

**CBRE** CAP RATE SURVEY  
**Seniors Housing**  
**H2 2014**

A CBRE VALUATION & ADVISORY SERVICES PUBLICATION













**H2 2014 SENIORS HOUSING SURVEY RESULTS**

The H2 2014 CBRE Seniors Housing Investor Survey was sent to the most influential seniors housing investors, developers, and brokers throughout the United States. In developing the survey, our main objective was to identify key trends in the seniors housing real estate industry and to share this information

with our clients to help them better understand the state of the market. The survey provides a snapshot of investor and developer expectations, and most importantly, their perception of what lies ahead.

*The results of this survey are summarized below:*

	Class A			Class B			Class C			
	Low	High	Average	Low	High	Average	Low	High	Average	
<b>Core</b>	IL	3.50%	8.00%	5.59%	4.50%	8.00%	6.46%	5.50%	9.50%	7.66%
	AL	4.50%	9.00%	6.33%	5.00%	9.00%	7.13%	6.00%	11.00%	8.56%
	MC	5.00%	9.00%	6.74%	5.00%	9.50%	7.49%	6.00%	11.00%	8.69%
	NC	9.00%	13.00%	11.08%	10.00%	14.00%	12.07%	12.00%	16.00%	13.51%
	CCRC - Rental	5.00%	10.00%	7.02%	6.00%	10.00%	7.75%	7.00%	11.00%	9.26%
	CCRC - Buy In	6.00%	10.00%	7.60%	6.00%	10.00%	8.36%	7.00%	12.00%	9.69%
<b>Non-Core</b>	IL	4.00%	9.00%	6.30%	4.00%	9.50%	7.16%	5.00%	10.00%	8.14%
	AL	5.00%	9.00%	6.89%	5.00%	9.00%	7.55%	6.00%	11.00%	8.75%
	MC	5.00%	9.00%	7.07%	5.00%	9.00%	7.75%	6.00%	11.00%	8.87%
	NC	10.00%	14.00%	11.80%	10.00%	18.00%	12.57%	11.00%	18.00%	13.75%
	CCRC - Rental	6.00%	10.00%	7.53%	6.00%	10.00%	8.20%	7.00%	13.00%	9.46%
	CCRC - Buy In	6.00%	10.00%	8.10%	6.00%	12.00%	8.69%	7.00%	13.00%	9.90%

Class A/B	 IL 0.57%	 AL 0.60%	 MC 0.57%	 NC 0.42%	 CCRC 0.58%
Class C	 IL 0.50%	 AL 0.48%	 MC 0.57%	 NC 0.27%	 CCRC 0.58%

\*Arrows indicate change from our H1 2014 Survey  
Source: CBRE Seniors Housing Cap Rate Survey

**SENIORS HOUSING SURVEY RESULTS (CONTINUED)**

The results of the cap rate survey were utilized to better understanding risk profile, or spreads between property class as well as location.

**Investment Class Spreads**

		A-B	B-C	A-C
<b>Core</b>	IL	0.87%	1.21%	2.08%
	AL	0.79%	1.43%	2.22%
	MC	0.76%	1.19%	1.95%
	NC	0.99%	1.44%	2.44%
	CCRC - Rental	0.73%	1.51%	2.24%
	CCRC - Buy In	0.75%	1.33%	2.09%
	<b>Non-Core</b>	IL	0.85%	0.98%
AL		0.66%	1.20%	1.86%
MC		0.68%	1.12%	1.80%
NC		0.77%	1.18%	1.95%
CCRC - Rental		0.67%	1.26%	1.92%
CCRC - Buy In		0.59%	1.20%	1.80%

**Location Spreads (Core Vs. Non)**

	A	B	C
IL	0.72%	0.70%	0.48%
AL	0.56%	0.43%	0.19%
MC	0.33%	0.26%	0.00%
NC	0.72%	0.50%	0.24%
CCRC - Rental	0.51%	0.45%	0.19%
CCRC - Buy In	0.50%	0.34%	0.20%

Core vs. Non-Core	 IL 0.03%	 AL 0.09%	 MC 0.04%	 NC 0.03%	 CCRC 0.08%
-------------------	--	--	--	--	--

\*Arrows indicate change from our H1 2014  
Source: CBRE Seniors Housing Cap Rate Survey

**SENIORS HOUSING SURVEY RESULTS (CONTINUED)**

The respondents indicated a noticeable attraction to Class A and B properties with the largest bifurcation in spreads between Class B and C properties for all sub property types. This is a noticeable change from the H1 2014 results whereby investors were favoring Class A and B properties for IL and AL product only, with skilled nursing participants only partial to Class A properties.

*The following summarizes the profile of the respondents.*

Our survey was sent to over 280 potential participants with a focus on transactional professionals. The response rate was overwhelming at 31%, so 87 participants total.

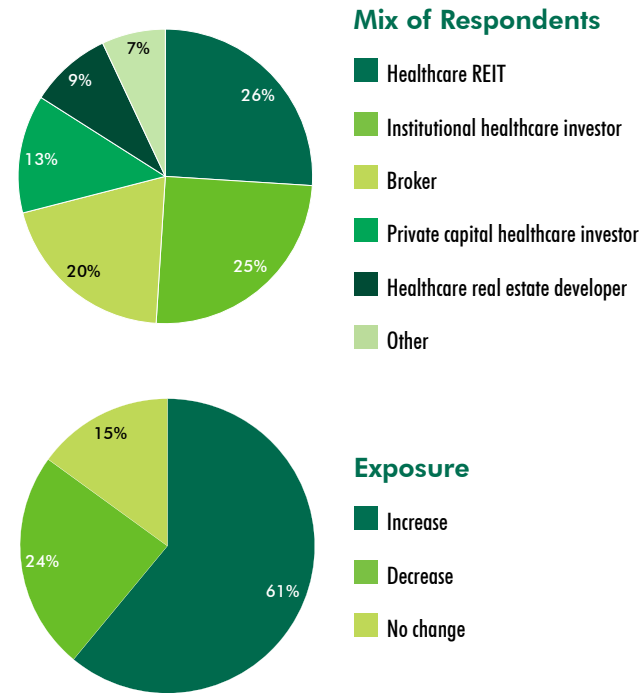
The professional mix of participants primarily represented REITs and Institutional Investors at 26% and 25%, respectively. This was followed closely by Specialized Brokers at 20%. The balance rounded out at 13% Private Capital Investors, 9% Developers, and 7% Other.

*The participants were asked how they were looking change their exposure to seniors housing over the next twelve months.*

Sixty-one percent of the respondents intended to increase their exposure, 24% intend to decrease, and 15% expect little change. This is a significant difference from the overwhelming 100% of the participants from our H1 2014 survey aiming to increase their exposure to the space.

For anyone concerned with where the volume of properties will come from in order to match the record volume of deals in 2014, there will be sellers.

In terms of locational spreads, a property’s location in a core vs. non-core market is most relevant for Class A and Class B independent living properties. There is also a noticeable bifurcation in locational spreads for Class A skilled nursing facilities.



Source: CBRE Seniors Housing Cap Rate Survey

### SENIORS HOUSING SURVEY RESULTS (CONTINUED)

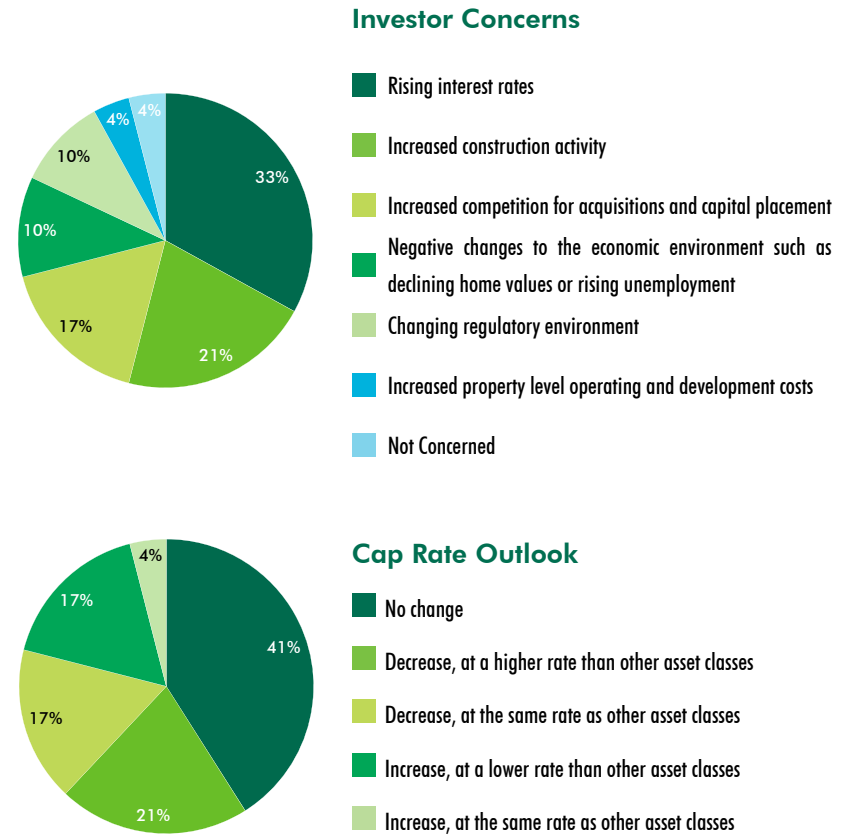
*Top concerns of market participants in relation to market changes that would negatively impact the seniors housing market over the next twelve-month period are summarized as follows.*

Rising interest rates was identified the top concern for market participants, at 33%. This was followed by increased construction activity, at 21%, and then increased competition for acquisitions and capital placement, at 17%. The balance was distributed between negative changes to the economic environment such as declining home values or rising unemployment, increased property level operating and development costs, and a changing regulatory environment. 4% of the respondents were not concerned.

*All participants were asked their twelve-month outlook for seniors housing capitalization rates.*

The participants were asked if they expect seniors housing capitalization rates to decrease at a higher rate, decrease at the same rate, increase at a lower rate, or increase at the same rate, respective of other asset classes.

At 41%, the majority of respondents expect no change in cap rates over the next twelve-month period. A total of 38% of respondents expect seniors housing cap rates to decrease, of which 21% believe they will decrease at a faster rate than cap rates for other asset classes.



Source: CBRE Seniors Housing Cap Rate Survey

On behalf of CBRE Valuation & Advisory Services, we would like to express our sincere gratitude to all our clients and colleagues who participated in this survey.

## Contact us to arrange a customized presentation of these results and market overview for your firm.

Thomas B. McDonnell, MAI, FRICS, CCIM  
*President*  
T +1 312 233 8669  
thomas.mcdonnell@cbre.com  
www.cbre.com/Thomas.McDonnell

Zach T. Bowyer, MAI  
*Managing Director, Practice Leader*  
T +1 617 217 6032  
zach.bowyer@cbre.com  
www.cbre.com/Zach.Bowyer

Steve D. DuPlantis, MAI  
*Senior Managing Director*  
T +1 713 840 6625  
steve.duplantis@cbre.com  
www.cbre.com/Steve.DuPlantis

Michael R. Rowland, MAI, FRICS  
*Senior Managing Director*  
T +1 602 735 5508  
michael.rowland@cbre.com  
www.cbre.com/Michael.Rowland

## Where Global Access Meets Specialized Insight

### U.S./Canada/U.K.

www.cbre.com/Valuation  
www.cbre.com/SHVAS

© Copyright 2015 CBRE Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of the CBRE Global Chief Economist.

**CBRE**