

Clearing the Air: How Private Pay Seniors Housing Remained Safe for Residents

Throughout the COVID-19 pandemic, the Seniors Housing sector as a whole faced negative press as the media, inaccurately in our opinion, linked private pay Assisted Living with the adverse outcomes that occurred in select Long Term Care and Skilled Nursing Facilities. Across our 98 communities comprised of 10,000+ residents, our communities experienced a mortality rate of four times less than the rate reported by the Centers of Medicaid & Medicare for nursing homes (1.9% in our communities versus 8.2%¹ in nursing homes). In our communities, there is a renewed sense of optimism with the recent vaccine approvals, signaling a bright future ahead, especially as 94% of our residents who have had the opportunity to be vaccinated have done so.

The conflation of different types of Long Term Care Facilities in the media has caused confusion and concern. The Seniors Housing care spectrum ranges from Independent Living and Assisted Living to Skilled Nursing Facilities and these are often painted with the same broad brush in the media. While it is true that some congregate care institutions, particularly poorly run and publicly funded skilled nursing facilities, were not prepared or financially equipped to act decisively and protect their high-risk patients, that was not necessarily the case for professionally run private pay communities.

The impact of COVID-19 in highly impacted facilities was very real and devastating. The story was compelling for the media to broadcast and examine what went wrong in these select instances so that others could be informed about the need for stringent health protocols. However, the experience of the better run facilities and their success in focusing on their core mission of protecting their residents was not regularly captured in the press despite successes in protecting residents. Those with access to the resources and capital reserves, most of those being private pay, for-profit institutions, were often able to nimbly and appropriately focus resources on protocols needed to protect the most vulnerable, and fulfill the promise that congregate care can be a safe place for cherished family members.

Amidst a global pandemic that preys upon an already susceptible population, we at Bridge Investment Group (“Bridge”) believe that we must redouble our efforts to share some best practices in seniors care. We hope that providing this account of what we learned about our successes in promoting the safety and wellbeing of our residents, staff, and community members will ultimately help others as they strive to do the same.



Why Nuance Matters: How Skilled Nursing Differs From the Assisted Living Experience

There are key differences between Skilled Nursing Facilities (“SNF”) and Assisted Living (“AL” or “Seniors Housing”), which clarify why so many SNFs experienced high COVID-19 transmission and mortality rates. Because of a more acute level of care for SNF residents, who are often people with comorbidities, the nature and quantity of staff required to appropriately oversee and care for these types of residents reinforces the high vulnerability of these communities to COVID-19. SNF residents are more vulnerable to begin with as they are generally recovering from a serious hospitalization or are already in a state of declining health. SNF’s business model, economics, and payment and reimbursement processes can unfortunately hinder the ability to respond swiftly to rapidly changing conditions, which amplify the threat of COVID-19. SNFs typically accept insurance, with State Medicaid being the predominant payer, which generally lends itself to less funding and generally lower quality and under-resourced communities. In contrast, the Senior Housing communities in which we have invested are generally private pay, may target affluent populations, and have been financially supported with a more constant, flexible, and higher stream of capital.

	Skilled Nursing	Seniors Housing (Assisted Living)
Resident Profile	Residents recovering from hospitalization or suffering from life threatening illness; typically need assistance with basic movements e.g. walking/standing	Residents seeking balance of social, care, safety, nutrition and physical activity services
Level of Need & Resident Care	Higher acuity and deeper care – daily health services may include IV medication, artificial respiration and other care services associated with life-threatening illness	Assistance only with activities of daily living including bathing, dressing, eating, and medication management. In addition, there are wellness and social activities for cognitive health, fitness, and companionship
Setting	Often located within traditional nursing home or rehab center; rooms often occupied with more than one patient	Residential – units are organized similar to apartments
Cost Structure & Business Model	Typically higher cost to operate but often with less funding available as most facilities accept insurance, Medicare and Medicaid which may lead to under-resourced facilities	Not typically covered by Medicaid; most communities are private pay only which generally leads to more adequately funded and resourced communities

With these differences in mind, we have found that well-capitalized seniors housing operators were able to respond swiftly to maintaining the health, safety and wellbeing of residents.

¹Bridge Seniors Housing Investment Manager; Centers for Medicare & Medicaid Services, COVID-19 Nursing Home Dataset.

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Bridge's Commitment to Resident Safety & Wellbeing

Implementing safety procedures to ensure health and wellness for residents and staff has been a high priority for Bridge. From the onset of the pandemic, our operators and staff collaborated to secure the needed PPE for our 98 seniors housing communities across the U.S., a feat that was largely made possible as a result of Bridge's extensive national team and global network. Through its global network, Bridge was able to bring in PPE supplies early in the pandemic that were otherwise scarce. Since then, Bridge's teams have been relentlessly focused on lessening risks associated with this vulnerable demographic. Our communities are typically staffed with anywhere from 50 to 70 associates (roughly one staff member for every two residents) and those in care-specific roles are highly trained on the care needs for adults over 65 as well as on COVID-19-specific protocol.

During the pandemic, Bridge communities enhanced protocols for safety, health and wellness including, but not limited to, testing requirements, vaccination protocols, cleaning standards, and infection response plans. A few of these are highlighted in the graphic below:



We have also been proactive as it relates to rethinking design, air flow and spacing of our communities going forward and those that we may acquire or build in 2021. We've begun to beta test HEPA filters in two communities and have revised design plans at several locations to include additional spacing in rooms and common areas for social distancing. As we continue to integrate into the "post-COVID world", we remain vigilant, creative and optimistic about the innovation that will benefit our residents and families in years to come.



"This has been my home for more than two years. I feel so secure and I love being with my friends every day. I could not have chosen a better place to live."

Tina Zekis, Salem Woods Resident



"Our vaccination clinic today was a huge success. We vaccinated more than 243 people with our assigned pharmacy, CVS, administering the Pfizer vaccine...CVS told us that it was the best run clinic that they have done to date."

Executive Director, Kathleen Dess from Stone Ridge Community

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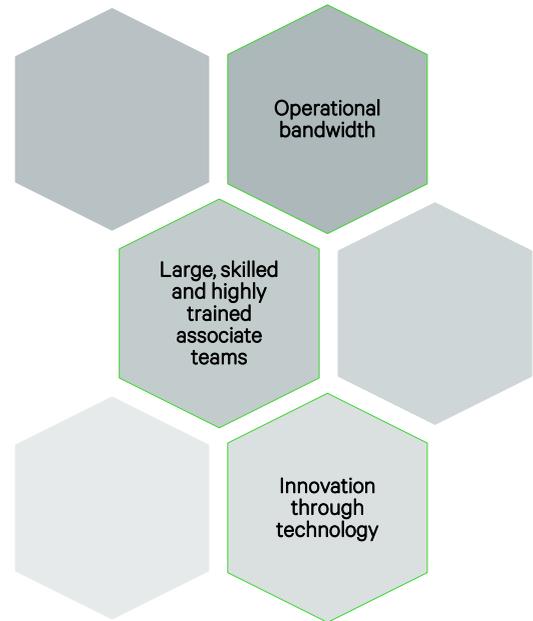
Operating Landscape

Across Senior Housing communities, COVID-19 infection rates have served as a barometer for the capabilities and quality of operators as it relates to resident safety. Currently, mom-and-pop operators who represent a significant portion of the operators within the Seniors Housing industry, are faced with significant challenges as they strive to meet high standards for a safe operating environment while often low on staff resources and financial capital to enact necessary COVID-driven changes.

- **Operational bandwidth:** Highly resourced and nimble operators such as Bridge, with capital to infuse into securing PPE and redesigning spaces with COVID-19 safety in mind, were often able to respond quickly with efforts aimed at managing infection spread.
- **Large, skilled and highly trained associate teams:** Well managed, trained, healthy frontline workers proved critical in supporting resident health.
- **Innovation through technology:** Innovation has been important on the front and back end for responding to COVID-19, along with effective operational management. Initiatives such as an integration of telemedicine technology allowed residents to receive continued care through quarantine and lock-down requirements. Socially, several technology-driven programs allowed residents to stay connected with loved ones. On the back-end, proprietary technology systems became crucial in expense management initiatives, and we reduced (seniors housing related) expenses by over 5% which helped offset higher than usual COVID-19 costs.

Co-CIO Blake Peeper often references the “operational dislocation” that has been precipitated by the pandemic, and the gap that has widened throughout the pandemic and highly impacted the industry. “What this has translated into for us is an opportunity to keep doing what we do and know best and really show our residents they can still trust us.” We believe the future is bright.

As we entered the pandemic, some operators were under-resourced, lacked relevant systems, and hadn’t incorporated technology to innovate amidst an impacted and transformative industry. Properties with operators of this profile have experienced a higher financial impact from COVID-19. We believe this creates two opportunities for Bridge. First, many of these properties may need to sell at a significant discount. Second, it is an opportunity for Bridge-owned properties to further differentiate themselves from a quality perspective and potentially capture more customer market share.



Revisiting Sector Fundamentals

The short-term COVID-19-induced dislocation has negatively impacted operations, but it has also significantly slowed the pace of new construction just as the so called “Silver Tsunami” reaches its peak. For top operators and investors, Bridge believes this has created a very attractive investment point for investors interested in allocating into the Seniors Housing sector. Supported by robust fundamentals and supported by a resilient third quarter with rebounding demand as evidenced through increased move-in velocity, Seniors Housing can be viewed as essential real estate. Industry experts from outlets such as Bloomberg² anticipate strong pent-up demand, which may lift occupancy in 2021 and return sector dynamics to where demand again outpaces supply. These expectations are in line with the level of activity we have observed which illustrate the continued need and desire for Seniors Housing, and as lagging supply was further slowed by the effects of the pandemic. With the development of the COVID-19 vaccine and prioritization of vaccination for Seniors congregate care residents, we expect a rapid rebound in Assisted Living demand and a strong recovery in this vital demographic-driven and needs-based sector.

²Bloomberg: NIC MAP Senior-Housing Operating Statistics, 1/12/2021. Bloomberg: Senior-Housing Occupancy Set to Improve, 1/11/2021.

“The management has gone above and beyond doing what they can to protect their residents from this virus.”

- Son of resident of The Blake at Flowood

“I wanted to tell you my sister Janet and I are so very pleased with all of the precautions that have put in place at Prestonwood. You and your staff have been amazing through this crisis and continue to keep families abreast of what is going on as well as being cheerful and helpful to our loved ones.” - Daughter of current resident of Prestonwood

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