

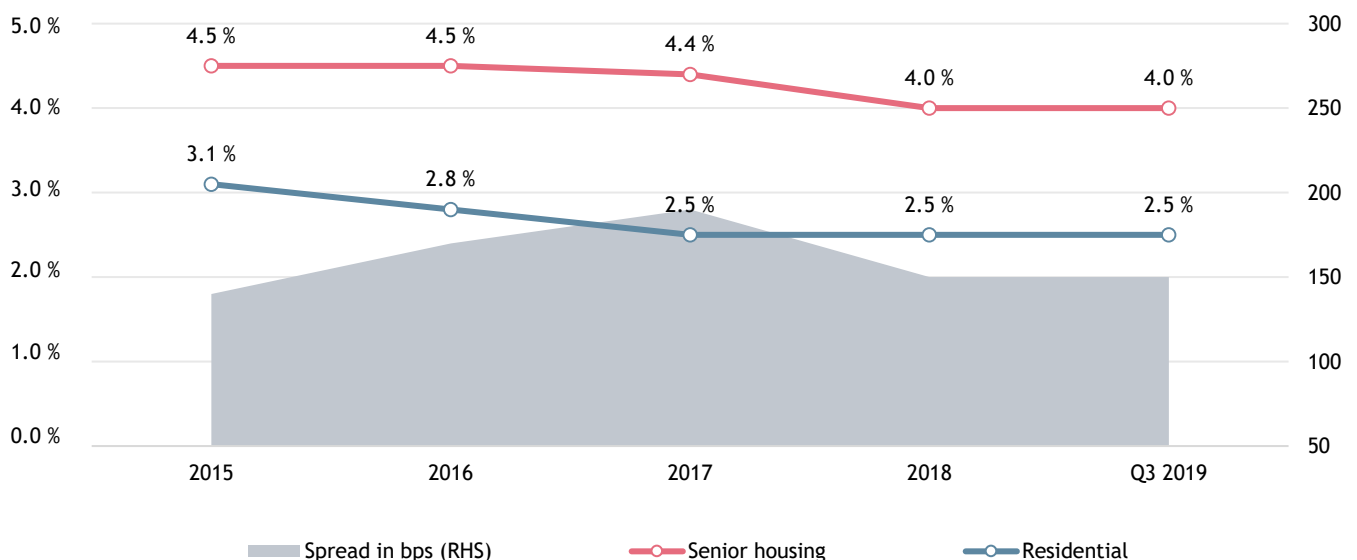
EUROPEAN RESEARCH MONTHLY UPDATE

OCTOBER 2019

INDEPENDENT SENIOR LIVING: AN INVESTMENT WITH LONGEVITY

- This report focuses on independent senior living, where typically a professional operator leases the entire property from an investor and residents sublet each unit with a range of services from the operator. Services (catering, cleaning, shopping, hairdressing) and social activities are proposed on a pay-as-you-go basis - residents only pay for the services they need. On-site staff (5 to 20 employees depending on the operator and size) assist residents, manage the residence and provide a secure environment.
- Senior housing for autonomous seniors or independent living is distinct to care homes and assisted living which offer medical care and assistance for activities of daily living. Independent living residents are typically aged between 75 and 85 year-old. Independent living is known in France as *Résidences Services Séniors*. In Germany, *Betreutes Wohnen* tend to offer a higher level of medical care. In the UK, most private senior housing concepts are currently for sale and not for rent.
- Independent living offers attractive investment opportunities to investors due to strong demand fundamentals, high occupation rates, low resident turnover and a diversified revenue model for the operator.
- Independent living combines the benefits of both residential & commercial real estate investments:
 - Senior housing yields are attractive at 4.0-5.0% compared to standard residential (+150-200 bps yield premium)
 - Triple-net commercial lease to a single operator
 - Long leases of 10-25 years
 - Low correlation to economic cycles
 - Downside protection with potential conversion into standard residential
- Independent living represents a socially responsible and sustainable investment as operators provide a range of services & activities to cater for the evolving needs of senior residents. Senior housing is also a build-to-suit accommodation benefiting from the latest environmental standards.

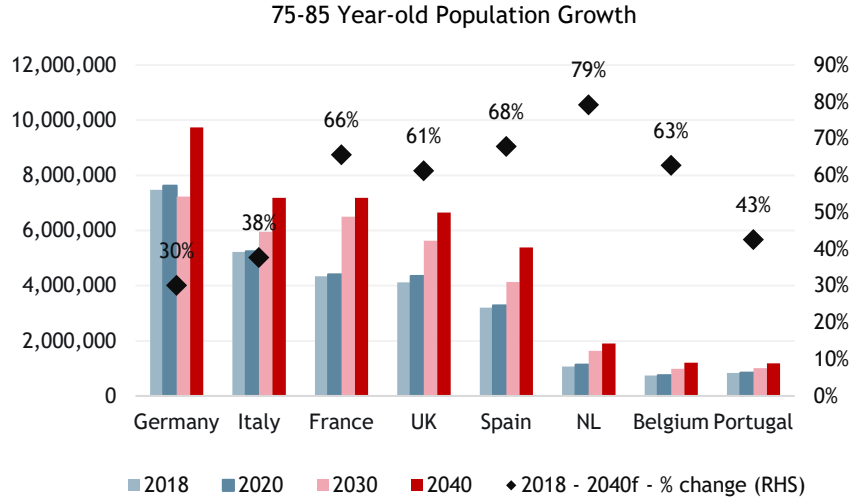
INDEPENDENT SENIOR LIVING OFFERS A YIELD PREMIUM OF 150-200 BPS OVER STANDARD RESIDENTIAL - FRANCE



Sources: CBRE & AEW

SENIOR HOUSING BENEFITS FROM STRONG DEMAND FUNDAMENTALS

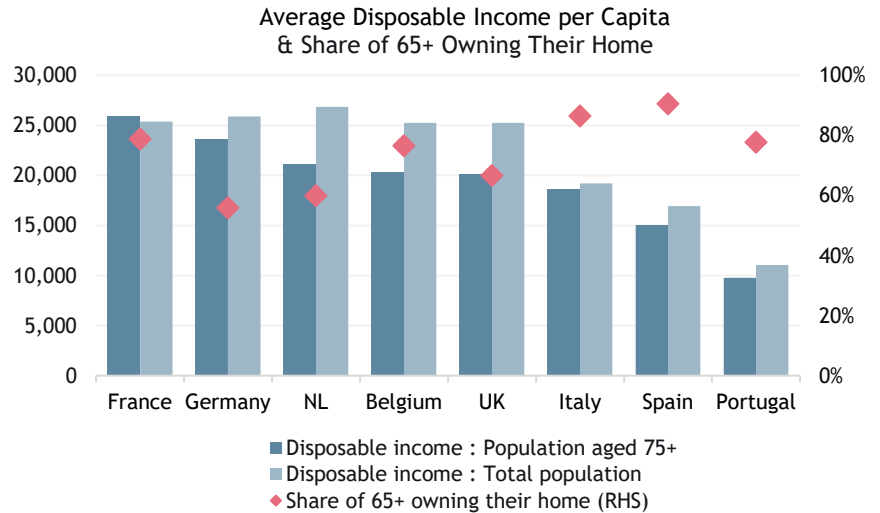
- Senior housing benefits from very strong demand fundamentals.
- The European elderly population aged between 75 and 85 is expected to increase by 50% to reach 54.8 million by 2040.
- The expected growth rates range from 79% in the Netherlands to 30% in Germany where the ageing process is more advanced (notably in Eastern Germany).
- Population ageing is driven by the improvement in life expectancy and by the fact that the large population of Baby Boomers has now reached retirement age.
- This drives demand for new types of housing as private dwellings do not meet the needs of the self-sufficient senior population.



Sources: Eurostat (baseline projections) & AEW

POPULATION AGED 75+ BENEFIT FROM A HIGH DISPOSABLE INCOME & HOUSING WEALTH

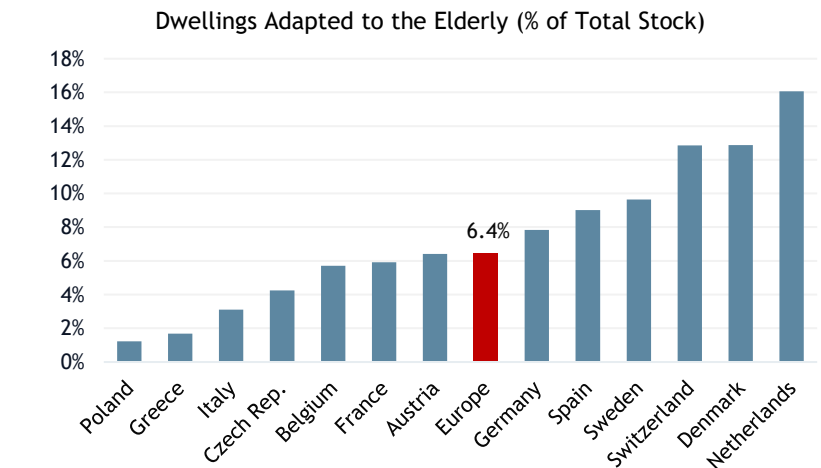
- Average disposable income per capita of those aged 75+ is only slightly lower than the average of the overall population in most European countries, especially in Southern Europe.
- In France, the disposable income of the 75+ is in line with the national average, which reflects a higher level of public allowances for the elderly.
- On average in the EU, 76% of the population aged 65+ own their home, which can be sold or rented out to cover all or part of the rental costs of senior housing.
- Independent living residents do not rely on public subsidies. Exposure to regulatory changes is therefore limited in contrast to care homes.



Sources: Eurostat & AEW

LACK OF SUITABLE RESIDENTIAL STOCK ADAPTED TO THE ELDERLY

- With the European population ageing rapidly, the need for dwellings adapted to the elderly is increasing.
- However, only 6.4% of the European residential stock is suitable for the elderly.
- 32% of people aged 65+ live alone on average in the EU (22% of men, 40% of women).
- Independent living offers autonomous seniors an alternative between living alone in an unpractical family home and assisted living and care homes, which cater for seniors who are not self-sufficient.
- It provides what autonomous seniors are looking for: independence, sociability, services and on-site assistance.

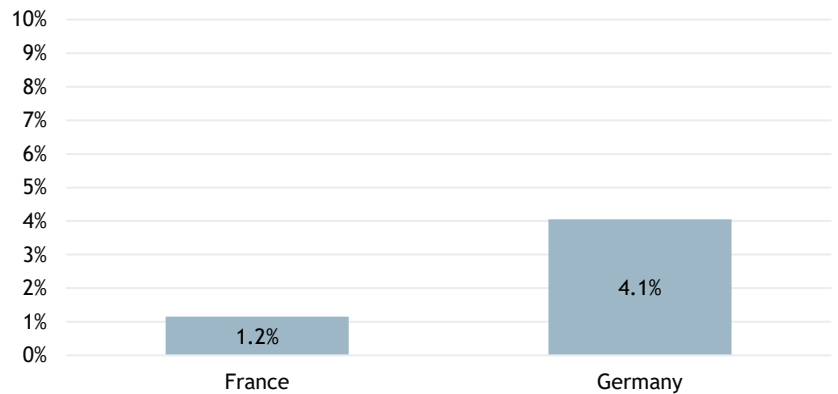


Sources: EU Share Survey & AEW

THE INDEPENDENT SENIOR LIVING SECTOR HAS ROOM TO GROW IN EUROPE

- Senior housing for autonomous seniors has room to grow as just 1.2% of 75 to 85-year olds currently live in *Résidences Services Séniors* in France. In Germany, the share of 75 to 85-year olds living in *Betreutes Wohnen* is 4.1%.
- Independent living operators' revenues stem from catering (20%) and other non-food *à la carte* services (30%) in addition to rental income (50%). This makes for a diversified business model.
- High occupancy rates and a low resident turnover (with an average stay of six years) provide stable performance.

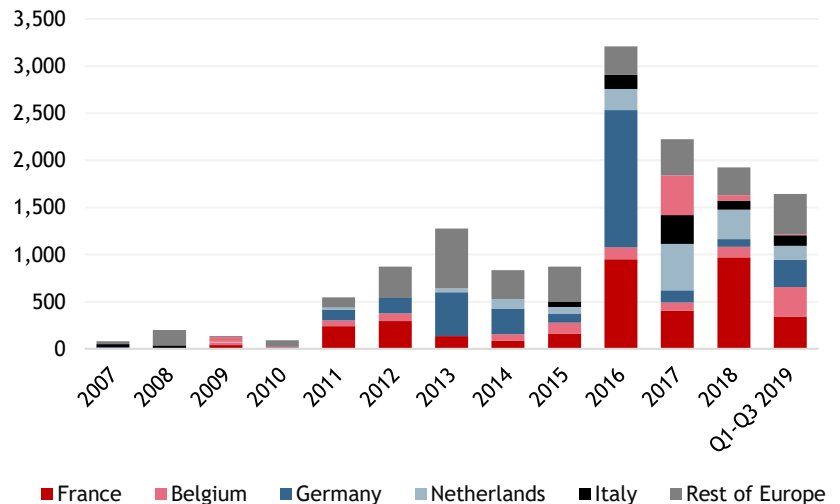
Share of The 75-85 Population Living in Independent Senior Housing (excludes Care Homes/Assisted Living)



Sources: PM Pflegemarkt, Xerfi, Eurostat & AEW

SENIOR HOUSING INVESTMENT VOLUMES HAVE SIGNIFICANTLY INCREASED SINCE 2016 (€ MN)

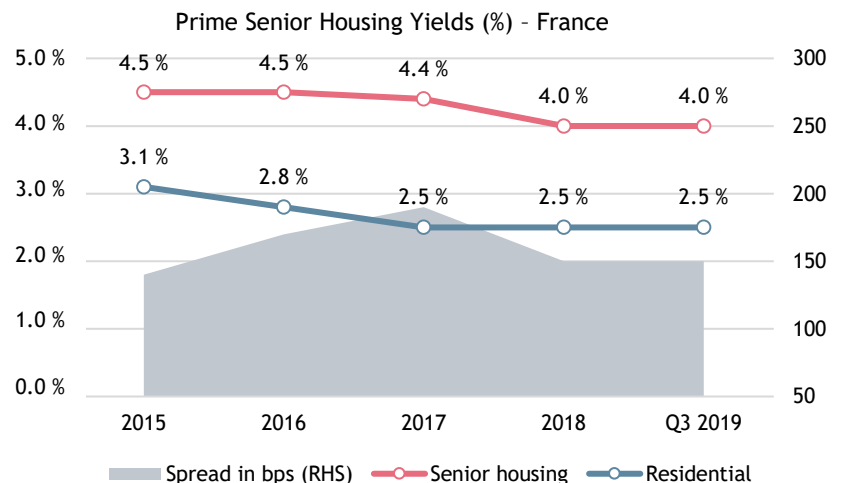
- Investment volumes in the senior housing sector have soared in Europe since 2016, reaching €3.2bn (excluding the UK, due to the difference in business model). Invested volumes could reach €2.0bn in 2019.
- Independent living combines the benefits of both residential & commercial real estate investments: a long, triple-net commercial lease to a single operator and a low correlation to economic cycles.
- The main risk lies with the operator's performance. Operators' break-even point is at c.75% occupancy.
- However, potential conversion into standard residential offers downside protection to investors. It is also possible to sell each dwelling to private investors.



Sources: RCA (volumes include care homes/assisted living transactions) & AEW

INDEPENDENT SENIOR LIVING OFFERS A YIELD PREMIUM OF 150-200 BPS OVER STANDARD RESIDENTIAL

- Independent living yields currently stand at 4.00-4.50%. This represents an attractive premium over standard residential of 150-200 bps.
- Yield compression is also expected to continue in this sector as a result of investor demand and a higher level of maturity (more operators benefiting from a proven track-record).
- Independent living represents a socially responsible and sustainable investment to investors.



Sources: CBRE & AEW

ABOUT AEW

AEW is one of the world's largest real estate asset managers, with €68.2bn of assets under management as at 30 June 2019. AEW has over 700 employees, with its main offices located in Boston, London, Paris and Hong Kong and offers a wide range of real estate investment products including comingled funds, separate accounts and securities mandates across the full spectrum of investment strategies. AEW represents the real estate asset management platform of Natixis Investment Managers, one of the largest asset managers in the world.

As at 30 June 2019, AEW managed €31.9bn of real estate assets in Europe on behalf of a number of funds and separate accounts. AEW has over 400 employees based in 9 offices across Europe and has a long track record of successfully implementing core, value-add and opportunistic investment strategies on behalf of its clients. In the last five years, AEW has invested and divested a total volume of over €20bn of real estate across European markets.

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