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NIC KEY FINANCIAL INDICATORS SHOW CONTINUED STABILITY AND RECOVERY FOR SENIORS HOUSING & CARE

ANNAPOLIS, Md. - The seniors housing and care industry continues to show signs of stability and recovery, as well as increased capital infusions by lenders, according to numbers tracked and released today by the National Investment Center for the Seniors Housing & Care Industry (NIC) for the third quarter of 2005. 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. The information is then posted as the NIC Key Financial Indicatorsä (KFIs) on www.NIC.org <http://www.NIC.org> and accessed free of charge.

Loan volume for the third quarter of 2005 rose to more than $1.2 billion - the highest amount ever measured since NIC has kept track of these indicators. The amount was not only up significantly from the second quarter of 2005 (by 75 percent), but also up considerably over the third quarter of 2004 (by 54 percent).

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

Loan performance, in terms of the percentage of performing loans, also ticked up during the third quarter of 2005 to 98.75 percent - again, the highest that NIC has ever tracked. "That percentage puts seniors housing in the same category today with office, industrial, retail and multifamily asset classes," said Anthony J. Mullen, NIC's director of research, "so it's certainly something that the industry should feel proud about, having come through a very difficult period in the late 1990s. We are, I would say, officially recovered at this point, in the sense that we are seeing indicators that most professional money managers and investors would like to see."

Occupancy rates for the third quarter of 2005 were reported for more than 3,200 properties and nearly 400,000 units across the nation. The median occupancy rates for independent living (at 92 percent) and assisted living (at 88.5 percent) remained stable from the second quarter, when they had reached their highest levels since the second and third quarters of 2000.

The median occupancy rate also held steady in the third quarter of 2005 for continuing care retirement communities (CCRCs) at 91 percent, although there was a slight improvement in assisted living units within CCRCs (from 92 to 93 percent) and a decline in independent living units within CCRCs (from 93 to 91 percent).

The only sector showing a continued decline in occupancy rates was skilled nursing, although that change has been slow, but perceptible, year over year. The median occupancy rate for freestanding skilled nursing went down from 87 percent in the second quarter of 2005 to 86 percent in the third quarter. For skilled nursing within CCRCs, the median occupancy declined from 86.5 to 84 percent.

“It’s interesting to see how the aggregate, national occupancy rates for all these sectors compare to the NIC Market Area Profiles™ (NIC MAP) data, which tracks properties specifically in the 30 largest cities or metro areas,” noted Mullen. “In those markets, the median occupancy rates are excellent, averaging 96 percent in independent living, 95 percent in assisted living and 96 percent in dementia, and then nursing care is the lowest, down at 93 percent. But all of those cases are significantly above what we're showing in our KFIs. What that says is, outside the 30 MSAs, occupancy rates are even lower.”

Why is skilled nursing having such difficulty in comparison to the other sectors? “From a global standpoint, there's no question that the dispersion or disparity of marketable product in skilled nursing is greater than in the other three sectors,” explained Mullen. “Fortunately, we are starting to see a bit of movement towards development of some new models. We are beginning to see a few of the states look at their reimbursements for Medicaid and the capital cost component. They are starting to recognize, with nursing homes averaging 29 years of age, that something has to change over the next five to 10 years, if the nursing home is going to be what everybody wants it to become.”

The contrast between skilled nursing and the other sectors was also borne out in terms of what has been happening with capitalization rates. During the third quarter of 2005, the average capitalization rate was stable for all sectors. However, when comparing to the previous year, there was a significant drop of about 120 basis points or more for independent living, assisted living and CCRCs. But with skilled nursing, the average capitalization rate has stayed around 13 percent.

Founded in 1991, the National Investment Center for the Seniors Housing & Care Industry is a nonprofit organization providing information about business strategy and capital formation for the senior living industry. Proceeds from its annual conference - scheduled for Sept. 27-29, 2006 in Chicago, Ill. - 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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