Senior Housing Market Insight

2015 Mid-Year Review

CBRE
National Senior Housing

Dear Industry Colleagues,

Welcome to the first issue of our semi-annual publication of the Senior Housing Market Insight produced by the new CBRE National Senior Housing Team. Our Team presents this Mid-Year 2015 edition to you after diligently collecting data and information from various resources relating to general economic and Senior Housing industry-specific trends for 2014 and through second quarter 2015.

CBRE National Senior Housing (formed with the rejoining of Lisa Widmier in March 2015 to the partnership of Aron Will and Matthew Whitlock) has more than 60 years of combined Senior Housing industry focus and dedication and a combined track record of more than $21 Billion in completed transactions.

CBRE is the leading Senior Housing industry advisory firm providing Investment Property Sales, Structured Debt, Investment Banking, Capital Sourcing, Valuation and General Consulting services across the full spectrum of Senior Housing property types from age-restricted apartments to skilled nursing facilities.

We are thankful for our existing Clients and we welcome our new Clients.

Please do not hesitate to reach out to our Team with any questions relating to the Senior Housing Market Insight, the industry in general or the CBRE National Senior Housing practice.

Sincerely,
Lisa and Team

NATIONAL SENIOR HOUSING PARTNERS

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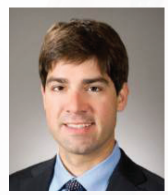

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The Challenged Athletes Foundation

WE PRODUCE THIS INDUSTRY REPORT IN ORDER TO RAISE FUNDS FOR THE CHALLENGED ATHLETES FOUNDATION. PLEASE MAKE A DONATION IN ACKWOLDEGDMENT OF RECEIPT OF THIS REPORT IF YOU FIND THE INFORMATION CONTAINED HEREIN USEFUL.

CBRE National Senior Housing would like to show our support for soldiers returning home injured from war, children born with disabilities and persons who develop debilitating disease or suffer traumatic injuries. Therefore, we are donating this research report to the Challenged Athletes Foundation. We ask for a small tax-deductible donation directly to the foundation (100% applied). The recommended minimum donation is $100.

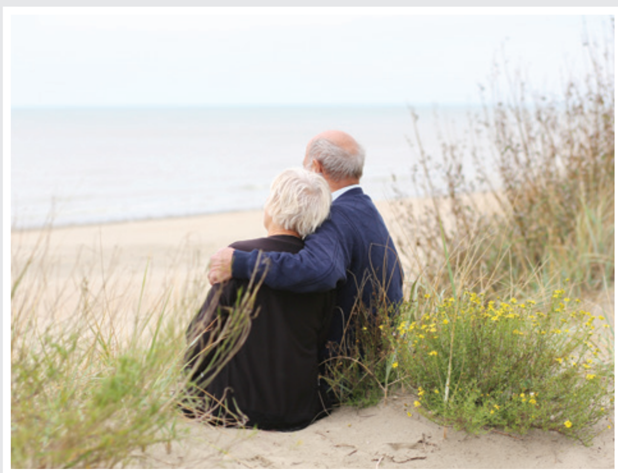
PLEASE MAKE YOUR TAX-DEDUCTIBLE DONATION ON-LINE AT:
http://www.challengedathletes.org/mdc2015/lisawidmier

The Challenged Athletes Foundation® (CAF) provides opportunities and support to people with physical disabilities so that they can pursue active lifestyles through physical fitness and competitive athletics (website: www.challengedathletes.org). CAF supports wounded soldiers who have lost limbs or suffered permanent injuries defending our Country and those who have suffered similar injuries in domestic events such as the Boston Marathon, SandyHook, Denver theater shooting or other tragic accidents.

CAF also supports children with disease or other challenges that have resulted in loss of physical function as well as others who have been in tragic accidents and have become partially paralyzed or otherwise lost function. CAF sponsored 90% of Medal winners at this past year's Special Olympics!!!

Starting line with Challenged Athlete Participants

IN THIS REPORT



CBRE National Senior Housing Sample Investment Property Transactions

Today's complex and constant changing market environments require special solutions. CBRE National Senior Housing Team Members consistently achieve the highest sale price/best debt terms in the industry for their Clients.

Sunwest Portfolio
(Consulting Assignment)
$1,294,000,000
National Portfolio
11,096 IL/AL/MC units/beds
Client was The Blackstone Group

The Maestro Portfolio
$921,000,000
Alberta & Quebec, Canada
8,206 IL/AL/MC units/beds
Client was Maestro Funds

The Fountains Portfolio
$640,000,000
National Portfolio (11 states)
3,637 IL/AL/MC and Entry Fee CCRC units/beds
Client was Fountains Senior Living Holdings, LLC

Brightview I
$498,500,000
MD(5), MA(3), PA(1)
1,584 IL/AL/MC units/beds
Client was an affiliate of Prudential Real Estate Investors

Sunwest Managed Portfolio
$364,250,000
National Portfolio (11 states)
3,554 IL/AL/MC and Cottages
Client was Sunwest

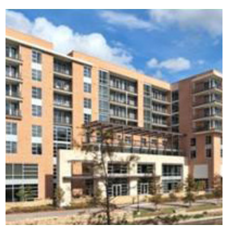
Brightview II
$363,500,000
MD(4), MA(3), NJ(3)
1,117 IL/AL/MC units/beds
Client was an affiliate of The Shelter Group

The Garden Empire Portfolio
$307,500,000
NJ and NY
933 IL/AL/MC units/beds
Client was an affiliate of The Carlyle Group

Five Allegro Communities
$172,500,000
Florida and Kentucky
705 IL/AL/MC/NC units/ beds
Client was Almanac Realty

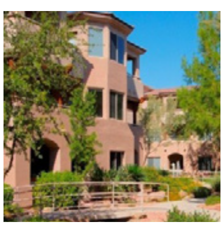
Lang Nelson Portfolio
(JV Recapitalization)
$127,000,000
Greater Minneapolis, MN Area
1,166 IL/AL unitsbeds
Client was Harrison Street Real Estate Capital

The Meridian Portfolio
$110,500,000
Colorado and Texas
1,042 IL/NC units/beds
Client was an affiliate of ING Real Estate Investment Mgmt



IL/AL/MC Communities
Price is Confidential
The Woodlands, TX (Greater Houston)
207 IL/AL/MC units
Client was Harrison Street/ Bridgewood JV

Four IL, AL and MC Communities
$80,400,000
Western Washington
320 IL/AL/MC units/beds
Client was AEW Capital Management



IL/AL Community
$77,000,000
216 IL/AL units
Scottsdale, Arizona
Client was Prudential Real Estate Investors

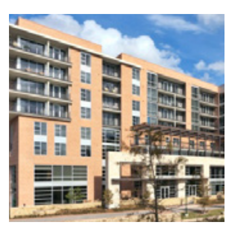
The Woodmark Portfolio
$75,300,000
Arizona and New Mexico
249 AL/MC units
Client was AEW Capital Management

The Village at the Arboretum
$72,000,000
Austin, TX
172 IL units
Client was BayNorth/ Bridgewood JV

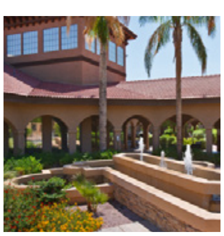
CBRE National Senior Housing Sample Debt Transactions

The Fountains Portfolio
$410,000,000
National Portfolio (11 states)
3,637 Rental & Entry Fee CCRC Units
Client was NorthStar Realty Finance Corp and The Freshwater Group

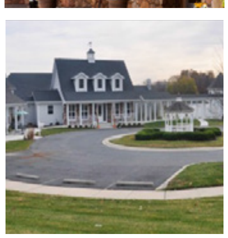
The Ranger Portfolio
$348,592,000
National Portfolio
2,528 IL/AL/MC units
Client was Formation Capital/ NorthStar Realty Finance Corp.



The Village at The Woodlands Waterway
$55,200,000
Woodlands, TX (Houston MSA)
207 IL/AL/ALZ units
Client was Kensington Realty Advisors/ SEDCO Capital Management



The Golden Pond Portfolio
$48,500,000
Peoria/Sun City/ Yuma, Arizona
578 IL/AL/MC units
Client was Silverstone Health Care Real Estate/ Senior Lifestyle Corporation



The Mid-Atlantic Portfolio
$39,500,000
Mid-Atlantic States
387 AL/MC units/beds
Client was Care Investment Trust

The Village at Belmar
$36,300,000
156 units IL/AL/MC
Lakewood, Colorado
Client was Blue Moon Capital Partners and Ascent Living Communities

The Senior Housing industry has proved itself to not only be a defensive investment during an economic downturn but it also has produced real estate industry leading returns during periods of economic upturns.The seven-year total return on investment (ROI) for Senior Housing is 10.5% and the index for the prior four quarters was 15.2%. These returns are considerably higher than that of other major real estate property types. During the past four quarters, occupancy steadily rose (second quarter Q2 2015 ending at 90.0% occupancy) and absorption remains healthy.

Senior Housing demand will continue to be driven by several factors, including the aging of the baby boomers, a healthy housing market, an attractive spread between borrowing rates and capitalization rates and relatively limited new development (less than 5% of current existing supply) in aggregate since 2000.

Demand growth is also fueled by Seniors who are more educated about Senior Housing and again have the financial capacity to take advantage of the numerous service options available to them. With an increase in funds from Investment buyers and non-traded real estate investment trusts, competitive bidding for state-of-the-art stabilized Senior Housing assets has increased.

Acquisition volume has continued to set new records in 2014. Last year saw a record transaction volume in the Senior Housing market, with 294 announced transactions totaling approximately $25,500,000,000. As a point of comparison, the total transaction volume by dollar amount in 2014 represented a 130% increase over 2013 and almost a 13% increase over the transaction volume in 2006, which held the previous record at approximately $22,600,000,000 across 146 transactions. Part of this increase in transaction volume was due to higher quality property, with 47 transactions having closed at over $200,000 per unit.(1)

Additionally, performance in second quarter 2015 has remained strong, with approximately $7,804,800,000 of transactions having been completed in just this past quarter.(2)

Interestingly, the composition of buyers has changed significantly over the past years, with publicly-traded buyers representing 63% of transactions in the second quarter 2015. This number has gradually and consistently increased every year since 2012, where publicly-traded buyers only represented 44% of acquisitions. Additionally, institutional investment in Senior Housing has gradually increased to 13% of transactions in the second quarter 2015, which is a considerable increase over 2012, where institutional buyers accounted for only 5% of transactions.

Virginia Widmier and Matilda Looney

Matilda Looney Celebrating 100th Birthday

Trends

The baby boomers (post-World War II babies) began turning 65 in 2011 and by 2029, the remainder will also reach age 65-plus years and account for more than 20 percent of the total United States population. By 2050, the 65-plus age group is estimated to equal 88.0 million, nearly double its current population (47.8 million). Additionally, by 2056, the 65-plus age group is estimated to be larger than the under age 18 population, signifying several potential ramifications. The projected growth in this age group will present many challenges to policy makers and programs having a significant impact on families, businesses, healthcare providers and, most notably, the demand for Senior Housing.(3)

One of the primary trends for the aging population is mortality rates. Survivorship rates have shown consistent improvement for many decades. In the United States in 1972, the average life expectancy of a 65-year-old was 15.2 years. In 2015, this metric increased by 5.3 years to approximately 20.5 years. Additionally, it is estimated that about one out of every four 65-year-olds will live to be 90 years old, with one of every 10 expected to live past 95 years of age.(4) According to NCHS Data Brief No. 168, life expectancy at birth for the United Sates population reached a record high of 78.8 years in 2012, with the age-adjusted death rate for the United States having decreased 1.1% between 2011 and 2012 to a record low of 732 per 100,000 standard population. Additionally, age-adjusted death rates decreased significantly between 2011 and 2012 for eight of the 10 leading causes.(5)

Driving this increased life expectancy, and consequentially average population age, is the advancement in public health strategy and medical treatment. Life expectancy in the United States has increased by approximately 30 years over the past century, albeit primarily due to the reduction of acute illness threats. However, an unforeseen consequence of longer life expectancy has been the increased cases of heart disease, cancer and other chronic diseases becoming the leading cause of death. As Americans age during the next several decades, the elderly population will need more formally trained, professional caregivers as a direct effect of these chronic diseases, which often effect independence and mobility.(5)

Moreover, the problems facing the United States aging population can be witnessed as a global phenomenon. Fifty countries had a higher proportion of people aged 65-plus than the United States in 2010. This number is expected to increase to approximately 98 countries by 2050.(6)

Number of People Age 65 and Over and 85 and Over

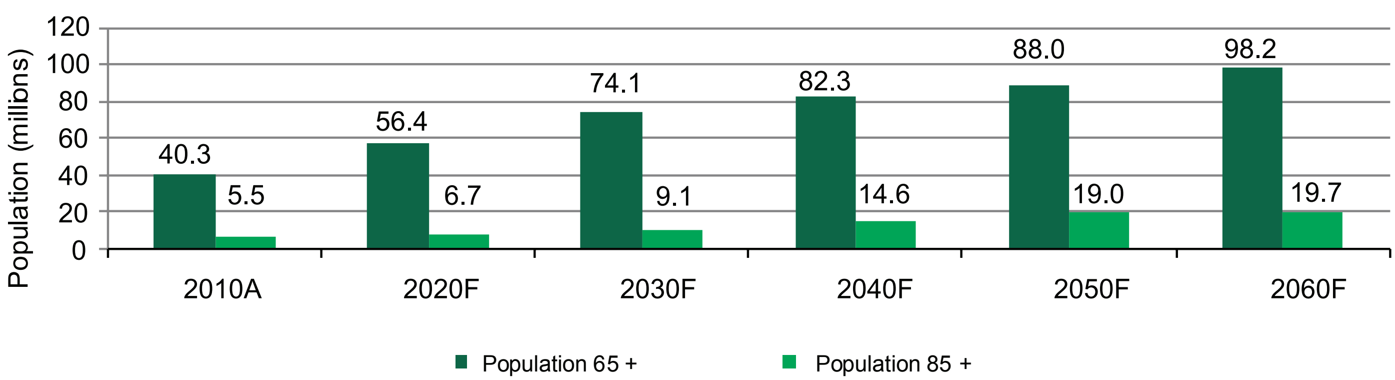


Chart Source: U.S. Census Bureau; 2014 National Population Projects: Summary Table 9: Projections of the Population by Sex and Age for the United States: 2015 to 2060. Released March 2015, historical data per census data.
Note: "A" indicates actuals based on 2010 Census and "F" indicates forecasted population estimates released March 2015

Senior Housing Demand Is Driven by Demographic Demand

U.S. Population Estimates Age 75-Plus

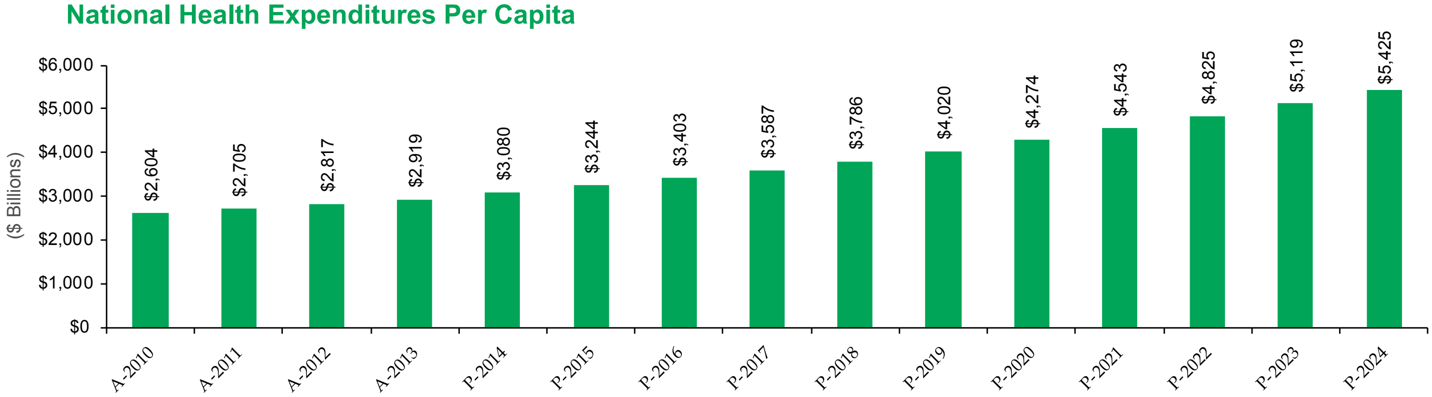
Chart Source: U.S. Census Bureau; release date: July 1, 2014 and U.S. Census Bureau, Statistical Abstract of the United States: 2012.

Note: "A" indicates actuals based on Census data and "F" indicates forecasted population estimates released December 12, 2012.

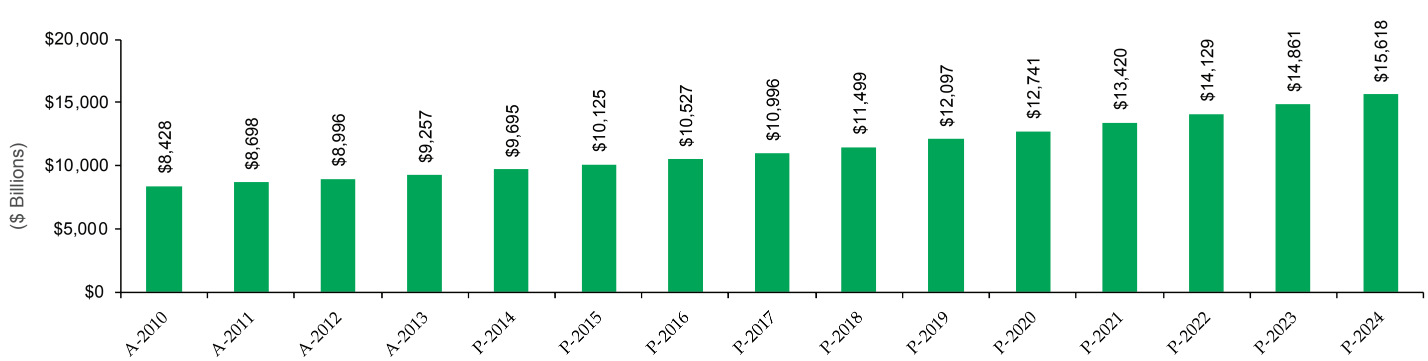
A Multi-Trillion Dollar Industry

Annual United States healthcare services expenditures are projected to be over $3.2 trillion for the current year (2015).[7] Healthcare is the largest line item in estimated 2015 government spending.

National Health Expenditures Per Capita



Source: Centers for Medicare & Medicaid Services, actuals reported as of 8/20/2015. The projections incorporate estimates of GDP as of June 2015.



Source: Centers for Medicare & Medicaid Services, actuals reported as of 8/20/2015. The projections incorporate estimates of GDP as of June 2015.

Senior Housing Property Types

Senior Housing can be classified according to the frailty of the residents and the level of healthcare services provided.

	Multi-Family	Congregate Care			Healthcare
	Senior Apartments	Independent Living	Assisted Living	Memory Care	Nursing Care
Building Facility	Similar to apartments but may have special access and common area designs.	Similar to apartments but has commercial kitchen, dining room and additional common area amenities.	Most units do not have a full kitchen, only dorm room size refrigerator and microwave. Many units are studios.	Units do not have a full kitchen, only dorm room size refrigerator and microwave. Many units are studios.	Units resemble hotel rooms and many rooms have shared occupancy.
Ideal Building Size	60 to 200 Units	100 to 150 Units	80+ Units	24 to 36 Units	120 Beds (70 Units)
Resident Entry Age [1]	55 to 75	75 to 84 (avg. 80.6)	75 to 85 (avg. 87)	Included with assisted living	80 to 90
Percent Revenue from Services [2]	0%	45%	65%	Included with assisted living	75%
Typical Services Provided	Organized social activities.	Restaurant-style dining, social activities, weekly housekeeping, laundry and transportation.	Independent living services plus assistance with bathing, eating and dressing; medication reminders (no administration of medicine).	Assisted living services plus special behavior/ memory care, secured access only.	Assisted living services plus administration of medications. 24 hour care by RA, RN licensed personnel.
Average Length of Stay [3]	5 to 12 Years	1.9 to 3.7 Years	1.2 to 2.9 Years	1.4 to 2.8 Years	30 Days to 2 Years
Average Monthly Rent [4]		$2,985	$4,494	$6,090	$9,038
Trailing 39 Quarter Avg. Occupancy / Average Stabilized [4] Occupancy		88.9%	90.5%	88.6%	89.1%
Total Units/Beds in Inventory [4]		260,903	211,366	59,594	580,470
Number of Units/Beds Under Construction [4]		6,275	10,470	6,023	3,936
Construction vs. Inventory [4]		2.4%	5.0%	10.1%	0.7%
Penetration Rate of 75+ Households [5] [6]		6.1% IL/4.5% CCRC	4.5%	Included with assisted living	11.2%

Notes:

(1) IL Data-"Retirement Living Communities: How They Are Changing the Way People Retire," Senior Homes, accessed October 15, 2015 http://www.seniorhomes.com/p/retirement-living-communities/. AL Data- Centers for Disease Control and Prevention, Residents Living in Residential Care Facilities: United States, 2010 Christine Caffrey, Manisha Sengupta, Eunice Park-Lee, Abigail Moss, and Lauren Harris-Kojetin, NCHS data brief, no 91. Hyattsville, MD: National Center for Health Statistics. 2012., http://www.cdc.gov/nchs/data/databriefs/db91.pdf (accessed October 15, 2015).

(2) "A Case for Investment: Seniors Housing" NIC MAP Data & Analysis Service (September 2009).

(3) "The State of Seniors Housing 2014." ASHA American Seniors Housing Association (2014)

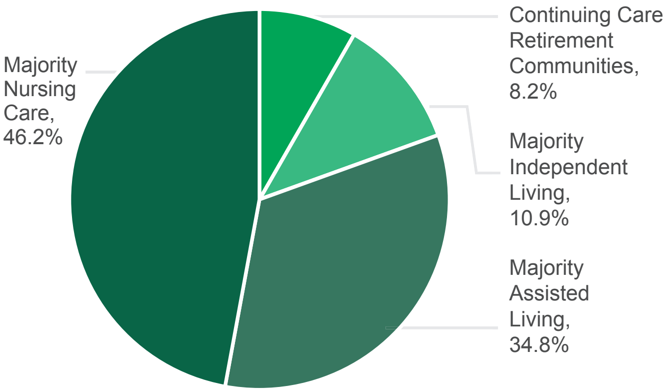
(4) "Q2 2015 Primary Markets, Segment Type Data" NIC MAP Data & Analysis Service (Q2 2015).

(5) "Q2 2015 NIC MAP 31 Market Performance Report (Primary Markets Property Type Data)" NIC MAP Data & Analysis Service (Q2 2015).

(6) Ibid. Note: Penetration rate equals inventory divided by the number of households headed by an individual at least 75 years old

Senior Housing Supply

Number of Communities



Total Units/Beds

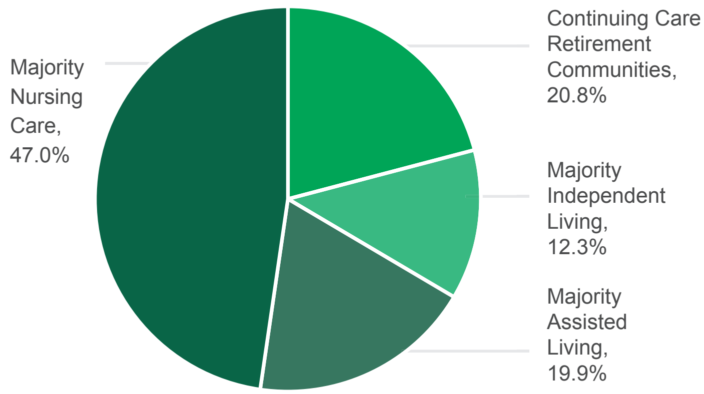


Chart Source: NIC MAP Data & Analysis Service; Q2 2015 Supply Report, All Markets (Top 100 metro markets).

Community Location in the Top 100 Metro Markets

Region	Total No. of Communities	Total No. of Units/Beds
Northeast	2,969	436,845
Southeast	2,916	369,181
North Central	2,753	348,325
South Central	1,971	230,149
West	2,906	330,520
Top 100 Metro Market Totals	**13,515**	**1,715,020**

Note:
Northeast – CT, DE, ME, MA, NH, NJ, NY, PA, RI, VT
Southeast – AL, DC, FL, GA, KY, MD, NC, SC, TN, VA, WV
North Central – IA, IL, IN, MI, MN, NE, ND, OH, SD, WI
South Central – AR, KS, LA, OK, TX, MO, MS
West – AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY

Chart Source: NIC MAP Data & Analysis Service; Q2 2015 Supply Report, All Markets (Top 100 metro markets).

Location Mix (Units/Beds)

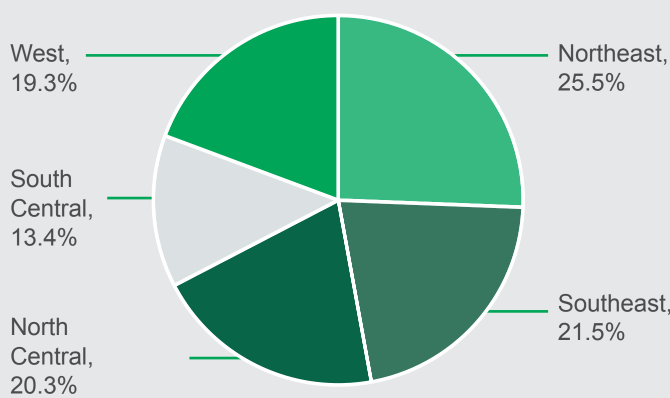


Chart Source: NIC MAP Data & Analysis Service; Q2 2015 Supply Report, All Markets (Top 100 metro markets).

Existing Senior Housing Supply

There are approximately 22,695 professionally managed Senior Housing and nursing care communities (with 25 or more units/beds) in the United States, representing 2.95 million professionally managed units/beds nationally. The combined projected total value is $438.5 billion based on values reported in The Senior Care Acquisitions Report for 2014 transactions and NIC MAP's Industry size projections.[(1)(8)]

Some Compelling Math

- A 6.3% increase of the Senior population is more than the total number of the entire existing supply of professionally managed Senior Housing beds/units![(8)(9)]

- A 1% increase in the penetration rate results in a correlating required increase in the professionally managed Senior Housing Supply of 15.9% to meet this incremental demand.[(8)(9)]

With a 2014 year-end growth rate of 1.7%, inventory growth is below the 28-year average annual growth rate of 4.1%.[8]

The onset of the credit crisis in mid-2008 caused a severe contraction in construction lending for Senior Housing projects. However, major construction lenders have returned to the sector. The Senior Housing pipeline (construction versus inventory) is 4.5% as of the second quarter of 2015. New Senior Housing construction activity peaked at 7,096 units/beds during the second quarter of 2014, posting the second highest quarter of new construction activity since first quarter 2008 (7,349 units/beds). There were approximately 6,000 units/beds of new construction starts in the second quarter of 2015.[8]

Senior Housing Inventory Growth (All Markets)

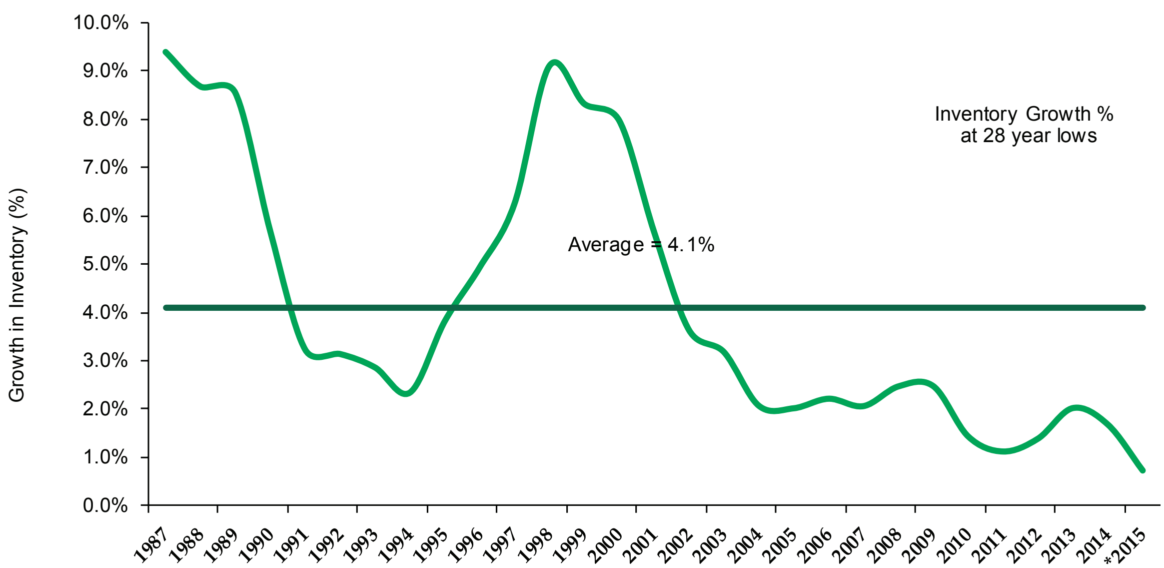
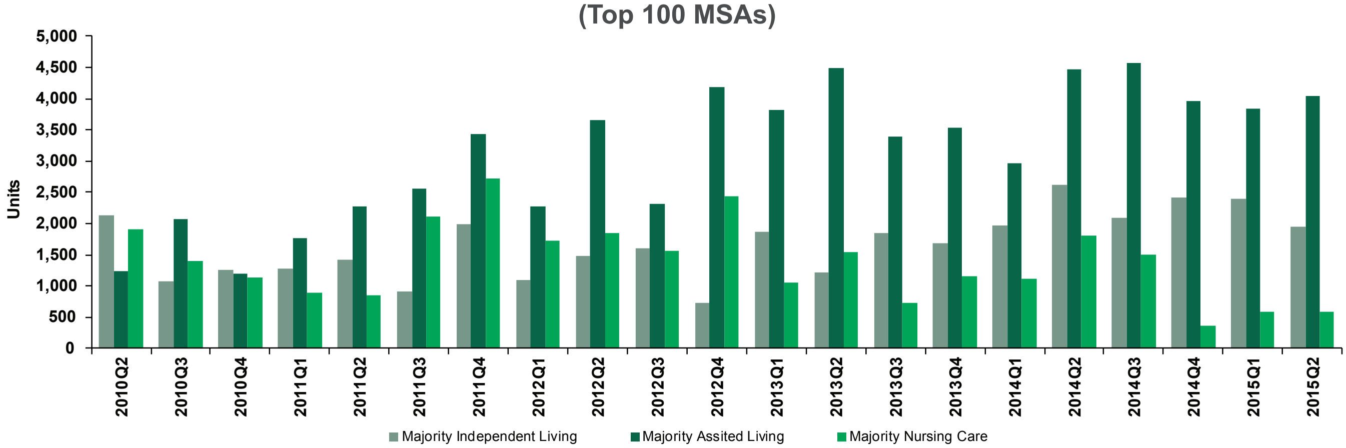


Chart Source: NIC MAP Data & Analysis Service; Q2 2015 Supply Report; all markets (Top 100).
** For comparison purposes, Q2 2015 ytd inventory growth was doubled to arrive at a 2015 annual estimate*

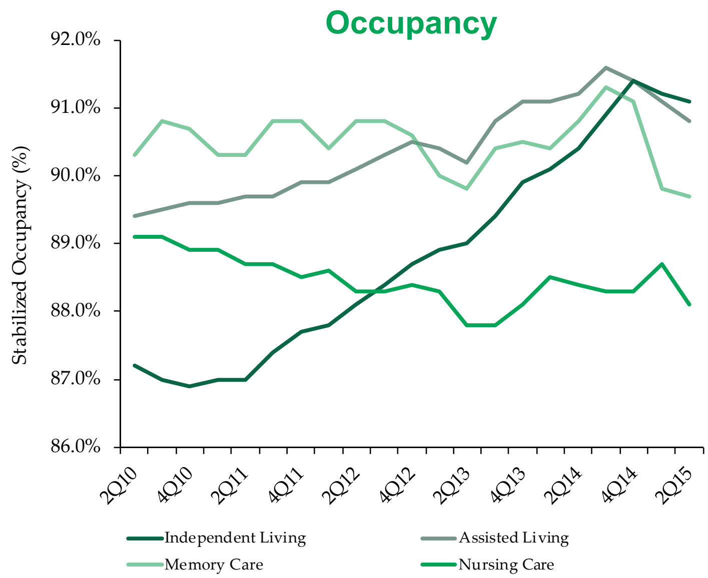
New Construction Started by Quarter (Top 100 MSAs)



Source: NIC MAP Data & Analysis Service, Construction Starts, Q2 2015 Summary, All Markets

Senior Housing Occupancy Rates

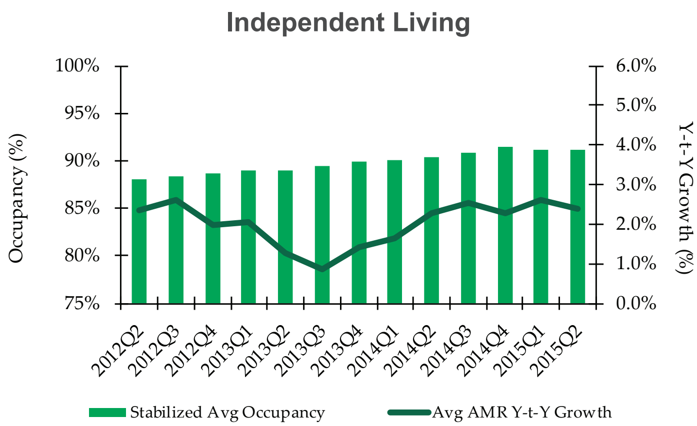
Historical occupancy for stabilized communities (open 24 months or longer in the Nation's Primary Metro Markets) is detailed in the graph below.

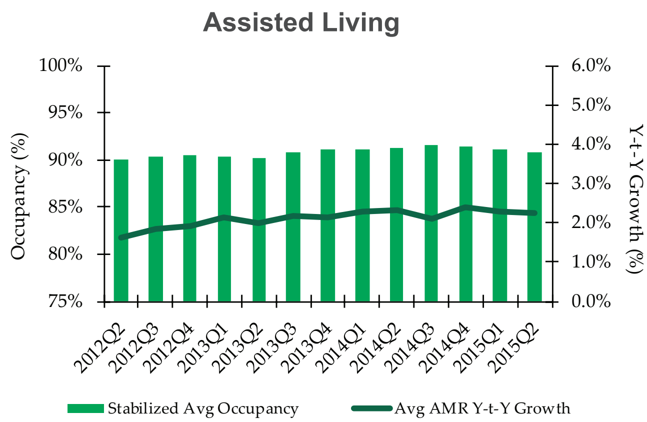


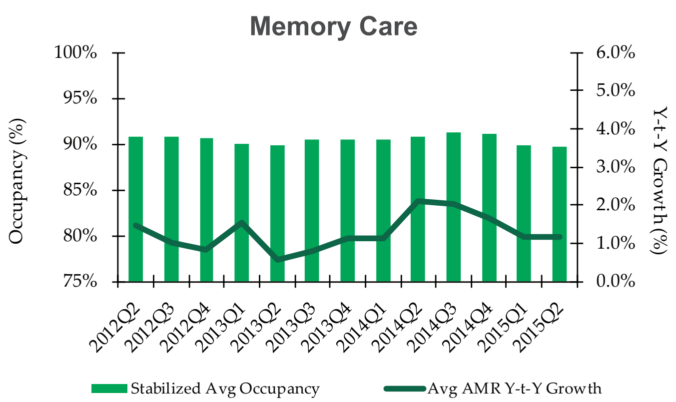
Source: NIC MAP Data & Analysis Service, Q2 2015 Primary Markets Segment Data

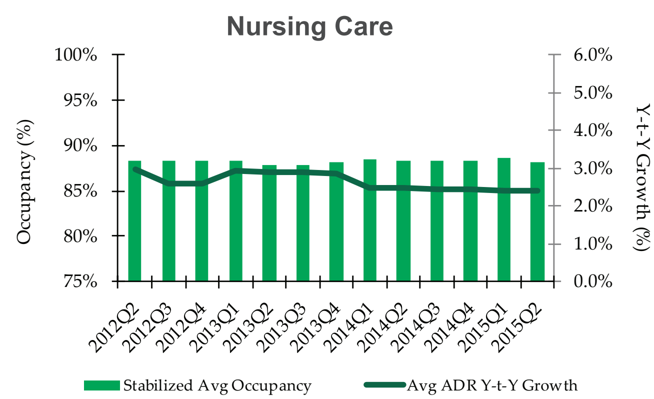
Occupancy versus Average Monthly Rent "AMR"

Occupancy and average monthly rent growth per unit/bed of the Nation's Primary Metro Markets is detailed below.









Source: NIC MAP Data & Analysis Service, Q2 2015 Primary Markets Segment Data

Senior Housing Management Companies (Independent Living "IL"/Assisted Living "AL")

RANK	COMPANY	OWNERSHIP	UNITS/BEDS MANAGED	PROPERTIES
1	Brookdale Senior Living	Public → BKD	110,443	1,138
2	Holiday Retirement	Private	37,657	308
3	LCS	Private	32,172	123
4	Five Star Senior Living	Public → FVE	31,267	272
5	Sunrise Senior Living LLC	Public → SRZ	22,561	245
6	Erickson Living	Private	20,517	17
7	Senior Lifestyle Corporation	Private	20,334	201
8	Atria Senior Living Inc.	Private	17,958	153
9	Capital Senior Living Corporation	Public → CSU	11,632	118
10	Elmcroft Senior Living	Private	8,874	101

Source: American Senior Housing Association; 2015 ASHA 50 Report (as of June 1, 2015).

- This is a highly fragmented ("cottage industry") market.
- The top 50 Senior Housing providers control 34.8% of the IL/AL total supply.[(10)]
- The total number of units managed by the largest 50 managers increased by 3.3% from 2014 (478,761 units) to 2015 (494,548 units). The management portfolios of the largest 10 managers increased by 3.4% and the largest 25 managers increased by 1.9% from the previous year.[(10)]
- The average size of the top 50 providers is only 9,891 units per provider compared to an average of 31,342 units for the top ten providers.[(10)]
- Only four providers in the top 50 are publicly traded companies.

Senior Housing Management Companies ("SNF") (Nursing Care Operators)

Nursing Care Providers

RANK	COMPANY	OWNERSHIP	BEDS MANAGED	FACILITIES
1	Genesis HealthCare Corp	Public → GEN	44,805	380
2	HCR ManorCare	Private	38,027	280
3	Golden Living	Private	30,267	295
4	Life Care Centers of America	Private	29,338	223
5	SavaSeniorCare	Private	24,154	200
6	Consulate Health Care	Private	22,048	202
7	Signature HealthCARE	Private	14,157	113
8	The Ensign Group	Public → ENSG	13,205	124
9	Extendicare Health Services	Public → EXE	12,086	90
10	Kindred Healthcare	Public → KND	11,779	90

Source: Provider Magazine; June 2015 issue. Rankings are based on 12/31/14 bed counts.

- Also a highly fragmented ("cottage industry") market.
- Nursing care providers provide an array of services and specialty care remains a strong trend for the top 50 providers. Memory care is at the top of the list (48 facilities), followed closely by assisted living (42) and outpatient therapy (41).
- The top 50 nursing care providers control 27.4% of the total nursing care supply.(11)(12)
- The average size of the top 50 providers is only 8,371 beds per provider compared to 23,987 beds for the top ten providers.(11)(12)
- Only eight providers in the top 50 are publicly traded companies.

Publicly Traded Senior Housing Companies

The Senior Housing/Healthcare publicly traded providers' total market capitalization is approximately $10.51 Billion with an enterprise value of $19.92 Billion as of September 22, 2015.

Company	Ticker	Close Stock Price 9/22/2015	Trailing P/E Ratio (1) (2)	200-Day Moving Average (1)	52-Week Change (1)	52-Week Range High (1)	52-Week Range Low (1)	Market Cap 9/22/2015 (3)	Enterprise Value 9/22/2015 (1)(4)
Independent/Assisted Living:									
Brookdale Senior Living	BKD	26.31	N/A	34.15	-20.51%	39.89	25.96	4.85B	11.32B
Capital Senior Living	CSU	22.10	N/A	24.21	5.59%	27.75	20.11	651.96M	1.32B
Five Star Quality Care	FVE	3.10	N/A	4.20	-17.99%	5.07	2.92	152.04M	193.14M
Total IL/AL								**$ 5.65B**	**$ 12.83B**
Nursing Care:									
Adcare Health Systems	ADK	3.58	N/A	3.85	-26.19%	4.90	3.32	71.17M	184.48M
Diversicare Healthcare	DVCR	10.00	13.18	13.19	-0.50%	17.15	8.14	62.61M	120.03M
Ensign Group	ENSG	46.82	23.41	47.77	33.81%	54.08	33.17	1.20B	1.22B
Kindred Healthcare	KND	18.94	N/A	21.88	-3.96%	24.66	16.94	1.59B	4.65B
National Healthcare Corp.	NHC	62.23	19.95	63.20	10.91%	66.50	54.33	886.89M	917.10M
Genesis Healtcare (5)	GEN	6.83	N/A	6.83	-2.43%	9.32	5.81	1.06B	N/A
Total NC								**$ 4.86B**	**$ 7.09B**
Total Providers								**$ 10.51B**	**$ 19.92B**

Notes:

(1) Data pulled by Yahoo! Finance who pulls from multiple sources or calculates internally. Data is for 52-weeks ending 9/22/15.

(2) Trailing twelve months intraday P/E Ratio.

(3) Market Cap is an intraday value derived by taking outstanding shares multiplied by the current share price. Shares outstanding is taken from the most recently filed quarterly or annual report and Market Cap is calculated using shares outstanding.

(4) Enterprise Value is a market-based measure of a company's value and is generally equal to Market Cap plus debt minus total cash and cash equivalents.

(5) Skilled Healthcare Group completed a reverse merger with Genesis HealthCare on February 2, 2015. The combined company has taken the Genesis name and the new ticker symbol "GEN."

Chart Source: Yahoo! Finance

Publicly Traded Senior Housing Dominated REITs

The Senior Housing/Healthcare REIT total market capitalization is approximately $80.57 Billion with an enterprise value of $128.24 Billion as of September 22, 2015. This represents a significant increase as compared to $79.21 billion and $119.47 Billion reported for total market capitalization and enterprise value, respectively in the 2014 Mid-Year Review report as of July 6, 2014.

Company	Ticker	Close Stock Price 9/22/2015	Trailing Annual Dividend Yield (1)	Dividend Date (1)	52-Week Change (1)	52-Week Range High (1)	52-Week Range Low (1)	Market Cap 9/22/2015 (2)	Enterprise Value 9/22/2015 (1)(3)
REITs:									
CareTrust REIT (4)	CTRE	11.63	102.40%	31-Jul-15	-18.80%	18.49	10.40	535.11M	741.14M
HCP, Inc.	HCP	38.30	2.24%	25-Aug-15	-2.96%	49.61	35.37	17.72B	29.27B
Health Care REIT	HCN	67.54	4.80%	20-Aug-15	7.55%	84.88	61.00	23.77B	35.50B
Healthcare Realty Trust	HR	24.10	4.10%	28-Aug-15	2.08%	31.20	22.01	2.42B	3.81B
LTC Properties	LTC	42.30	4.80%	30-Sep-15	15.48%	48.85	36.74	1.47B	2.05B
National Health Investors	NHI	58.87	3.24%	10-Nov-15	-0.24%	76.98	53.64	2.21B	3.11B
New Senior Investment Group (5)	SNR	11.73	6.00%	3-Aug-15	N/A	20.20	10.67	1.02B	2.38B
Omega Healthcare Investors (6)	OHI	35.19	6.00%	17-Aug-15	3.26%	45.46	32.01	6.51B	10.06B
Sabra Health Care RIT	SBRA	25.47	1.58%	31-Aug-15	-0.70%	34.44	22.23	1.66B	2.91B
Senior Housing Properties Trust	SNH	16.03	1.56%	20-Aug-15	-23.67%	23.83	14.98	3.81B	7.23B
Universal Health Realty	UHT	46.55	5.40%	30-Sep-15	12.41%	57.55	46.99	619.72M	858.83M
Ventas	VTR	56.62	3.10%	30-Sep-15	-7.39%	81.93	52.03	18.83B	30.32B
Total REITs:								**$ 80.57B**	**$ 128.24B**

Providers & REITs Estimated Market Capitalization Total:	**$ 91.09B**	**$ 148.16B**

Notes:

(1) Data pulled by Yahoo! Finance who pulls from multiple sources or calculates internally. Data is for 52-weeks ending 9/22/2015.

(2) Market Cap is an intraday value derived by taking outstanding shares multiplied by the current share price. Shares outstanding is taken from the most recently filed quarterly or annual report and Market Cap is calculated using shares outstanding.

(3) Enterprise Value is a market-based measure of a company's value and is generally equal to Market Cap plus debt minus total cash and cash equivalents.

(4) CareTrust REIT was spun out from The Ensign Group effective June 1, 2014.

(5) New Senior Investment was spun out from Newcastle Investment effective November 6, 2014.

(6) Omega Healthcare Investors, Inc. (NYSE: OHI) and Aviv REIT, Inc. (NYSE: AVIV) announced on April 1, 2015 the completion of Omega's acquisition of all of the outstanding shares of Aviv in a stock-for-stock merger.

Chart Source: Yahoo! Finance

Decade in Review - Senior Housing Transaction Volume

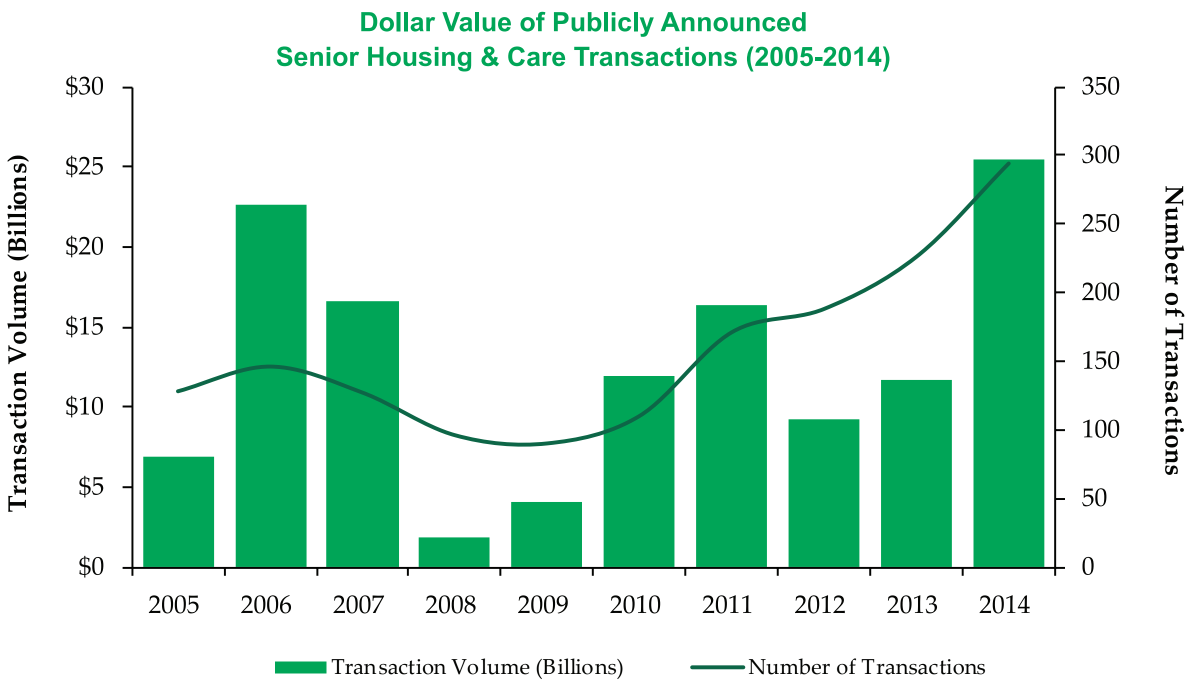


Chart Source: The Senior Care Report, 20th Edition 2015.

Senior Housing & Care Transaction Activity By Buyer Type

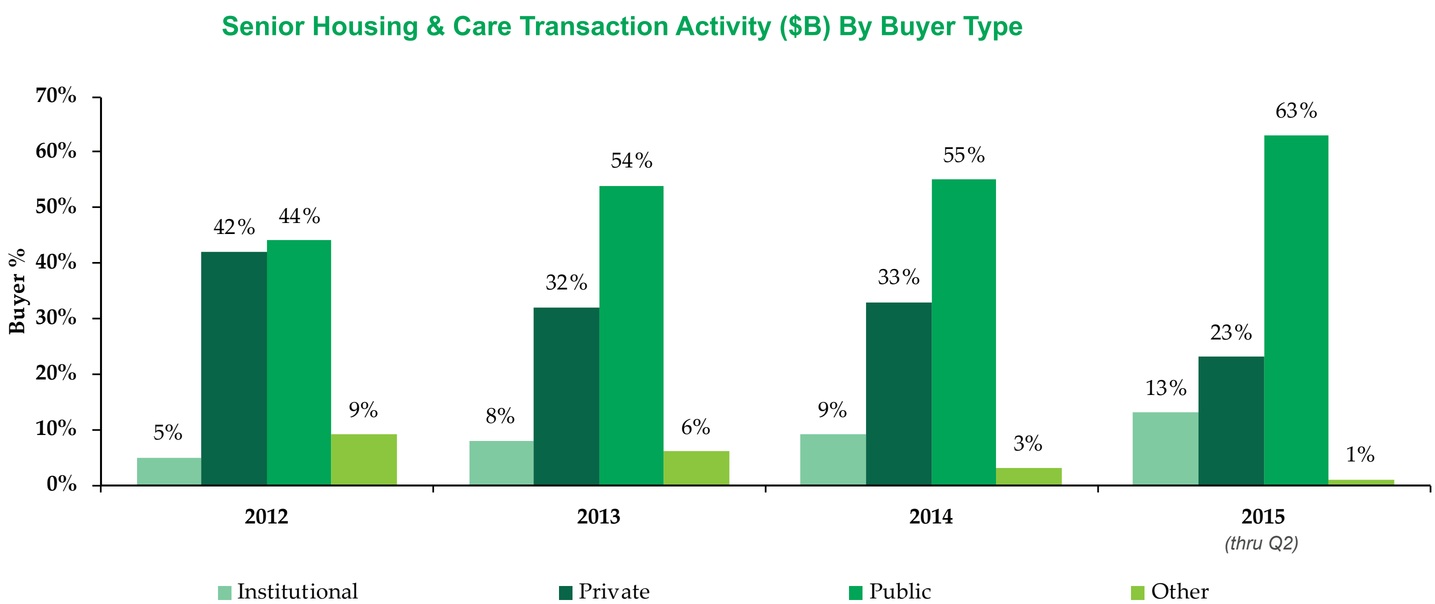
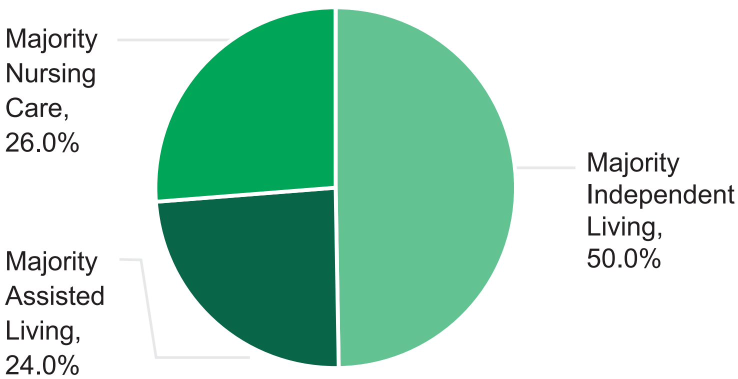


Chart Source: Senior Housing & Care, US Quarterly Report, Q2 2015.

General Industry Parameters - Pricing

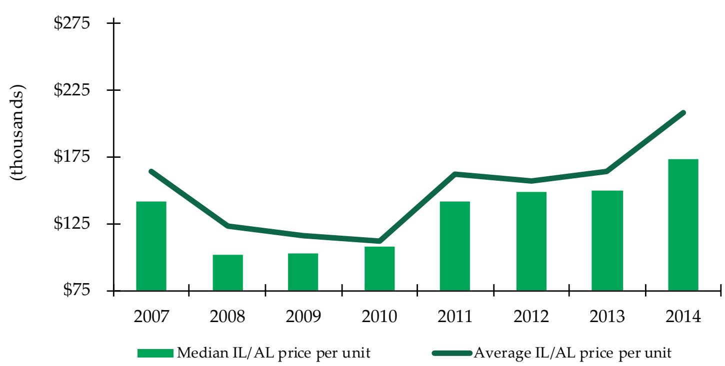
Senior Housing/Nursing Care Value Estimated at $438.5 Billion



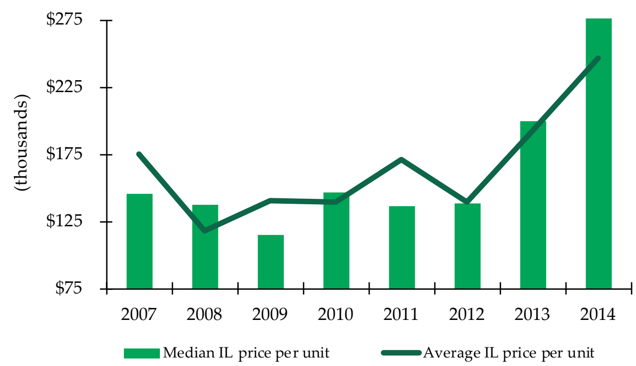
Source: The Senior Care Acquisition Report; 20th Edition 2015 and NIC MAP Size Estimate Report; Q4 2013.

Historical Value Per Unit Pricing

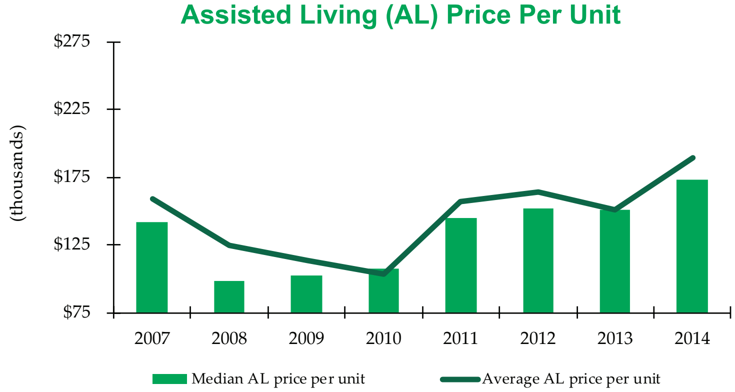
Senior Housing (IL/AL) Price Per Unit



Independent Living (IL) Price Per Unit



Assisted Living (AL) Price Per Unit



Nursing Care (NC) Price Per Bed

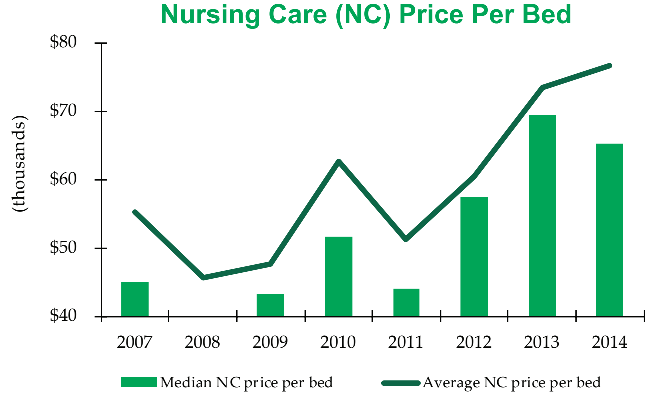


Chart Source: The Senior Care Acquisition Report; 14th Edition 2009, 20th Edition 2015.

Current Capitalization Rate Ranges (Overall Rate is applied to Estimated Stabilized NOI)

	Senior Housing Investment Survey (Spring 2015) [1]			Senior Housing & Care Capitalization Rates Q2 2015 [2]		
Period	Low	Average	High	Average	Last 12 Months	12 mo YOY Chg
Combined Senior Housing (IL/AL/CCRC)	n/a	n/a	n/a	8.7%	7.7%	2 bps
Age Restricted Apartments	5.0%	6.0%	8.0%	n/a	n/a	n/a
Independent Living /Unlicensed Congregate Care	5.5%	6.6%	10.0%	n/a	n/a	n/a
Assisted Living	5.8%	7.5%	11.0%	n/a	n/a	n/a
Memory Care	5.8%	8.0%	12.0%	n/a	n/a	n/a
Nursing Care	9.0%	11.9%	15.0%	10.7%	10.9%	42 bps
CCRC	6.0%	8.6%	11.0%	n/a	n/a	n/a

Sources and Notes:

[1] The 2015 Senior Housing Investment Survey was sent to 371 potential respondents and 62 surveys were returned as of 5/22/15. The Survey is complied and produced by Senior Living Valuation Services, which specializes in the appraisal of all forms of Senior Housing.

[2] Senior Housing & Care Second Quarter 2015 US Quarterly Report prepared by Real Capital Analytics. Capitalization Rate defined as the initial annual unleveraged return on an acquisition.

Trend in AL/IL Cap Rates (2000-2014)

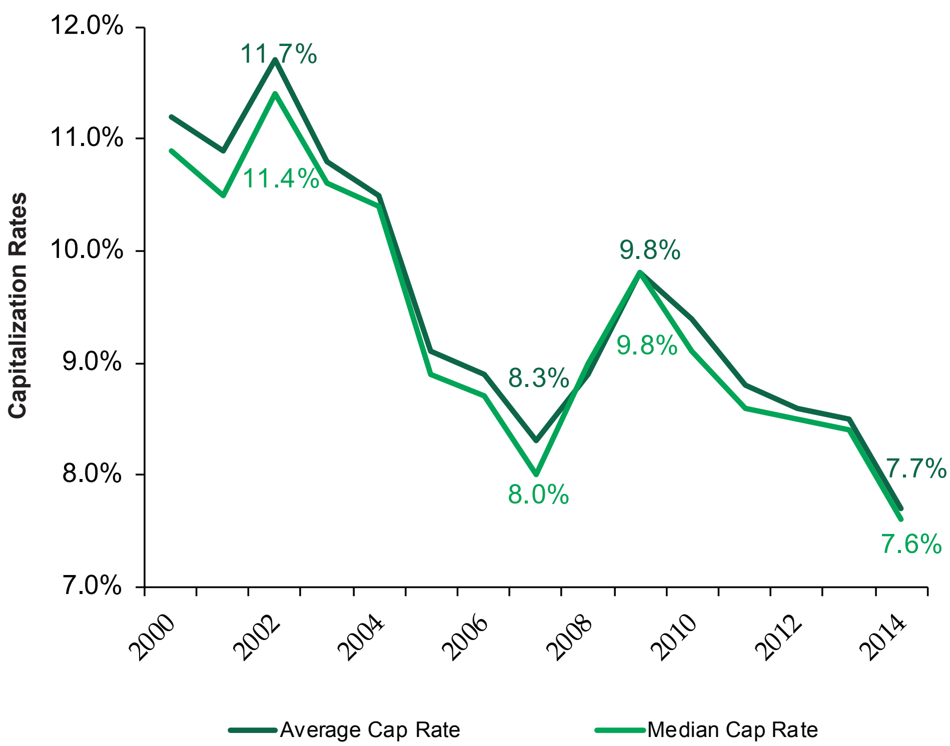


Chart Source: Senior Care Acquisition Report, 20th edition.

The Property Index Performance Data provided by the National Council of Real Estate Investment Fiduciaries (NCREIF) demonstrates that reporting Senior Housing properties have generally outperformed the broader National Property Index (NPI) since at least 2003.

The Senior Housing total return for Q2 2015 was 2.47%, comprised of a 1.42% income return and a 1.06% capital appreciation return. Over the past four quarters, Senior Housing returned 15.18% (6.35% income and 8.46% appreciation). This is up from a five-year total return of 15.11%, resulting in a total return for Senior Housing that is 232 basis points higher than the NPI return of 12.79% and 181 basis points greater than the multi-family total return of 13.31%. Over a seven-year period, Senior Housing returns have outperformed the NPI and multi-family housing in total returns, appreciation, and income returns. The seven-year total return for Senior Housing is 83.22% and 94.32% higher than the seven-year multi-family and NPI total returns, respectively.

The stronger performance seen in the Senior Housing sector may reflect the fact that Senior Housing has seen continuous rent growth, despite significant fluctuations in the general economy. The following charts illustrate the returns achieved by the Senior Housing component as compared to the multi-family component and the overall index. Items shown for each quarter represent that particular quarter's return, while periods showing a single year or multiple years represent the compounded annual index returns achieved for that period. All returns are before fees.

Cumulative NCREIF Total Returns
NPI vs. Multi-Family vs. Senior Housing

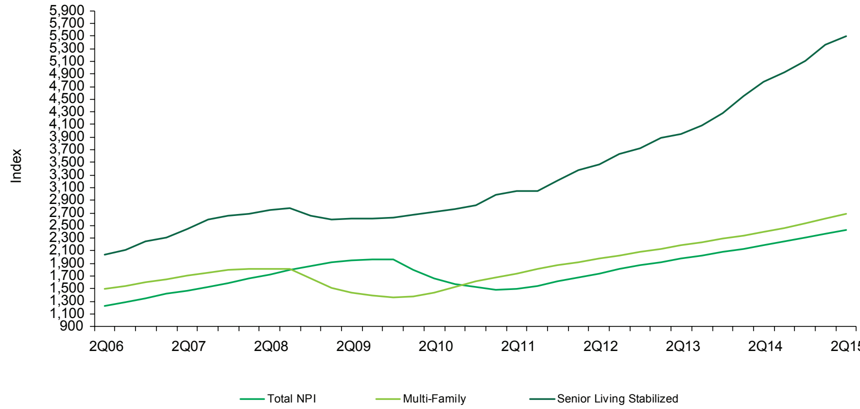


Chart Source: NCREIF Query Tool. 3Q03 = 1,000.

Cumulative NCREIF Appreciation Returns
NPI vs. Multi-Familys vs. Senior Housing

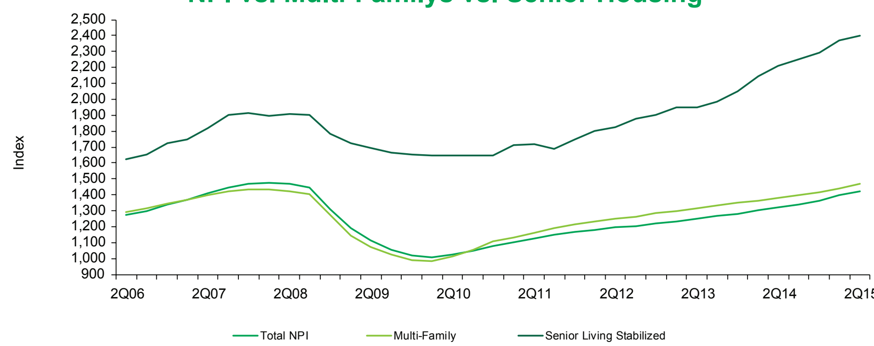


Chart Sourcev: NCREIF Query Tool. 3Q03 = 1,000.

Cumulative NCREIF Income Returns
NPI vs. Multi-Family vs. Senior Housing

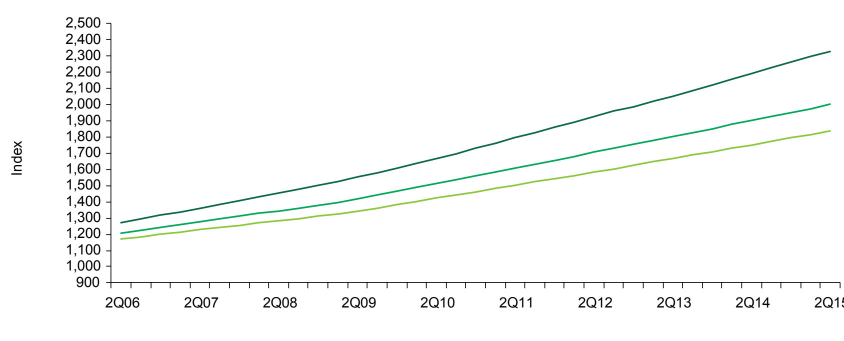


Chart Source: NCREIF Query Tool. 3Q03 = 1,000.

Senior Housing Returns

Total Returns

	Total NPI	Total Multi-Family	Total Stabilized Senior Housing
2nd Qtr 2015	3.14	2.98	2.47
1st Qtr 2015	3.57	2.85	4.86
4th Qtr 2014	3.06	2.83	3.67
3rd Qtr 2014	2.63	2.53	3.40
2nd Qtr 2014	2.92	2.41	4.69
One Year Index	12.99	11.67	15.18
Three Year Index	11.70	10.77	16.51
Five Year Index	12.79	13.31	15.11
Seven Year Index	5.38	5.71	10.46

Capital (Appreciation) Returns

	Total NPI	Total Multi-Family	Total Stabilized Senior Housing
2nd Qtr 2015	1.89	1.81	1.06
1st Qtr 2015	2.33	1.66	3.37
4th Qtr 2014	1.77	1.64	2.00
3rd Qtr 2014	1.32	1.31	1.79
2nd Qtr 2014	1.57	1.19	3.01
One Year Index	7.51	6.58	8.46
Three Year Index	5.99	5.50	9.52
Five Year Index	6.75	7.76	7.80
Seven Year Index	-0.45	0.43	3.34

Income Returns

	Total NPI	Total Multi-Family	Total Stabilized Senior Housing
2nd Qtr 2015	1.26	1.18	1.42
1st Qtr 2015	1.24	1.18	1.49
4th Qtr 2014	1.29	1.19	1.68
3rd Qtr 2014	1.31	1.21	1.61
2nd Qtr 2014	1.35	1.23	1.68
One Year Index	5.20	4.85	6.35
Three Year Index	5.47	5.06	6.53
Five Year Index	5.75	5.25	6.91
Seven Year Index	5.85	5.26	6.94

Source: NCREIF

Underwriting Guidelines

Because Senior Housing is a hybrid between multi-family and hotel property types, there is an added complexity to the underwriting process. Unlike office, multi-family, industrial and retail, simple ARGUS or other canned models are not conventionally used. Rather, customized Excel models are developed—adding time and complication to the process. Below are standard assumptions that are often incorporated into underwriting models as well as questions that underwriters should consider. These assumptions reflect the current environment.

		Assumptions based on Community / Market Conditions		
	Current Occupancy Condition	Strong	Good	Fair/Poor
Occupancy				
	> 95%	Lease-down to 96%	Lease-down to 95%	Lease-down to 93%
	<> 90-95%	Lease-up to 95%	Lease-up/down to 94%	Lease-up/down to 91%
	< 90% (Initial Community Lease-up)	Lease-up to 95%	Lease-up/down to 93%	Lease-up/down to 91%
	<> 80% - 90% (Not initial lease-up)	Lease-up to 93%	Lease-up to 90%	Lease-up/down to 85%
	<> 70% - 80% (Not initial lease-up)	Lease-up to 85%	Lease-up to 80%	Lease-up/down to 75%
	<> 60% - 70% (Not initial lease-up)	Lease-up to 75%	Lease-up to 70%	Stabilize at current
	< 60% (Not initial lease-up)	Stabilize at current	Stabilize at current	Stabilize at current
Lease-Up/Down Net Units/Beds Per Month				
	> 95%	4	4	2
	<> 90-95%	4	4	2
	< 90% (Initial Community Lease-up)	4	4	2
	<> 80% - 90% (Not initial lease-up)	3	2	1
	<> 70% - 80% (Not initial lease-up)	3	2	1
	<> 60% - 70% (Not initial lease-up)	3	2	1
	< 60% (Not initial lease-up)	3	2	1

Rate Assumptions		Strong				Good				Fair/Poor			
		Yr 1	Yr 2	Yr 3	Yr 4>	Yr 1	Yr 2	Yr 3	Yr 4>	Yr 1	Yr 2	Yr 3	Yr 4>
	Current Rates	4.5%	4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
	Street Rates	5.0%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	3.5%	3.5%	3.5%	3.5%
	< 60% (Initial lease-up)	0.0%	2.5%	5.0%	5.0%	0.0%	2.0%	3.5%	4.0%	0.0%	2.0%	3.0%	3.5%

Occupancy Assumptions	
P&L or Rent Roll	Always use current rent roll if the data is trusted.
Lease-Up Lag	Should be zero months unless community specific information dictates otherwise.
Rollover	Independent Living - 36 months; Assisted Living - 24 months; Memory Care - 20 months and Nursing Care - 12 months.
Other Revenue Assumptions	
Care Revenue	Either Based on trended actuals, Operator Budget, Or Built up through Care Utilization Matrix.
New Resident Fee	Based upon actual fee received and trended forward.
Second Resident Fee	Based upon actual fee received and trended forward. Increased with in house rents annually.
Other Revenue	Either Based on trended actuals, Operator Budget, Or Built up Lease-Up Utilization Analysis.
Expense Assumptions	
Normal Operating Expenses	Either Based on trended actuals, Operator Budget, Or Built up Lease-Up Utilization Analysis.
Utilities	Either Based on trended actuals, Operator Budget, Or Built up Lease-Up Utilization Analysis.
Insurance (GL & Property)	Obtain current quote or base on in-place policy coverage and then grow 3.5% per year thereafter.
Property Taxes	Based on current tax bill; increase 3.5% per year thereafter or as state/county dictates based on fixed annual increases or reassessment triggered by sale.
Management Fees	5.0% of Revenue.

U.S. Treasury Yield Curve Rates

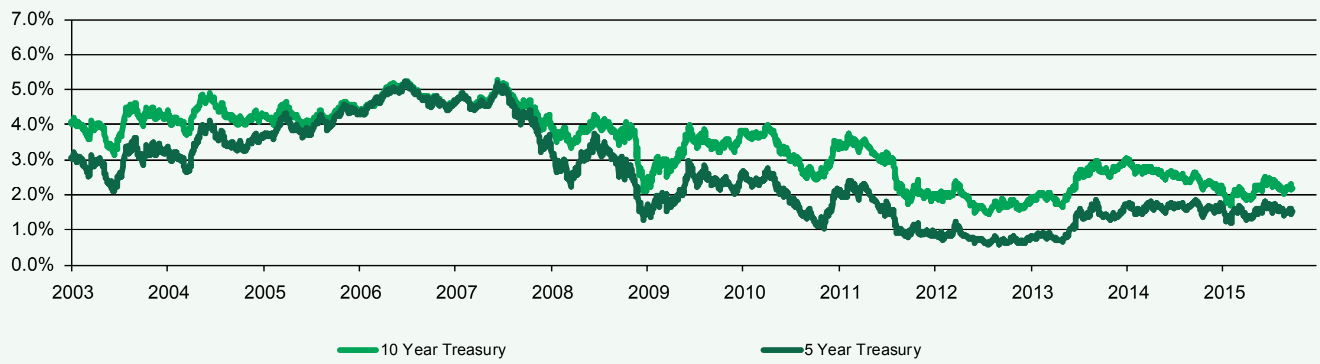


Chart Source: U.S. Treasury (January 2, 2003 - September 22, 2015)

The 10-year Treasury note rate is considered one of the major pricing benchmarks in the debt market. As illustrated in the chart to the right, the average 10-Year U.S. Treasury Yield Curve Rate ended calendar years 2011, 2012, 2013 and 2014 at 1.89%, 1.78%, 3.04% and 2.17%, respectively, with a 2014 average rate of 2.54%. This rate has remained low in 2015 with a 10-Year U.S. Treasury Yield Curve rate of 2.20% on September 21, 2015.

During 2013, 2014 and continuing in 2015, there has been heightened awareness and interest in Senior Housing from life insurance companies, other traditional balance sheet lenders and several new debt providers. These lenders find the sector compelling for the same reasons as equity investors (demographics, performance versus other commercial real estate classes, etc.). Senior Housing has one of the lowest default rates, yet it has higher interest rate spreads. As such, lenders have become more comfortable with the nuances of the operating component of assisted living and memory care. Note, however, that these lenders generally have a preference toward 100% private pay independent living/assisted living/memory care (as opposed to Skilled Nursing facilities with government reimbursement dependencies). Skilled Nursing has become generally accepted in the lending community as long as it is part of a campus (i.e. a rental CCRC with a skilled component), which includes the full continuum of care.

Some life insurance companies (five to seven within the Senior's space) are quoting comparable interest rate spreads to Agency debt providers for five, seven and 10-year fixed rate mortgages (with a preference for seven and 10-year fixed-rate). For lower leverage deals, life insurance companies are quoting better spreads than the Agencies. There are also a handful of life insurance companies with competitive floating rate programs and construction to permanent programs. As the Agencies are pushing up against their volume caps (referenced in the paragraph below), there has been a significant increase in life insurance activity within the Seniors space as Agency spreads have increased along with increased scrutiny on a deal by deal basis.

Freddie Mac and Fannie Mae have had a robust 2015 and both are currently at or near the maximum allowed volume even after the increased capacity they received after lobbying FHFA earlier this year. As a result, the Agencies have increased spreads by approximately 40-50 basis points (bps) and have decreased interest-only terms in an attempt to slow the pipeline. As mentioned, both Freddie Mac and Fannie Mae have formally petitioned the FHFA (regulator) for an additional cap volume and both received increased capacity up $40 billion when taking into account the 'affordability' component of their existing multifamily/ Senior Housing portfolios. Essentially, a certain percentage of each loan can be precluded from being counted toward their volume caps depending on the affordability of each property. Specific to Seniors, there were lobbyist efforts to have seniors be precluded from the volume cap given the strategic mission it fulfills. Although this proposal was ultimately not accepted, roughly 50% to 55% of the existing Seniors books were precluded from being counted toward the cap requirement; whereas, only 30 to 35% of their multifamily portfolios were precluded due to 'affordability'.

In the meantime, the Agencies will grant waivers in the form of better spreads, longer interest only terms and other economic terms to loan requests from repeat/select sponsors and loan requests that are conservative in nature (60% LTV; 1.50x DSCR). In the immediate term barring some relief, the Agencies will not be nearly as competitive compared to the previous three years. It is anticipated that quoted spreads from both Agencies will return to prior year levels in the coming months for transactions that are anticipated to close in 2016; however, nothing is definitive at this point.

Offering floating rate mortgages with interest rate spreads lower than most balance sheet lenders, the Agencies (Fannie Mae and Freddie Mac) still offer some of the lowest-cost floating rate debt in the sector. However, many regional banks have competitive floating rate programs as well as offering three to five-year terms and competitive interest only periods.

New bridge and mezzanine lending sources for non-stabilized communities have entered the sector. The majority of these bridge-financing sources are priced between zero to 200 basis points above Agency floating rate spreads. Bridge lenders include select traditional banks (both national and regional) and other specialized higher yield financial investment firms. Non-recourse bridge financing is available for experienced and strong borrowers at leverage levels up to 75%, but 60 to 65% is more customary for banks lending on a non-recourse basis.

Construction debt is available through traditional HUD loans, regional banks, local banks (particularly for smaller deals when an established relationship between the borrower and lender exists), and on a limited basis through life insurance companies via construction to permanent loan programs (limited to $25MM+ loan amounts for deals in major markets at lower leverage). Many larger national banks are also providing construction debt via dedicated Senior Housing lending programs. Strong borrowers with a strong track record, as evidenced by stabilized portfolios that are producing solid overall cash flows, might expect partial recourse with 25% to 35% cash equity (resulting in leverage of 65% to 75%) priced at 200 to 325 basis points over 30-day LIBOR. Non-recourse construction financing (limited to completion guaranties) is available on a select basis for strong borrowers willing to invest 40% to 45% cash equity in the deal (resulting in leverage of 55% to 60%).

Liquidity in the permanent mortgage market exists in the sector through the availability of attractively priced agency debt from Fannie Mae, Freddie Mac and HUD, and life insurance companies. Agency debt is currently 20 to 30 basis points higher than life company debt; however, Fannie/Freddie can lend up to 75% of value whereas most insurers lend up to 65%. In 2010, Freddie Mac has launched a securitized, fixed rate Mortgage Backed-Securities ("MBS") product for five, seven and 10-year terms for independent living, assisted living and memory care property types with pricing between 35 to 60 basis points lower than traditional portfolio agency debt pricing. Fannie Mae and Freddie Mac are now willing to look at free-standing memory care communities on a stand-alone basis for solid sponsors. Reported terms for one such Freddie Mac memory care transaction that closed earlier this year included leverage in the 65% range and a DSC around 1.60x. In order to qualify for this debt, the operator must have a strong track record specific to memory care/ Alzheimer's. With the availability of this lower priced debt, Senior Housing may offer significantly higher equity cash yields when compared to other real estate property types. Additionally, both Fannie Mac and Freddie Mac will now entertain financing Entrance Fee CCRC's on a case by case basis. The underwriting methodology is different in that NOI is calculated using only 50 to 75% of the average of the past five years of entrance fee turn profits. Life Care contracts are much more difficult to be approved within an Agency context, whereas, Type C contracts are better accepted.

Liquidity is further enhanced by the re-entrance of life insurance companies and other traditional balance sheet lenders into the Senior Housing sector. Senior Housing has one of the lowest default rates yet higher interest rate spreads, thus incentivizing conventional lenders to re-enter the sector and new debt sources to become attracted to the sector. Borrowers are still able to obtain rates at historically low levels due to the historically low treasury-bill, LIBOR and prime rates.

KEY INDUSTRY EXECUTIVE INTERVIEWS

CBRE has conducted interviews with several prominent industry executives in the Senior Housing sector in order to ascertain a collective review of the year 2014. Our VIP participants are:

Chuck Herman

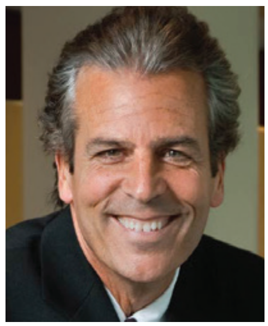
Todd Jensen
ARC

Andy Kohlberg
Kisco Senior Living

Dan Lahey
LCS

Carl Mittendorf
Watermark Retirement Communities

Talya Nevo-Hacohen
SABRA Health Care REIT



John Rijos
Chicago Pacific Founders

James Smith
Kensington Realty Advisors

Patricia Will
Belmont Village Senior Living

1. Please describe your opinion of the changes/evolution in the industry from a product/service perspective over the last 15 years from 2000 to to-date?

Chuck Herman

Over the last 15 years, Senior Housing operators have become vastly sophisticated and experienced. Today, senior management teams are stable and tenured, while succession issues are an emergent focus. They've weathered several real estate and economic cycles and an evolving healthcare landscape. They engage in best practices and push to improve systems and processes. There is an increased recognition that the industry needs to adapt to a changing workforce. The evolution of the operator community is helping attract high-quality talent and enhancing the industry's market acceptance.

Operators are taking care of older residents with more acute needs and a shorter average length of stay. Additionally, more residents have memory impairments such as Alzheimer's or Dementia. One of the key drivers of this change is that the public is defining home differently and accepting the sector as a viable housing option.

Carl Mittendorf

One of the most influential evolutions from a product service perspective over the past 15 years has certainly been the maturity, refinement, and increased professionalism in our industry's operators. In the early 2000's operators in the Senior Housing industry were still finding their way. Today, there are a number of quality operators with strong cultures and progressive systems; things have come a long way. This has resulted in a higher quality customer experience, better service, better programming for our residents, and it has made our industry's offerings generally better received. More sophisticated operators also means more attractive employment opportunities and exciting career paths, allowing us as an industry to attract new talent with creative ideas to drive innovation.

Talya Nevo-Hacohen

The Senior Housing industry has gone from being a hospitality business to a healthcare business. That shift has been happening slowly but is accelerating rapidly. Ten years ago operators began to hold on to residents in order to maintain occupancy (and margins) and did so under the slogan of "aging in place" also known as "acuity creep". That was when seniors moved into independent living in order to lead a maintenance-free lifestyle. If a senior needed a little more help, they moved into assisted living where you may have found an occasional walker or scooter in the hall. If a senior needed some medical care beyond medication reminders, they lived in long-term care in a "nursing home".

In today's world, scooters and walkers clutter up the hallways of most independent living facilities – making them look like "assisted living lite". Assisted living facilities provide long-term care for those that can afford it, and memory care is growing as a stand-alone business caring for residents with ever-increasing acuity that previously resided in the Alzheimer's wing of a skilled nursing facility.

As skilled nursing facilities evolve into short-stay rehab facilities and Medicaid continues to reimburse operators at non-economic rates, higher acuity is being pushed downstream in the post-acute continuum. The impact on Senior Housing operators is that they have to convert their approach to a clinical model away from a hospitality model. They will need to track clinical data, demonstrate clinical results, provide PT and other services (directly or indirectly) in order to remain a part of the continuum of care.

Patricia Will

When we launched our communities in the early 2000s, there were bright lines drawn between the different product types in the Senior Housing continuum: independent living, assisted living, memory care, skilled. Today, I'd say the bright lines have blurred as we recognize that the customer is more knowledgeable, but also more complex. We're also seeing more men now and more couples, often with varying needs, which have added an interesting service dynamic.

An area of tremendous growth has been in therapeutic products and services for Memory Care. When we launched Belmont Village we dedicated approximately 24 units of a total of 154 to memory care (say 15%). Today the research has allowed us to advance our programming for Mild Cognitive impairment and early stage memory loss, serving more seniors than ever who are beginning to experience decline. This range adds a significant benefit and attraction for couples-being able to take a spouse out of the caregiving role and provide each partner with an enriching environment is huge. We've expanded our physical capacity for secured memory care in many communities. Between the two, memory care now represents as much as 50% of our resident capacity

2. What do you think the most significant development/discovery/refinement in the operations or design of the Senior Housing services programming has been since 2000?

Dan Lahey

One thing that sticks out to me is the emergence of memory care as a distinct unit type, with more specialized design, operations and programming. I also believe we have seen more specialization within Senior Housing, with more niche product offerings entering the market. I expect this trend will only accelerate, offering tomorrow's residents even more options than they have today.

Carl Mittendorf

Unfortunately, for the most part over the past 15 years there has not been a dramatic evolution in physical product, with the exception perhaps in the realm of food service and some newer skilled nursing models, although these are just recently burgeoning. Regarding dining, we have seen quite a few more varied food venues particularly in the CCRC and larger IL/AL campuses. Frankly, we are surprised that we haven't seen much more innovation in product design over the past 15 years. Too many architects are still designing buildings that we would have seen designed in the 90's. In terms of service programs, we are more optimistic. As previously mentioned, I think a number of operators are doing a good, if not great job with resident programming, for example with Memory Care. Wellness and fitness offerings have also improved significantly over the past 15 years. There is still a long way to go, however to meet the ever-evolving market we will see over the next

15 years, especially from a physical plant perspective. This means significant capital investment in existing communities and more progressive thinking in new developments.

3. What is your outlook for the industry in 2015?

Todd Jensen

I think the Senior Housing industry will continue to see very strong valuations and transaction activity in 2015, similar to what we saw in 2014. Investment capital continues to gain interest in healthcare related properties, including Senior Housing, and I expect that to continue which should support current values at least in the short term.

Andy Kohlberg

It is a very frothy industry right now. As Warren Buffett has said "you can't tell who has been swimming naked until the tide goes out". The tide is high and everyone seems to be happily swimming around. When interest rates rise, it will be telling as to which companies have a conservative and sustainable capital structure. Regulation is an increasing risk and it can vary greatly by state. This will have an impact on operating costs and will be challenging for the large national providers to navigate, as it won't be a cookie cutter model where "one size fits all".

Carl Mittendorf

Generally speaking I think our industry is healthy and prospects are bright. That said, I hope that equity providers, lenders, appraisers, market research firms and our fellow operator/developers remain disciplined in their approach toward acquisitions and development. With increasing attention from capital toward our market sector there is risk of overbuilding and overzealous acquisition activity, particularly in a handful of submarkets. As a company, we strive for disciplined strategic growth through acquisitions and development, while being careful not to get caught up in over-exuberant market swells.

Jim Smith

Outlook for the industry in 2015, from an investment perspective:
Market fundamentals have been improving since the latter part of 2010, and although recently slowing, will continue to improve over the next two to three years. Senior Housing is behind the cycle of other property types such as apartments and industrial and therefore has more room for expansion. There is massive liquidity in the real estate equity markets including Senior Housing. Investors of all types, public, private, domestic and foreign have been investing in Senior Housing. This trend is likely to continue as more investors expand their investment beyond the traditional property types in search of diversification and return. Values are expected to rise moderately as the economy slowly grows, and capital competes for quality assets. Replacement cost is rising significantly with land values increasing and constructions costs up substantially. Barrier-to-entry properties will command the greatest value growth. What could spoil the party? Oversupply and rapidly rising interest rates. Oversupply is a concern in some of the high growth low barrier-to-entry markets. Most markets will do fine. It is not very likely that interest rates will rise significantly in the near term as the economy is yet to exhibit sustained strength. In summary, the next few years will be more challenging than the past, few but excellent investment opportunities exist in Senior Housing for the foreseeable future.

4. What do you think the biggest challenge facing the industry is in the next five years?

Chuck Herman

One of the big opportunities for the Senior Housing sector is developing partnerships with health systems. Inpatient acute care stays are costly. Health systems are looking to discharge patients to the most cost-effective settings faster, which is also believed to improve long-term outcomes. If the Senior Housing industry proves that it can deliver positive outcomes and reduce re-hospitalizations, health systems will increasingly look to partner with the industry. One of the challenges is developing the outcomes data for health systems.

Todd Jensen

This year and for the foreseeable future, we continue to focus on creating healthcare REITs with significant Senior Housing investments. We expect to list our Healthcare REIT II (Healthcare Trust, Inc.) in Q3 of 2015, most likely on the NASDAQ again. That REIT owns just over $1 billion in Senior Housing investments that comprises more than four thousand units. We have also started raising capital for our third Healthcare REIT, which should take us at least three years to raise and invest. We are targeting to raise approximately $3.5 billion dollars of equity in that fund and will be looking to invest approximately 40% of that portfolio, or $1.5 billion, in Senior Housing assets.

Carl Mittendorf

I think some markets are going to be very competitive if everything planned gets built. In this context competition means more than just maintaining rate growth and filling our communities or simply keeping them full. It also means competition for talented or even competent employees, especially in the supervisory and management level positions. As an industry we have traditionally grown management talent from within. On the one hand that's great; people have been able to learn and grow as they climb the ladder. On the other hand, this business is complex and the pool of talented directors and managers is not very deep. We need to find new sources from which to mine talent. Hopefully as an industry we will increase our focus on appealing to business students and managers from other industries (like hotel management, etc.) who have historically been reticent to consider a "sexy" career in Senior Housing. A few of our peers and mentors are working on such programs currently and I commend them.

Talya Nevo-Hacohen

We will continue to invest across the spectrum of the post-acute world. We believe that development is appropriate not just because acquisition yields are low today but because there is a wave of functional obsolescence in Senior Housing and that product will have to be replaced. We foresee the continued bifurcation of the health care system over the next few years with certain segments (and operators) winners and other losers.

Patricia Will

People. At the core we are a service business requiring multiple skill sets at every level of the organization. We're also a relatively young industry, with a scarcity of programs to develop tomorrow's leaders. We and many of our peer companies have created programs to grow and nurture talent, but the industry needs more. I am very excited about initiatives that have recently gotten underway to remedy this situation, including the Senior Housing Institute, an executive education program offered jointly by the Davis School of Gerontology and the Marshall School of Business at USC. More broadly, the credentialing program under development at ALFA is an important first step in raising the bar for the dedicated professionals in our industry.

5. Please describe your opinion of the changes/evolution in the industry from a capital perspective-equity investor, public and private REITS over the last fifteen years from 2000 to to-date.

Chuck Herman

The sector's ability to raise capital has been greatly enhanced by the sector's performance over the last decade and its acceptance as an Investment real estate investment class.

Andy Kohlberg

Large companies have begun to dominate the acquisition market and it has also impacted the service models. Since large companies must standardize their service offerings, it has "commoditized" the business. Opportunities exist for smaller providers to provide a more customized service offering. Large companies are also planning alliances with large health care providers and ACO's, which will make them a more integral piece of the health care delivery system. The industry has attracted many new and inexperienced capital providers and they have gravitated toward the more need driver (AL/MC) product lines. This causes some concerns as it is more complex operating model and requires more industry and operational expertise than the IL product. Smaller companies are growing rapidly and I'm concerned that they will not be able to manage the rapid growth while maintaining the quality of their operations. This may lead to additional negative publicity for the industry as a whole.

Jim Smith

From a capital perspective the Senior Housing industry over the last fifteen years, has moved from a parochial system to one of Investmentization. This is evidenced by greater transparency, lower leverage, global equity and public market investment. The industry was previously dominated by private groups utilizing high leverage to run their businesses. Today, we have massive public companies, a widened debt market and many types of equity investors both domestic and foreign. The Investmentization process demands transparency, research and accountability. The benefit to the industry is that there is substantially more capital available on a more consistent basis with a lower cost. This trend will continue as has occurred in the other major property types.

6. Now that new development has returned (since its near halt 2008 – 2011), are you concerned about overbuilding? If so, are there certain market areas or community types that you might consider at risk of being overbuilt?

Andy Kohlberg

Small 60-80 unit AL and MC models will become overbuilt in some markets, but it is hard to generalize across the country. Texas (Dallas, Houston, San Antonio) show signs of selective overbuilding in some areas. Denver and part of Florida also have potential to become overbuilt. There is very little IL product being built in most markets. Few Entry Fee CCRC's are being built so that segment of the market does not appear to be as susceptible to overbuilding.

Dan Lahey

Overbuilding should always be a real concern, and it clearly will occur in certain local geographies. I don't however have great concern about there being a widespread national overbuilding like what occurred in the 1990s with assisted living. Since the downturn, we have seen more need-based product (AL/MC) entering the market and less independent living development, so I believe more development opportunity exists today for new product that offers multiple levels of care but has a greater focus on the independent living component.

Carl Mittendorf

Yes, I am concerned about overbuilding in certain market areas. There's a great deal of capital flowing into the industry and a large percentage of it doesn't seem concerned about submarket metrics. It seems that macro supply and demand data is driving a great deal of their development activities without proper credence given toward local, "micro-market" supply gaps; as you know, our business is a local business. I must get two to three inquiries a week from landowners, developers or new capital providers who want to "get into the Senior Housing game". That's pretty scary. To date, I've found the experienced equity and debt players to be very disciplined. I'm more concerned with those that are less experienced – that is for example the developer who has a piece of land and a good track record say in apartment building, but who can get a seniors deal financed by his local lender and is just getting acquainted with our industry. These "opportunities" are crossing our desks more and more frequently; that's definitely concerning. That being said, there are certain submarkets that seem riskier than others. Developers develop; that's what they do. Watch out for problems in submarkets where development opportunities are abundant and there are low barriers to entry.

7. What is the most significant event that your company experienced in 2014?

Todd Jensen

We have been very active in the sector in the last four years, having invested more than $2.5 billion in Senior Housing. In 2014, we successfully listed our first Healthcare REIT on the NASDAQ and subsequently sold that company to Ventas and acquired approximately $2.2 billion of healthcare property, including more than $1.5 billion of Senior Housing assets, across our two Healthcare REITs.

Carl Mittendorf

That's an easy one Lisa, and you know my answer. We had the opportunity in 2010 to get back involved in The Fountains portfolio that David Freshwater sold in 2005. At the end of last year the new ownership group decided to sell the portfolio. I knew that was going to be a significant event for Watermark no matter what the outcome. As it turns out, and you know the details, we were fortunate enough to be selected as the operating partner for the winning bidder and our existing partner, NorthStar Realty Healthcare. With 38 communities under management it was significant to keep 16 of them. We are excited about the future.

8. What are your plans for the direction of your business over the next five years?

Dan Lahey

LCS has the vision to serve over 50,000 seniors by 2020. This growth will come from new product development, from acquisitions, and from new management relationships. To meet this vision, we will have to constantly evolve our organization and product offerings to meet the evolving needs—not to mention increasing expectations of our senior consumers.

Carl Mittendorf

We are very active right now. We have a few developments underway across the country and we continue to buy existing communities and portfolios that fit our purchase criteria – primarily targeting value add opportunities located in our broad geographic footprint. We will continue to take on select developments and acquisitions but we'll remain disciplined in our approach to both.

Talya Nevo-Hacohen

We will continue to invest across the spectrum of the post-acute world. We believe that development is appropriate not just because acquisition yields are low today but because there is a wave of functional obsolescence in Senior Housing and that product will have to be replaced. We foresee the continued bifurcation of the health care system over the next few years with certain segments (and operators) winners and other losers.

9. How do you view liquidity in the debt markets (both construction and permanent) today versus two years ago and 10 years ago in our space?

Andy Kohlberg

Debt capital is abundant in today's market, and the cost of debt is at all-time lows, this is fueling the historically high valuations. Fannie and Freddie remain active, while new entrants, insurance companies and Sovereign Wealth funds are pouring capital into the business on both debt and equity sides.

10. Do you have any expectations of rising interest rates in 2015 to 2016?

Todd Jensen

Raising interest rates and new development and construction in Senior Housing both pose potential threats to the current high valuations. Development has been increasing which does create some caution and it's something we are watching carefully. Overall, development as a percentage of existing inventory seems in check, however, there are and will be specific submarkets that see overbuilding.

Andy Kohlberg

Yes I believe rates will rise in 2016 or 2017.

Carl Mittendorf

Yes but then I answered this question the same way two years ago as well as last year when I was asked as a panelist at NIC. You're pulling my leg asking me this aren't you? Don't think for a second I'm going to try predicting when this is going to happen if it hasn't happened by now.

Talya Nevo-Hacohen

Yes but only slight. The Fed has a bubble on its hands and the only way to burst it slowly is to raise rates. However, the US economy is dragging the rest of the world's economy like a ball and chain so any rate hike has to be just a taste.

John Rijos

The economy remains sluggish and will probably grow at roughly the same 2% of GDP it has done for the last several years. I do expect a small increase in rates from the Fed late in the year (probably in September), but a reversion to the mean on rates will likely take as much as 3 more years. So, we see a sub 3% rate borrowing environment thru the end of this year and we will begin converting floating rate loans gradually over the next 18 months or so.

11.Outside of its potential impact on valuation, how would an increase in interest rates impact your firm's debt strategy, if at all?

Todd Jensen

Raising rates will have an impact on both REIT equity valuations and cost of debt. I expect leveraged buyers to be most affected by raising rates, however, the combination of lower equity valuations and higher corporate borrowing costs could marginally affect unleveraged buyers as well. Raising rates wouldn't really impact our company's debt strategy. We do most of our borrowing on a corporate basis and target leverage of approximately 30 to 35%, consistent with our REIT peers. I suspect we will see some interest rate increases later in 2015 and most likely continued in 2016, although I'm not sure I am a reliable predictor of rate increases since in 2012/2013 I thought we would have seen them by now.

Andy Kohlberg

It would not impact our debt strategy at all as we are planning for a rise in rates.

Carl Mittendorf

Fixed rate products are terrific. Overall, we are operating in unprecedented times. Interest rates remaining so low for so long have created incredible opportunities... and interesting valuations. However, it has also put a lot of stress on our seniors who have suffered from relatively nonexistent returns on their CDs and other low risk investments. When rates do rise, however, so will the buying power of our customer. Hopefully that can offset, at least somewhat, the otherwise negative impact on our cost of capital, cap rates, etc. Transaction volume will slow down when interest rates rise and I don't think that's such a bad thing; between now and then, discipline is everything.

About
CBRE National Senior Housing

The CBRE National Senior Housing team offers a depth of expertise rarely found in the Senior Housing sector. Its three partners: Lisa Widmier, Aron Will and Matthew Whitlock possess a combined 60-year Senior Housing-specific industry experience and $21.0 billion in transaction volume. Our experience working as an advisor to buyers, sellers, investors and borrowers in various transactions uniquely provides the Team with an intimate familiarity and perspective of a transaction from all sides.

CBRE National Senior Housing focuses exclusively on Senior Housing, providing a range of services. We provide investment opportunities to the Investment marketplace across a broad spectrum of Senior Housing property types including:

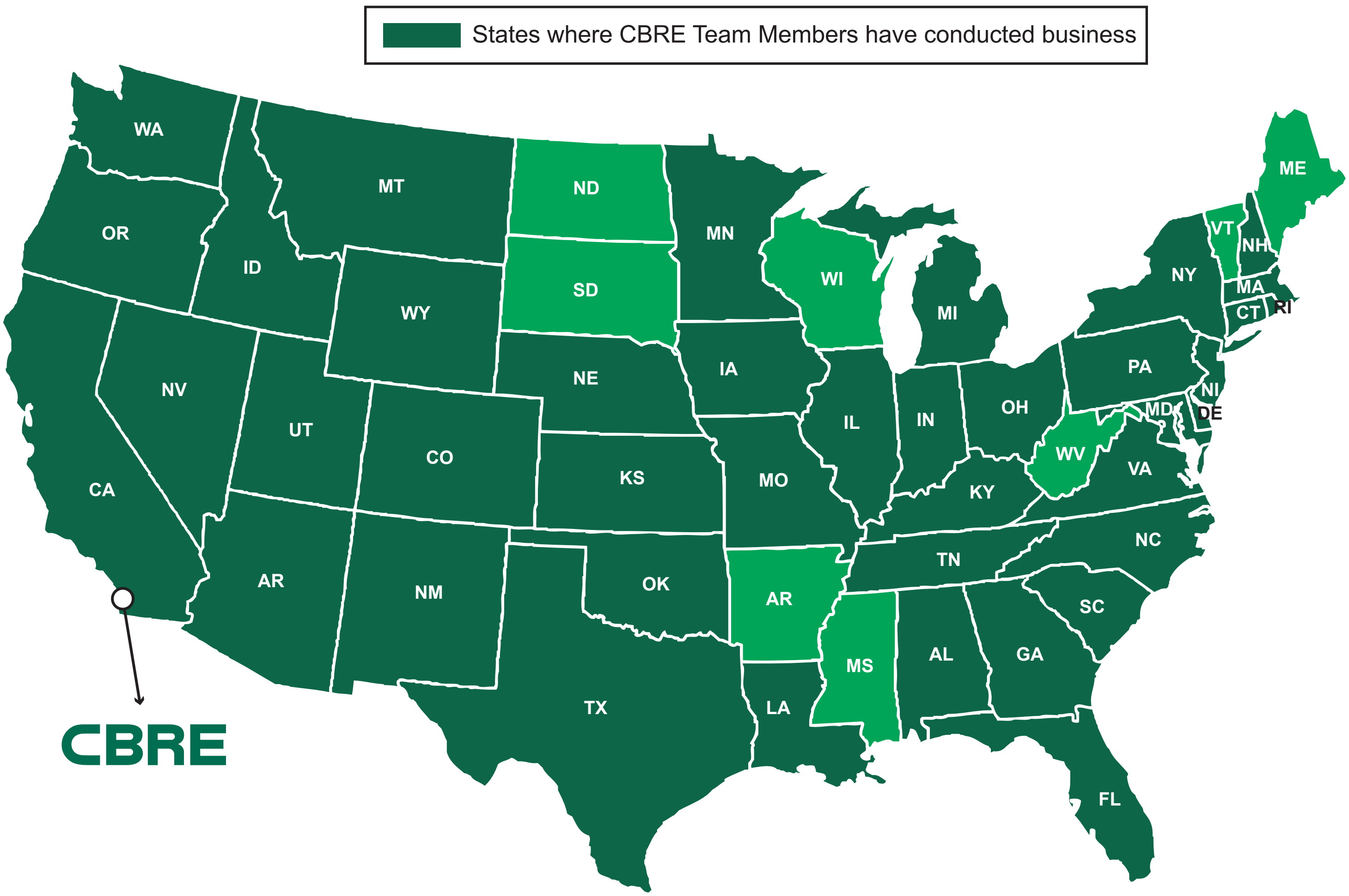
- Age-Restricted Multifamily
- Independent Living
- Assisted Living
- Alzheimer's/Memory Care
- Skilled Nursing and Continuum of Care
- Entry Fee CCRC Communities

Our services include:

- Investment Property Sales
- Structured Debt
- Investment Banking
- Valuation
- General Consulting
- Capital Raising

Having completed over $21.0 billion in sales and debt sourcing transactions, CBRE National Senior Housing is the industry leader in the national Senior Housing marketplace. No other firm can claim our breadth and depth of experience in Senior Housing.

With $2 billion in Combined Investment Sales and Debt & Structured Finance Volume in 2014, CBRE National Senior Housing is the Leading Capital Markets Provider by Market Share.



CBRE has assembled a fully integrated Team with the requisite experience, expertise, and successful track record necessary to successfully structure and execute a transaction to meet the Client's objectives.

A Partial List of Significant Assignments

Sales Assignments	Consideration	Units
The Sunwest Portfolio	$1.25 Billion	11,100
Maestro Portfolio	$921 Million	8,206
The Fountains Portfolio	$640 Million	3,637
Brightview I Portfolio	$498.5 Million	1,584
Brightview II Portfolio	$363.5 Million	1,117
The Bristal Portfolio	$290 Million	931
Pramerica-Sunrise UK Portfolio	$247 Million	437
Pacifica Portfolio	$187.7 Million	720
5 Community Allegro Portfolio	$172.5 Million	705
Lang Nelson Portfolio	$127 Million	1,166
Ventas Portfolio	$121.2 Million	1,295
Baynorth/Watermark Portfolio	$114.5 Million	496
MBK California Portfolio	$104.5 Million	293
Wellington at Hershey's Mill	$95 Million	297
LGB Portfolio	$65 Million	217

Debt Assignments	Loan Amount	Units	Purpose	Lender
The Fountains Portfolio	$410 Million	3,637	Sale & Acquisition	Agency
The Ranger Portfolio	$348.6 Million	2,528	Refinance	Agency
Brookdale NHP Credit Facility	$171.3 Million	1,010	Acquisition	Agency
The Village at The Woodlands Waterway	$55.2 Million	207	Sale & Acquisition	Agency
The Golden Pond Portfolio	$48.5 Million	578	Sale & Acquisition	Finance Co.
Franklin Park Alamo Heights	$40 Million	220	Construction	Bank
The Mid-Atlantic Portfolio	$39.5 Million	299	Acquisition	Life Co.
Village at Waterman Lake	$38 Million	269	Refinance	Agency
The Village at Belmar	$36.3 Million	156	Construction	Bank
Oakmont Gardens	$35.9 Million	163	Acquisition	Agency
The Commons at Prairie City	$22 Million	130	Construction	Bank
Elmcroft Portfolio	$22.2 Million	220	Refinance	Agency

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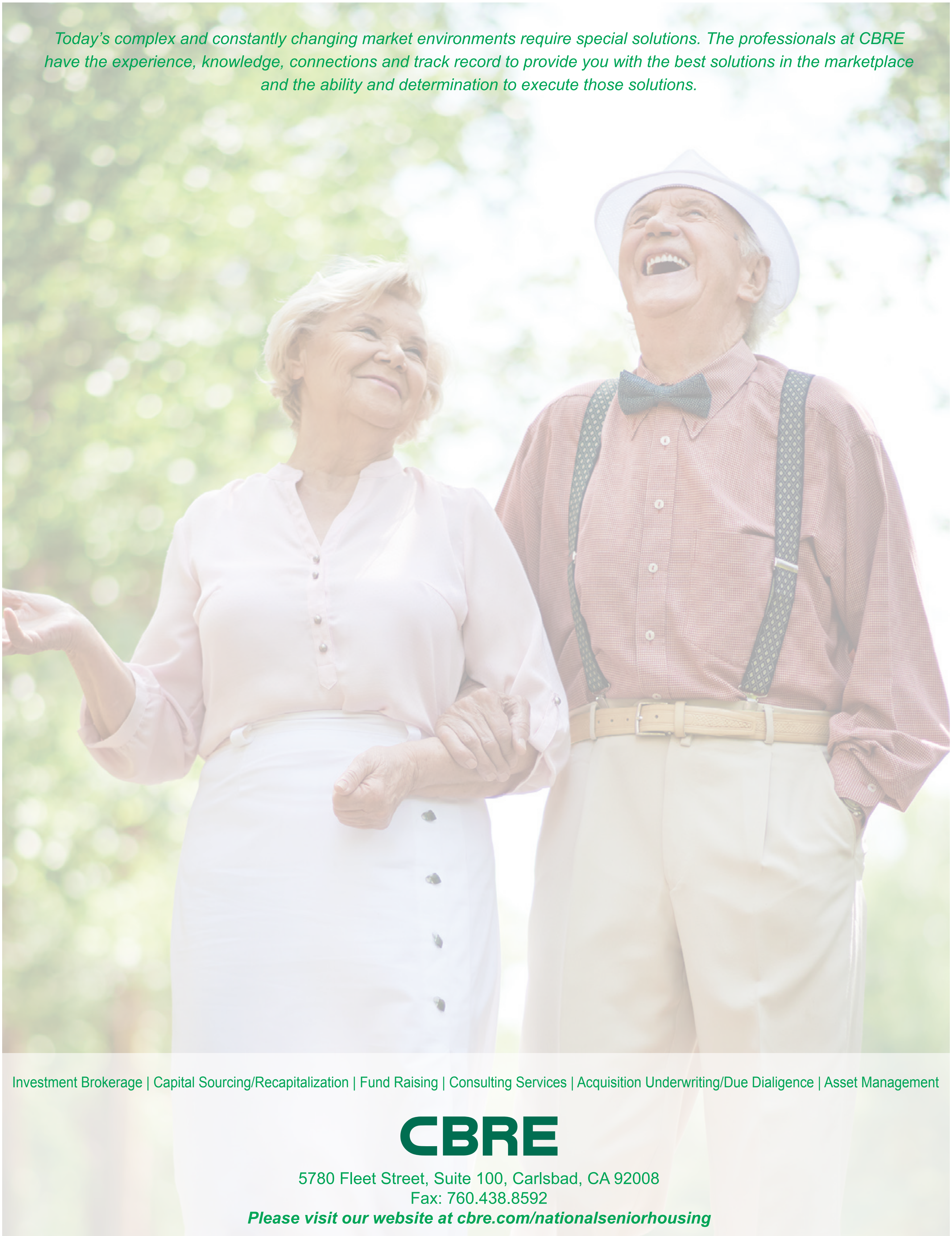

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