

COOPER VALUATION GROUP

2015 NIC NATIONAL CONFERENCE - HIGHLIGHTS

We attended the 25th NIC National Conference from September 30 - October 2, 2015 that was held in the Washington, DC area.

From www.nic.org: " For nearly 25 years, the National Investment Center for Seniors Housing & Care (NIC) has been committed to advancing the quality and availability of seniors housing and care options for America's elders — the demographic cohort of age 75-plus totaling 19.2 million and a sector with a market value of approximately \$330 billion — through research, education and increased transparency that facilitate informed investment decisions, quality outcomes and leadership development in seniors housing and care."

1. A pending federal bill would **eliminate the 3-day qualifying stay** in a hospital to be referred to a SNF for Medicare - the intent is to save the government money during those initial 3 days.
2. The **silver wave** (aging baby boomers) will really start to hit in 2020, not 2016. The boomer surge is not here yet, so 2016/2017 could see oversupply.
3. **New supply appears to stimulate (some) new demand**, so not all of a new deal's absorption will take way existing market share.
4. National stats indicate **new ALFs reach 80% occupancy in 18 months** but take 24-30 months to reach 90%.
5. **Medicare A referrals are now driven by stats** (length-of-stay, outcomes, re-admits) rather than marketing and outreach efforts. Hospitals now closely track these metrics. High re-admission rates will shut down referrals from your hospitals.
6. ALF operators **can discount/negotiate on base rates** (real estate -i.e. room & board) but should avoid doing so on care levels.
7. We appear to be at/near the **peak of the development cycle**. Overbuilding and over-heated prices might signal a downtrend.
8. **The cost ceiling has gone out the window**. Buyers will now pay more than current construction/development costs for existing facilities.
9. **Cap rates have decreased in past 2+ years**. SNFs now 11.5% to 13% and ALFs now 6.5% to 8.5%.
10. **REITs continue to drive low cap rates and high prices**. Though REITs prefer high quality buildings, they will often consider 1970s product.



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