

The Continuing Care Retirement Communities (CCRCs) Market: A Primer

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What are Continuing Care Retirement Communities (CCRCs)?

There are several property types for seniors housing in the United States that focus on a combination of quality housing and services to seniors. The primary property types include: **1) independent living (IL)**; **2) assisted living (AL)**, which includes memory care (MC); and **3) nursing care (NC)**.¹ Each are differentiated by the care and services they provide to seniors.

Independent living properties exist on their own in freestanding campus types, as well as in combined campuses that include a separate campus for assisted living. Continuing Care Retirement Communities (CCRCs) are differentiated by their inclusion of at least two campus types – one of which being nursing care. Although, CCRC often include all three of the primary property types, including a campus for nursing care. CCRCs are also often referred to as life plan communities (LPC) and, as noted below, “seniors housing and care properties”.

Keeping abreast of Market Data relating to Seniors Housing & Care Properties, including CCRCs

A great reference source for market data on this topic is the *NIC Investment Guide: Investing in Seniors Housing & Care Properties*, currently available in its fifth edition.² The Guide, published by the National Investment Center for Seniors Housing & Care (NIC), currently contains market data as of the end of 2017. The Guide is published every two years, with the next edition forthcoming. Any future editions can be expected to be published and made available at the same location referenced in this article. We have referenced the Executive Summary of the Guide for this report. The full version is available for purchase on the NIC website (USD\$50 for PDF edition; USD\$100 for Print edition).

This report differentiates between the terms “seniors housing” and “seniors housing and care properties.” “Seniors housing” excludes nursing care properties and 55+ seniors apartments, whereas the term “seniors housing and care properties” includes all of the properties providing the care segments outlined previously but not 55+ seniors apartments.

While the report is a helpful resource for this market data, it is important to note that it is prepared to illustrate the market for “investment grade” seniors housing and care properties in the United States. In other words, the data includes age-restricted properties with at least 25 units/beds that charge market rates for housing and services offered. The report estimates do not include many smaller “board and care” properties, ‘which are not considered for purchase by the typical institutional investor yet serve a sizable population of seniors’.

¹ ‘Property Market Size and Property Types of Seniors Housing and Care’. NIC Website. Available at: <https://www.nic.org/industry-resources/industry-faqs/property-market-size-property-types-seniors-housing-care/>. Accessed on April 30, 2020.

² Executive Summary. NIC Investment Guide: Investing in Seniors Housing & Care Properties, Fifth Edition. NIC Website. Available at: <https://info.nic.org/hubfs/Documents/NIC%20Inv%20Guide%20Executive%20Summary%20-%20Fifth%20Edition.pdf>. Accessed on April 30, 2020.

That being said, it is estimated that around 2,000 CCRCs/LPCs exist in the United States.³ This figure compares very closely with the NIC figure that is limited by investment-grade properties. It should be noted that investment-grade does not necessarily relate to for-profit equity investment communities. Approximately 80 percent of CCRCs/LPCs are in fact owned by not-for-profit organizations.⁴ But, even not-for-profit organizations issue investable debt.

A great deal of CCRC/LPC market data relating to not-for-profit organizations is freely available in the *LeadingAge Ziegler 200* report. The latest 2019 edition and previous editions are listed on the Leading Age Website.⁵ The LeadingAge Ziegler 200 [LZ 200] (Formerly 150) lists the largest nonprofit systems providing aging services through senior living in the United States, by order of their total owned market-rate units.

In the 2019 LeadingAge Ziegler 200 report, 691 nonprofit Life Plan Communities within the top 200 communities are identified: On slide 4-2b, the report provides a Summary of Community Mix (by Largest 10, 25, 50, 100, 150, & Total):⁶

Organizational Characteristics: Communities
Summary of Community Mix (by Largest 10, 25, 50, 100, 150, & Total)

Largest	LPC	IL	AL	NH	ALL	Percent as total of LZ 200
10	189	66	21	125	401	26%
25	301	88	60	171	620	40%
50	405	129	130	207	871	56%
100	548	182	197	247	1,174	76%
150	627	214	228	274	1,343	86%
200	691	269	277	318	1,555	100%

Beyond these figures, the LeadingAge Ziegler 200 report lists each of the top 200 communities.

Market for Investment Grade Seniors Housing and Care Properties (CCRC/LPC) in the U.S.

In the U.S., there currently are approximately 23,500 investment grade seniors housing and care properties containing 3 million units.⁷ The total value of this investment-grade seniors housing and care property market is estimated at \$409 billion (assuming a \$181,000 price per unit for seniors housing properties and an \$84,000 price per bed for nursing care properties).⁸

³ Breeding, Brad. A Closer Look: Examining the CCRC Market in the U.S. MyLifeSite. September 24th, 2018. Available at: <https://www.mylifesite.net/blog/post/examining-ccrc-market-in-u-s/>. Accessed on April 30, 2020.

⁴ *Ibid.*

⁵ LeadingAge Ziegler 200 - Listing of Report Editions. Leading Age Website. Available at: <https://www.leadingage.org/leadingage-ziegler-200>. Accessed on April 30, 2020.

⁶ LeadingAge Ziegler 200. Organizational Characteristics: Locations – Life Plan Community (LPC) Locations. Slide 4-2b, page 80. 2019. Available at: https://www.leadingage.org/sites/default/files/2019%20LZ%20200%20Publication_Final.pdf. Accessed on April 30, 2020.

⁷ Executive Summary, *op. cit.*.

⁸ *Ibid.*

The report provides further detail on the supply of these investment-grade properties in as follows:⁹

Exhibit 1.a
Supply of Investment-Grade*
Seniors Housing and Care Properties in the U.S.
 By Property and Unit Counts across Community Types, Campus Types,
 and Care Segments | Estimates as of 4Q17**

By Community Type	# Properties	# Units***
Independent Living (IL)	2,800	427,000
Assisted Living (AL)	7,200	595,000
Memory Care (MC)	1,400	73,000
Nursing Care (NC)	10,300	1,344,000
CCRC/Life Plan Community	1,800	604,000
Total	23,500	3,043,000
By Campus Type	# Properties	# Units***
CCRC/Life Plan Community	1,800	604,000
Combined	6,900	845,000
Freestanding	14,800	1,594,000
Total	23,500	3,043,000
By Care Segment	# Properties	# Units***
Independent Living (IL)		695,000
Assisted Living (AL)		659,000
Memory Care (MC)		215,000
Nursing Care (NC)		1,474,000
Total		3,043,000

* Current estimates are not comparable to estimates from prior years due to different estimation techniques.

** Estimates are representative of properties with at least 25 units/beds that charge market rates and/or accept Medicaid for the housing and services offered.

*** One nursing bed is equivalent to one unit. Source: NIC MAP® Data Service, NIC

In a separate article published by NIC, it was noted that occupancy was flat in Q42017, with current CCRC/LPC occupancy at 91.1%.¹⁰

A listing of the 1 largest CCRC/Life Plan Community Operators is also provided in the report as follows:¹¹

⁹ *Ibid.*

¹⁰ Pec, Lana. CCRC/LPC Market Trends: 4Q2017. NIC Website. March 28, 2018. Available at: <https://www.nic.org/blog/ccrc-lpc-market-trends-4q2017/>. Accessed on April 30, 2020.

¹¹ Executive Summary, *op. cit.*.

Exhibit 1.n Largest CCRC/Life Plan Community Operators in the 99 Primary and Secondary Markets

As of 4Q17

	Number of Properties Operated*	Number of Units Operated**
Erickson Living	18	23,308
Life Care Services	49	19,578
Brookdale Senior Living	34	12,546
Five Star Senior Living	26	7,243
ACTS Retirement-Life Communities	13	5,085
Covenant Retirement Communities	11	4,258
Lifespace Communities	11	4,240
Vi Senior Living	8	3,065
Presbyterian Homes & Services	8	2,643
Sunrise Senior Living	6	2,604
10 Largest Operator's Share of Total Units		22.9%

*Includes CCRCs/Life plan communities.

**Includes all units within the property, including nursing beds.

Source: NIC MAP® Data Service

Emerging Trends and Observations

The NIC Investment Guide focuses on Emerging Trends and Observations in Section 2 of its Executive Summary document. The observations and trends fall into five broad areas: supply and demand, operating strategies, capital markets, the labor market, and regulation. Some of the key points include the following:

Supply & Demand:

- High construction activity has led to supply that has outpaced demand in some markets. This has led to some downward pressure on occupancy.
- Issue of Affordability: While the majority of new construction activity has been focused on private-pay, market-rate projects, some developers and operators have been innovating to address demand for more affordable seniors housing.

Operating Strategies:

- Growth of Provider Partnerships. Seniors housing and nursing care operators are identifying ways to partner with acute care hospitals, managed care companies, and other health care providers.
- Technology Innovations. Several examples are provided, including IT systems and big data are allowing senior management to observe real-time changes in their day-to-day performance and operations, and remote monitoring of residents is generating staff efficiencies

In a more recent update, NIC senior principal Lana Peck has outlined the latest CCRC Market Trends as of 3Q 2019:¹²

Key Takeaways

- CCRC occupancy has remained steady around 91% since the end of 2014.
- Rental occupancy is at an all-time low while entrance fee occupancy is at a recent high (89.1% vs. 92.6%).
- The occupancy gap between entrance fee and rental CCRCs is near the widest since NIC began collecting the data but has narrowed slightly from 3.4% in the prior quarter to 3.2%, currently.
- Overall, CCRC construction activity is down from a time series peak reached in 1Q 2018 (3.1% of existing inventory to 2.6%) primarily due to moderating construction of rental community units.
- Five markets represent more than one-third (36%) of the CCRC units currently under construction: Dallas, San Diego, Charlotte, Phoenix and Washington, DC.
- CCRC year-over-year, same store asking rent growth in the third quarter of 2019 was 3.9%, down from the time series high of 4.6% reached in the first quarter of 2019.

¹² Peck, Lana. CCRC Market Trends: 3Q 2019. NIC Notes. NIC Website: November 25, 2019. Available at: <https://blog.nic.org/ccrc-market-trends-3q-2019>. Accessed on April 30, 2020.