

 **MILESTONE**
PARTNERS





MITCSC-CBRE Real Estate Panel

Senior Housing Overview

William C. Wells

Senior Housing Primer

- **Independent Living:** Provides an environment for seniors who can function independently and have few medical problems;
 - **Assisted Living:** Long-term care option that combines housing, support services and health care, as needed. Personal care services in assisted living often also include medication management and transportation, and care is available around the clock;
 - **Memory Care:** Distinct form of long-term skilled nursing that specifically caters to patients with Alzheimer's disease, dementia and other types of memory problems. Also called special care units (SCUs), memory care units usually provide 24-hour supervised care within a separate wing or floor of a residential facility;
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- **Nursing Home:** Around-the-clock skilled nursing care for the frail elderly who require a high level of medical care and assistance. Twenty-four hour skilled nursing services are available from licensed nurses. Long-term care residents generally have high care needs and complex medical conditions that require routine skilled nursing services.

Senior Housing Primer

- Private Pay vs Medicaid | Higher Rates vs Increased Demand
- Additional revenue available through various “Levels of Care” and “Medication Management”
- Typical operating margins range between 25% and 40% vs 50% for traditional multifamily
- Staffing ratios vary but a good rule of thumb is 1:6
- Functionally equivalent to a hybrid of hospitality and multifamily

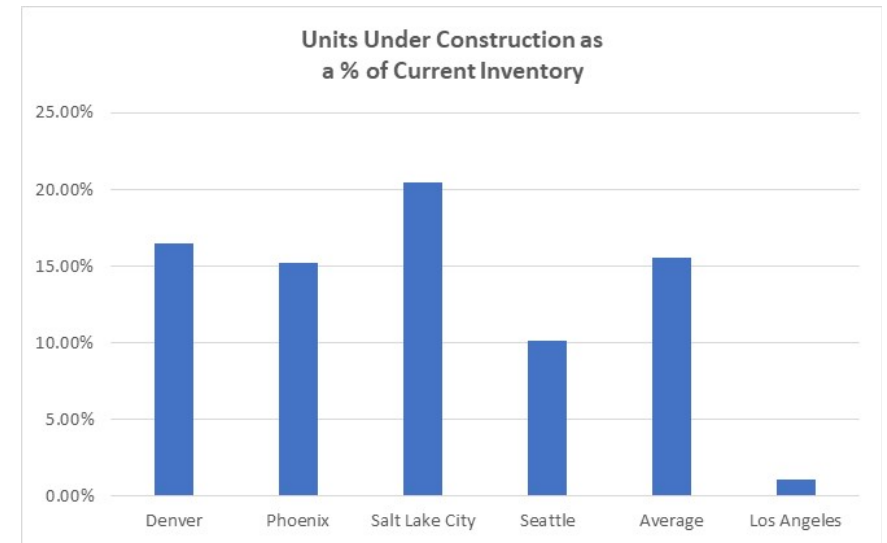
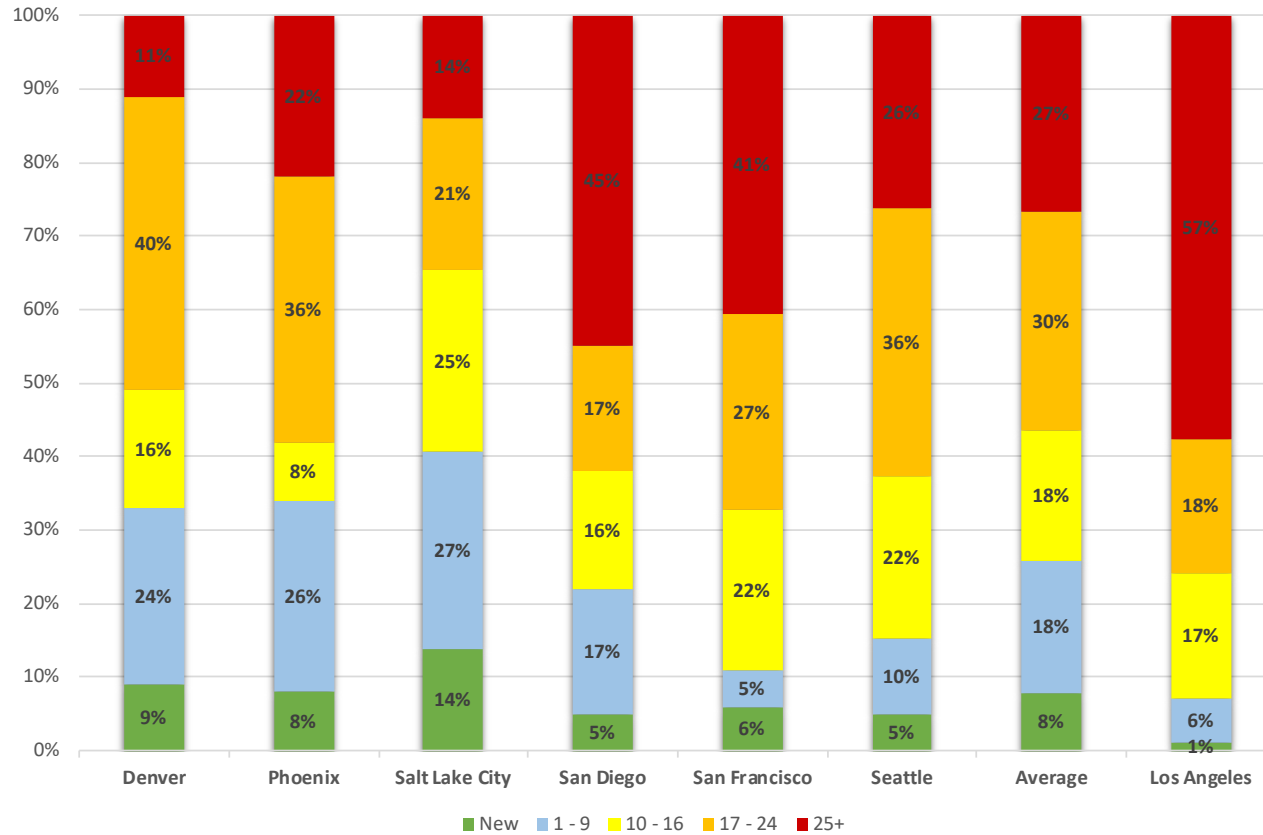
| | Independent Living | Assisted Living | Nursing Home | Alzheimer's Care |
|----------------------------------|--------------------|-------------------|-------------------|-------------------|
| Cost Per Month | \$1,500 - 3,500 | \$2,500 - \$4,000 | \$4,000 - \$8,000 | \$3,000 - \$7,000 |
| Meals Per Day | Meal Plan Options | 3+ | 3+ | 3+ |
| Medication Management | No | Yes | Yes | Yes |
| Personal Care | No | Yes | Yes | Yes |
| Mobility Assistance | No | Yes | Yes | Yes |
| Accepts Wheelchairs | Yes | Yes | Yes | Yes |
| Alzheimer's/Dementia Care | No | Varies | Varies | Yes |
| On-Site Nurses | No | Varies | Yes | Varies |
| Transportation | Most Yes | Most Yes | Yes | Yes |
| Incontinence Care | No | Yes | Yes | Yes |
| Housekeeping | Varies | Yes | Yes | Yes |
| Personal Laundry | Varies | Most Yes | Yes | Yes |

National Senior Housing Data

- The nation's **65+ demographic** currently accounts for **13 percent** of the overall population and is expected to reach **20 percent** of the population by **2050** (89 million Americans);
- **70 percent** of adults over the age of **65** will need long-term care at some point in their lives;
- The U.S. assisted living industry totaled **\$42.7 billion** in **2006**, reached **\$56.3 billion** in **2011** and exceeded **\$79 billion** in **2016**;
- Memory Care is projected to increase substantially as the number of seniors diagnosed with Alzheimer's disease is expected to rise from **5.1 million** in **2010** to **13.5 million** in **2050**.

Supply & Demand | Los Angeles

Age of Existing Inventory



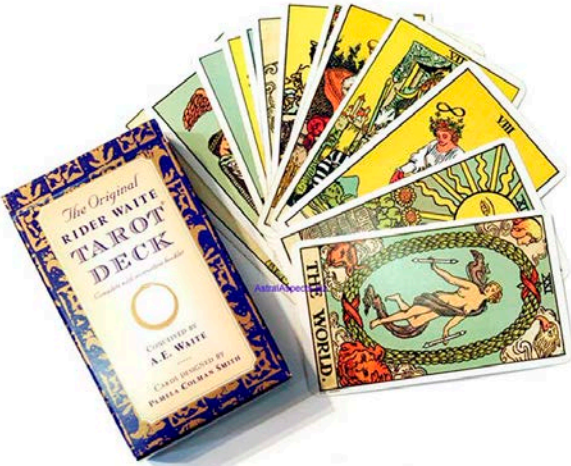
Financing | Senior Housing

- Robust Financing Options
- Milestone's most recent investment in a senior housing development in Ft. Myers, FL (October, 2017):
 - 6 2 . 5 % L T ;
 - 3 0 d a y L I B O R + 3 1 5 b p s w i t h a 1 . 2 0 % L I B O R f l o o r ;
 - I n t e r e s t o n l y f o r 3 6 m o n t h s ;
 - B e g i n n i n g i n m o n t h 3 7 L o a n s h a l l r e q u i r e m o n t h l y p r i n c i p a l a n d i n t e r e s t p a y m e n t s b a s e d o n 2 5 - y e a r a m o r t i z a t i o n .



Outlook | Multifamily

Unauthorized **Spy Photograph** of Milestone's proprietary econometric forecasting algorithm ...



Outlook | Multifamily

- Long Term Demographics Remain Positive; particularly for workforce housing;
- Los Angeles bureaucracy + policy positions create an unintentional smoothing effect on the supply curve;
- **TOO MANY UNITS** built in the **WRONG PLACE** will create downward pricing pressures throughout Los Angeles when pro formas fail to meet rent projections. Rent velocity is decelerating sharply and new inventory continues to break records;
- Net Absorption has remained positive but 2018 will be the last full year we see rising rents and stable occupancies;
- Interest rates must effect valuation via positive leverage. Risk premiums remain stable sans exogenous factors. If interest rates go up - cap rates have to move. Otherwise, the risk premium shrinks;
- Irrational Investors = Bubble =



Milestone
Fund II

Outlook | Senior Housing


- Significant current demand with long term population trends and medical advancements supporting optimistic projections;
- Los Angeles has a relatively low penetration rate yet boasts an average occupancy rate of 91.8%;
- Traditionally senior housing outperforms all other asset classes in a downturn because the asset is a-cyclical due to non-economic demand;
- Milestone views Senior Housing as a defensive position with significant upside.



MILESTONE
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 310.307.3877

 info@milestonegpcapital.com

 www.milestonegpcapital.com

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1999 Avenue of the Stars #1100

Century City, CA 90067