

NIC ANNOUNCES RELEASE OF '2003 LENDER SURVEY' ALONG WITH 'EQUITY INVESTOR SURVEY'

Surveys Show Debt Lenders & Equity Providers Optimistic About Seniors Housing

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WASHINGTON, D.C. – The National Investment Center for the Seniors Housing & Care Industries (NIC) today released its 2003 Lender Survey: Preferences in Financing Seniors Housing and Long Term Care Projects. This study, produced since 1994, represents the accumulated perceptions, opinions and financing criteria of debt capital providers to the industry. For the second year, the publication includes the results of a separate survey, the Equity Investor Survey, which investigates the valuation criteria and investment appetite of the industry's equity participants. Both surveys were conducted by NIC and CBIZ Valuation Group, Inc.

Compared with past years, the Lender Survey showed a decrease in the number of debt providers to the seniors housing and care industry. However, compared to 2002, there was not a corresponding decrease in the amount of expected funding projected through the end of 2003. This indicates that although the major financiers – approximately half made up of commercial banks, savings banks and mortgage bankers – remain active, many of the marginal lenders have continued to exit the industry and/or the experienced lenders are picking up the activity.

More of the lenders are currently invested in freestanding assisted living and nursing facilities than in any other property type, with nursing homes listed as the top investment preference by the largest proportion of respondents. Even so, more than half of the lenders rated nursing homes as "worse" or "much worse" investments than traditional real estate from a reward-versus-risk perspective. "Seniors housing" on the other hand – defined as CCRCs, seniors apartments, and congregate care facilities – were rated the same or better than traditional real estate.

The majority of lenders reported their intention to increase, or at least maintain, previous levels of funding to all segments of seniors housing and care. Projected funding is estimated at \$9.75 billion or more during 2003, which if the entire amount actually closes, would compare very favorably to \$6.5 billion that was placed in 2001 and \$6.4 billion in 2002.

Fifty percent of the projected funding for 2003 was allocated for refinancing of existing properties, with 38 percent allocated for acquisition of new properties and only 12 percent for new construction. Nearly one half of all lenders reported that the most pressing issue facing their portfolios was absorption (fill) rates.

Respondents to the Equity Investor Survey said that nursing homes and assisted living facilities comprised 18 percent and 29 percent of their investment properties, respectively. However, most expected poor profit growth potential for the nursing home sector.

But equity investor confidence remained strong from a year ago: 63 percent reported an expectation of increased investment activity over the next 12 months. Among them, 64 percent expected to acquire existing properties; 43 percent planned to construct new facilities; and 40 percent will be seeking to recapitalize properties held in their portfolio.

Altogether, the surveys provide timely insights into how the financial community underwrites and views seniors housing investments. Results include:

- The types and amount of financing provided, and for which property types;
- Lending terms for permanent and construction loans;
- How projects are valued (including projects without earnings);
- How much financing will go toward new construction versus acquisition or refinancing;
- Capitalization rates and how they are derived;
- Management fees;
- Required reserves;
- Cost to construct per bed;
- Prospects for industry growth;
- Most important factors in underwriting decisions; and
- Outlook for revenues, expenses and risk/return over the next 12 months.
- The [2003 Lender Survey/Equity Investor Survey](#) is available through NIC for \$195.

Founded in 1991, NIC is a nonprofit, educational forum providing information about capital formation and business strategy for the seniors housing and care industry. Proceeds from its annual conference – held next year on Oct. 6-8, 2004, in Chicago, IL – are used to fund research on issues of importance to the industry. For more information, visit NIC's Web site at www.NIC.org or call (410) 267-0504.

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***Attention seniors housing and care, business and financial editors: To register for conference media credentials, contact Renee Tilton at (410) 626-0805 or rtilton@crosbymarketing.com. ***

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