



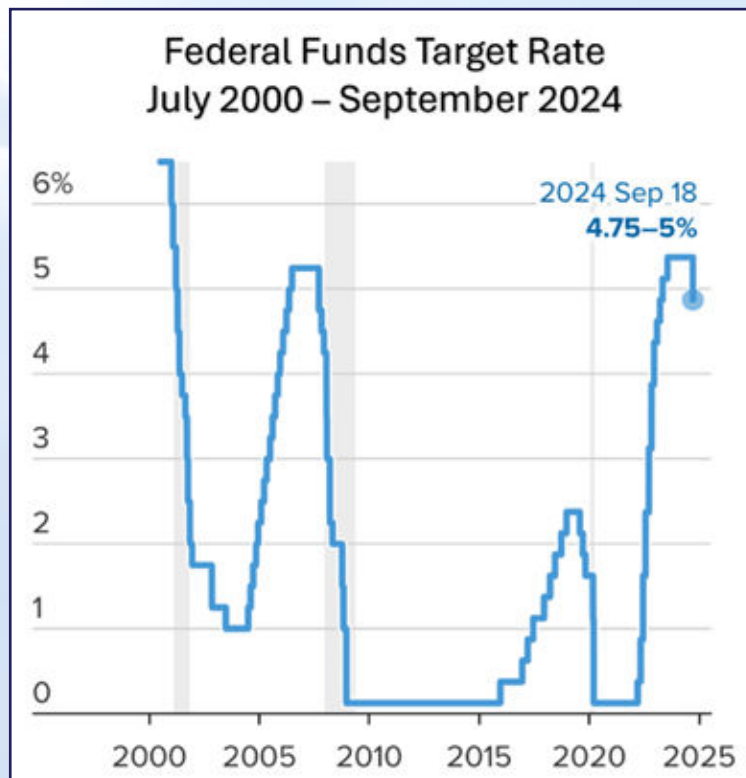
Senior Living Fund

October 2024

Senior Living Fund (SLF) is a private equity fund with 20+ senior housing assets under management which generated over \$25 million (\$100 million annualized) in revenues during Q2 2024. The majority of assets within our portfolio are Independent Living (IL), Assisted Living (AL) and Memory Care (MC) communities that were developed and constructed by our sponsor partners utilizing SLF capital.

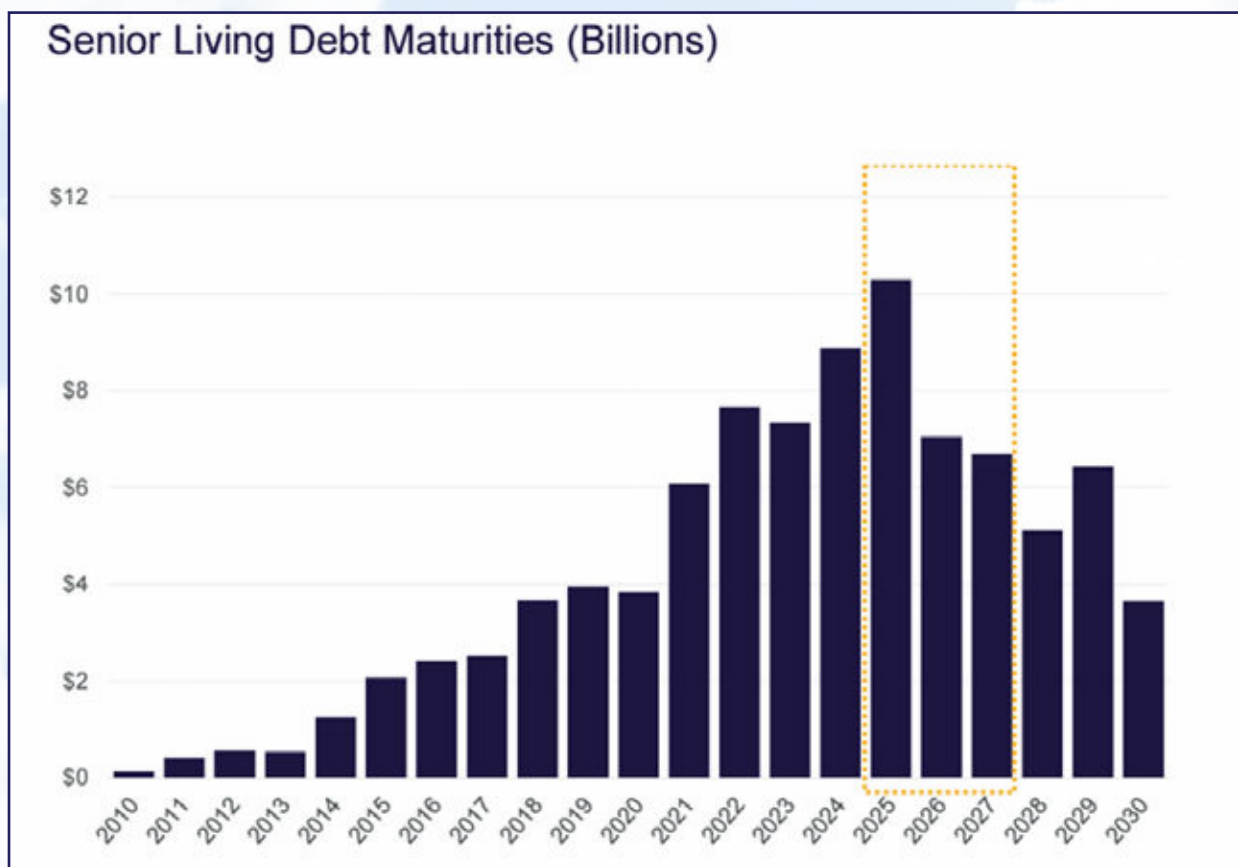
Market Update

As discussed in [last month's newsletter](#), virtually all economists were anticipating the Federal Reserve would begin lowering the federal funds rate at their September meeting. On 09/18/2024, The Federal Reserve cut the federal funds rate by 50 basis points, the first rate cut since March 2020, in what is being viewed as the “kickoff” to a rate cutting cycle. Many economists anticipate Fed rate reductions will continue on a regular basis through mid-late 2025.



While the larger impacts of such rate cuts likely won't be felt until next year, there are already positive trends and expectations for the market as a result of this initial move:

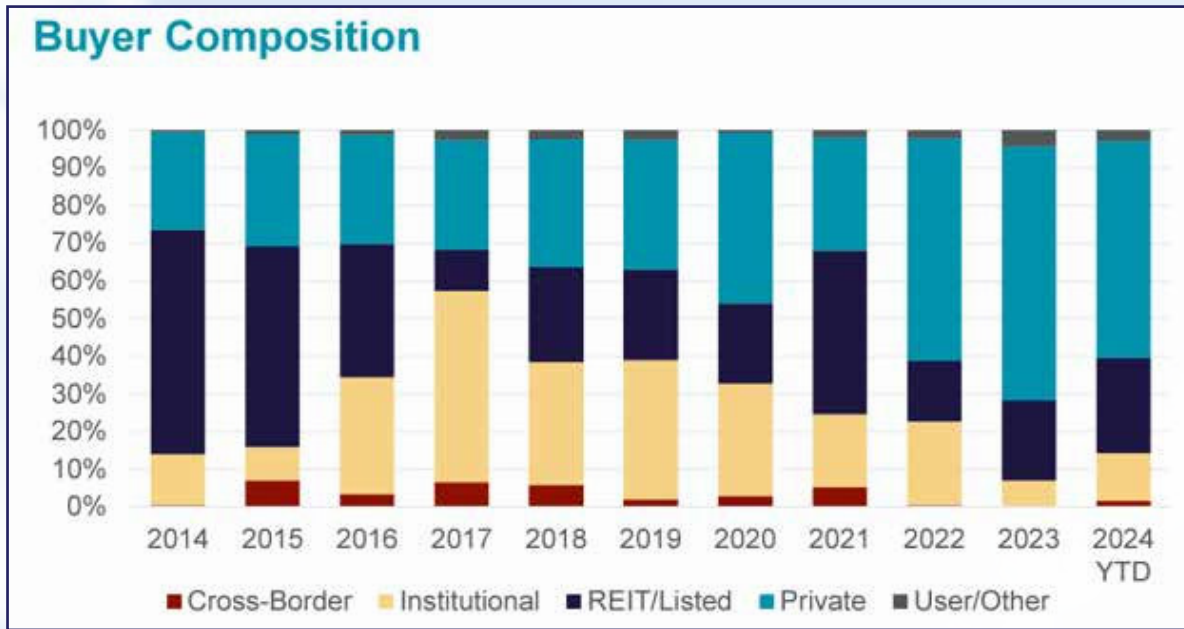
- A falling Fed rate translates to lower borrowing costs. This creates a more competitive market for senior housing assets, since it allows more buyers into the market to utilize less expensive debt financing to purchase the senior housing assets.
- The senior living industry currently faces a large burden of debt maturities estimated at \$15- \$19 billion in the next two years. Rate cuts will benefit companies who will soon need to refinance their communities.



Source: Real Capital Analytics; Cushman & Wakefield

- In addition to the lower overall debt costs, this contraction in base rates helps the financial engineering of deals by restoring some neutral or positive leverage conditions for fixed-rate product relative to cap rates.
- Over the past three-year period, private capital investors have stepped in as the primary buyer for senior living properties, representing 50% to 60% of investment activity. These private capital investors have mostly sought opportunistic investment strategies, targeted at thoughtfully designed and well-located properties with distressed capital stacks as a result of the high borrowing, land, and construction

costs associated with a high-interest rate environment.



Source: Real Capital Analytics; Cushman & Wakefield

- With a falling Fed rate, strategies other than those deemed “opportunistic” will become more practical for private investors, institutional investors and REITs. This creates a more competitive market for senior housing assets. Greater demand for senior housing assets will increase prices, and thereby lower market cap rates.

In summary, we certainly appear to be heading towards a very strong and sustained period of economic growth and stability, with reasonably priced debt to further bolster the buyer market. This will still take some time, as most economists expect it to take until mid-late 2025 to reach a 2.00% or similar Fed rate drop. It also supports the strategy to have patience while we let the economy and related capital markets heal.

While exercising patience, SLF will continue to manage expenses, improve revenue, and thereby increase NOI and the value of the assets in the marketplace. Our efforts to lower expenses from the effects of high inflation resulted in a decrease of \$6.3M in operating expenses across all our communities over the preceding 12 months. We anticipate expenses per occupied room will continue to go down over the next 12 months.

If you would like to learn more about Senior Living Fund and our offerings, please contact Team@seniorlivingfund.com

Hurricane Helene & Hurricane Milton - Asset Impact Update

Hurricane Helene made landfall in the Florida Gulf Coast as a Category 4 storm late in the evening of September 26, 2024. Helene has caused significant impacts across a large portion of the Southeast U.S. The storm severely impacted five states and had left ~1 million homes and businesses without electricity a full week after the event, according to website Poweroutage.us. Just two weeks after Hurricane Helene, a secondary hurricane, Hurricane Milton was a Category 3 hurricane when it made landfall in Florida on Wednesday, October 9, 2024.

Ahead of the hurricane, Florida declared a state of emergency in which many coastal residents were ordered to evacuate. In the aftermath, Hurricane Milton caused numerous casualties, knocked out power to more than 3 million customers, flooded barrier islands, tore the roof off of a major league baseball stadium, and left uncountable numbers of families with hardships.

Senior Living Fund has numerous investment locations across the Southeastern Coast of the U.S.



Fortunately, all of our communities and the residents in which they care for were virtually unaffected by the Helene & Milton. Only one of our numerous investment communities in Georgia experienced minor flooding, and a single SLF Florida investment location lost some of their fencing and a few patio screens.

Not only are our communities and residents safe, they are thriving. Attached is a photo of our investment community in Port Orange, FL receiving the award for “Best

Independent and Assisted Living Retirement Community” by Hometown News for the 13th consecutive year. This photo was taken the day Helene entered the U.S.



SLF Asset Management Update

SLF's investments are designed to provide accredited investors with passive income. The oversight and management of the individual assets within the available funds is anything but passive. SLF created an Asset Management Unit (AMU) to ensure overall accountability of 3rd party managers in operations at the community level with one goal in mind, reaching target exit Net Operating income (NOI). AMU services include but are not limited to;

Revenue Analysis includes the review of:

- Sales metrics
- Marketing plan
- Rent rolls
- Move In's/move outs

Expense Analysis includes the review of

- Monthly financials (budget versus actual)
- Departmental spend downs
- Executive Director discrepancy reporting

- Action item/next steps to cure overages
- Potential capital expenditures

NOI Projections

- Utilize trailing 3-month revenue and expenses combined with current knowledge of strategic next steps to make NOI projections for ownership group(s).

AMU will conduct site visits to evaluate;

- Building condition (interior/exterior)
- Leadership team
- Resident satisfaction
- Culture and programming
- Culinary experience

AMU conference calls scheduled to;

- Review financials
- Review sales and marketing efforts
- Identify leadership team effectiveness by department
- Identify critical staff openings and strategy to fill
- Action items required to get/stay on budget

SLF Team



Chief Fund Manager - Dan Brewer

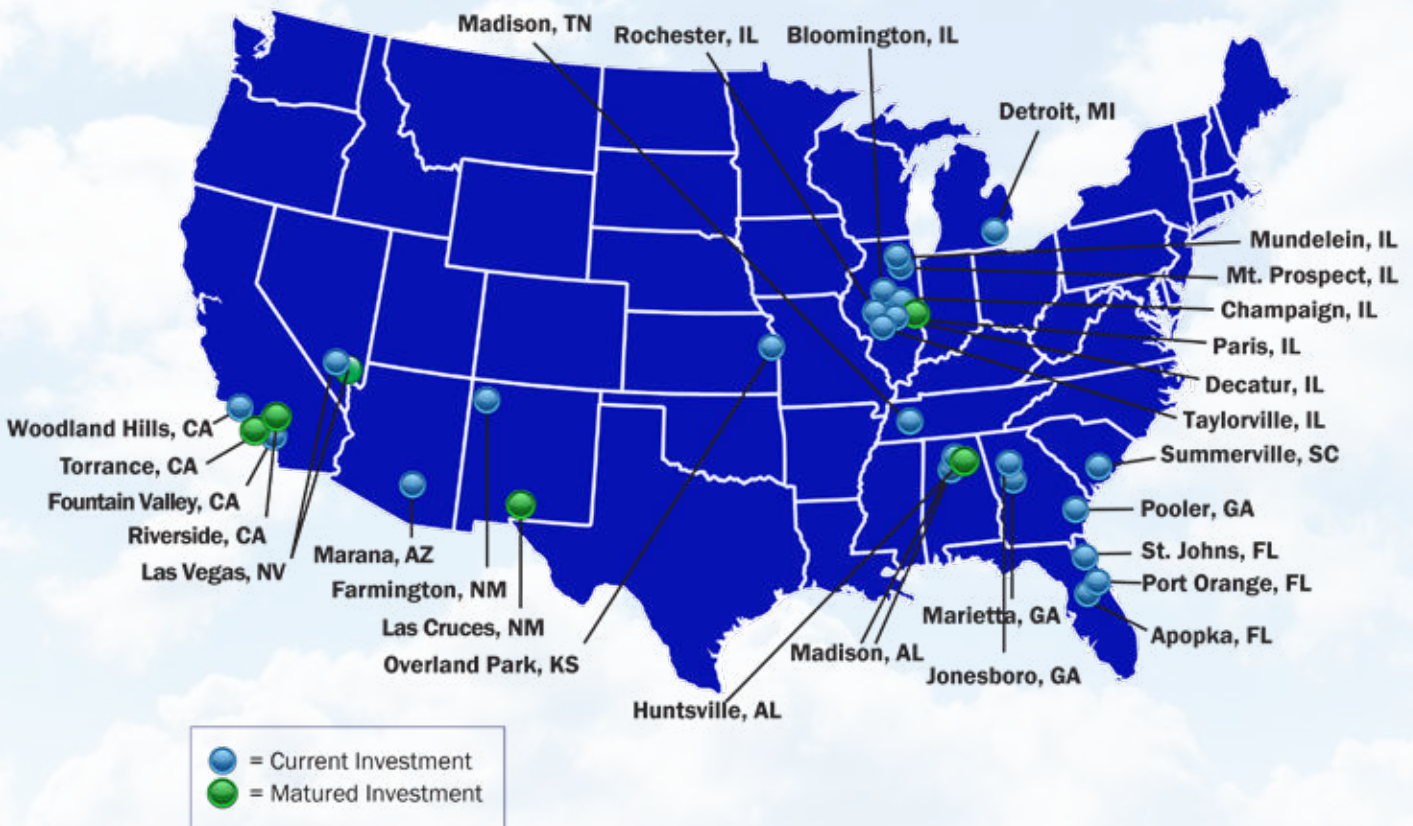
Dan is the owner of Bridge Capital Management and is the founder and Chief Fund Manager of the Senior Living Fund. Dan has 35+ years of business experience, including 25+ years of experience in real estate investing, asset allocation, and management.



Chief Operations Officer - Mark Shader

Mark brings strong operational skills to the SLF team through his 30+ years of experience in business consulting, real estate investment and development, financial analysis and management.

SLF Portfolio





SENIOR
LIVING
FUND