April 2021

Keppel Capital watch

US Senior Living

Retiring Gracefully

Photo credit: The Watermark at Westwood Village

Contents

Executive summary 1
Introduction 2
Overview of US senior demography 2
Overview of US senior living industry 4
US senior living investment market 6
Real estate strategies 12
Conclusion 13

Executive Summary

The US population is undergoing a dramatic demographic shift. The Baby Boomer generation is progressively turning 65 and older and seniors will make up one-fifth of the population by 2030. These ageing Baby Boomers are also living longer and with that comes higher incidences of dementia and Alzheimer's disease, greater requirements for assistance with activities of daily living (ADLs) and higher healthcare expenses in general. Together, these are expected to drive demand for senior living care and properties.

There is a continuum of senior living properties that cater to the needs of US seniors, depending on the level of care. These range from Independent Living, Assisted Living, Memory Care to Skilled Nursing. Besides differing on the level of care provided, the first three types of properties are predominantly private-pay while skilled nursing are usually public-pay.

As a real estate asset class, US senior living has attracted capital from institutional private equity since the late 1990s. REITs later also became active capital participants, drawn to the sector's historical defensiveness. The COVID-19 pandemic has resulted in a drop in occupancy rates across the sector as stringent health protocols prevented move-ins, but the situation has since improved and is likely to return closer to normality when the majority of residents and employees have effectively been vaccinated.

The secular trend of ageing Baby Boomers will not be impeded by the pandemic and demand for senior living could potentially outpace supply by as early as 2026. Nonetheless, the pandemic has also accentuated some of the operational risks, such as reduced operating margins due to higher expenses for Personal Protective Equipment and higher labour costs and incentives to attract and retain employees. Stronger operators may be able to pass on these higher costs through fee increases.

For traditional real estate investors, it is imperative to work with trusted partners who have established track records of delivering and operating high quality senior living properties and services and who are attuned to changing resident preferences. Despite the challenging environment posed by the pandemic, there are few distressed opportunities. Well-capitalised platform operators can pursue portfolio aggregation strategies and remain on the lookout for value-add opportunities.

Authors

Wilson Liew
Senior Vice President, Research

Lee Lay Keng
Head, Research

Introduction

70 is the new 50

The global population is ageing quickly. According to the United Nations, nearly one in five people in the world will be over the age of 65 by the year 2060. Such a greying trend has been evident in most of the developed economies, but Asia will rapidly close the gap, led by China.

Not only will the senior population grow in proportion, the availability of better healthcare and quality of life also mean that their average life expectancies have increased. These trends will influence the types of real estate products catering to the lifestyles of the ageing population. While most countries have homes for the elderly of some kind, the US has a relatively mature and institutionalised senior living sector offering various levels of care. In this paper, we provide an overview of the US senior living market and highlight the benefits and opportunities of senior living as an alternative asset class.

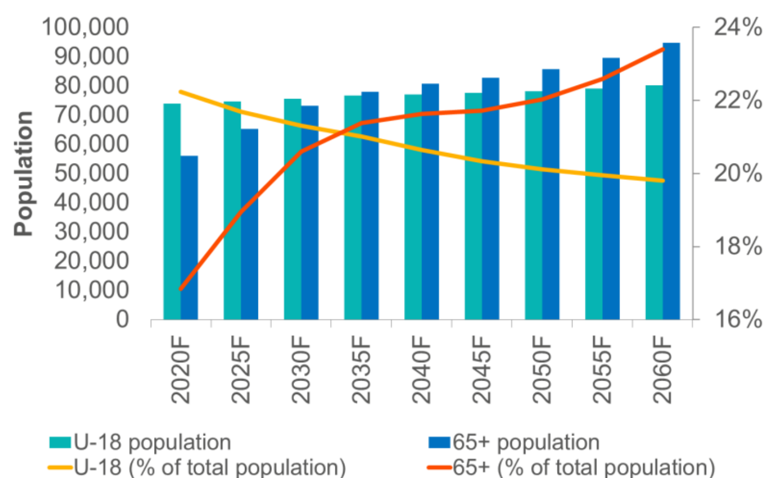
Overview of US senior demography

Enter the Baby Boomers

While we are now in the era of the Millennials (those born between 1981 and 1996), another generation group, the Baby Boomers (those born between 1946 and 1965), are on their way to retirement as they have been progressively turning 65 years and older since 2011.

Between mid-2010 and mid-2019, the US population grew by 6.1% (or 18.9 million people), but the population of seniors, hereon defined as those aged 65 and above, had grown by 33.5% (or 13.6 million people) over the same period to make up 16.5% of the entire US population[1]. By the year 2030, all the Baby Boomers will have turned 65 or older and the US Census Bureau expects the seniors' cohort to increase to 21% of the total population. With the total fertility rate in the US estimated to be at an all-time low, senior Americans will outnumber children (those under 18) by the year 2034 for the first time in US' history (Figure 1).

Figure 1: Seniors in US expected to outnumber children by 2034



Source: US Census Bureau, KepCap Research

[1] United States Census Bureau

Adding to the greying trend, Americans are also expected to live longer. The US Census Bureau projects the average life expectancy to increase from 79.7 years in 2017 to 81.7 years in 2030 and 85.6 years in 2060. Ageing of the Baby Boomers and longer life expectancies will see the seniors' population nearly double from 52.4 million in 2018 to an estimated 94.7 million in 2060, translating to an average of ~1.0 million newly-minted seniors per annum.

Implications of US' ageing population

With a sizeably growing cohort of seniors who are expected to live longer comes a host of challenges and opportunities. More importantly, the considerations below will factor into their choices of quality of life in their retirement years, including where to live and the care they need. Such choices drive and underpin the demand for differentiated senior living products.

1) Rising healthcare expenditures

Expanding ageing population and longer life expectancies mean that healthcare expenditures will also continue to rise. National health expenditures are projected to rise from USD3.6 trillion in 2018 to USD6.2 trillion in 2028 at a CAGR of 5.4%[2].

Non-hospital personal healthcare expenditures, estimated at 52% of national health expenditures in 2018, are also projected to increase from USD1.9 trillion in 2018 to USD3.2 trillion in 2028. Much of that will go to physician and clinical services, but it will also include increased spending on home healthcare and personal care for activities of daily living (ADLs), such as walking, bathing, dressing and eating. Such demand also translates to a greater need for caregivers, but the labour pool has not been able to keep up with the demand.

2) Increasing rates of dementia and Alzheimer's disease

Along with old age comes a higher susceptibility to memory impairment through dementia. Dementia is a general term for the loss of memory and other mental abilities impacting the ability to perform everyday activities. Alzheimer's disease (AD) is the most common form of dementia, accounting for about 60-70% of cases globally, according to the World Health Organization. In the US, AD is the sixth-leading cause of death among the general population and the fifth-leading cause of death for those aged 65+.

The percentage of people with AD increases with age. The US Alzheimer's Association estimates that out of the 5.8 million Americans aged 65+ suffering from AD in 2020, 80% of them were aged 75 or older. As a result of the ageing Baby Boomers who are also living longer, the number of seniors with AD is projected to increase to 7.1 million by 2025, before nearly doubling to 13.8 million by 2050, assuming the lack of medical breakthroughs to counter the disease. As a result, more caregivers would be required to attend to the sufferers' needs, particularly those needing assistance with one or more ADLs.

[2] US Centres for Medicare and Medicaid

3) Booming wealth of retirees

The Baby Boomers have been the biggest beneficiaries of the longest economic recovery since the US emerged from the Global Financial Crisis (GFC) in 2008.

As a generation, the Baby Boomers in the US saw their total household net worth increase from a trough of USD29.7 trillion in 1Q2009 to USD61.9 trillion as of 3Q2020[3], averaging a gain of USD2.8 trillion per annum. In contrast, the total household net worth of Generation X (born between 1965 and 1980) increased from USD4.3 trillion to USD31.2 trillion over the same period at an average of USD2.3 trillion per annum[4]. While actual levels of individual wealth may vary widely, the Baby Boomers collectively will have more money to spend in retirement and can better afford the abovementioned expected rising healthcare expenditures.

4) Some states will be older than others

Americans have generally been attracted to migrate to locations in the Sun Belt for their retirement years, drawn by the warmer temperatures and tax-friendly regimes. The most popular internal migration destinations among Americans aged 55+ (i.e. predominantly the Baby Boomers) are Florida, Arizona, North & South Carolina and Nevada, mainly at the expense of New York State, California, Illinois, New Jersey and Pennsylvania[5].

In terms of metro area, the most popular destinations for retirement are Phoenix (AZ), Tampa (FL), Riverside (CA), Las Vegas (NV) and Jacksonville (FL), while New York City, Los Angeles (CA), Chicago (IL), Washington (DC) and San Francisco (CA) experience the most outflows of Americans aged above 55. Nonetheless, this does not mean that demand for senior living in the metros experiencing outflows will definitely decline. Their 65+ populations will continue to grow albeit relatively slower and there will still be submarkets where senior living penetration rates remain low. Moreover, there is potential to fill market gaps with more desirable and modern products.

Overview of US senior living industry

Different strokes for different folks

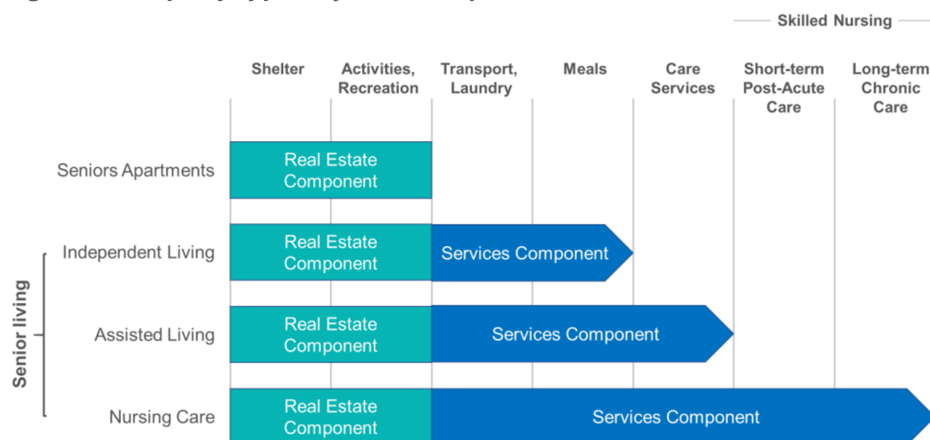
The US has a matured and institutionalized senior living market providing residents with a spectrum of options depending on the required level of care and affordability. These range from age-restricted (or seniors-only) apartments to care segments, with nursing care at the end of the continuum (Figure 2). Traditional nursing care is typically provided in an institutional-style setting, whereas the other care segments are provided in multifamily settings.

For the purpose of this report, we will only focus on the care segments, namely Independent Living, Assisted Living, Memory Care (collectively termed in this report as senior living or seniors housing) and Nursing Care.

---

[3] Federal Reserve: Distributional Financial Accounts
[4] ibid
[5] Brookings Institution, "How migration of millennials and seniors has shifted since the Great Recession", Jan 2019

Figure 2: Property types by services provided



Source: NIC Investment Guide

1) Independent Living (IL)

IL properties generally cater to the healthiest and most mobile residents who wish to have hospitality services such as meals, basic housekeeping and home maintenance, thereby freeing up time for more social interaction. The properties are typically designed for residents aged above 75, although more recently, the average age of entry has risen from the early 80s to mid-80s.

Residents moving into ILs are mostly self-funded (i.e. private paying) and the typical length of stay is approximately 4.3 years. The occupied penetration rate of this segment, i.e. the share of age 75+ households living in IL communities, was 2.5% as of 4Q2019[6].

2) Assisted Living (AL)

AL serves residents who have more care needs than IL residents. AL residents do not require round-the-clock medical attention or supervision but would require some help with ADLs. The residents are hence typically older than IL residents with the average age of entry at around 86 to 87. AL residents are generally privately funded, sometimes with the assistance of their adult children. The typical length of stay is around 3.4 years and the occupied unit penetration rate was 3.8% as of 4Q2019.

3) Memory Care (MC)

MC properties serve residents with dementia and is often offered in communities focusing primarily on AL services, where the MC section is typically a dedicated wing or secure floor within each community.

The level of care increases with the severity of the dementia and specialized care provided by MC properties may include a secured environment, behavioral care, specially trained staff and dementia-specific activities. Such specialized MC occurs throughout the entire course of the resident's disease process in MC properties, which is the main differentiating factor from regular AL settings. MC revenues are mainly private pay and derived from monthly rental payments and care fees paid by the resident. The typical length of stay is 2.9 years and the occupied unit penetration rate as of 4Q2019 was 0.4%.

---

[6] Latest available data and also a better representation of the market as this was before COVID-19

4) Nursing Care (NC)

NC properties, also called skilled nursing facilities, are the most common type of senior living, with an occupied penetration rate of 8.0% as of 4Q2019. The two types of residents/patients are those on long-stay custodial care and those on short-stay post-acute care. The traditional long-stay custodial care resident is typically female, aged between 75 and 95 years old. Higher-acuity short-stay (typically under 30 days) patients are slightly younger and enter such facilities for post-acute rehabilitation and recovery after surgeries or other hospital stays, or in lieu of inpatient hospital stay. Long-term residents typically take up two-thirds of occupied beds and pay using their own funds, Medicaid or long-term care insurance, while short-stay patients use Medicare or private insurance to pay for their stays.

Types of communities

Senior living communities can consist of a combination of the above properties. The main types of communities are:

a) Majority IL;
b) Majority AL;
c) Majority NC; and
d) Continuing Care Retirement Centres (CCRCs).

CCRCs, also known as life plan communities, often aggregate IL, AL and skilled nursing options from a single operator at a single location, allowing older seniors to remain in the same communities even as their needs change as they age. CCRCs typically offer either a rental-based option or an entrance-fee based option. Based on the CCRCs tracked by NIC[7] Map Data, approximately 52% are entrance-fee based while the other 48% are rental-based.

Given that the majority of CCRC residents initially live in an IL unit, the typical age of a resident is 80-83 years old and often does not require assistance with ADLs. Resident turnover is lower than the other segments with an average length of stay of 5.2 years for entrance-fee residents. Residents primarily rely on their private wealth and often liquidate their original properties to afford an entrance-fee CCRC.

US senior living investment market

According to estimates by NIC, the total value of investment-grade senior housing and care property market in the US was USD474.5 billion as of 4Q2019, comprising approximately 24,500 investment-grade properties housing 3.1 million units. Excluding nursing care, the market value of the senior living sector was approximately USD354 billion.

While the senior living sector is a niche real estate asset class, institutional private equity has been drawn to the sector since the late 1990s. The asset class witnessed growing investment allocation by pension funds, insurance companies, universities and endowments, particularly due to its relatively strong performance through the GFC and the strong and favourable demographic trends underpinning demand.

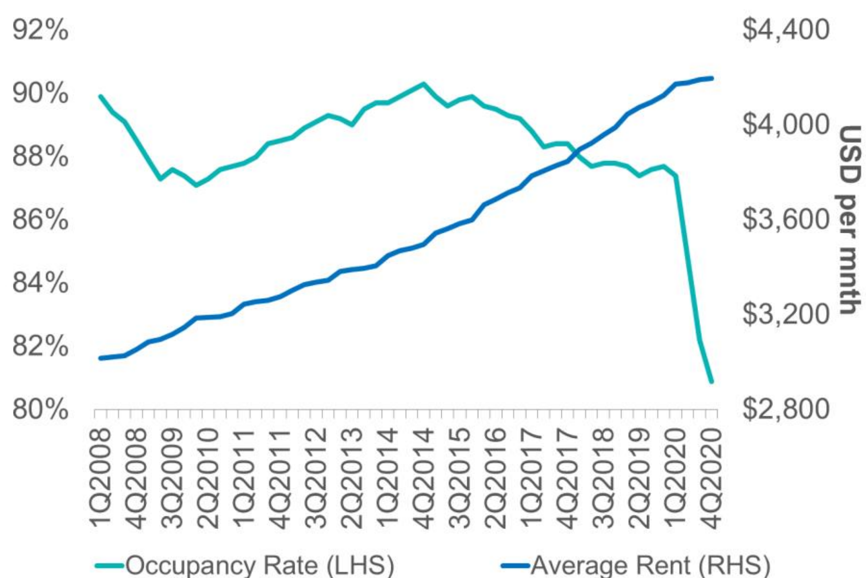
[7] National Investment Centre for Seniors Housing & Care

Healthcare REITs have also been a strong source of capital because of the defensiveness of the asset class. The REIT Investment Diversification and Empowerment Act of 2007 (RIDEA) structure further allows REITs the ability to capture a portion of the operating income net of management fee as opposed to just receiving fixed rental payments, provided a third-party manager is engaged to operate the business. This structure has been gaining traction with the healthcare REITs as they seek to participate in the relatively strong performance of the private-pay segments.

Every cloud has a silver lining

The senior living sector has proven to be a relatively resilient one over the past two decades. As seen in Figure 3, the average occupancy rate of senior living properties exhibited relatively low volatility prior to the COVID-19 pandemic, registering a relatively healthy trough of 87.3% in 2010 following the GFC (Figure 3). Rents grew at an average of 2.5% p.a. between 2009 and 2020; even during the occupancy trough in 4Q2010 following the GFC, rents managed to grow by 1.3% yoy.

Figure 3: Resilience of US senior living sector



Source: NICMAP© Data and Analysis Service, KepCap Research

The ongoing COVID-19 pandemic is an unprecedented health crisis which is impacting older individuals more severely, especially those with underlying or chronic health conditions. Consequently, the near-term impact on the senior living sector is relatively high, due to limited physical property tours, a slowdown in leads and conversions and slower move-ins because of stringent health protocols. By property type, majority IL properties have been the most resilient as their residents tend to be healthier. Average occupancy rates for majority IL declined from 89.9% in 4Q2019 to 83.7% in 4Q2020, whereas occupancy rates for majority AL and majority NC declined from 85.3% and 86.3% in 4Q2019 to 77.9% and 77.5% respectively in 4Q2020.

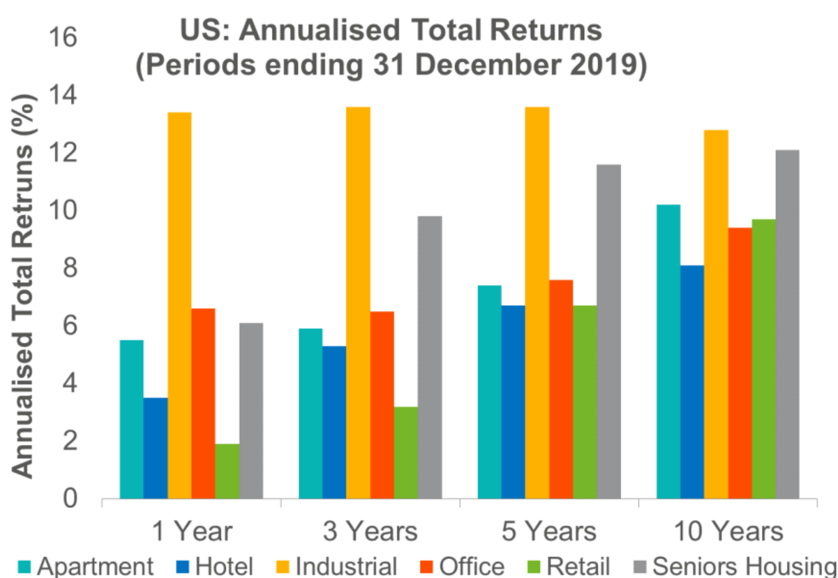
As the US ramps up its rollout of COVID-19 vaccines with priority given to essential workers (including healthcare workers) and seniors, a significant proportion of senior living employees and residents could be vaccinated by

2H2021. That should pave way for the gradual normalisation of absorption, as underlying demand remains robust.

However, there could be a continued flight-to-quality, where the demand for properties providing high-quality environments and bespoke services and activities outweigh that for mediocre properties. In addition, senior living properties and communities that adopt strict health and safety protocols could gain further favour from residents seeking sanctuary from this and future pandemics, even if they may have to pay premium fees.

The combination of real estate, hospitality and needs-driven services from senior living properties translates to resilient investment returns, evident during the GFC and thereafter. According to the National Council of Real Estate Investment Fiduciaries (NCREIF), total returns from the US senior living sector outperformed most traditional asset classes with the exception of industrial properties over a ten-year period ending 4Q2019 (Figure 4). The sector generated annualized returns of 12.1% over the period, outpacing comparable accommodation properties like apartments (10.2%) and hotels (8.1%).

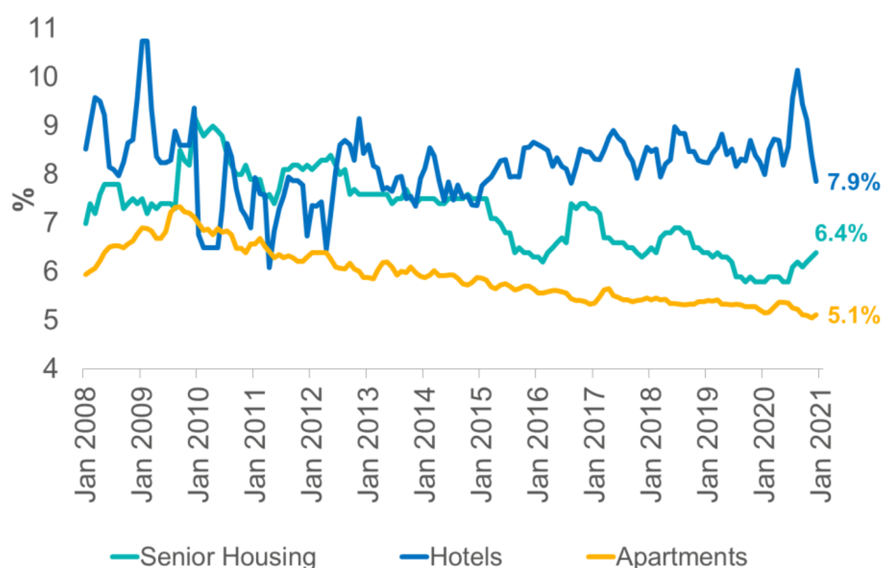
Figure 4: Consistent outperformance from seniors housing sector



Source: NCREIF, NIC

Due to growing investor interest in the sector amidst a prolonged low interest rate environment, cap rates for senior living properties have generally compressed after the GFC, prior to an uptick due to the onset of the COVID-19 pandemic. Comparing accommodation-type properties, senior living trades at tighter cap rates than hotels given the former's longer stays and higher certainty of income, but senior living cap rates were ~1.3 ppts higher than those of apartments as at December 2020 (Figure 5).

Figure 5: Senior housing's attractive yield premiums over apartments



Source: Bloomberg, RCA

Analysis from CBRE revealed that in 2H2020, the expansion of senior living cap rates was more pronounced for Class B and Class C assets, illustrating an investor flight to quality throughout the pandemic. As more residents and care workers are vaccinated and move-in rates gradually return to normal, the cap rate compression trend can be expected to resume.

Medium-term demand to outstrip supply

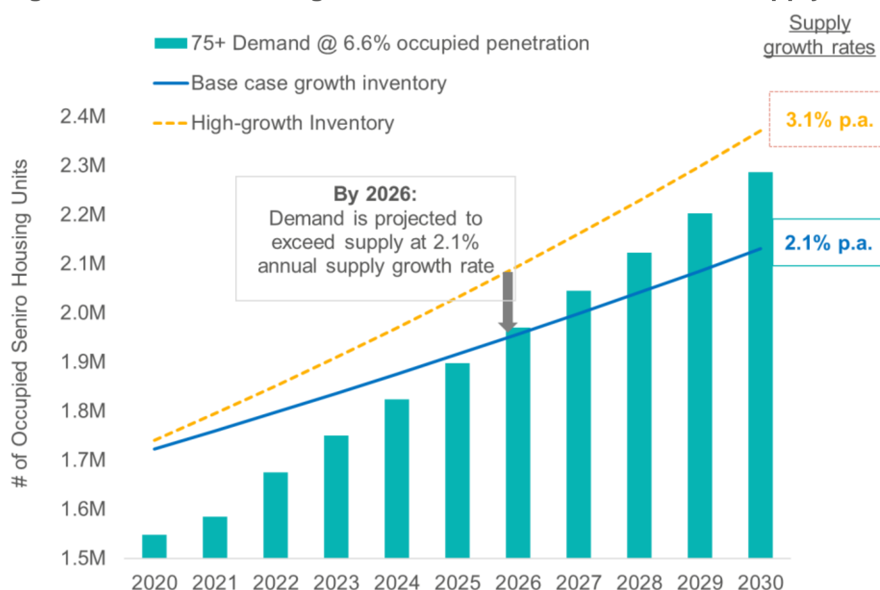
Due to the ample availability of capital, construction starts of new senior living units ranged from 38,935 to 43,131 units p.a. between 2015 and 2018, but that moderated to 32,969 units in 2019 as average occupancy declined marginally from 89.8% in 1Q2015 to 87.8% in 4Q2018. Due to COVID-19, construction starts in 2020 further declined to 17,506 units.

To gauge the long-term demand and supply dynamics between 2020 and 2030, we extrapolated the future inventory based on the historical ten-year (2011-2020) average growth of 2.1% p.a. and compared that against the US Census Bureau's growth projections for the 75+ population. Assuming the average occupied penetration rate of 6.6% for senior living units for the 75+ population between 2010 and 2019 remains unchanged, this base case scenario shows that demand for senior housing units could outstrip available supply by 2026 (Figure 6).

Even in the unlikely scenario where inventory grows at 3.1% p.a. (the growth rate in 2017 and the highest growth rate in the past decade) over the next decade, the average occupancy rate of senior housing will exceed technical full occupancy of 95% by 2028.

COVID-19 may have resulted in a drop in the occupied penetration rate in 2020 but we believe this to be temporary and the structural trend of an ageing population means that demand for high-quality senior housing remains robust, especially those run by operators with sound track records.

Figure 6: US senior living demand could exceed available supply



Source: NICMAP© Data and Analysis Service, US Census Bureau, Keppel Capital

Operational risks and challenges

While it is an attractive asset class, the senior living segment requires varying degrees of specialized operating expertise depending on the level of care provided which traditional real estate investors typically lack. Some of the risks and challenges facing the industry include:

1) Operator risk

Senior housing is an operationally intensive industry and the success of each community will largely depend on the skill of the operating team and its track record of serving the needs of the residents in a safe manner which complies with laws and regulations. Good operators also need to have strong systems and procedures in place to ensure quality of care to minimize liability risks associated with elderly residents or patients and yet deliver profitability on a consistent basis.

COVID-19 has also brought about greater operational challenges. Firstly, during the initial onset of the pandemic, hospitals were given priority over the available supply of Personal Protection Equipment (PPE). As senior living operators subsequently sought to secure their own PPE to safeguard the well-being of their workers, the supplies often came at higher costs than before leading to additional operating expenses along with increased costs for mitigation measures such as sanitation and regular testing. Most operators expect such expenses to remain elevated for the foreseeable future with the negative impact on margins potentially at 1% to 2%[8], but the stronger operators may be in a position to raise rents and fees to mitigate the increase in expenses as residents willingly pay a premium to live in safer and well-managed environments.

While nursing homes received some federal aid for testing and PPE, AL providers have been given less financial aid on the premise that they are

[8] https://seniorhousingnews.com/2020/07/06/senior-living-margins-squeezed-by-covid-19-providers-seek-long-term-solutions/

predominantly private-pay and subject to less federal oversight. According to figures released by Argentum, a national trade association for senior living operators, in February 2021[9], AL providers have been promised only 1.7% of the total Provider Relief Fund amounting to USD3 billion. Argentum also noted that 56% of AL providers believed they would not be able to sustain operations for another year. As the pandemic wears on, there could be market consolidation as the weaker providers cease operations while the stronger ones prevail.

2) Labour market constraints

Even though the 75+ population in the US grew at an average of 1.7% p.a. between 2011 and 2019, the total number of people employed by the Nursing and Residential Care Facilities subsector only grew at an average of 0.8% p.a. over the same period. Labour shortage has been a problem in the seniors housing and care sector and competition for experienced and qualified labour among operators remains keen.

Together with the tightening of the overall labour market where the national unemployment rate fell to a 50-year low of 3.5% in January 2020, the average hourly earnings of nursing and residential care facilities workers grew at an average of 2.9% p.a. between 2015 and 2019, marginally higher than the 2.8% p.a. average growth rate for the total private sector.

The situation was made even more acute in 2020 due to COVID-19, as the number of total employees in the subsector fell by 8.0% yoy, resulting in average hourly earnings increasing by 7.7% yoy as of December 2020 amidst the labour shortage and additional provisions for hero pay, compared with a 5.4% yoy increase in average hourly earnings for all employees in the total private sector. While the increase in wages is likely to ease as conditions normalise, wages are expected to remain under some pressure as operators compete to attract and retain staff such as caregivers.

As at the time of writing, questions remain over the permanence of vaccine-conferred immunity to COVID-19 and whether vaccinated individuals can still transmit the coronavirus. Based on NIC's seniors housing and care survey conducted between 8 February and 21 February 2021, 84% and 76% of residents received their first and second vaccine doses respectively, but only 59% and 55% of staff received theirs[10]. While most facilities are encouraging greater acceptance from staff via education and communication, a minority of the survey respondents (11%) have made COVID-19 vaccination mandatory for staff.

3) Regulatory risk

The senior living and care sectors are among the more highly regulated activities in the US. While skilled nursing is highly regulated at federal and state levels, regulation of AL and MC communities varies by state and can be fragmented, with differences in regulations such as staffing ratios, registered nurse employment requirements and staff credentialling.

[9] https://www.globenewswire.com/news-release/2021/02/12/2175180/0/en/Seniors-and-Caregivers-Continue-to-be-Overlooked-in-COVID-19-Relief-Negotiations.html
[10] https://blog.nic.org/executive-survey-insights-wave-22

Changes in laws and regulations can have quick and material impact on an operator's business model. A prudent and successful operator will need to be familiar with the local regulatory nuances and possibly foresee and plan for future regulatory changes.

Real estate strategies

Due to the additional operational and regulatory requirements for the senior living and care sectors, real estate investors should look to partner with trusted operators with established track records of navigating through the regulatory landscape, economic cycles and changing end-user demands.

As an example, Keppel Capital has a 50% stake in Watermark Retirement Communities, which is ranked among the top 15 largest senior living operators in the US by the American Senior Housing Association. With more than 30 years of experience in the sector, Watermark has developed a network of systems and tools that is robust, fully integrated and scalable.

With the right operating partner, we highlight some strategies below that may be adopted to enhance returns for real estate investors seeking exposure to the senior living sector.

1) Focus on majority IL, majority AL and MC

According to NIC, operating margins for nursing care are well below those of private-pay segments. As of 2018, the median operating margin for freestanding NC was -0.1%, compared with more than 25% for IL and AL. Due to the relatively high levels of care, labour costs make up a significant part of NC operating expenses and continue to rise during the COVID-19 pandemic. In addition, regulatory changes allowing Medicare to pay for hospital-level care at home and the pandemic have led to significant reductions in post-acute hospital referrals to skilled nursing facilities[11].

Investments focused on majority IL, majority AL and MC catering to high-demand metro areas hence carry lower risks.

2) Product and service differentiation

To convince more prospective residents to move out of their original homes and into senior living properties, providers have to stay attuned to changing consumer preferences. For instance, as a result of COVID-19, there may be more compartmentalized dining areas to maintain social distancing.

More importantly, operators need to provide residents with innovative programmes focused on their wellbeing and engagement. One example is equine therapy at Watermark's The Hacienda by the River in Tucson, Arizona, which has been shown to be beneficial for those dealing with Parkinson's, Alzheimer's, dementia and depression. Watermark has also introduced a Virtual Reality programme in its communities called EngageVR, providing residents with virtual experiences such as the Apollo 11 moon landing or an African safari.

[11] https://medcitynews.com/2020/12/pandemic-drives-down-hospital-referrals-to-skilled-nursing-facilities/?rf=1

3) Aggregating for portfolio premium

Institutional ownership within the US senior living sector is highly fragmented. Of the approximately 1.69 million investment-grade units (excluding NC), the 50 largest owners of seniors' housing in the US owned just around 595,000 units as of June 2020, according to the American Seniors Housing Association (ASHA). The top 5 owners owned 36.6% of these units, or just 12.9% of the total investment-grade units.

The fragmented market presents opportunities for well-capitalised platforms to build up their portfolios by pursuing acquisitions from smaller owners. Besides benefiting from operational economies of scale, the platforms that do the "hard work" of aggregating portfolios may potentially benefit from portfolio premiums on exit.

4) Remain vigilant for value-add opportunities

Even though some of the weaker operators may be struggling financially in the midst of the pandemic as margins are further squeezed by lower occupancies, not many properties are available at distressed valuations. Nonetheless, if the flight to quality from both equity and debt capital sources ensues, the valuation gaps between Class A and Classes B and C senior living properties may widen, potentially presenting opportunities for value-add strategies. There may also be development opportunities in under-penetrated markets and to fill market gaps with modern, high-quality products.

Conclusion

The tide of ageing Baby Boomers is the key demand driver for quality senior living properties in the US. Seniors will not only continue to grow as a proportion of the American population, they are also wealthier and expected to live longer than previous generations. As the population gets older, the desire to age gracefully will intensify and requirements for quality care services will also increase.

Challenges posed to the industry by the COVID-19 pandemic are expected to be transient and demand for well-managed senior living properties is expected to return to normal after effective vaccinations. With positive demand drivers and a history of outperformance, investors' interest in US senior living properties will remain keen. Working with experienced and forward-thinking operators will further ensure that the product offerings remain relevant to discerning end-users and optimizing risk-adjusted returns for investors.

Keppel Capital is a premier asset manager in Asia. It is the asset management arm of Keppel Corporation Limited, one of Singapore's flagship multinational companies in more than 20 countries. Keppel Corporation provides solutions for sustainable urbanisation, focusing on energy & environment, urban development, connectivity and asset management.

With assets under management of approximately S$37 billion^, Keppel Capital has a diversified portfolio that includes real estate, infrastructure, data centres and alternative assets in over 40 cities across key global markets.

Keppel Capital aims to create value and deliver sustainable returns for institutional and retail investors through a range of products including REITs, business trusts, private funds investing in real estate and infrastructure, separate accounts and pooled investment vehicles.

The asset managers under Keppel Capital include Keppel REIT Management Limited (the manager of Keppel REIT), Keppel Infrastructure Fund Management Pte. Ltd. (the trustee manager of Keppel Infrastructure Trust), Keppel DC REIT Management Pte. Ltd. (the manager of Keppel DC REIT), Keppel Pacific Oak US REIT Management Pte. Ltd. (the manager of Keppel Pacific Oak US REIT), as well as the private fund managers, Alpha Investment Partners Limited and Keppel Capital Alternative Asset Pte. Ltd.

^ *Gross asset value of investments and uninvested capital commitments on leveraged basis to project fully-invested AUM*

About Watermark Retirement Communities Inc
Watermark's commitment to creating innovative and extraordinary communities where people thrive® dates back to 1987, when The Fountains opened its first retirement community. In 2020, the American Seniors Housing Association (ASHA) ranked Tucson-based Watermark Retirement Communities as the nation's 11th leading seniors housing operator. Keppel Capital owns a 50% stake in Watermark, which has a reputation for service, innovation, integrity and financial stability. The Keppel Group looks to leverage Watermark's deep expertise and agile business model to expand into the fast-growing senior living sector.

Members of Keppel Capital:
Keppel REIT Management Limited
Alpha Investment Partners Limited
Keppel Infrastructure Fund Management Pte. Ltd.
Keppel DC REIT Management Pte. Ltd.
Keppel Pacific Oak US REIT Management Pte. Ltd.
Keppel Capital Alternative Asset Pte. Ltd.

Our Offices • **Singapore** • **Australia** • **China** • **Japan** • **Korea**

Disclaimer: This report is published solely for informational purposes and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. Certain statements in this report may not be based on historical information or facts and may be "forward-looking" statements due to a number of risks, uncertainties and assumptions. Examples include without limitation general industry and economic conditions, interest rate trends, market conditions and competition and governmental and public policy changes. No guarantee, representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information or opinions contained herein, nor is it intended to be a complete statement or summary of the markets or developments referred to in the report. The report should not be regarded by recipients as a substitute for the exercise of their own judgement and recipients should not act on the information contained herein without first independently verifying its contents. Any opinions or estimate expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by others as a result of using different assumptions and criteria. Keppel Capital Holdings Pte. Ltd. and its asset managers, namely Keppel REIT Management Limited, Alpha Investment Partners Limited, Keppel Infrastructure Fund Management Pte. Ltd., Keppel DC REIT Management Pte. Ltd., Keppel Pacific Oak US REIT Management Pte. Ltd. and Keppel Capital Alternative Asset Pte. Ltd. (collectively known as "Keppel Capital Group"), have not given any consideration to and has not made any investigation of the investment objectives, financial situation or particular needs of the recipient, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient acting on such information or opinion or estimate. Keppel Capital Group is under no obligation to update or keep current the information contained herein. In no event and under no legal or equitable theory, whether in tort, contract, strict liability or otherwise, shall Keppel Capital Group be liable for any damages, including without limitation direct or indirect, special, incidental or consequential damages, losses or expenses arising in connection with the use of or reliance on the information contained herein.