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# ACRON

## Bulletin Newsletter "U.S. SENIOR LIVING"

U.S. SENIOR LIVING



U.S. MULTIFAMILY



U.S. HOSPITALITY



ACRON

REAL ESTATE INVESTMENTS  
SINCE 1981

Spring Cypress Senior Living, Houston, Texas

→ **UPWARD TREND OF SENIOR LIVING REMAINS INTACT - ALSO DUE TO THE ECONOMIC SITUATION**

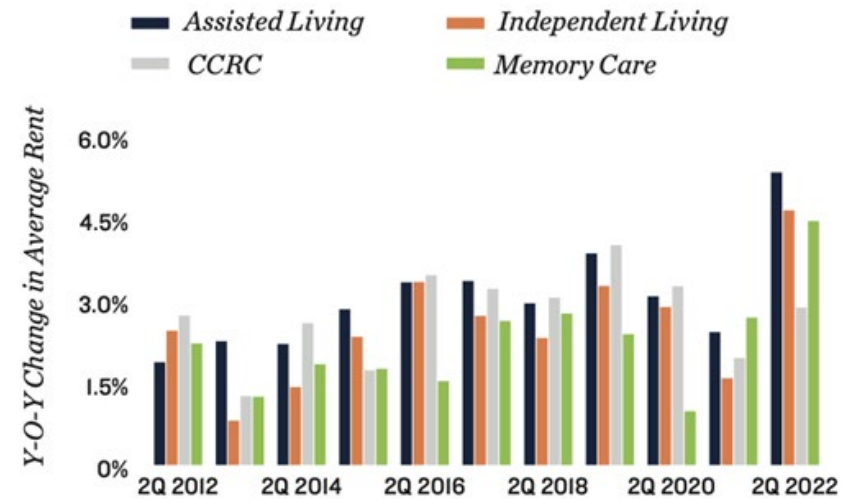
The **U.S. Senior Living** segment has not yet fully recovered from low occupancy rates at the height of the COVID 19 pandemic, but is in a sustained upward trend - this is the formula to summarize the current situation. **U.S. Senior Housing occupancy** - one of the segment's key metrics - **increased a full percentage point to 82.2** third quarter 2022 from the previous quarter, according to NIC MAP Vision data for the 31 largest real estate markets in the U.S.. **This is the fifth consecutive quarter of growth in available unit occupancy**, and is up 4.3 percentage points year-on-year from the pandemic low of 77.9 per cent (Q2 2021).

**U.S. market experts expect the upward trend to continue.** Although the entire industry is struggling with a precarious shortage of skilled workers, **the limited supply coupled with continued strong demand should further increase utilization in the coming months.**

There is also little relief from the supply side, mainly due to the pandemic-related slowdown in construction starts in 2020. Construction activity was also weak in the second quarter of 2022 and the number of units under construction reached its lowest level since 2015.

**The pressure on the demand side remains persistently high due to demographic trends:** by 2030, 10,000 U.S. citizens will turn 65 every day. Increasing occupancy rates due to the return of the vulnerable population after the pandemic and tight supply are already causing rent jumps: The U.S. senior living segment recorded **the fastest rent increase (on a 12-month view) in more than a decade with 4.5 per cent across all housing types in the second quarter of 2022.**

Rents are increasing at every service level



In the second quarter of 2022, rents rose by an average of 4.5 per cent compared to the same quarter of the previous year. The greatest momentum was in the assisted living sector.

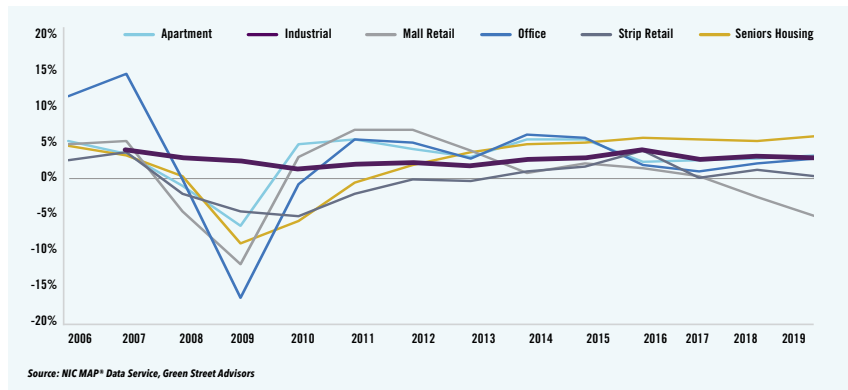
Source: Marcus & Millichap National Report Senior Housing, 2H / 22, NIC News & Press Release, Greater Demand for Senior Housing Pushes Occupancy, July 7, 2022, NICO MAP VISSION, The Analyst Corner, November 3, 2022

→ **U.S. SENIOR LIVING: WHAT MAKES THIS ASSET CLASS SO WEATHERPROOF?**

For many investors, U.S. Senior Housing and care properties are particularly in the spotlight. Among other things, it is **the combination of the benefits of real estate investment with the attributes of the healthcare and hospitality sectors that makes this real estate class so crisis-proof.** In fact, healthcare was only one of two stock market sectors **to average positive returns in four recessions** since 1990. The asset class also proved its resilience during the U.S. real estate crisis of 2008/2009 - as shown by the NCREIF Property Index (NPI) in the long-term view from 2009 to 2019. Currently, the NPI includes more than 10,000 commercial properties with a market value of around USD 957 billion. **In a ten-year comparison (2009 to 2019), senior housing properties achieved an annualised return of 12.1 per cent.** This compares to an annualised return of 10.2 per cent for the overall NPI (2009-2019).

**Stable and less volatile rental price developments - U.S. senior living has already proven its relative strength in times of crisis.**

Year-on-year development of asking rents for commercial properties as of December 31, 2019



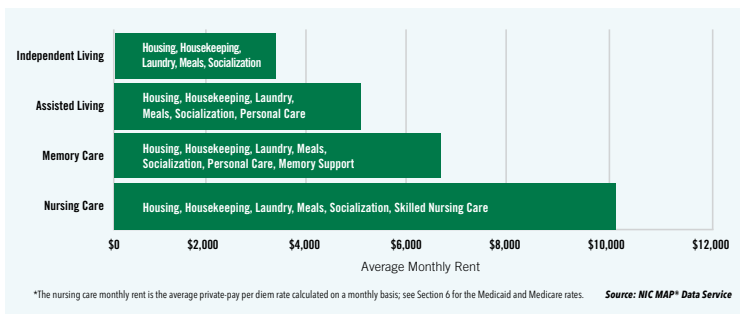
Source: NIC Investment Guide, INVESTING IN SENIORS HOUSING & CARE PROPERTIES, 2019

Looking at the past turbulent twelve months on the world's stock markets, the asset class has once again demonstrated its relative strength. While the Dow Jones (-8.4 per cent) and Swiss Market Index (-10.3 per cent) lost considerable ground, some of the largest listed U.S. housing REITs (Real Estate Investments Trusts) **made strong gains over the same period (including LTC Properties, +26.7 per cent and National Health Investors Inc., +10.42 per cent).** The long-term outlook also remains intact: **Compared to apartment buildings, rents for senior housing can be two to three times as high.** The majority of the "baby boomer" generation is likely to be able to pay these rents: The real estate assets of this age group (USD 17 trillion) are offset by a **comparatively low mortgage burden** (USD 3.28 trillion), as FORBES magazine reported a few weeks ago. For these reasons, ACRON AG has been focusing on this stable segment for many years and has achieved an investment volume of approximately USD 283 millions in the Senior Living segment.

→ **ATTRACTIVE FOR INVESTORS: U.S. SENIOR LIVING MODELS ARE MOSTLY PAID FOR PRIVATELY**

**In the U.S. Senior Living market, a distinction is usually made between four models, and the monthly rent is calculated on the basis of the level of care (see figure). Rising rents, high occupancy rates and mostly private payment make the asset class so interesting for investors.**

**Senior living in the USA: the higher the level of care, the higher the monthly rents**



Source: NIC Investment Guide, INVESTING IN SENIORS HOUSING & CARE PROPERTIES 2019

**Independent Living (“Independent Living”)**

This model is designed for seniors who can live alone, enjoy companionship with others and do not need help with daily activities. For these housing communities (types of housing including multi-room flats, smaller houses, condominiums), the residents usually have to be at least 65 years old. The seniors usually pay a monthly rent.

**Assisted living (“Assisted Living”)**

This form is aimed at people who need help with the activities of daily living (e.g. driving, shopping or personal hygiene), but who are not yet dependent on medical care. Care is provided as needed and is provided by trained caregivers. The costs for assisted living are usually paid as a monthly instalment, either out of pocket or through the long-term care insurance.

**Alzheimer’s and dementia care (“Memory Care”)**

People who have dementia or Alzheimer’s disease, for example, but have no other medical problems, fall into this category. It is usually a smaller care facility within an assisted living community. The costs for Alzheimer’s and dementia care are usually paid monthly by the long-term care insurance or out of pocket.

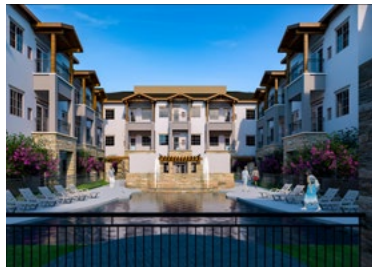
**Nursing home, skilled nursing care (“Nursing Care”)**

Specialized nursing homes are for people who need 24-hour medical care or supervision. Long-term care is usually covered by a combination of long-term care insurance and, in certain cases, the U.S. Medicaid health care program.

→ **CURRENT U.S. SENIOR LIVING INVESTMENT: SPRING CYPRESS SENIOR LIVING CAMPUS**

ACRON's new Senior Living project - now the fifth - in the USA is very special because it is a mix of existing and new construction. In Cypress-Fairbanks, an affluent and fast-growing neighbourhood of Houston, Texas, ACRON has acquired an existing property for assisted living and Alzheimer's care. Over the next two years, 138 independent living units will be added to the complex. **This will create a resort-like campus with a total of 230 residential units** (138 Independent Living / 65 Assisted Living / 27 Memory Care) by 2024. The nearly 80,000-square-metre senior campus will offer tenants a swimming pool, various club rooms, a bistro, a fitness centre and a spa, among other amenities.

ACRON U.S. REAL ESTATE INVESTMENT II S.C.S.  
**Cypress, Houston, Texas**  
 IL, AL, MC - 230 units, under mgmt.



The existing property was able to be purchased at a very good price below market value, the occupancy rate in the portfolio is already at an above-average 92 percent (April 2022) and there is an undersupply of offers for independent living in the primary market area, according to an analysis by JLL. At the same time, demand remains high due to demographic change alone. This means that there is potential for a significant increase in the value of the property complex. In addition to all the advantages of the asset class already mentioned, **sustainability must also be considered: Senior Living is an ESG-friendly sector as we believe it contributes to a more sustainable development of society and aligns the promotion of health and well-being with the megatrends "Silver Society" and "Health".**

ACRON OKLAHOMA UNP SENIOR LIVING AG  
**Norman, Oklahoma City, Oklahoma**  
 IL, AL, MC - 188 units, under mgmt.



Opening in June 2022

"This is definitely the best month-1 performance for a newly opened community in my 27 years of senior living."  
 Medcore, Director, Senior Living

ACRON SUN CITY SENIOR LIVING AG  
**Sun City, Georgetown, Texas**  
 IL, AL, MC - 230 units, under mgmt.



Opening end 2022

ACRON WINDCREST VILLAGE SENIOR LIVING AG  
**Fredericksburg, Texas**  
 AL, MC - 81 units, under mgmt.



Opening in January 2019



SAVANNA HOUSE PHOENIX AG  
**Phoenix, Arizona**  
 AL, MC - 116 units, sold in 2015



→ **WHAT COMES NEXT?**



**No Building wealth without real estate investment!**

The next highlight is already waiting for you!

The internationally oriented ACRON AG combines its global expertise with local presence in the most stable real estate markets and helps you in investing in first-class assets, trophy properties and top projects - and we already have new highlights in the pipeline.



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