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Fitch: Stable Outlook for U.S. NFP Life Plan Communities in 2021

Fitch Ratings-New York-09 December 2020: Fitch Ratings expects the general operating environment for not-for-profit life plan communities (LPCs) to remain stable in 2021. "While the coronavirus pandemic has created uncertainty in the sector, the key drivers of fundamental credit quality that have benefited the sector in recent years should remain in place," said Margaret Johnson, Director and Sector Lead for Senior Living. "We expect continued favorable demographic trends, healthy residential real estate markets and good access to the capital markets."

Operationally, the coronavirus pandemic could continue to create cost pressures, and capital investments will likely remain heavy as LPCs adjust their amenities and services to meet new market demands. Fitch also expects a continuation, if not an acceleration, of the increased trend in mergers and acquisition and system consolidation activity. The underlying forces driving this need to join with a larger partner, including competitive and cost pressures, are likely to remain present in the sector over the next few years.

The coronavirus pandemic has also accelerated the need for LPCs to utilize digital tools such as websites and social media as their primary marketing strategy since more traditional forms of marketing, especially onsite and offsite events and in-person tours are currently unavailable. As the use of digital marketing tools rises, a competitive gap could develop between LPCs that are sophisticated in their use and those that are less effective or have not made investments in a digital strategy.

'Fitch Ratings 2021 Outlook: U.S. Not-For-Profit Life Plan Communities' is available at 'www.fitchratings.com'.

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