

Cautionary Outlook for Senior Living Sector into 2024

HilltopSecurities' outlook for the senior living sector remains cautionary as we head into 2024. The cautionary outlook is a slight upgrade to our negative outlook that we assigned in 2022, and reflects an uptick in senior housing occupancy, a moderation of labor expense increases, and a relatively modest supply of new available units. However, and as detailed in the report, there is significant difference of analytic opinion on the credit quality of transactions, and care should be taken to carefully assess fundamental credit expectations. Finally, the sector remains challenged as it continues to recover in a post-pandemic environment, reflected by 20 impairments and defaults in 2023, according to Bloomberg affecting \$661 million of debt, which we forecast will moderate in 2024.

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