

Tortoise QuickTake

Social Infrastructure Podcast



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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, senior members of Tortoise provide a timely update on trending topics in the market.

Maneesh Jhunjunwala: Welcome to our third in a series of podcasts focused on our direct lending platform. I'm Vice President and Credit Analyst, Maneesh Jhunjunwala, joined today by Tortoise Vice President and Originator, Brandon DeBenedet to talk about Tortoise's business in the senior living and affordable housing markets.

Brandon, please explain why Tortoise is focused on the senior living and affordable housing markets?

Brandon DeBenedet: Sure Maneesh. I'd be happy to. Senior living and affordable housing are critical elements of society and increasingly so. Throughout America, an aging population and income inequality are two vexing issues which are only projected to become more problematic. In fact, the number of seniors over 80 years old is projected to double by 2037. Tortoise wants to be part of identifying solutions to serve the senior living and affordable housing residents.

Maneesh Jhunjunwala: So, the senior living market has attracted a lot of attention recently and potentially to the point that certain markets have become oversaturated. Can you speak to that?

Brandon DeBenedet: Yes, you're right, there has been a tremendous amount of interest in senior living. As you can imagine, not all markets are created equal so in certain locations there has been excess supply that is taking longer to absorb than originally projected. Certain metropolitan cities are experiencing occupancy rates of less than 85% which is concerning because many of these projects are built based on financial forecasts in the 90%'s. Such cities include San Antonio, Houston, Dallas, Las Vegas and Kansas City, just to name a few.

Maneesh Jhunjunwala: If some markets have been overbuilt why does Tortoise still see the market as an opportunity?

Brandon DeBenedet: Well, Maneesh, I think that boils down to two concepts. First, Tortoise has the long term view that there is significant and growing demand for both senior living and affordable housing solutions. Will there be growing pains along the way? Absolutely. Many of the markets I mentioned earlier have seen housing inventory grow by 20% in the last three years alone and that takes time to absorb. Second, we have invested a significant amount of time and effort into our pre-development process to really understand the supply and demand functions of each market that we are considering investing in. We typically invest in secondary markets, or unique submarkets within a larger market, with a smaller pool of potential competitors and barriers to entry.

Bear in mind, there are many other factors that go into our analysis of senior living and affordable housing sector opportunities, such as the operator's track record and access to skilled labor, but occupancy is certainly a focal point. Ultimately, each project is thoroughly vetted with a keen eye on the market's supply and demand, both current and projected.

Maneesh Jhunjunwala: You mentioned "pre-development", what is our view on financing projects that are still in development?

Brandon DeBenedet: I think pre-development is a financing differentiating factor for Tortoise. Not only can we finance the construction and permanent debt, but we also have the capabilities to finance pre-development costs on a taxable basis and convert to a tax-exempt basis at a later date, due to our tax-advantaged fund structure.

Maneesh Jhunjunwala: So, where does Tortoise see the senior living market five years from now?

Brandon DeBenedet: Thankfully, with the help of census data, we know the "Baby Boomer Silver Tsunami" is at a point of building momentum and will be here before we know it. To give you an idea of how soon, the first baby boomer turns 84 years old, or the average age of the senior living resident age, in 2024, about one year after most of our current new construction projects are projected to stabilize or reach full occupancy. So, to answer your question, Maneesh, Tortoise

believes that we are on the cusp of significant demand and five years from now we will be investing in projects which will cater to the first wave of baby boomers.

Maneesh Jhunjhunwala: Brandon, thank you for providing the overview on our differentiated approach to investing in senior living and affordable housing. That will do it for today's podcast. We'll speak with you again soon.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

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