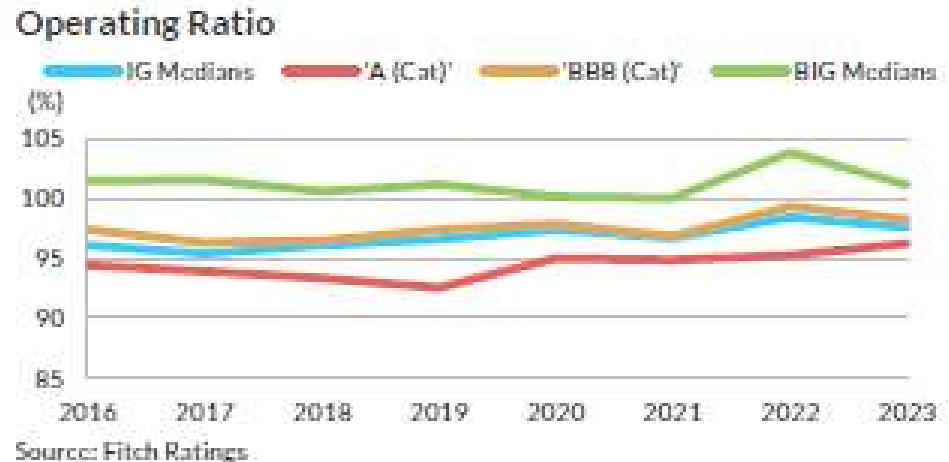
Source: NIC MAP® Data, powered by NIC MAP Vision

FITCH RATING MEDIANS – 2023 DATA

- Cash to Debt improvement as a function of profitable operations, favorable investment markets and low overall new borrowing in 2023



- Operating Ratio post-COVID reflecting occupancy improvements but negatively impacted by labor cost pressures, including agency staffing



PROPOSED FITCH RATING CRITERIA CHANGES

Positives

- Increasing prevalence of multi-sites; scale
- Ability to pass on cost increases in monthly fees
- Demographics

Challenges

- SNF scale and govt. payor exposure
- Entry fee refund liability
- Labor shortage, esp. SNF
- High capital intensity/large projects

Questions

- Inflation: Labor, food, construction
- Regulation: Min. staffing ratios



WORKFORCE PRESSURES

THE PERFECT STORM

DEMOGRAPHICS

- Population is aging significantly, thus greater demand for services
- Decreasing number of caregivers

FINANCIAL PRESSURES

- Minimum wage pressures
- Increasing hourly rate for recruitment & retention
- Cost of turnover

IMMIGRATION DISRUPTED

- Significant portion of direct-care staff are immigrants
- Highly dependent on this cohort for various roles
- Lack of resident diversity

PANDEMIC PRESSURES

- Burnout
- Vaccine concerns (especially minorities and young women)
- Extended unemployment benefits

SECTOR IMAGE

- Exacerbated by the pandemic
- Lesser known career path than some other sectors
- Not seen a “sexy” industry or jobs

GOV'T / REIMBURSEMENT

- Need to elevate the role of direct care and healthcare staff
- Only get reimbursed what CMS and insurances will pay you

THE STATE OF THE SKILLED NURSING ENVIRONMENT

- Pressured by **workforce shortages** and **reimbursement shortfalls**
- **Occupancy being hindered** by workforce pressures
 - Demand exceeding the ability to offer service in many markets
 - Rural markets have unique difficulties
- Increasing **bifurcated market** between continuum-based SN (NFP dominated) and freestanding SN (FP dominated)
- Among NFPs: what is the **right unit mix**?
 - 52% have downsized in past two years or have plans to do so ⁽¹⁾
 - Semi-private to private room conversions
 - Nursing care inventory for both LPCs and non-LPCs decreased by 3.4% and 1.0%, respectively ⁽²⁾
 - Modernization of offering; small-house models
- **Medicaid** dominant payor among FP nursing homes
 - There are currently 7.2 Million seniors enrolled in Medicaid ⁽³⁾
 - Average annual growth of 5.6% is projected for Medicaid spending for 2021-2030 ⁽³⁾



Sources:

(1) Ziegler CFO HotlineSM, 08/23

(2) NIC Map Vision, Q2 2022

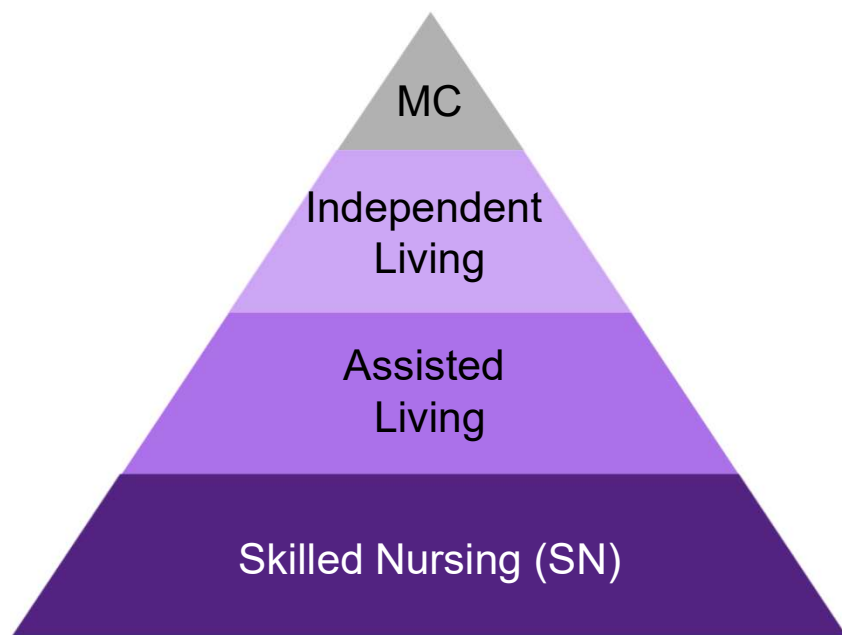
(3) Centers for Medicare and Medicaid Services

SKILLED NURSING TRENDS

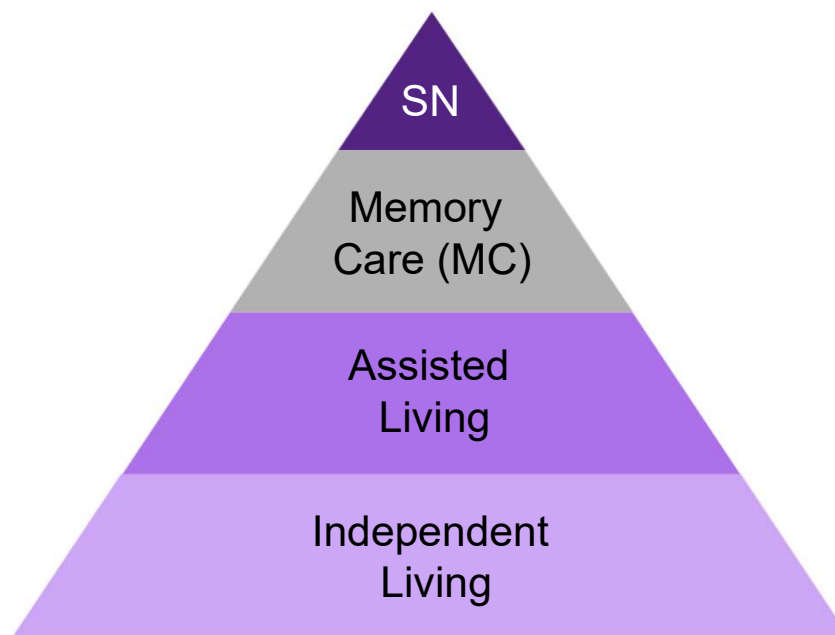
- Occupancy continues to rise, but denominator has shrunk
 - Roughly 14,933 (January 1, 2024)
- Nearly 600 nursing homes have closed during pandemic¹
 - Since 2020, over 71 nursing homes have been sold NFP to FP
- 48% of NFPs have downsized or in process of downsizing nursing footprint²
 - NFP rotation towards IL-centric continuum settings
- Multiple headwinds
 - Workforce (new staffing mandate among others), Reimbursement, Hospital referral patterns, Consumer preferences
- Need to rethink model: set of services rather than a place?

WHAT IS A CCRC / LIFE PLAN COMMUNITY?

- “Modern” vs. “Evolved” (Purpose-built vs. Non-purpose-built)
 - Modern → “purpose-built”
 - Evolved → nursing first, then ILU/ALU



Historical Business Model



Repositioned Business Model

2023 LEADINGAGE ZIEGLER 200 BREAK OUT OF UNITS

	Total Units	ILU	ALU	NCB
LeadingAge Ziegler 200	307,094	154,502	65,942	86,650
<i>Percentage</i>	<i>100%</i>	<i>50%</i>	<i>22%</i>	<i>28%</i>
LZ 200 Virginia Organizations	7,479	4,274	1,074	2,131
<i>Percentage</i>	<i>100%</i>	<i>57%</i>	<i>14%</i>	<i>29%</i>

Source: 2023 LeadingAge Ziegler 200 Publication, data as of 12/31/22

KEY “SMART AGING” TECHNOLOGY SUBSECTORS



Ziegler Resources

New Workforce Technology Paper Coming Soon!





ITEM 4

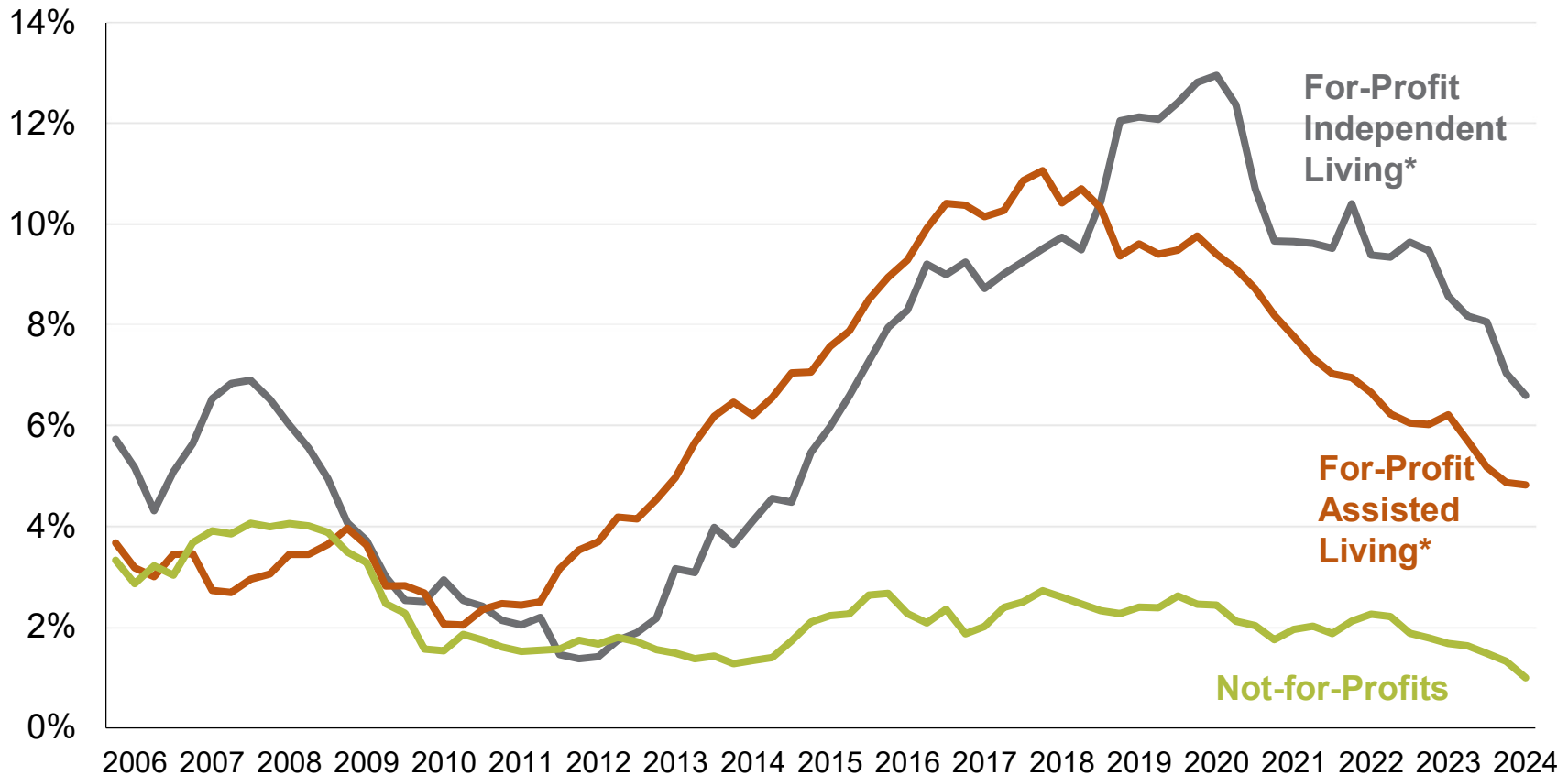
STRATEGIC GROWTH TRENDS

STRATEGIC GROWTH

- Aging demographic is upon us
- Different groups are behaving in different ways
 - For-profit vs. Not-for-profit
- Housing and services along the continuum
- Alternative and emerging models
- Service line and revenue diversification
- Ultimate goal beyond mission fulfillment is to achieve a level of scale to be able to compete in today's complex market

FOR-PROFIT INVESTMENT IN INDEPENDENT LIVING IS INCREASING

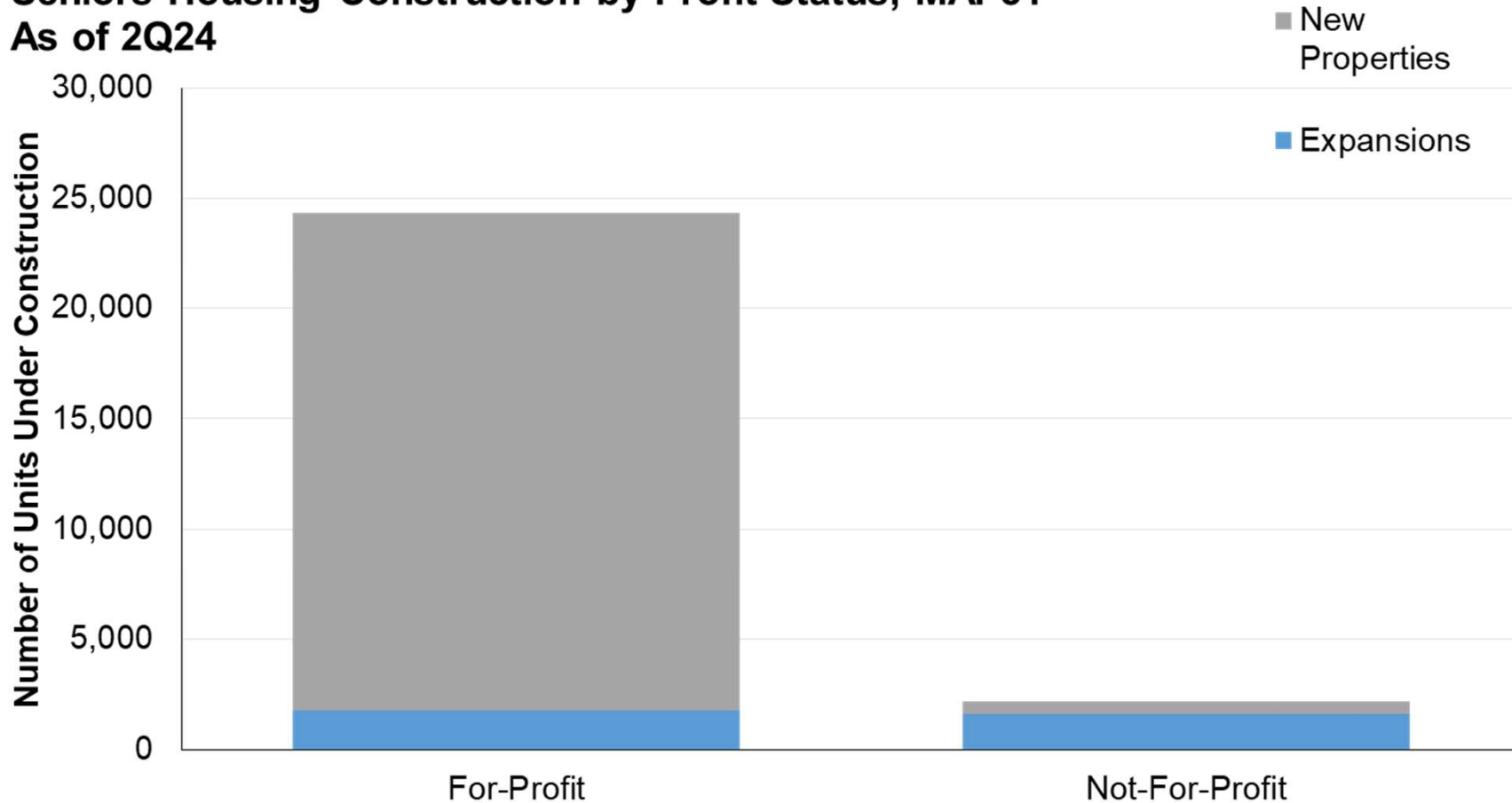
Construction vs. Inventory; MAP31 Seniors Housing | 4Q05 – 1Q24



* Excludes CCRCs

NFP VS FP GROWTH

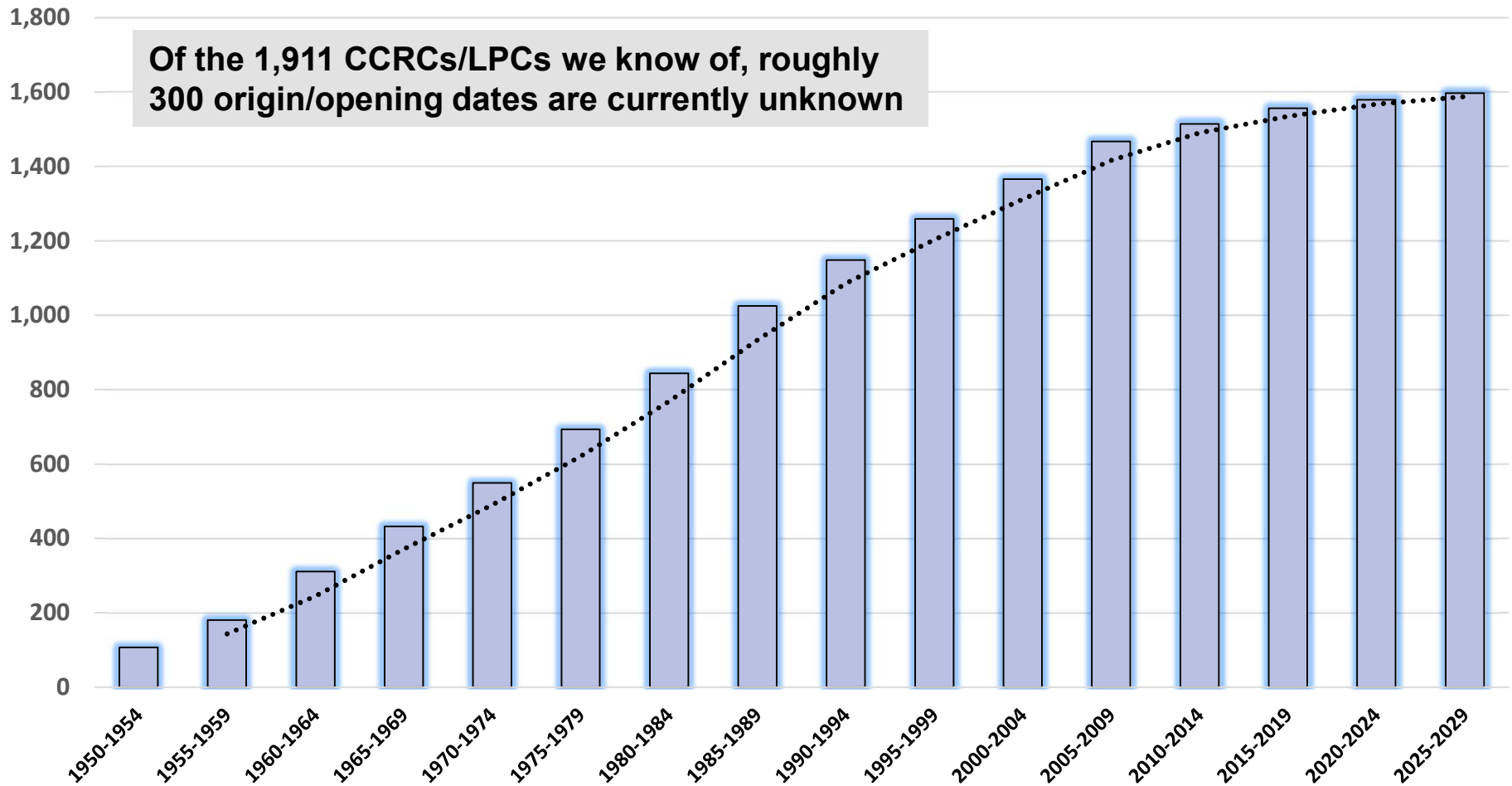
**Seniors Housing Construction by Profit Status; MAP31
As of 2Q24**



CCRC/LIFE PLAN COMMUNITY GROWTH

CUMULATIVE GROWTH

LPC/CCRC Cumulative Growth
1950 to Present



Source: Ziegler LPC (CCRC) Listing; 8/15/23; Projections for 2023-2029

Note, a small proportion of communities are excluded as year of opening is unknown as well as pre-1950 openings

NFP GROWTH ACTIVITY

Activity Level

Market Rate, Middle Market & Affordable	Unit Expansions	High
	Affiliations, Acquisitions, Mergers	High
	Satellite/Middle Market Campuses	Moderate
	Home & Community-Based Services	Moderate
	Services (Third-Party Mgmt.; IT Solutions)	Emerging
	New Community Development	Low

HOW DOES YOUR ORGANIZATION PLAN TO GROW IN THE NEXT TWO YEARS?

54%

Unit Expansion



32%

Affiliation or Acquisition



18%

New
Community
Development



ZIEGLER ASKED CFOs TO RANK THE TOP 3 BARRIERS TO GROWTH IN THE CURRENT ENVIRONMENT

Limiting Factors	# of Mentions
Workforce shortages	132
Construction pressure (costs of materials, labor challenges, etc.)	94
Financial cost of growth	92
Current operational/financial struggles within the organization	61
Limited resources to devote to growth	58
Inability/limited ability to access capital	36
General risk aversion	26
Board reluctance	23
Competition limiting growth opportunities	14
Leadership team reluctance	8
Landlocked/limited space	7
Government regulations	5

THE RATIONALE FOR DIVERSIFICATION

THE WHY

- Financial gain: Additional revenue
- Risk management: Benefit to not having ‘all your eggs in one basket’
- Ancillary business lines can often support primary service lines
- Mission enhancement:
 - Ability to expand services across a larger continuum
 - Ability to serve consumers within different economic cohorts
- Fosters new, creative partnerships
 - Joint ventures are not uncommon in this space

THE GROWING POPULARITY OF THE SATELLITE CAMPUS

- Alternative to the full-continuum; eliminates risk of additional SN beds
- Often geared toward Baby Boomer consumer and their shifting preferences (e.g. urban concepts)
- Smaller scale than full Life Plan Community generally allows for faster development timeline on smaller footprint
- Can build upon brand in existing market
- Ability to leverage resources in the local market from the parent

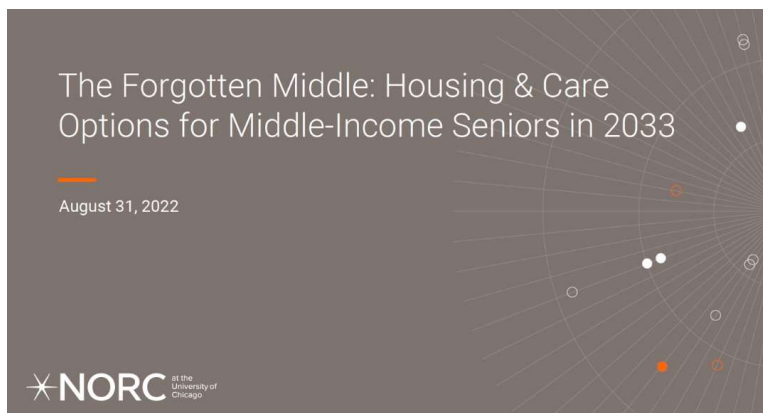
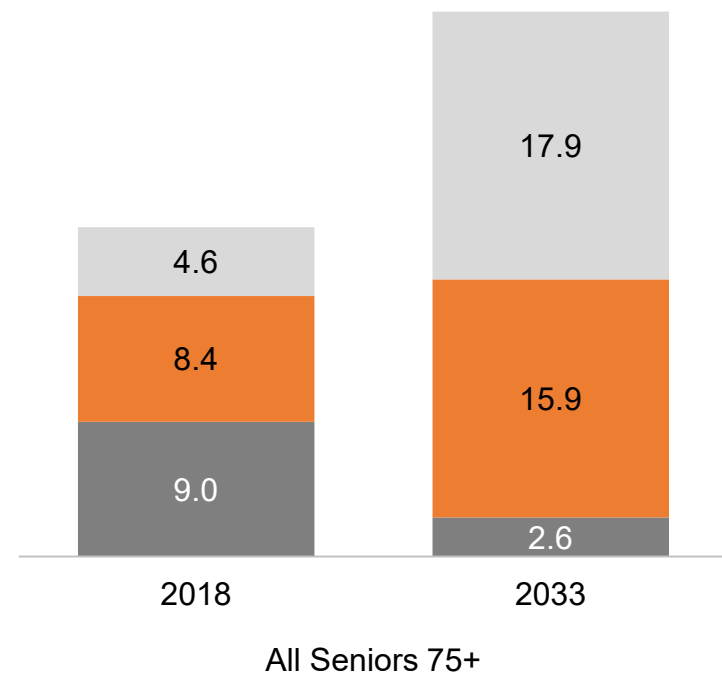


AFFORDABILITY: THE “MIDDLE MARKET” SENIOR

- Financing options for communities focused on the “middle market senior” are a challenge without meaningful equity of 15-30%
- Limited options remain for government-subsidize housing in the form of tax-credits
- Home-based programs are key

Size of the Senior Population by Age and Financial Resources (Millions)

■ Low Income ■ Middle Income ■ High Income



DEFINING THE HOME & COMMUNITY-BASED SERVICES (HCBS) LANDSCAPE

Traditional HCBS

- Home Care
- Hospice
- PACE
- CCaH
- Care Navigation
- Concierge

Ancillary Business Lines

- Pharmacy
- Behavioral/Mental Health
- Technology-Related
- Management Services
- Primary Care
- Rehab
- Consulting, Development Advisory

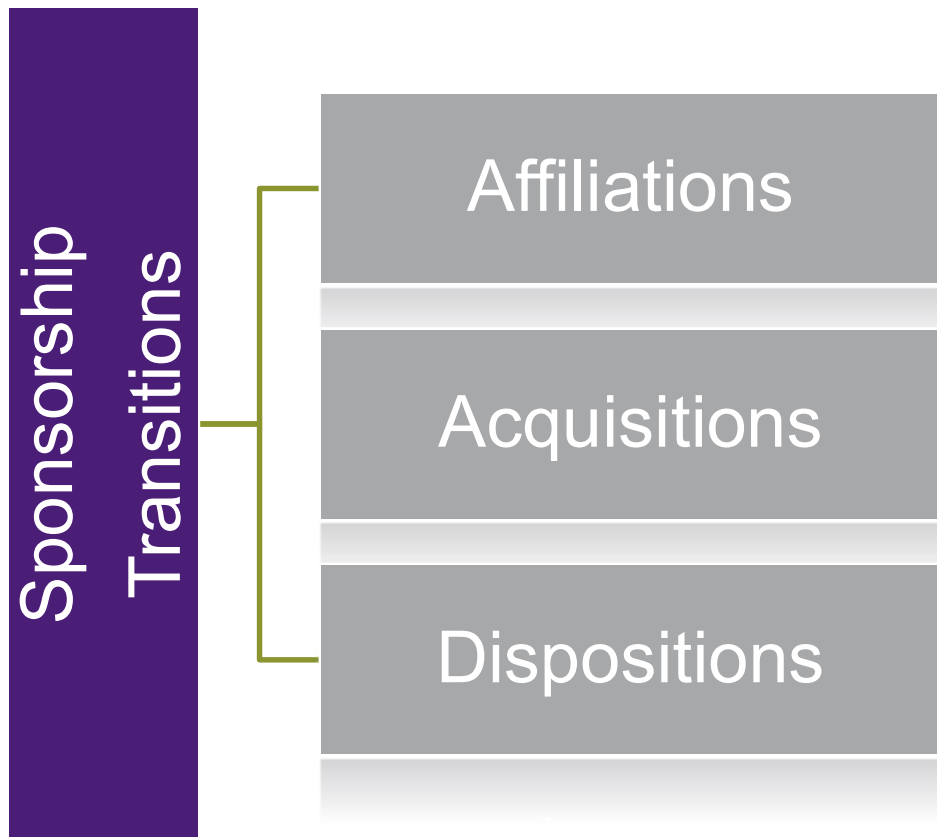
- Diversification can be a valuable growth initiative - but be cautious.
- Entering a new business line where you will not be #1 or #2 in the market could be dangerous and expensive
- Consider joint ventures with existing market leader as an entrée into an alternative business line



ITEM 5

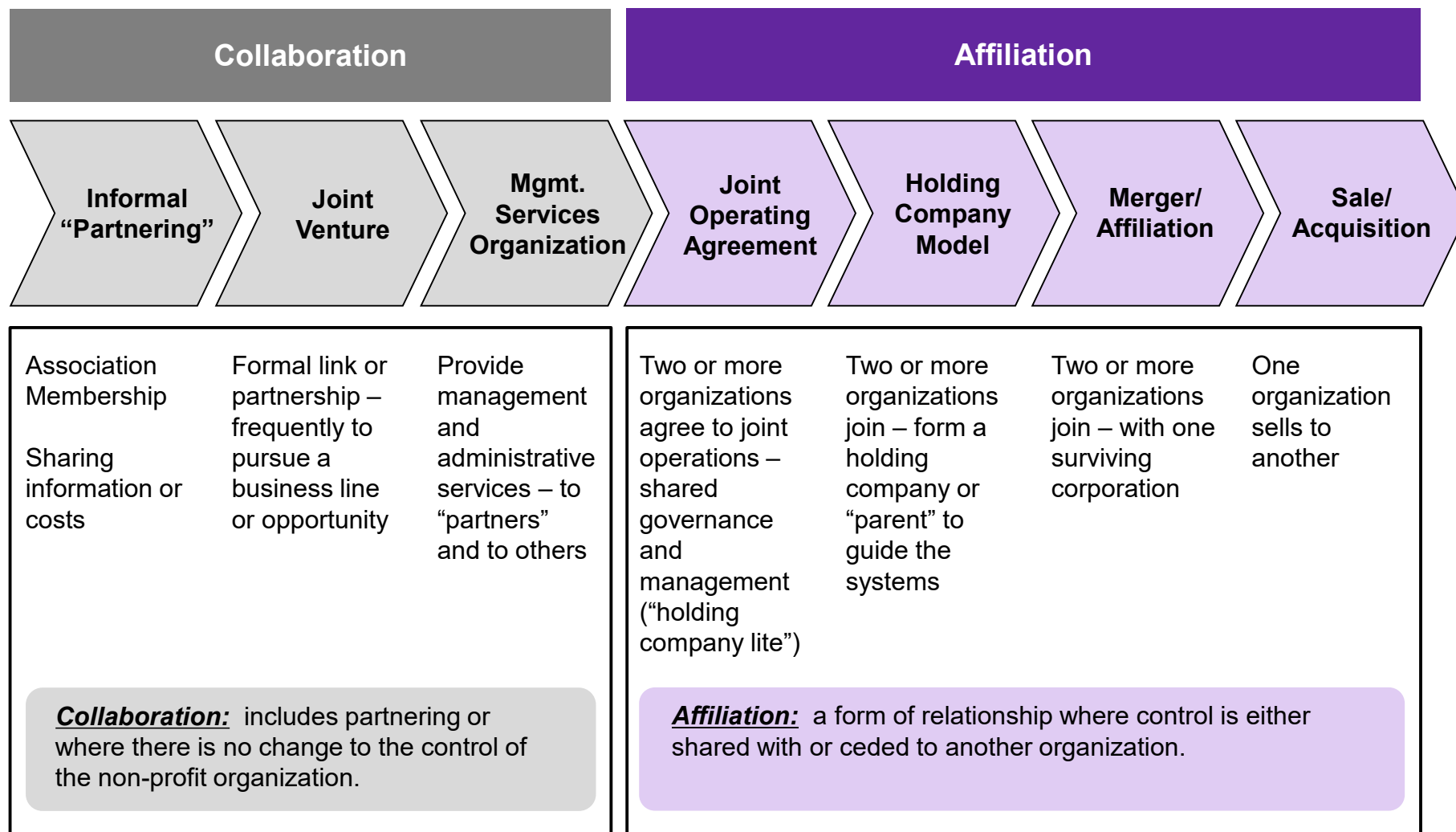
CONSOLIDATION - SPONSORSHIP AFFILIATION

UNIT GROWTH NOT JUST FROM BUILDING NEW UNITS, BUT FROM AFFILIATIONS – SPONSORSHIP TRANSITION



- Currently the primary mode of growth for residential settings among not-for-profit senior living providers
 - Systems coming together
 - Two smaller organizations joining to form larger
 - Single-sites joining a system

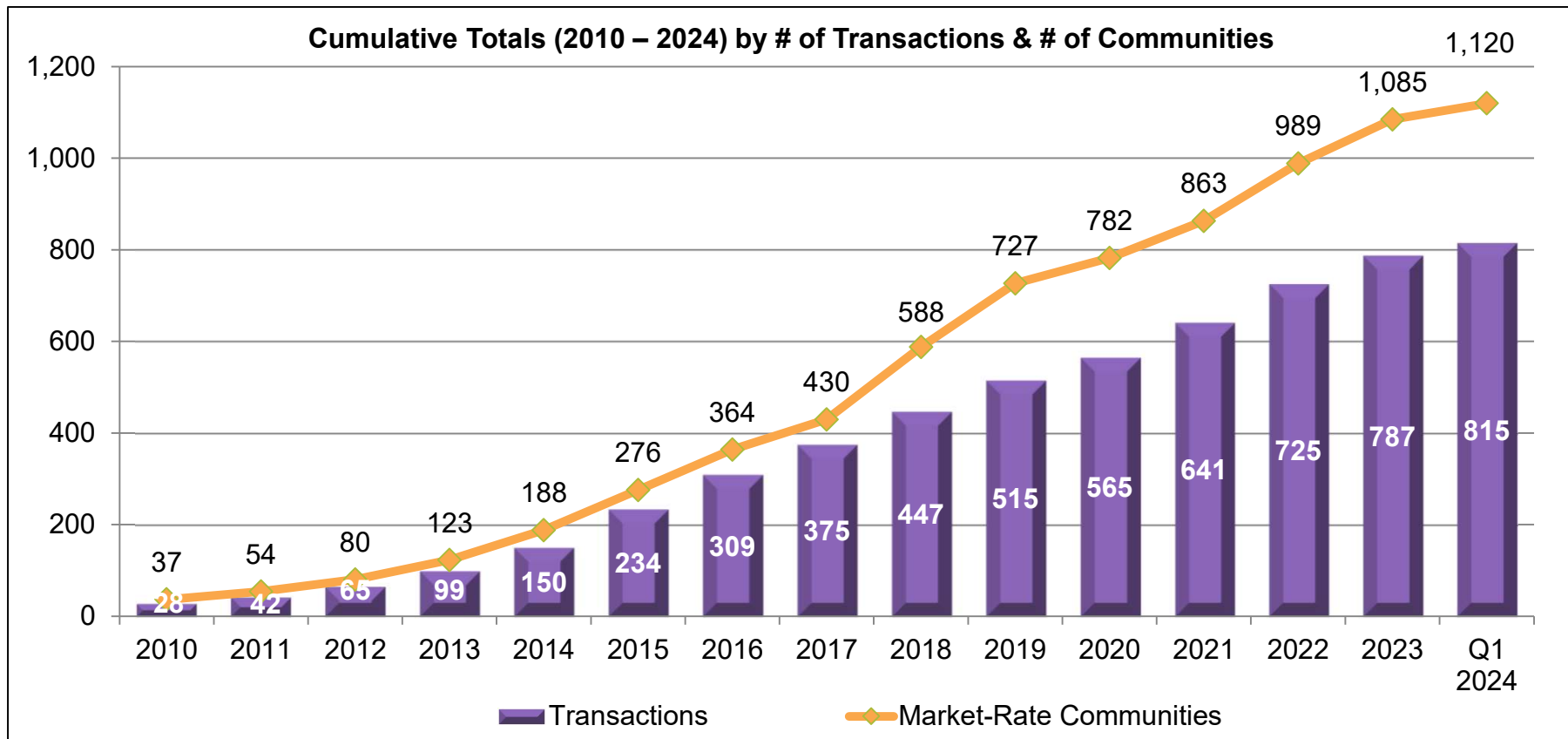
STRATEGIC RELATIONSHIPS



NFP SECTOR CONSOLIDATION: CUMULATIVE

(2010 - 2024)

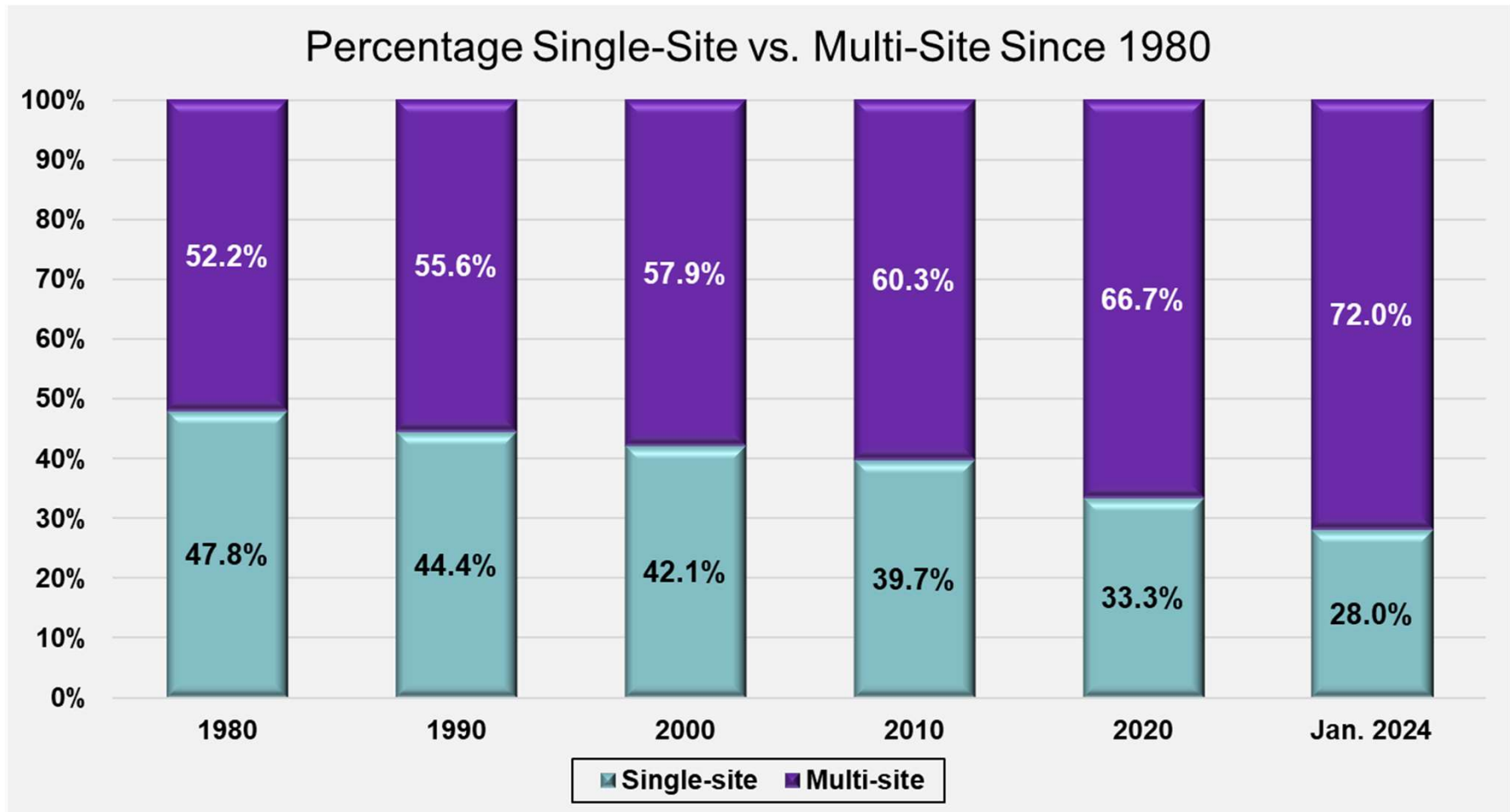
- Similar to other health and service-related sectors, the not-for-profit senior living sector is consolidating
- Sponsorship Transitions
 - Affiliations, Mergers, Acquisitions
 - Dispositions



Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count (160+) and the Dwyer Workforce counts (50) are excluded; Source: Ziegler Investment Banking 3/31/2024

THE SENIOR LIVING SECTOR IS CONSOLIDATING












- Affiliations/Sponsorship Transition are when two or more Not-for-Profits (“NFPs”) “merge” (generally no cash outlay)



NFP SENIOR LIVING SECTOR CONSOLIDATION

PRIMARY DRIVERS

COVID
ACCELERATED

	1990	2000	2010	2022
 Ability to Attract & Retain Talent		✓	✓	✓
 Complexities of Healthcare		✓	✓	✓
 Financial Pressures			✓	✓
 Leadership Turnover		✓	✓	✓
 Competition	✓		✓	✓
 Board Strength				✓
 Technology Demands		✓	✓	✓
 Access to Capital	✓		✓	✓
 Reinvestment Requirements				✓
 Health System Consolidation		✓	✓	✓
 Diversify Service Lines				✓

WHAT BENEFITS DOES GREATER SCALE PROVIDE?

WORKFORCE-RELATED

- Recruitment advantages (staff, board)
- Career ladders
- Addition of specialty positions
- Pooled labor

FINANCIAL OPERATIONS

- Ability to spread overhead; operational economies
- Greater purchasing power (food, tech, supplies)
- Improved access to capital

FINANCIAL: CAPITAL & GROWTH-RELATED

- Improved access to capital (seed capital, ratings benefits, Lines of credit)
- Upstreaming of cash to parent: strategic growth funds
- Fundraising resources
- Greater opportunities for affiliations & acquisitions

MARKET CONCENTRATION

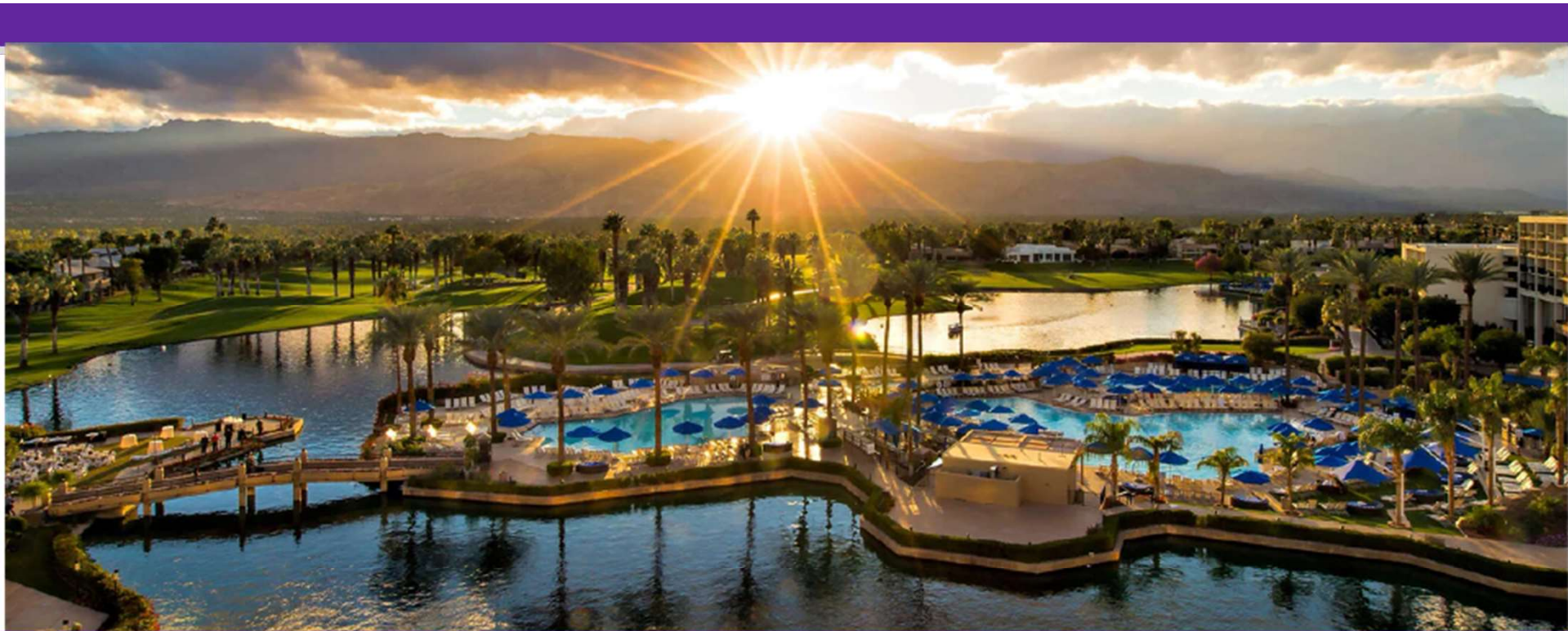
- Enhanced brand recognition to consumer
- Partnership opportunities
- Enhanced hospital/health system relationships
- Continuum of products/service lines



QUESTIONS & ANSWERS

The background is a solid purple color. On the left side, there are several overlapping, wavy, light purple lines that create a sense of movement and depth. The text is positioned in the lower-left quadrant of the image.

MARK YOUR CALENDARS!



27th ANNUAL
SENIOR LIVING FINANCE + STRATEGY CONFERENCE
SEPTEMBER 25-27, 2024 | JW MARRIOTT DESERT SPRINGS & SPA | PALM DESERT, CA

ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets and proprietary investments firm
- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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