

# NIC KEY FINANCIAL INDICATORS SHOW 2004 TO BE AN 'EXCEPTIONAL' YEAR FOR SENIORS HOUSING FINANCING

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ANNAPOLIS, Md. – Loan volume placed in the seniors housing industry rose to an impressive \$1.143 billion dollars during the fourth quarter of 2004, compared to \$783 million in the third quarter and \$763 million in the fourth quarter of 2003, according to the NIC Key Financial Indicators released today by the National Investment Center for the Seniors Housing & Care Industries (NIC).

The loan volume collected by NIC represents the quarterly lending activity of the top national lenders (non-REITs) that make permanent debt or short-term debt investments in seniors housing and care, including Fannie Mae, Freddie Mac and several of the larger credit companies and banks.

"This was the highest quarterly amount placed that we've seen since tracking our Key Financial Indicators," said Robert G. Kramer, NIC president. The loan volume was up by more than 46 percent from the third quarter and by 240 percent from the second quarter, when the amount placed at that time stood at a low of \$336 million. "We wondered at that time whether that low was an aberration," explained Kramer, "and we can now justifiably say that it was."

Loan performance also improved for seniors housing and care, with performing loans moving from 95.9 percent in the third quarter of 2004 to 96.9 percent in the fourth. This was the industry's strongest performance since the first quarter of 2003, according to NIC's indicators.

"Performing loan percentages are indeed increasing, while delinquencies are decreasing again," concurred Jim Pieczynski, Managing Director of the Healthcare Real Estate Group at Capital Service Finance, who shared his insights last month during an NIC Executive Circle Conference Call with industry leaders. "We're seeing that trend as well, in that our portfolio continues to grow and we are fortunate enough not to have any loans that are in a workout or a delinquent scenario. I think this is an indication that the industry is definitely coming back and lenders are starting to embrace this industry even more."

Kramer noted that \$2.7 billion was placed in 2004 in short-term and permanent debt among the nine largest lenders that NIC consistently tracks. "We did have a little bit of an uptick in permanent debt delinquencies in nursing and a sharp uptick in new construction, although that was still very small on an absolute basis," he explained. "But all in all, 2004 will go down as a very good year for the industry."

Occupancy rates continued their upward trend during the fourth quarter. "Last year was the best that we have ever tracked in terms of year-over-year occupancy increases," said Anthony J. Mullen, NIC research director. "All the property types were up, except for independent living. That sector has stayed pretty much at the 90 percent level for about

four and a half years now. Median assisted living occupancy was up 200 basis points from 86 to 88 percent and nursing was also up 200 basis points from 86 to 88 percent. CCRCs, however, were the record-setter, going from 90 to 92.5 percent, a 250 basis point increase. That was the highest occupancy rate nationally for the sector since we've tracked these statistics."

Another positive trend was that the average capitalization rate went down for all properties during the fourth quarter. Each property type recorded a sub-9 rate transaction as well, indicating that top performing properties, across the continuum of care, are in great demand by investors.

Every quarter since 1999, the nation's leading senior living lenders, owners/operators and appraisal professionals have reported their key financial and performance data to NIC, which is then posted as the NIC Key Financial Indicatorsä on [www.NIC.org](http://www.NIC.org). Anyone can access the information free of charge.

Founded in 1991, the National Investment Center for the Seniors Housing & Care Industries is a nonprofit organization providing information about business strategy and capital formation for the senior living industry. Proceeds from its annual conference – scheduled next for September 28-30, 2005, in Washington, DC – are used to fund research on issues of importance to the industry. For more information, visit [www.NIC.org](http://www.NIC.org) or call (410) 267-0504.

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