

## The Impact of Coronavirus on the Seniors Housing Industry

By John Powell, EVP, National Director of Seniors Housing

The coronavirus crisis has rapidly become a major part of Americans' everyday lives and many of us are thinking about the most vulnerable among us: seniors. The virus has and will impact all sectors of the commercial real estate industry including seniors housing- independent living, assisted living, and nursing home properties that seniors call home. Coronavirus is creating industrywide uncertainty in the short-term. However, while there is likely to be a new normal as with so many aspects of our lives, the long-term outlook for seniors housing remains positive.

### Short-term implications

Understandably, buyers and lenders are taking a more cautious approach to due diligence and underwriting now and will continue to do so for the foreseeable future. Buyers and lenders are facing entirely new considerations and questions: they're examining whether there have already been cases of the virus at a property, looking at protocols for protecting against and dealing with the virus, and more heavily weighing leasing and occupancy trends. As a result, in the weeks and months ahead, there will likely be fewer transactions, greater selectivity in the transactions that get done, and wider loan spreads as additional risk premiums are assigned to this sector.

As more and more property managers place restrictions on outside visitors to protect the health of seniors, leasing activity could be impacted too. Restrictions limit showings for potential new residents and create difficulties coordinating the moving in and out of properties for those already through the process. For seniors in independent living properties, they may choose to stay in their homes longer as opposed to moving into more densely populated facilities. There is likely to be a greater demand for home health care services. Finally, especially for the middle market, loss of net worth due to the severe downturn could further delay a move from one's home. All these factors could stress occupancy.

On the other hand, for properties that are need-driven such as assisted-living facilities, there will likely be less of a slowdown in leasing. Additionally, with actions being taken to keep healthy seniors out of the hospital, such as the Centers for Medicare and Medicaid suspending the three-day rule for patient hospitalization before moving to other facilities, it is likely that there will be an increase in demand for skilled nursing properties.

### Long-term implications

The long-term fundamentals of seniors housing remain very positive overall, despite some immediate uncertainty. While it's a lesson none would have hoped to learn this way, this experience will likely push owners and operators to reassess their protocols and supply chain management to better prepare for future epidemics or disasters. How properties deliver food service may change especially with the emergence of home delivery services. Design of new properties may change to deal with social distancing and density. Finally, delivery of long-term health and wellness, not just highly amenitized properties to seniors will become increasingly important.

For experienced owner operators, there will be good opportunities in the near future. Prior to this pandemic, there was plenty of interest in and available capital for this sector. That will continue. Furthermore, Freddie Mac, Fannie Mae, and HUD have been and will continue to be reliable providers of debt capital to this sector. A favorable interest rate environment should continue. Demographic trends also point towards an increasing elderly population which will continue to drive the need for all types of seniors housing long after this crisis has ended.

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