

Lucas: Welcome to Bridge the Gap Podcast, the senior living podcast with Josh and Lucas. We are in Nashville at the Thompson hotel. We're finally getting in front of some of our long, long friends, and we have the one and only Eric Mendelson on our program today; welcome Eric!

Eric: Greetings, great to be here.

Lucas: Yes, welcome back to the program. You know, the last time you were on the show, you looked at me and you said, 'look, I've done enough shows, don't ask me again. But I humbly requested again and you humbly accepted. So thanks for coming back on.

Eric: I feel like Tom Hanks on Saturday night live, he keeps coming back.

Lucas: I know it, I know it. Well look, we're really excited to be able to reconnect. And 2020 has been a wild ride and a lot of ups and downs. There's been a lot of downs, right. And you know, there's some, some real life stories that are taking place in our industry. You know, this podcast started several, well this is our third season. Eric, you were there right in the beginning. I remember it very, very vivid, sitting down at dinner here in Nashville with you, as we were getting this thing really kind of rolling. And you were so gracious to come alongside us and say, I want to be an advocate for you guys. This is something that's necessary and needed and it's all been, yes, our mission is to educate, inform, and influence. But we're also trying to change the public perspective of what the senior living industry is. This little known industry that's not talked about very much. Now this year in 2020, the most talked about industry on the planet. We're headlining, right. Kind of a bittersweet headline and that narrative has been commandeered by major media outlets and the narrative has not been very pretty. And yes, there have been some major challenges. But there's also been an industry that has stepped up to the challenge. And so, you know, given this type of a conversation, we'd love to just get some of your thoughts and insights.

Eric: Well, first I'm so happy that the Bridge the Gap Podcast has taken off the way it has. I mean I'm so proud of you guys, Lucas, Josh, Sara, from just an idea, a twinkle in your eye. And now you're an industry powerhouse and with sponsors and blimps and a private jet, I mean, it's just amazing how this has taken off.

Josh: Where have you been hiding that jet, Lucas?

Lucas: Yeah I only take Eric.

Eric: So, you know, kudos to you. I think it's great and to come back as a recurring guest is an honor. I appreciate that. Like you said, it's been a wild year and the year started off much like any other year. In fact it was getting a little bit better because development was slowing down as you likely know. And occupancy was going up and people were getting older, more people were getting older and all of these

things came together to give us a nice tailwind. So up until March things were fantastic. Can we just talk about up til March?

Lucas: Right? Let me go back. Yeah, exactly.

Josh: Well, I mean it's been you know, a lot of challenges. I think there's some of the bright points that we've talked about with so many guests is how in many ways the workers in our industry who are giving so much have come together. You know we've talked to a lot of people that the commitment of their teams they've really risen above what the norm was up to this point. But I think, you know, as the years gone on, we have talked to a lot of people that are also just getting kind of fatigued. I mean, we were joking around a little bit, but it's a very serious topic even with you before the start of the show on this topic of empathy. And you know how many people now after months of just kind of the grind, so to speak, and being close to residents and those residents passing and having sick family members and things like that and leaving that at home, coming to work and then going back to it and so forth, it wears on people. So you find yourself even as a leader, I think you've shared with us very honestly, that you find yourself in a situation where maybe prior to COVID, you didn't have these kinds of conversations where people were kind of just unloading on you on what is not right. And it puts you in an awkward situation if you're not used to trying to be very empathetic to people. So share with us some of the things that you're doing in, if you don't mind share with our audience, some of the things that you've had to change, even in the way you're approaching your day job,

Eric: Certainly happy to. You're absolutely right, you're having tough conversations these days with people that are not normal. You're talking about death, you're talking about failure of business, you're talking about desperation. You're talking with people who are afraid of what their future holds. If they're going to be able to provide for their families, for their employees, for their residents, that's a scary place for a lot of people to be. And these are not conversations that usually happen on a business call or in a business environment. These are usually conversations between close friends or spouses or chaplains, you know, religious advisors. So there's a lot of spirituality that enters into it. There's a lot of faith that enters into the conversation. And then I feel my role, even though I can play a hand in solving the solution, there's some good advice I once got that sometimes you should just listen and sometimes you don't have to fix things. And as a guy, I think we're hardwired to fix things. Sometimes you just need to listen and be quiet and make sympathetic noises. And then once you're good at making those noises, you can graduate to actual words like that must be very difficult for you, or that must be hard for you to process and how are you doing with that? You know, how is that affecting you or is that affecting your family? So just repeating those questions and listening, and then if you're on a zoom call; turn on your camera, try and make eye contact. I have gotten very adept at actually looking in the camera so the person I'm talking to feels that I'm looking at them. So I think that's helpful.

Josh: Well you know I guess what we're all hopeful for and everybody's in a different situation. And I think a lot of people just kind of feel like we're all in this together. At least you hope everybody feels like that; that we're all banding together as an industry to work through the challenges that we faced, that we are facing. With the assumption that, you know, things start pulling together and we start coming out of this at some point in the 2021 season, the 2021 year, whatever that looks like. What do you think speaking to the business leaders in our industry, what are some of the things that maybe you've learned

this year by observation that you think are things that we can take and apply as we start kind of rebuilding in the 2021 and years to come? Or is there anything that's something that you think is applicable?

Eric: Absolutely. I believe it was Rahm Emanuel who said, 'never waste a good crisis'. And he was referring to the financial crisis. I think this crisis is a learning and teaching moment for a lot of people. I think that it is instructive that things don't always go as you plan, that values and prices don't always go up and that failure happens notwithstanding your best efforts, notwithstanding your best preparation that good people can fail. And I think a lot of people forgot that which sounds odd, but it has to do with demographics. If you were of a certain age and grew up during the recession, then you probably knew that. But if you were a little bit older or a little bit younger, and the recession was just a, you know, a blip for you, then all you know is from 2010 it's been a rocket ship economy and the good times have been rolling. And if you started working in 2010, everything's always going to be great for forever.

Josh: Yeah, well, it is a unique perspective, you're right. Because I think when I got into this industry and I kind of consider it my adult life, you know, my first real job in the industry was '05. And so we were on an up and then hit that 2008, I lived through that. Thankfully I was at that point in my career on somebody else's dime, but I saw I was close enough to see and learn some lessons. But I can imagine, like you said, if all you had ever known was past 2010, and this is for sure, I mean, this year's been rough for anybody no matter what you've lived through. But that would be a unique perspective in how quickly things can turn. And maybe some implication on even humility and I think in humbleness and realizing that at any point, whether you're good or not good, the rug can be jumped in and the great equalizer can come. And so I think that's a great lesson. Are there any other things that you've observed this year?

Eric: Well, that was one lesson. The other lesson is one my grandmother used to preach and that is save it for a rainy day. I've seen so many businesses that did not do that. And so many people that did not do that, they were living off of credit or living off of loans. That I think is something that should be encouraged by bankers and financial people like me. Often you know, I think we should demand that people have more reserves and have more discipline whether or not that occurs is another matter.

Josh: I think all of our grandparents would echo that for sure. I know I'm of the age where my grandparents, part of that greatest generation, much different than my parents raised me, just a generation away. But it's amazing the different kinds of living lifestyle, spending, saving choices that those generations make. So yeah, I think we're probably all hearing that. So let me ask you, let's switch gears a little bit, cause I think those are great lessons. We; Lucas and I, over the course of the last several months, as we've been talking with different operators, you get a little bit of a, you know, nobody knows what's happening in the future, but we're getting kind of a mixed bag. Some folks, we just had a podcast and someone was very favorable on what they thought occupancy was going to bounce back in next year and you talk to others they're like iffy at best. And so I'd love to know your opinion on that, but really look at it through the lens of what public perception and how public perception has an impact on that. Not maybe in the past, we've talked about, well what is the regulatory environment doing to shut down admissions because they're not letting people in. But we talk a lot on this show about perception of our

industry and there's been some bad PR as of late shut. But what do you or how do you think we're going to respond to that as an industry? Is that going to have a bearing in the future years to come

Eric: Well on the occupancy part of the question I am so thankful that England is advancing the vaccine ahead of us today. As a matter of fact, thousands and thousands of people are being vaccinated right now. And I think that's great and I think that that will demonstrate to our residents, our workers, that it's safe and that it's effective and that we can model that and use that as a good example. So I think we're lucky that that's happening if they were going after us, I think there would be a lot of controversy about that. So I think that will help roll out the vaccine and normalize the taking of the vaccine, which I think is important. Your second question about the PR and recovery of our industry, I can tell you that people have short memories and that back when I worked at Ameritas and we had over 500 buildings, if we took over a company that had reputational damage, we would take extra care to put up new signage, new decor, new paint, new carpet, new furniture in many cases, new leadership in the building and within six months, people forgot all about what happened there. You know, that you just were able to establish that. And my point, bringing that up is this is a need based business, and this is a business where relationships matter. So when people need to find care for their loved ones, you know, yes in the back of their mind, they're going to wonder about the next pandemic. But hopefully by then we'll have a vaccine that is prevalent in all the buildings and it won't be much of an issue. And you could if you were a smart marketing person, you could make it a selling point; that we have the best protocols, we have rigorous cleaning, we have technology that will keep you connected to your loved ones. There are ways to turn a negative into a positive, and I know that there are people out there right now trying to do that.

Josh: Well, and we've talked to so many and it's been amazing how much this year has fast-forwarded so many things that probably needed to happen in our space. So on the front of technology, you know how many communities prior to this year had spotty bandwidth at best or no wifi. And then how many of those companies that were choosing not to invest in wifi and strong networks and technology immediately, not saying that technology is always the answer, but begin to think creatively on engagement. And not that we all want to be isolated and in front of a computer screen all the time, but using technology as an effective tool and at least having the infrastructure to deploy and be creative with technology. You mentioned infection control and I think, gosh, after going through this, the protocols and the constant changing of regulatory environment and protocols that the industry has had to respond to almost daily there for a little while, it seemed like on what we were doing, policy and procedure changes and training and implementations and PP. I hope our industry, as the consumers you've pointed out, have short-term memory. I hope as operators and people in industry, we don't have short-term memory issues because those lessons that we've learned I think can carry forward even in the best of times. So I think that's great.

Lucas: So on the technology front, let's transition to what the REIT marketplace is looking for in operators moving into 2021. Clearly operators have been one of the biggest factors in success at the building, right? And so I would imagine REITs are looking for really rockstar operators to manage these real estate assets. So how has the technology coming into play, or what changes are you looking for; will the REIT market be looking for an operator moving forward?

Eric: Well, a strong backbone and technology helps. Do you even have an IT person on your team? If the answer is no, then you know we need to have a discussion. I'll give you an example: we have a small operator in Michigan who you've met. And when we first started talking with him about a transaction and working together, we talked about labor, we talked about technology and he showed us an app that he used to manage his workforce and set schedules. And it was a restaurant app and people would get texts. If they wanted to work extra hours, you just sent a message to the app and it would text you what was available and what the shift was and if there was over time, and of course the app knew if you were entitled to overtime, you might not get a request. The request might go to someone who has not yet hit that threshold to get paid overtime. So that's a good example of someone who was using existing technology and didn't have to be created by them. But it was unique and it was effective. So we look for things like that. And then we have another smaller operator in the Carolinas and his son is an IT wizard. And it's a father-son team and they work together. And the son is a wizard at search engine optimization, search engine marketing statistics market analysis, scraping the census data, scraping the economic data, scraping the business data that's available on the U S chamber of commerce website, and aggregating all of this and then producing a report that's helpful for their marketing people. So I get to see a lot of unique applications of technology and data.

Lucas: Yeah, excellent. I mean, I think there's so many challenges that the industry is facing and moving into 2021, there's going to be a number of things in the technology front, marketing that you mentioned that are going to be you know, big differences in raising occupancy, which is what everybody's going to need coming in and out of COVID. So let's talk as we wrap up the show, mergers and acquisitions. What do you think next year is going to bring for opportunity for investors? And is it going to be the list of REITs that we know of, or some outsiders going to be trying to come in with private equity because they see an opportunity.

Eric: I am already fielding calls from large private equity firms, large publicly traded firms, private equity firms. I'll leave it at that. And they are convinced that, as am I, that there are a lot of players; new players in the space we're just not prepared for this. And they are interested in exiting and they'll go back to self storage, or they will go back to multifamily where the operations component is not so difficult and complicated. So I agree, I think that there will be some distress, I would think there will be some transactions. I think you will see some players exit the business and it's been surprising to me that there have been executives that have left the business in the midst of a pandemic. I question the idea of doing that in the midst of a crisis. So I agree next year is going to be big for M&A.

Lucas: What about these other industries that have been hit so hard; hotels and retail. Where are those investors going to go? What's going to take place in these other verticals.

Eric: Great question and one like you, I'm a real estate junkie all real estate. You know, I think about it, talk about it, look at it. So I would say that things like shopping malls, there's going to be some repurposing of the outdoor shopping malls that are not in the preferred areas and that there be a renewed vigor to improve shopping malls that are in ideal locations. And there will be defacto shopping malls like this neighborhood we're in right now is really an outdoor shopping mall. It has some of the same stores that a high-end shopping mall would have the Lululemons and Design Within Reach and

places like that. So there's a natural congregation, so I don't think commercial spaces are dead like a lot of people do. I think that there will always be a need for an office for people to socialize. We're social creatures, we want to go to the office. I think that the makeup of office space will change. I think there will be less private space, more public space. But not like we work, more like a conference center, like a nic experience.

Lucas: Yeah. That makes sense

Josh: Well, it makes a lot of sense. Well, there's so many great implications, obviously. It's great to sit down with you in person, distanced. So be it, but to sit down with you again, only a couple of blocks Lucas from where we had dinner. I still remember the dinner when we were just talking about this. Like two years ago, at that point I don't even think we had a website yet Lucas and you know, Eric challenged us to think, how could we do this bigger, better and kind of got us out of our comfort zones a little bit and then helped us do it. So great to sit down with you and always value your thoughts and your wisdom, your experience in the industry. I know our listeners always appreciate it, in your hometown here in Nashville. So it's good to be here, I know our listeners will want to connect with you and NHI always.

Lucas: Yeah it's so fun and you've got a great staff of really good players, you know a small team, but accomplish a lot. You know, I'm enjoying spending time with Cameron Bell on your team, on the future leaders council despite a year of not having meetings. You know, Cameron and I still stay in touch. So appreciate getting reconnected with you and your team. We'll connect to NHI in the show notes, and thanks to everybody for listening to another great episode.