

Covid-19 Bulletin: Most Investors Predict 5% to 24% Senior Housing Price Dip

TIM MULLANEY APRIL 28, 2020

Senior Housing News recognizes the seriousness of the Covid-19 pandemic, so we will be updating this bulletin to keep you apprised of the latest developments, focusing on news and information that we identify as especially pertinent to senior living. The team at SHN knows how important your work is right now; we thank you and your teams, and encourage you to reach out to us individually or at editor@seniorhousingnews.com with news items, topics that you believe are important for coverage, or other feedback.

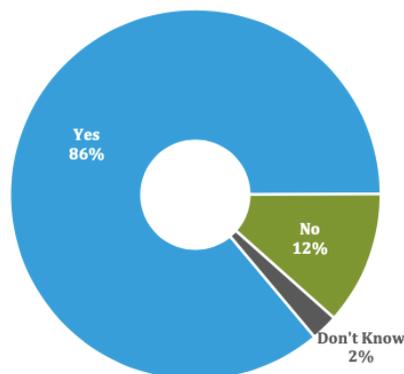
Senior housing professionals and investors are seeking acquisition opportunities over the next 12 months as the industry grapples with the Covid-19 pandemic. But, investors will shift their focus to value-add and distressed acquisitions, according to new survey results from senior housing investment brokerage firm Heavenrich & Company.

Pricing, meanwhile, will decrease in the near-term, but respondents indicated that it will not drop as sharply as some fear.

Heavenrich & Company reached 448 senior housing owners, operators and investors between April 15 and April 20 to gauge the market impact of the crisis on the industry, President and Managing Director Adam Heavenrich told Senior Housing News.

Overall, the survey is a sign that investors are optimistic about senior housing, due to a combination of its needs-based operational model and favorable demographic trends — 86% of respondents said that they are currently seeking to acquire senior housing.

Are you currently seeking senior housing acquisitions?

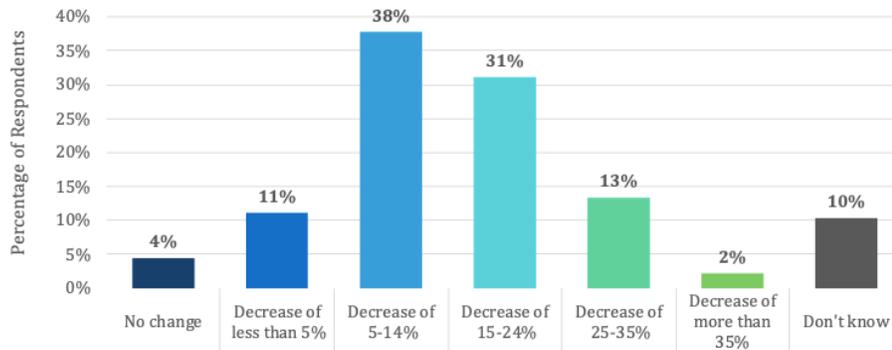


As Covid-19 persists, value-add opportunities will grow in popularity among investors: 91% of respondents indicated that they were in the market for value-add properties, while 62% said they were exploring acquiring distressed communities. Private equity is driving the charge and these investors are looking to partner with quality operators.

“These folks are also looking to partner with operators which is a positive of this industry. Money [is] waiting in the wings that need operators. [Covid-19] may cause some operators who are thinly capitalized to seek a deep pocketed partner. If they are good operators, they can handle more communities,” Heavenrich said.

One firm implementing a value-add strategy is Dallas-based McFarlin Group, which is launching a \$100 million fund to acquire senior housing assets at risk of becoming distressed in part by the coronavirus pandemic, Managing Director Matt Johnson recently [told SHN](#).

A majority of respondents indicated that pricing would decrease because of Covid-19. Around 38% of respondents expect senior housing pricing to fall between 5% and 14% in the next six months, 11% predict pricing to drop less than 5%, while 4% said that there would be no change in pricing.



This indicates investor confidence in senior housing’s strong market fundamentals and belief that seniors will consider a move based on need within the next 12 months, as well as long-term positive demographic trends showing that demand will outstrip supply, Heavenrich told SHN.

Some other notable findings from the survey:

- More than half of respondents intend to invest the same amount of capital in senior housing (16%) or increase their capital deployment into the sector (36%) in the next 12 months.
- Investors are most concerned about occupancy and market liquidity as the pandemic continues. Most lenders have already [retreated to the sidelines](#) for the time being, but senior housing’s recession-resilient components opens the product up to limited financing vehicles such as HUD, Fannie Mae and Freddie Mac lending.

Also in the news:

- Assisted living providers in Connecticut must report all Covid-19 cases and a variety of other information each day or face financial penalties of \$5,000 for each instance of noncompliance, under an executive order issued by Gov. Ned Lamont.
- In addition to infection rates, assisted living providers and other senior housing and care providers must report available beds and units, level of staffing and personal protective equipment, [CT Mirror reported](#).
- Vantage Point Retirement Living in Pennsylvania has been supplying health care workers and first responders with “Covid Care Kits,” MyChesCo [reported](#).
- California has joined the growing list of states compiling lists of assisted living communities with Covid-19 outbreaks. In the Golden State, the list includes only those communities with 11 or more confirmed cases of Covid-19, in the interest of protecting resident privacy, KPBS Public Media [reported](#). As of late last week, the list showed 856 Covid-19 outbreaks across the state’s roughly 7,000 assisted living centers.