

INDUSTRIAL DEVELOPMENT AUTHORITY AGENDA

7:30 a.m., March 11, 2020
County Engineering Training Room – Second Floor
505 South Commerce Avenue
Sebring, FL 33870

Janet Barber, Chair, Presiding

- 1. CALL TO ORDER – INDUSTRIAL DEVELOPMENT AUTHORITY**
- 2. PUBLIC COMMENT**
- 3. CONFIRMATION OF QUORUM**
- 4. CONSENT AGENDA**
 - A. IDA December 2019 Meeting Minutes
- 5. NEW BUSINESS**
 - A. Industrial Revenue Bond Application Amendment
- 6. ADJOURNMENT**

Next meeting:
Wednesday, June 10, 2020 at 7:30 a.m.
South Florida State College
Boardroom – Building F (Room 102)
600 West College Drive
Avon Park, FL 33825

INDUSTRIAL DEVELOPMENT AUTHORITY

March 11, 2020

CONSENT AGENDA – IDA

These action items are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items. A board member may request an item be moved to the regular agenda for discussion.

Presenter

Janet barber

Request approval of the IDA Consent Agenda for the March 2020 Board of Directors meeting.

Recommended Action

Move to approve the IDA Consent Agenda for the March 2020 Board of Directors meeting.

Attachments

A. IDA Board Minutes – December 11, 2019

INDUSTRIAL DEVELOPMENT AUTHORITY DRAFT MEETING MINUTES DECEMBER 11, 2019

The Highlands County Industrial Development Authority Board of Directors meeting was held at the CareerSource Heartland, 5901 US 27 South, Sebring, FL 33870, on Wednesday, December 11, 2019. Vice Chair Ray Royce presided over the meeting; a quorum was present.

1. CALL TO ORDER – HIGHLANDS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (IDA)

The December 11, 2019, Industrial Development Authority Board of Directors meeting was called to order at 7:33 a.m.

2. PUBLIC COMMENT

There were no comments from the public.

3. CONFIRMATION OF QUORUM

Table 1: Meeting Attendance

Name	Title	Organization	Present
Janet Barber	Chair	IDA/EDC Executive Committee	No
Ray Royce	Vice Chair	IDA/EDC Executive Committee	Yes
Carol Howard	Past Chair	IDA/EDC Executive Committee	Yes
Wade Taveniere	Secretary/Treasurer	IDA/EDC Executive Committee	Yes
Donna Doubleday	Director	IDA/EDC Board of Directors	Yes
Paul Koukos	Director	IDA/EDC Board of Directors	Yes
Thomas Leitzel	Director	IDA/EDC Board of Directors	No
John Shoop	Director	IDA/EDC Board of Directors	Yes
John Varady	Director	IDA/EDC Board of Directors	Yes
Craig Johnson	Director	IDA/EDC Board of Directors	Yes
Jim Renfro	Director	IDA/EDC Board of Directors	No
Jason Kimbrell	Director	IDA/EDC Board of Directors	Yes
Randy Surber	Director	IDA/EDC Board of Directors	Yes
Will Lenihan	Director	IDA/EDC Board of Directors	Yes
James Brooks	Commissioner, Liaison	Highlands County BOCC	Yes
Benjamin Dunn	Dev. Services Director	Highlands County BOCC	Yes
Meghan DiGiacomo	Exec. Manager of Business & Economic Development	Highlands County BOCC	Yes
Jeff King	Economic Development Manager	Highlands County BOCC	Yes
Dana Riddell	Planner I	Highlands County BOCC	Yes
Shannon Reed	Planning Technician	Highlands County BOCC	Yes
Ron Handley	Commissioner	Highlands County BOCC	Yes
Greg Kennedy	Vice President	ZON Beachside	Yes
Bill Reisner	Managing Director	Oppenheimer & Co, Inc.	Via Phone
Steve Simpson	Executive Director	Oppenheimer & Co., Inc.	Via Phone

**INDUSTRIAL DEVELOPMENT AUTHORITY
DRAFT MEETING MINUTES
SEPTEMBER 11, 2019**

4. CONSENT AGENDA

The Consent Agenda, which included the September 11, 2019, meeting minutes, was presented for consideration. John Shoop moved to approve the consent agenda; seconded by Wade Taveniere. Motion carried unanimously.

5. ECONOMIC DEVELOPMENT

- A. Greg Kennedy, Vice President of ZON Beachside, presented an update to the current proposed project for Harder Hall. Bill Reisner, Managing Director and Steve Simpson, Executive Director, with Oppenheimer & Co., Inc. were available via phone conference to answer questions regarding the industrial revenue bonds that will be used to fund the project. Mr. Kennedy, Mr. Reisner and Mr. Simpson addressed questions the board had following the presented update. The new focus of the project will be a 160 bed senior living facility that allows the resident to “age in place”. This is a new business model where services are available to residents a-la-carte, instead of paying for services that they may not need. Carol Howard made a motion to allow ZON Beachside to amend the current industrial revenue bond application and move forward with the project. Motion was seconded by John Shoop. Further discussion did confirm the intention to demolish the existing building with the City of Sebring being in favor due to the dilapidation. Motion carried unanimously.
- B. Meghan DiGiacomo provided an overview of efforts being made by Economic Development to stimulate support of state programs for hemp-related manufacturing opportunities. In recent months, staff has sent letters to the Governor and reached out to Nikki Fried, Florida’s Commissioner of Agriculture, to garner support. Staff is continuing to exhaust all avenues to see if the Governor’s Office is open to allowing support programs for industrial hemp manufacturing and processing endeavors.

6. NEW BUSINESS

There was no new business.

7. ADJOURNMENT

The December 11, 2019, Industrial Development Authority Board of Directors meeting was adjourned at 8:44 a.m.

Next Meeting:

Wednesday, March 11, 2020, 7:30 a.m.
County Engineering Training Room – Second Floor
505 South Commerce Ave
Sebring, FL 33870

Minutes Submitted By: Shannon Reed, Planning Technician

Approval Date: Draft

INDUSTRIAL DEVELOPMENT AUTHORITY

March 11, 2020

INDUSTRIAL REVENUE BOND APPLICATION AMENDMENT

Presenter

Greg Kennedy, Vice President | Zon Beachside

At the regularly scheduled IDA Meeting in December 2019, the IDA moved to approve the applicant to submit an update/addendum to the original application for Board review. The applicant submitted the updated application on Friday, February 28, 2019 which was distributed to the IDA the same day. Greg Kennedy with Zon Beachside will again be present at the March meeting to address any questions regarding the updated application. At this time, due to some of the still to-be-determined components of the updated application, an Inducement Resolution will not be presented to the IDA for a vote. Rather, after the March meeting and the board's feedback, the applicant will resubmit another revised application that addresses some of these items, and the board can schedule a special meeting specifically to hear a more comprehensive Inducement Resolution.

Recommended Action

Information Item / Discussion

Attachments

- A. IDA Revised Bond Questionnaire
- B. Harder Hall Active Adult Market Study



ZON MANAGEMENT, INC.
1894 SOUTH PATRICK DRIVE
INDIAN HARBOUR BEACH, FL 32937

February 28, 2020

Meghan DiGiacomo
Executive Manager of Business &
Economic Development
Highlands County Economic Development
501 S. Commerce Avenue
Sebring, FL 33870

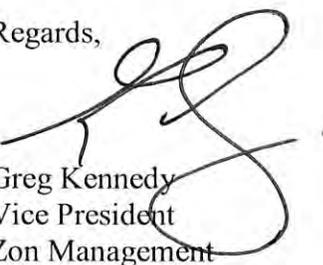
RE: Highlands County Industrial Development Authority
Industrial Revenue Bond Program

Dear Ms. DiGiacomo

On behalf of Zon Management, please find attached the completed Industrial Revenue Bond Questionnaire. Based on our understanding at the previous meeting, the \$1,000 application fee was not due at this time.

If you have any questions or require additional information, please contact me at (321) 777-8840 or greg@zonbeachside.com.

Regards,



Greg Kennedy
Vice President
Zon Management

INDUSTRIAL REVENUE BOND PROGRAM

PROJECT ELIGIBILITY QUESTIONNAIRE

The Highlands County Industrial Development Authority (IDA), is authorized by Chapter 159, Parts II and III, to issue Industrial Revenue Bonds to qualified industrial development projects. Certain procedures as set out in Florida and Federal law must be adhered to in order to secure and maintain a tax free status.

In order to facilitate this procedure, please complete the attached Eligibility Questionnaire and return it to the Highlands County IDA with an application fee in the amount of \$1,000.00 non-refundable, payable to the Highlands County IDA, together with a certified financial audit for the past three years and 5 copies of your most recent annual report. The completed Eligibility Questionnaire and financial information will be reviewed by the IDA at the next available meeting. All papers must be submitted three weeks prior to the Authority meeting.

After consideration by the IDA and determination of eligibility for a revenue bond issue, Bond Counsel should be engaged and directed to contact the IDA and Highlands County Attorney for presentation of the initial resolution of inducement, authorizing the proposed revenue bond issue for the project. Approval by the IDA of the resolution is subject to subsequent ratification by the Highlands County Board of County Commissioners, approving the IDA's action.

NO COST INCURRED BY THE COMPANY WILL BE REIMBURSED AS ELIGIBLE EXPENDITURES FROM THE BOND PROCEEDS UNLESS; (1) SAID COSTS QUALIFY AS EXPENDITURES UNDER THE INTERNAL REVENUE CODE; (2) SAID COSTS WERE INCURRED SUBSEQUENT TO THE RESOLUTION OF INDUCEMENT BY THE INDUSTRIAL DEVELOPMENT AUTHORITY AND APPROVAL BY THE HIGHLANDS COUNTY BOARD OF COUNTY COMMISSIONERS.

Bond Counsel should be consulted as to whether or not expenditures would be eligible under the Internal Revenue Code. It is the company's responsibility to provide for the sale and placement of the Industrial Revenue Bond issue. Neither the Highlands County IDA nor Highlands County will be obligated for repayment of the bond indebtedness. If the company is a subsidiary of a parent corporation, the parent must guarantee the subsidiary obligation or offer other appropriate commitments to assure repayment of the bond indebtedness.

Final approval of the completed documents will occur at a second IDA meeting which is subject to subsequent approval by the Board of County Commissioners. Validation proceedings, if required by Bond Counsel or bond purchaser may be accomplished within 60 days from the final IDA and Board of County Commissioners actions. A fee in the amount of $\frac{1}{2}$ of 1% of issue with no cap, shall be payable to the Highlands County IDA upon closing.

All attorney, underwriter, trustee, and other fees and costs are excluded from and shall be paid separately in addition to the above fees due the Highlands County IDA, and the fees as set forth above shall apply to all issues, including reissues and refunding issues.

Please return the completed Questionnaire to:

Highlands County
Industrial Development Authority

1. Name, address and telephone number of entity that will lease or purchase the project (or borrow the bond proceeds) from the bond issuer:

New Entity To Be Formed at a Later Date

Current Entity Handling the Project:
Zon Management, Inc.
1894 South Patrick Drive
Indian Harbour Beach, FL 32937
(321) 777-8840

This entity is referred to as the "Principal User" of the project for the remainder of this questionnaire.

2. Name, title, address, and telephone number of the operator of the project if different from the applicant.

Zon Management, Inc.
1894 South Patrick Drive
Indian Harbour Beach, FL 32937
(321) 777-8840

3. Name, title, address, and telephone number of persons working on the financing for the Principal User:

- John Trewhitt, President
1894 South Patrick Drive
Indian Harbour Beach, FL 32937
(321) 777-8840

- Greg Kennedy, Vice President
1894 South Patrick Drive
Indian Harbour Beach, FL 32937
(321) 777-8840

4. Form of organization of Principal User (check one);
 Corporation General Partnership Limited Partnership
 Sole Proprietorship Other (Please specify). TBD at later date

5. Is the Principal User related to any other organization by more than 50% common ownership? If so, indicate the name of the related organization and relationship.

Zon Living Concepts LLC-Principal User is Managing Member
Zon Beachside LLC-Principal User is Managing Member and operates Zon Beachside under a management agreement. Both entities are engaged in Senior Living in Indian Harbour Beach, Florida.

6. Ownership: List all stockholders or partners having 10% or more interest in the Principal User.

The Leo Corporation LLC-Ultimate Beneficial Owner: John Trewhitt, Manager
K7 Holdings LLC-Ultimate Beneficial Owner: Greg Kennedy, Manager

7. If any of the above persons own more than 50% of the Principal User, list all other organizations which are related to the Principal User by virtue of such persons having more than 50% interest in such organizations.

None

8. List banking references of Principal User.

Barbara Kaleta, VP/Branch Manager
PNC Bank
305 5th Ave
Indialantic, FL 32903
[\(321\) 729 6133](tel:(321)7296133)

9. List business references of Principal User.

Michael Williams
MH Williams Construction
2287 W. Eau Gallie Blvd #A
Melbourne, FL 32935
(321) 757-5750

10. List personal references of Principal User.

Steve Terry
(321) 794-5372

11. Name, address and telephone number of Principal User's legal counsel.

Michael Hennen
Hennen Law PLLC
425 West Colonial Drive #204
Orlando, FL 32804
(407) 203-1102

12. Briefly describe the nature of the project.

Adult Active Aging Community focused on providing a Senior Housing option to Highlands County area.

13. Location of Project:

Street Address City Unincorporated Area State
(If applicable)

3131 and 3141 Golfview Rd, Sebring, FL 33875

14. Project site (land)

(a) Indicate approximate size (in acres or square feet) of project site.

12 acres

(a) Are there buildings now on the project site? Yes No

(b) Indicate present owner of site.

15. If the Principal User now owns the project site, indicate:

(a) date of purchase

(b) purchase price

(c) balance of existing mortgage

(d) holder of mortgage

16. If the Principal User is not now the owner of the project site, does the Principal

User have an option to purchase the site and any buildings on the site? If yes, indicate

- (a) date option agreement signed with owner 8/22/2019
- (b) purchase price under option \$4,750,000
- (c) expiration date of option 12/31/2020

17. Has the Principal User entered into a contract to purchase the site? If yes, indicate:

- (a) date signed Expected to be signed by 3/15/2020.
- (b) purchase price
- (c) settlement date

18. If the Principal User is not the owner of the project site, does the Principal User now lease the site or any buildings on the site?

19. Is there a relationship legally or by virtue of common control or ownership between the Principal User and the seller/lessor of the project site? If yes, describe this relationship:

Seller will provide limited financing to Principal User in respect of the purchase price in the form of a subordinated mortgage.

20. Does the project involve acquisition of an existing building or buildings? If yes, indicate the number and size of buildings:

Yes, it consists of a primary building of approximately 104,000 sq. ft. and a workshop of 2,000 sq. ft.

21. Does the project consist of the construction of a new building or buildings? If yes, indicate the number and size of new buildings:

Yes, it will consist of construction of a new primary building and surrounding townhouses consisting of approximately 210,000 sq. ft.

22. Does the project consist of additions and/or renovations to existing buildings? If yes, indicate nature of expansion and/or renovation:

No, it will result in demolition of existing structures.

23. What will be the use of the building or buildings to be acquired, constructed or

expanded by the Principal User for this project?

Senior Housing

24. If any space in the project is to be leased to third parties, indicate the total square footage of the project, amount to be leased to each tenant, and proposed use by each tenant.

Restaurant/Banquet Space	15,400 Sq. Ft.
Outpatient Therapy	1,600 Sq. Ft.
Hair Salon	500 Sq. Ft.
Care Companion	400 Sq. Ft.

25. Has construction work on the project begun? If yes, complete the following:

(a) site clearance	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete
(b) foundations	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete
(c) footings	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete
(d) steel	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete
(e) masonry work	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete
(f) other (describe below)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	<input type="checkbox"/> % complete

26. List principal items or categories of equipment to be acquired as part of the project:

None

27. Has any of the above equipment been ordered or purchased? If yes, indicate:

<u>Item</u>	<u>Date Ordered</u>	<u>Delivery Date</u>	<u>Price</u>
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Not Applicable

28. List the face amount of all tax-exempt financing previously arranged by or for the benefit of the Principal User in Highlands County.

<u>Date of Issue</u>	<u>Original Face</u>	<u>Current Outstanding</u>
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None

29. State the proposed uses of bond proceeds:

The underwriter provided the following estimated allocation of sources and uses of funds

Sources of Funds

Tax-Exempt Bonds	\$42,205,000
Subordinate Note	5,000,000
Subordinate Seller Note	4,500,000
Cash Equity	4,574,000
Total Sources of Funds	\$56,279,000

Uses of Funds

Land Acquisition	\$ 4,500,000
Pre-Development Expenses	2,308,000
Construction Costs	33,870,000
Pre-Opening Expenses	659,000
Pre-Funded Interest	9,303,000
Debt Service Reserve Fund	3,285,000
Operating Reserves	525,000
Costs of Issuance	1,829,000
Total Uses of Funds	\$56,279,000

30. Have any of the above expenditures already been made by the applicant? If yes, indicate particulars:

Principal User has spent approximately \$30,000 on architects and pre development expenses.

The Principal User has the benefit of some \$1.5million spent by seller on the project, and which work is included in the purchase by Principal User. Some elements of this work are applicable to the amended project.

31. Have any of the above expenditures been incurred but not paid by the Principal User? If yes, indicate particulars:

\$65,500 in architects fees have been incurred to-date and are open for payment.

32. Are costs of working capital, moving expenses, work in process, or stock in trade included in the proposed use of the bond proceeds?

No

33. Will any of the funds to be borrowed through the Council be used to repay or refinance an existing mortgage or outstanding loan?

No

(Complete questions 34 and 35 only if the proposed financing is an industrial development financing in excess of \$1 million.)

34. List capital expenditures with respect to this project:

N/A. The project is a multi-family housing facility not subject to capital

expenditure limitations.

	<u>Past 3 Years</u>	<u>Next 3 Years</u>
Land		
Buildings		
Equipment		
Architecture		
Research & Development		
Interest during construction		
Other (please explain)		
		\$ _____

Research and development expenses with respect to a facility must be treated as capital expenditures with respect to it. This would include research and development with respect to products to be produced at the facility and with respect to equipment to be used there. Research and development expenses allocable to the project under the foregoing rule must be treated as capital expenditures with respect to it even though the research and development work takes place in a different municipality or state.

Costs of molds, etc., to be used at a facility are capital expenditures even if paid by the customer.

Costs of equipment to be moved to a facility are capital expenditures even if the purchase and initial use of the equipment occurred outside the municipality.

35. List capital expenditures with respect to other facilities of the Principal User or any related person, if the facilities are located in Highlands County. :

N/A, project is a multi-family housing facility not subject to capital expenditure limitations.

	<u>Past 3 Years</u>	<u>Next 3 Years</u>
Land	\$ _____	\$ _____
Buildings	_____	_____
Equipment	_____	_____
Engineering	_____	_____
Architecture	_____	_____
Research & Development	_____	_____
Interest during construction	_____	_____
Other (please explain)	_____	_____
	\$ _____	\$ _____

36. Indicate the approximate number of individuals who will be employed after

completion of the project

A total of 105 individuals are anticipated to be employed after project completion.

37. Do any of said employees require specialized training or skills to qualify for said employment? If so, please indicate whether or not technical training programs will be instituted or whether or not local technical and vocational education can provide such training.

Yes, a few positions would require specialized training but the educational needs can be provided through current technical/vocational training centers and schools within the Highlands area.

38. Please indicate utility needs, i.e., electrical, water, and sewer. Include quantity and character of said needs.

The City of Sebring Utilities Director and Director of Public Works have confirmed the city has sufficient capacity to handle the needs of the original project including electrical, water, sewer and solid waste; the utility needs of the amended project will be the same

39. Does the project produce emissions through stacks or chimneys which would subject it to the jurisdiction of the Florida Department of Environmental Regulation?

No

40. Does the project produce sewage, industrial effluent, or discharge of an unusual character requiring specialized treatment?

No

41. What is your estimated annual payroll after completion of the project?

Estimated direct annual payroll will be \$3,118,000.

42. What is the projected employment over the first five years of operation?

The project will employ approximately 105 individuals.

43. What is the projected payroll over the first five years of operation?

Total payroll over the first five years is projected to be \$15,500,000

44. Will the bonds be sold publicly privately?

45. List the proposed purchaser(s) of the Bonds, if known.

Not known

46. List the name(s), address(es) and telephone number(s) of the guarantor(s), if any.

None

47. If the Principal User (or Applicant or Operator of the Project, if other than the Principal User) has obtained previous industrial development bond financing, please describe such financing, including the name of the issuer, the amount of the bonds, and the date of issue.

None

48. If the Bonds are to be publicly sold, please attach financial statements of the proposed underwriter.

Oppenheimer is a publicly-traded company; its most recent annual report is attached.

Dale Hoppough
Witness
2/28/2020


Authorized Company Representative
Greg Kennedy, Vice President
Zon Management, Inc.
For and on behalf of the Principal User

(seal)





OPPENHEIMER HOLDINGS INC.
ANNUAL REPORT 2018

Financial Highlights

	2018	2017	2016	2015	2014
<i>In thousands except per share amounts and number of employees</i>					
Gross revenue	\$958,154	\$922,511	\$883,092	\$928,385	\$1,004,464
Income (loss) before income taxes	\$44,853	\$21,807	(\$4,553)	\$6,711	\$25,736
Net profit (loss)*	\$28,892	\$22,816	(\$1,161)	\$1,962	\$8,826
Basic earnings (loss) per share*	\$2.18	\$1.72	(\$0.09)	\$0.14	\$0.65
Total assets	\$2,240,314	\$2,438,517	\$2,236,930	\$2,698,004	\$2,791,479
Shareholders' equity*	\$545,322	\$523,550	\$510,703	\$518,058	\$527,644
Book value per share*	\$41.81	\$39.55	\$38.22	\$38.84	\$38.71
Total shares outstanding	13,041	13,239	13,361	13,338	13,630
Number of employees	2,976	2,992	3,098	3,290	3,314
<i>In billions</i>					
Client Assets Under Administration	\$80.1	\$86.9	\$77.2	\$78.7	\$87.3
Assets Under Management	\$26.7	\$28.3	\$24.8	\$24.1	\$25.9

*Attributable to Oppenheimer Holdings Inc.



Dear Fellow Shareholders



Last year, we discussed the potential for change, and in 2018, we experienced it. We began the year with volatility and rode a wave of recovery into mid-year powered by increased earnings, a strong domestic economy, and supercharged by the impact of decidedly lower corporate tax rates. As we approached the end of the year, markets reflected growing trepidation driven by a slowing economy, continued increases in interest rates, global trade conflicts, and domestic political discord. We also witnessed the first glimpse of market liquidity issues, driven by a lack of risk capital due to the Volcker Rule, and structural issues driven by the impact of passive investment vehicles such as exchange traded funds, or ETFs.

As I write this letter, the market has responded positively to favorable comments by the Federal Reserve, to the government returning to work following a shutdown, to a more sanguine view of trade issues, and to stronger consumer spending. The combination of a strong domestic economy, low interest rates, and low unemployment tend to act as a bromide that can significantly improve expectations even as risks appear.

Corporate earnings ultimately drive equity prices and investor expectations over the short term may change, setting the stage for better outcomes on investment decisions. While one can view the market environment as a half-empty glass due to an increasing national debt and annual budget deficit, a polarized electorate, and trade issues like Brexit and the China trade war, we, at Oppenheimer, are driven by our desire to assist investors to make intelligent and appropriate investment decisions. We do not believe that “trees grow to the sky,” but we are inclined to be optimistic and to be influenced by the

measurable realities of the economy, by a belief in the pursuit of global solutions, and above all, by finding new and sound investment opportunities... and there are always opportunities. Our job is to take a careful and measured view and to provide the services and capabilities that enable us to be a trusted advisor to our clients. In short, we are, first and foremost, an investment firm.

This past year tested our resolve with the S&P down 6.2 percent, the Dow down 5.6 percent, and the NASDAQ down 3.9 percent. This was accompanied by the U.S. Government 10-year benchmark bond rallying to 2.69 percent yield by year-end representing a flight to safety by investors. Market leadership rotated out of new economy names and sought refuge in utilities, government bonds, and cash equivalents. As is often the case with such volatility, staying the course proved the favored strategy, as early 2019 has seen a better market environment and a marked recovery in equity prices.

For Oppenheimer, 2018 was a successful year and we were quite pleased with our improved results driven by higher short-term interest rates, increased assets under management, and a significant improvement in investment banking results. Nevertheless, to some extent these excellent operating results were offset by the impact of reduced performance in certain alternative investments. For the year, the Company reported revenues of \$958 million, an increase of 4.1 percent from \$920 million in the prior year, and reported a pre-tax profit of \$44.85 million, compared to a pre-tax profit of \$19.74 million in 2017, an increase of 127 percent. However, after-tax results did not increase at the same rate, primarily due to a one-time tax benefit recorded in the fourth quarter of 2017 as a result of the enactment of the Tax Cuts and Jobs Act. As a result, after-tax profits increased 27 percent to \$28.89 million (or \$2.05 diluted earnings per share) in 2018 from \$22.82 million (or \$1.67 diluted earnings per share) in 2017. On December 31, 2018, the Company had a total of 13,041,474 shares outstanding and the book value per share was \$41.81 as compared to \$39.55 at the end of 2017.

Client assets under administration totaled \$80.1 billion while client assets under management in fee-based programs ("AUM") totaled \$26.7 billion, compared to \$86.9 billion and \$28.3 billion, respectively in 2017. Despite

bringing in more than \$600 million in net new client AUM into our fee-based programs during the year, AUM declined \$2.2 billion in 2018 due to market depreciation, most of which took place in the fourth quarter. Asset management and fee-based programs continue to be the preferred path for clients and we experienced another year in which clients chose managed solutions over transaction-based pricing. Accordingly, we experienced a decline in commission revenues of 2.1 percent as clients increasingly chose passive investments over actively managed assets and again reduced turnover in their accounts.

In 2018, as market volatility increased, we maintained a strong focus on the needs and priorities of our clients. For the past several years, we have been dedicated to modernizing our business. We have been relentless in our pursuit of hiring and retaining talented colleagues, attracting productive advisors, building up our technology and digital capabilities, delivering a full-range of investment solutions, and continuing to stress the importance of compliant behavior throughout our enterprise.

Where we are headed:

- Organically growing our all-important wealth management business with an increased advisor headcount derived from recruiting experienced advisors with strong client allegiances as well as adding new advisors through our successful training programs.
- Investing in our Capital Markets businesses by continuing to identify niche businesses where we see demand for services that are being unmet in the marketplace and where our firm is uniquely qualified to build the infrastructure or services necessary to meet these demands.
- Attracting, motivating, and retaining top talent has always been the primary key to success in the investment business. It has long been a key tenet of this company that we must invest in our employees, we must motivate and empower them to expand and enhance their personal and professional skills, and we must help them to realize their full potential within the framework of our enterprise. Now, and in the future, we understand the need to provide opportunity for

all employees that is personally fulfilling, intellectually rewarding, and above all, that builds the kind of deep, lasting relationships that position Oppenheimer as the employer of choice.

- We believe that technology is not an end in itself, but a means to an end. The digital revolution impacting our economy provides us with enormous opportunities to better understand our business and to synthesize the vast amount of data available to us both to provide growth opportunities and to empower us to do a better job of meeting the needs and goals of our clients. We are investing in technology so as to provide a higher level of efficiency and effectiveness in everything we do and to provide our employees with a robust, state-of-the-art platform with which to manage our business and deliver our services. We will continue to utilize new technology and high impact delivery methods to gain operational efficiencies and improve our clients' experience.
- We recognize the significant responsibility we have to our clients to protect their data and their privacy in an increasingly difficult and complex digital environment. We commit an enormous amount of resources to protect all of our clients from fraud, cybersecurity risk, and invasion of privacy. We will continue to invest in building higher walls and stronger borders around our clients' data and information, and importantly, we will do our utmost to ensure the safety and security of their assets entrusted to us for safekeeping.

In 2018, importantly for our industry, the courts ruled for a reversal of the Department of Labor's fiduciary rule. While a great deal of time and effort was invested in preparing for it, that effort will now be directed toward the expected finalization of a uniform best interest standard by the SEC. We anticipate that these new standards will enhance investor protections and likely will require additional changes to our business model. We will make any and all necessary changes with the primary goal of keeping our clients at the center of everything we do and maintaining flexibility and choice for the benefit of clients and their advisors.

Over a decade has passed since we suffered the worst financial crisis since the Great Depression. Time brings many changes. We have, as of this writing, experienced the longest sustained economic expansion and bull market in our nation's history. At Oppenheimer, we have learned a great deal and have built a business model for sustained success. This approach led to outstanding results in fiscal 2018 and we expect to continue this positive momentum in 2019. We are well positioned to take advantage of the trend toward industry consolidation. We are exploring strategic alternatives for utilizing our significant investments in systems, talent, and expertise, and we recognize the benefit we would derive by utilizing excess capacity to increase shareholder returns and support future growth. It is clear that our strategy must be based on a careful review of the potential of any such expansion to contribute to long-term value. While we prefer to use capital to reinvest in our business, we will not pass on opportunities to enhance shareholder value through share buy-backs.

We will also continue to invest in our culture, which is rooted in a foundation of commitment to the firm's Code of Conduct. Our guiding values—integrity, excellence, and teamwork—define who we are and how we work together with stakeholders. We will continue to set the highest standards of personal and professional responsibility throughout our firm so as to achieve compliance in an increasingly rules-based industry.

We will continue to develop new and innovative services and expand our already robust platform so as to better meet our clients' evolving needs and to help reach and assist new clients. We will continue to recruit, motivate, and retain top talent in the interests of our clients so that they will be more successful working with us than with our competitors.

I am deeply appreciative of the privilege to lead this great firm and to serve its clients, its employees, and its shareholders.



Albert G. Lowenthal
Chairman & CEO

Private Client Division

AT A GLANCE

The Private Client Division (PCD) has 1,073 financial advisors in 92 branch offices throughout the United States. Oppenheimer financial advisors deliver investment advice and comprehensive wealth management strategies to a wide variety of investors including families and high net-worth individuals, foundations and endowments, charities, pension plans, corporate executives and businesses, both large and small. Comprehensive solutions are developed and delivered by deploying the resources of Oppenheimer Asset Management, the Oppenheimer Trust Company of Delaware, the Insurance and Annuities Division, Corporate & Executive Services, the Retirement Planning Group, Oppenheimer's Research and Strategy Resources, the Capital Markets Group, as well as the traditional services of execution and custody.

BUSINESS ENVIRONMENT

The overall environment for the wealth management industry and Oppenheimer's Private Client Division was strong during 2018. Corporate earnings, nearly full employment, the effects of the Tax Cuts and Jobs Act, and a more accommodating regulatory environment resulted in strong equity markets during most of the year, before declining in the latter portion of the year. As our baby boomer clients approach the point in their lives where they rely on their accumulated savings, our years of service become ever more important. Despite trends in the industry where technology and automated solutions become available, informed clients continue to prefer the advice and counsel of experienced financial advisors as they make decisions on retirement, intergenerational wealth transfer and deploying their assets for a secure future.

At the same time, millennials want to make sure that they can access the information and services they value at all times anytime, anywhere. Oppenheimer has adapted its platform to service all investors recognizing changes in regulation and technology, investor expectations of how financial advice is accessed and delivered, and the increasing attraction of passive management of assets as a means to lower costs, while targeting market returns. Despite these developments, high-net worth individuals, families, and businesses consistently value the access to intellectual capital and strategies provided by their trusted Oppenheimer financial advisor.

MAJOR INITIATIVES

The paramount focus of the Private Client Division during the year was enabling, empowering, and executing growth. The Private Client Division represents 64.5 percent of the firm's revenue and continued to improve its pre-tax margin to 24.1 percent. During the year, higher management fees and bank deposit sweep income, as well as attracting new advisors, and retention of existing staff allowed us to realize meaningful growth. This was aided by attracting new clients and generating new investments from existing clients.

PCD focused its efforts on recruitment with a two-pronged approach that included: recruiting advisors with proven successful practices and assisting senior advisors approaching retirement into partnerships with younger associates thus permitting them to "sunset" into ongoing participation in their practice as they retire. Our recruitment campaign, Let's Talk Future™, signaled to the market an effective strategy for attracting experienced financial professionals to the firm.

We continued our multi-year focus on improving the advisor and client experience by the introduction of wealth management solutions, improved technology, and enhanced digital delivery. Our advisor-facing technology, Advisor Works, improved with field testing and a measured rollout with a system-wide launch planned and on schedule in 2019. Our improved client portal, Client Access, was modernized with a streamlined and visual interface so clients can instantly access, analyze, and understand their portfolios. The firm's website, oppenheimer.com, also was modernized and relaunched during the fourth quarter and now is optimized for desktop, tablet, and mobile formats.

AREAS OF FOCUS

The Private Client Division continues to help Oppenheimer's financial advisors deliver valued advice and to help our clients plan, invest, and transfer their wealth. This is achieved through practice management, marketing support, compliance, and new technology solutions. The practice management team provides a wide range of capabilities including onsite coaching, peer-to-peer and classroom training, and a structure for achieving business model optimization. Specialty programs are focused on developing financial advisors in various stages of evolution.

Among our varied programs with proven results are:

- *Associate Financial Advisor Program* for new financial advisors, a two-year curriculum with direct reporting and teaming with a senior advisor with a requirement of earning a CFA, CFP or CIMA designation
- *Senior Associate Advisor Program* for those looking to partner for business succession
- *Second Generation Program* for financial advisors intending to pass on their successful practices to younger family members

PCD is adopting digital and technology approaches to help financial advisors continuously learn, manage and market to their clients, while growing their practices and remaining compliant with regulatory changes. Increased longevity has significant economic benefits, as aging populations drive continued growth and innovation to meet their evolving needs. Throughout 2018, educational forums were conducted for financial advisors and their clients on such topics as aging, generational wealth transfer, changing Social Security, and prudent financial planning.

PCD received industry recognition during 2018:

- Three financial advisors were named by Forbes/R.J. Shook as *Best-in-State Wealth Advisors*
- Eight financial advisors were named by Forbes/R.J. Shook as *Top Next Generational Wealth Advisors*
- Three branch managers received OnWallStreet's *Top Branch Manager Award*
- Two financial advisors were on OnWallStreet's *Top 25 list of Regional Advisors Under 40*
- One financial advisor was recognized in the Financial Times as a *401(k) Top Retirement Plan Advisor*

LOOKING FORWARD

The way forward for the Private Client Division includes attracting new financial advisors to the firm, and continuing to provide an entrepreneurial culture for new and existing financial advisors. To empower financial advisors to expand their practices and provide outstanding service to their clients, PCD will continue to develop advanced tools, and experiential training programs. The Private Client Division strategy assures that Oppenheimer financial advisors are equipped to meet the challenges ahead including evolving regulation, demographic shifts, and investor needs.

1,073
FINANCIAL
ADVISORS

92
BRANCH
OFFICES

\$80.1
BILLION
ASSETS UNDER
ADMINISTRATION

Asset Management

AT A GLANCE

Oppenheimer Asset Management (OAM) is a trusted partner to financial advisors in the Private Client Division. Steeped in a culture driven by dependability and innovation and grounded with a respect for the relationship between financial advisors and clients, OAM's focus is to offer seamless access to an integrated wealth management platform that allows client relationships to flourish. Amid rapidly changing capital markets, OAM offers a unique range of advisory services that align with clients' goals, needs, and objectives.

OAM achieved strong results in 2018 fueled by specialized alternatives for investment management, intuitive technology tools, and a steadfast commitment to client service.

KEY PERFORMANCE DRIVERS

- Focus on fee-based advisory business
- Expansion of Discovered Manager Series
- Strong collaboration with Investment Banking and Equity Research
- Concentrated education and training
- Expansion of program conversion to PASSPORT wealth management platform
- Top Guns Award for Fixed Income in first and third quarters

\$314.3
MILLION
IN FEE-BASED
REVENUE

12
INVESTMENT
PROGRAMS

\$26.7
BILLION
ASSETS UNDER
MANAGEMENT

BUSINESS ENVIRONMENT

While the market environment was generally favorable throughout most of 2018, competitive, regulatory, and global market forces presented challenges to the business landscape. As a result, market volatility increased in the fourth quarter. As markets change and our business evolves, we remain vigilant about potential headwinds, including technology disruptors, fee compression, and global macro events, to name a few.

OAM views disruptions as opportunities and are focused on ensuring that investment solutions are well timed to address events, fit the future financial advisor/client business model into an ability to provide investment flexibility, adaptability, and choice. Client service means listening to clients' needs and responding with a solution. To that end, OAM will continue to simplify the financial landscape and its endless stream of investment choices. We expect fee-based alternatives to continue to grow and we remain committed to a well-diversified, actively managed investment platform that provides extensive choice and transparency. OAM will remain competitive by providing a platform dedicated to investment choice, high-quality support, and technology that enables the firm's financial advisors to customize advice to each client's financial needs, goals, and aspirations.

EMPOWERING ADVISOR SUCCESS

- High-conviction investment capabilities
- Early-stage investment partnerships
- Education and training
- Wide-ranging investment access to OAM and our business partners
- An unwavering partnership with financial advisors
- Technology enhancements focused on business scalability
- Investment in talented people
- Reliable provider of investment choice

ACCOMPLISHMENTS

OAM's strategic transformation of its investment advisory programs continued to make great strides in 2018. The following achievements reflect continued commitment to remain competitive and relevant to our financial advisors and clients:

- Expanded investment platform with two new strategies and advisory services
- Expanded Private Market Opportunities platform with two new investment offerings
- The Discovered Managers Series grew to \$2.75 billion with 31 managers
- The Market Strategy Portfolio surpassed \$278.6 million in assets
- OMEGA and FAM programs—representing in excess of \$3,425.4 billion in OMEGA and \$1,114.3 billion in FAM in AUM—were converted to the platform's PASSPORT infrastructure. More than 67.5 percent of the division's assets under management is now managed through PASSPORT
- Announced new Sales and Marketing leadership from within and repositioned regional sales effort to better support financial advisors
- Hosted a series of regional and national training and education events for financial advisors

LOOKING FORWARD

OAM remains focused on equipping financial advisors with the tools needed to deliver customized advice while providing access to a deep network of talented investment professionals. This combination enriches the client experience and forges lasting client relationships. The OAM service model is rooted in education and research through which financial advisors can take advantage of enhanced technology, a broad range of investments, and a premier support organization. OAM prides itself on taking an innovative approach to investing and providing access to information and ideas. Looking ahead, OAM pledges to challenge limits and reach for new heights with creativity, consistency, collaboration, and continuity as we relate to our clients.



729
INSTITUTIONAL
EVENTS

540
U.S. COMPANIES COVERED
BY RESEARCH

32
SENIOR
RESEARCH
ANALYSTS

Equities Division

AT A GLANCE

With a staff of approximately 275 professionals worldwide, the mission of the Equities Division (Equities) is to provide institutional clients with valuable investment insight, numerous opportunities to meet with public and private company management, efficient trade execution, and professional service. In addition, Equities delivers trading solutions and specialized focus on related areas of market activity, such as event-driven and merger/arbitrage, derivative strategy, market technical strategy and macro strategy. Equities partners with the firm's Investment Banking Division to help our corporate clients access needed capital through a variety of financing vehicles.

BUSINESS ENVIRONMENT

The institutional equity business continues to be competitive and clients continue to place value on service and intellectual capital that assists them in meeting their investment goals. Despite continuing pressure on margins in the investment advisory business resulting from the success of "passive" strategies, these vehicles require low execution costs and no intellectual capital and this trend reduces the size of the available advisory market. This trend is also exacerbated by the impact of a new set of regulatory hurdles associated with the European Union's MiFID II rules. Together, they are changing the fundamental business model of services required and attractive to the investment community.

During 2018, we again saw evidence there is a significant role for a dedicated platform with the breadth and depth of Oppenheimer's Equities Division. After a relatively low volatility and calm period earlier in the year, markets experienced a dramatic reversal beginning in October, and the institutional investor community finally appeared to awaken to the real need for differentiated and value-added fundamental research. Oppenheimer's consistent strategy emphasizing the value-added content and services that are core to our business model, which include marquee conferences, smaller experiential events, and bespoke meetings all bore fruit in 2018. As a result, we saw both an absolute increase in revenues from our agency business, as well as market share gains relative to our peers during this period.

ACCOMPLISHMENTS

Equities reported gross revenues up 10.3 percent versus full year 2017. Despite headwinds, our agency business, the core of the U.S. based research sales and commission business, reported an increase of over 4% in the same period. Overall results were also very positively impacted by outperformance from the derivatives desk, driven largely by a significant pick up in volatility in the second half of the year. Our highly regarded Equity Research professionals continue to provide institutional clients with insight and coverage on over 500 listed companies across six industry verticals.

Under new and invigorated leadership, Oppenheimer's front line sales and trading professionals engaged energetically with clients throughout the year to ensure a reliable and broad-based distribution channel for all our equity related products and services, including the improved deal flow from our Healthcare, Consumer, Industrial, and Technology Investment Banking groups. Throughout the year, Oppenheimer's dedicated teams hosted over 450 non-deal roadshows for public and private companies, leading to more than 9,000 individual meetings between institutional investors and company managements. Including unique events such as headquarter visits and bus tours, Oppenheimer conducted approximately 700 events throughout the year. At our four dedicated major industry conferences, we proudly hosted over 475 companies and arranged for about 5,000 one-on-one meetings with interested investors. Of particular note for the 2018 conference schedule, we added topical events such as the highly successful Oppenheimer Cloud Summit, the Specialty Pharma & Rare Disease Summit, and a well-attended Boston Oncology Summit at the Whitehead Institute.

LOOKING FORWARD

We expect to continue the positive momentum in 2019, and are well positioned to take advantage should the trend towards industry consolidation continue. Our front line client-facing staff is focused on continuing to deliver the highest quality investment research product, and remain fully engaged with our clients in delivering the value of Oppenheimer's full suite of equity products to clients' investment process.

Investment Banking

BUSINESS ENVIRONMENT & AREAS OF FOCUS

While 2018 saw news cycle ups and downs, capital markets remained open for a wide variety of issuers throughout most of the year. Equity and equity-linked offerings raised approximately \$230 billion in capital for issuers, an increase of roughly 15 percent year-over-year. The 2018 domestic mergers & acquisitions (M&A) market also improved from the prior year, with the aggregate of completed transactions reaching \$1.5 trillion, an increase of approximately 16 percent.

Oppenheimer's Investment Banking results mirrored these broad trends. The Healthcare and Technology teams led division activity, and the Transportation & Logistics and Energy practices also had a strong year. M&A Advisory and Equity Origination products contributed equally to group revenue, which increased 74 percent over the prior year. The firm served as financial advisor on announced and completed M&A transactions totaling approximately \$4 billion in value, and raised approximately \$9 billion of equity and equity-linked capital for clients via 72 offerings and approximately \$840 million of debt capital for clients through 14 transactions.

In 2018 we reaped the benefits of the investments made in the prior year. After building out core areas of focus in 2017, the division experienced real momentum and significant growth in market share. Recruitment of senior talent remained a focus, and hires were made into the Consumer, Financial Institutions, and Technology industry teams as well as the Restructuring & Special Situations and Debt Capital Markets product teams. Senior professionals joined the platform in the UK and Germany, expanding the investment bank's international footprint. Execution support was also a priority, particularly in the second half of the year, and additions were made through junior- and mid-level hires across the division to support the growth in execution activity and transaction pipeline.

Capital markets functions were refined with the creation of a single Equity Capital Markets product group. This established a unified message to our clients regarding our equity transaction capabilities, and allowed us to more closely align the activities involving the marketing and execution of transactions with the workflow of our coverage groups.

In addition, Investment Banking and the Private Client Division continued to partner to provide access to investment banking advisory services and a view of capital markets for entrepreneurial private clients. Specifically, the Private Market Opportunities (PMO) initiative had a successful inaugural year with the launch and close of two PMOs – Vista I/IH and Vista II. The firm, having identified and responded to a shift in public and private capital formation, was uniquely positioned to connect private companies with high caliber institutions, and a large, diverse, and sophisticated private client investor base.

THE WAY FORWARD

Investment Banking will remain concentrated on positioning the business unit for continued growth, deepened collaboration with the institutional and wealth businesses, and architecting the total client experience.

The way forward includes a relentless focus on human capital, which involves engaging new professionals in our core areas of focus, and deepening skills for existing professionals; improving efficiency by implementing various technologies to leverage data and provide scale; as well as continuing to innovate and deliver value-added capabilities.

120+
TRANSACTIONS

\$72.3
MILLION
IN GROSS REVENUES

2018 Notable Transactions

 <p>\$255,000,000</p> <p>Transportation & Logistics Mergers & Acquisitions December 2018</p> <p>Exclusive Financial Advisor</p>	 <p>\$29,500,000</p> <p>Financial Institutions and Real Estate Senior Unsecured Debt Private Placement November 2018</p> <p>Lead Placement Agent</p>	 <p>Undisclosed</p> <p>Healthcare Mergers & Acquisitions October 2018</p> <p>Exclusive Financial Advisor</p>	 <p>\$32,000,000</p> <p>Technology, Media & Communications Equity Private Placement September 2018</p> <p>Lead Arranger</p>
 <p>\$115,000,000</p> <p>Healthcare Confidentially Marketed Follow-on August 2018</p> <p>Sole Bookrunner</p>	 <p>Undisclosed</p> <p>Transportation & Logistics Private Placement August 2018</p> <p>Exclusive Financial Advisor</p>	 <p>Undisclosed</p> <p>Energy Special Situations Advisory July 2018</p> <p>Exclusive Financial Advisor</p>	 <p>Undisclosed</p> <p>Technology, Media & Communication Mergers & Acquisitions June 2018</p> <p>Exclusive Financial Advisor</p>
 <p>\$1,100,000,000</p> <p>Rental Services Mergers & Acquisitions June 2018</p> <p>Financial Advisor</p>	 <p>Undisclosed</p> <p>Rental Services Mergers & Acquisitions June 2018</p> <p>Exclusive Financial Advisor</p>	 <p>Undisclosed</p> <p>Healthcare Mergers & Acquisitions May 2018</p> <p>Exclusive Financial Advisor</p>	 <p>\$69,000,000</p> <p>Financial Institutions & Real Estate Baby Bond Offering April 2018</p> <p>Joint Bookrunner</p>
<p>Pure Acquisition Corp</p> <p>\$414,000,000</p> <p>Energy IPO April 2018</p> <p>Joint Bookrunner</p>	 <p>Undisclosed</p> <p>Healthcare Mergers & Acquisitions March 2018</p> <p>Exclusive Financial Advisor</p>	 <p>\$485,714,293</p> <p>Transportation & Logistics IPO February 2018</p> <p>Lead Joint Bookrunner</p>	 <p>\$46,500,000</p> <p>Emerging Markets Sovereign Bridge Notes January 2018</p> <p>Sole Placement Agent</p>

Taxable Fixed Income

BUSINESS ENVIRONMENT

The backdrop for fixed income securities in 2018 is best characterized as one of global policy volatility. Whether it was in response to global trade, economic growth, geopolitical factors, the Fed, or fiscal policy, the attendant course corrections and headlines contributed to a reversal of fortune for fixed income markets from the prior year. In contrast to an extended cycle marked by a lack of volatility and transactional volume, 2018 ushered in market dynamics that required participants and investors alike to become newly nimble and proactive, navigating such factors as higher interest rates, flattening of the U.S. Treasury yield curve, trade tensions, a stronger U.S. dollar, and decoupling of economic growth between the U.S. and the rest of the world.

On the domestic front, market assumptions at the start of the year centered on strong economic growth, monetary policy normalization, and a significant increase in the deficit resulting from the Tax Cuts and Jobs Act. Ten-year Treasury note yields started the year at 2.46 percent, peaked at 3.24 percent in November, and ended the year at 2.69 percent. The Federal Reserve raised rates four times, by a total of 100 basis points, with a targeted Fed Funds rate ending the year at 2.5 percent. We saw an increase in the size of Treasury auctions to accommodate a deficit swelling to one trillion dollars annually. This approach held through November, until fears of slower global growth from tariffs, too-strict monetary policy, and generally overbought risk assets brought a large correction in equity markets, a rally in debt markets, and a well-publicized rethinking from The Federal Open Market Committee (FOMC).

The credit markets saw widening of spreads and underperformance globally, bearing the brunt of a “risk-off” reaction to policy uncertainty. Rather than entice value seekers, cheaper risk assets instead validated concerns about the viability of global economic growth, punctuated by lack of resolution with looming Brexit. Global high-yield, emerging markets and investment grade markets were casualties of this repricing of risk premiums, and the spread volatility kept money on the sidelines.

Taxable Fixed Income delivered modestly lower year-over-year results largely as a result of lower institutional client

activity. This was especially pronounced in the fourth quarter, as debt capital market issuance became scarce and portfolio managers resigned themselves to outperforming on the downside, with a “least worst” performance objective relative to peers and indices. The extremely challenging environment in 2018 nonetheless provided opportunities for us: our franchise footprint, wallet share and mind share with clients have improved with the continued consolidation of the industry, and we are extremely well poised for success in 2019.

\$175
BILLION
BONDS TRADED GLOBALLY

85
INSTITUTIONAL SALES
PROFESSIONALS

1,400
INSTITUTIONAL CLIENTS

Public Finance and Municipal Trading

Public Finance and Municipal Trading sustained its mission of providing seamless execution of innovative and client-centric debt solutions, establishing long-standing and trusting relationships and operating with integrity and transparency. Public Finance and Municipal Trading worked diligently in 2018 on several notable transactions, including its role as lead manager on the first K-12 tax-exempt advance refunding issuance of a Build America Bond, as senior manager for the largest non-rated issuance for a private higher education institution since 2015, and sole manager for a rated college of osteopathic medicine.

The Municipal Bond market was significantly impacted by the Tax Cuts and Jobs Act. After peaking in 2017, issuance of new Municipal securities declined approximately 24 percent in 2018, largely due to an absence of tax-exempt advance refunding capacity. Institutional and individual investors spent much of the year re-evaluating portfolio strategy, given lower individual and corporate tax rates, as well as new limitations on state and local tax deductibility. Notwithstanding these challenging headwinds, the Muni market outperformed other asset classes, benefiting from the positive technical of reduced supply and heightened demand from net positive mutual fund flows.

During the year, we added seasoned professionals to the group and further strengthened our record of accomplishment in the higher education, K-12, senior housing, general municipal, public-private partnership, and project finance sectors. Due to our ability to educate buyers and place debt, the group is relied upon by issuers and their municipal advisors to facilitate market access both for stable and financially distressed issuers alike. The firm continues to establish itself as one of the leading underwriters of short-term issues; from 2015 to 2018, our ranking leaped from sixth to second place in terms of number of issues underwritten. The firm also provides liquidity in the primary market by actively bidding on competitive bond issues as a syndicate member—over this same period, our ranking leaped from ninth to fifth. This activity allows our underwriting and sales desks to stay apprised of new issue trends.

Public Finance and Municipal Trading continued to educate our financial advisors throughout the country of our policy of utilizing relationships in the community to assist municipal issuers to raise needed capital. Financial advisors may be in a position to refer municipal underwriting transactions, and are encouraged to do so, are rewarded for a completed transaction. In one instance, a single referral to Public Finance and Municipal Trading resulted in multiple deals, aggregating to \$169 million of notes and bonds issued over a 15-month period.

Ranked

#2

**MUNICIPAL NOTES
UNDERWRITER BY
NUMBER OF ISSUES**

#5

**UNDERWRITER OF
COMPETITIVE ISSUES**

60

**MUNICIPAL BANKING,
SALES AND TRADING
PROFESSIONALS**

2018 Notable Transactions

 <p>\$147,385,000</p> <p>Jacksonville University Revenue Bonds Series 2018A-1, A-2 and B</p> <p>Sole Manager</p>	 <p>\$83,195,000</p> <p>Town of Oyster Bay Public Improvement Refunding Bonds Series 2018</p> <p>Sole Manager</p>	 <p>\$70,730,000</p> <p>Warren Township High School Taxable General Obligation School Bonds Series 2018 A&B</p> <p>Sole Manager</p>	 <p>\$55,850,000</p> <p>Massachusetts Development Finance Agency Revenue Bonds Series 2018</p> <p>Sole Manager</p>
 <p>\$53,235,000</p> <p>Wisconsin Public Finance Authority Burrell College of Osteopathic Medicine Taxable Educational Facilities Rev. Bonds Series 2018</p> <p>Sole Manager</p>	 <p>\$35,107,000</p> <p>Hudson County Improvement Authority County-Guaranteed Pooled Notes Series 2018A</p> <p>Sole Manager</p>	 <p>\$24,510,000</p> <p>Morongo USD General Obligation Refunding Bonds Series 2018 A&B</p> <p>Sole Manager</p>	 <p>\$20,000,000</p> <p>Arizona Industrial Development Authority Windsong Senior Living Project Multifamily Housing Revenue Bonds Series 2018 A-1, A-2</p> <p>Sole Manager</p>
 <p>\$17,825,000</p> <p>South Carolina Jobs-Econ. Dev. Authority Royal Life Oaks Academy Project Economic Development Revenue Notes Series 2018 A&B</p> <p>Sole Manager</p>	 <p>\$16,785,000</p> <p>Indiana Finance Authority Educational Facility Revenue Bonds Series 2018</p> <p>Sole Manager</p>	 <p>\$34,000,000</p> <p>Wittenberg University Taxable Revenue Bonds Series 2018A-C</p> <p>Initial Purchaser</p>	 <p>\$30,000,000</p> <p>Connecticut Health and Educational Facilities Authority University of Saint Joseph Series E</p> <p>Placement Agent</p>
 <p>\$8,881,000</p> <p>Vermont Educational and Health Buildings Financing Agency Saint Johnsbury Academy Revenue Bonds Series 2018A</p> <p>Placement Agent</p>	 <p>\$49,170,000</p> <p>Wink-Loving Independent School District Unlimited Tax School Building Bonds Series 2018</p> <p>Lead Manager</p>	 <p>\$47,445,000</p> <p>Navasota ISD Unlimited Tax School Building Bonds Series 2018</p> <p>Lead Manager</p>	 <p>\$830,580,000</p> <p>City of New York General Obligation Bonds Series 2018A-C</p> <p>Co-Manager</p>

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Newport Beach CA 92660
949-219-1000

4655 Executive Drive
San Diego CA 92121
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580 California Street
San Francisco CA 94104
415-438-3000

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Denver CO 80209
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Cheshire CT 06410
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100 Mill Plain Road
Danbury CT 06811
203-791-4600

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Litchfield CT 06759
860-567-8301

466 Heritage Road
Southbury CT 06488
203-264-6511

750 Washington Boulevard
Stamford CT 06901
203 328-1160

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Sterling Heights MI 48313
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417-886-8005

1 N Brentwood Boulevard
St Louis MO 63105
314-746-2500

New Hampshire

30 Penhallow Street
Portsmouth NH 03801
603-436-7626

New Jersey

375 Raritan Center Parkway
Edison NJ 08837
732-934-3113

200 Park Avenue
Florham Park NJ 07932
973-245-4600

222 Haddon Avenue
Haddon Township NJ 08108
856-858-1043

302 Carnegie Center
Princeton NJ 08540
609-734-0400

3 Harding Road
Red Bank NJ 07701
732-224-9000

250 Pehle Avenue
Saddle Brook NJ 07663
201-845-2300

382 Springfield Avenue
Summit NJ 07901
908-273-2100

New York

300 Westgate Business Center
Drive
Fishkill NY 12524
845-897-8100

888 Veterans Memorial Highway
Hauppauge NY 11788
631-382-2500

2 Jericho Plaza
Jericho NY 11753
516-733-1300

401 Broadhollow Road
Melville NY 11747
516-391-4800

666 Third Avenue
New York NY 10017
212-907-4000

777 Third Avenue
New York NY 10017
212-753-9110

11A Sunset Avenue
Westhampton Beach NY 11978
631-288-7122

360 Hamilton Avenue
White Plains NY 10601
914-421-4100

North Carolina

10 Brook Street
Asheville NC 28803
828-251-7884

800 Green Valley Road
Greensboro NC 27408
336-574-7500

380 Knollwood Street
Winston-Salem NC 27103
336-721-7040

Ohio

25550 Chagrin Road
Beachwood OH 44122
216-765-5900

5905 E Galbraith Road
Cincinnati OH 45236
513-723-9200

1501 Stonecreek Drive
Pickerington OH 43147
614-322-3600

Pennsylvania

1525 Valley Center Parkway
Bethlehem PA 18017
610-867-8631

136 W Main Street
Bloomsburg PA 17815
570-784-4210

14 E Court Street
Doylestown PA 18901
215-348-8104

165 Township Line Road
Jenkintown PA 19046
215-887-7660

2790 Mosside Boulevard
Monroeville PA 15146
412-858-7300

1818 Market Street
Philadelphia PA 19103
215-656-2800

101 S Centre Street
Pottsville PA 17901
570-622-4844

201 King of Prussia Road
Radnor PA 19087
610-225-8960

2200 Georgetowne Drive
Swickley PA 15143
724-933-4810

Rhode Island
1 Financial Plaza
Providence RI 02903
401-331-1932

Texas
901 S Mopac Expressway
Austin TX 78746
512-314-2600

13455 Noel Road
Dallas TX 75240
972-450-3800

201 Main Street
Fort Worth TX 76102
817-333-3900

711 Louisiana Street
Houston TX 77002
713-650-2000

322 W Main Street
Kenedy TX 78119
830-583-0411

2445 Technology Forest
Boulevard
The Woodlands TX 77381
281-363-7500

Virginia
200 S 10th Street
Richmond VA 23219
804-663-1414

8100 Boone Boulevard
Vienna VA 22182
703-506-7400

205 Town Center Drive
Virginia Beach VA 23462
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Firm Financial Information

Financial information is available at www.oppenheimer.com/about-us/investor-relations. Our Annual Report on Form 10-K for the year-ended December 31, 2018 also serves as our 2018 Annual Report to Stockholders. To request a paper or email copy of our Annual Report on Form 10-K, without exhibits, at no charge, call (800) 221-5588, write to Oppenheimer Holdings Inc., Attention: Secretary, 85 Broad Street, 22nd Floor, New York, NY 10004, or email info@opco.com. Exhibits will be provided upon request and payment of a reasonable fee.

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Oppenheimer Holdings Inc.
85 Broad Street
New York, NY 10004

MARKET ASSESSMENT FOR



SEBRING, FLORIDA

FINAL

February 2020



INTRODUCTION

Zon Beachside (ZB), a for-profit organization located in Indian Harbour Beach, Florida is a developer, owner and operator of assisted living (AL) and memory care (MC) communities. According to the company website (www.zonbeachside.com), the Zon Mission is “to enable our residents to continue to live their lives the way they want by providing the highest possible level of care and attention through our core principles: 1) A Hands with Heart philosophy instilled in team members and embedded throughout all we do 2) Our personalized Zon360 program that focuses on all the essential areas of life enhancement and 3) State of the art facilities and technology.”

Proposed Project

Zon Beachside has identified a need in central Florida for market rate senior housing, specifically an independent living (IL) active adult rental community (Project). The proposed Project will have abundant amenities and a la carte services including access to home care services. ZB believes this meets a niche market, priced as “cost neutral” so that independent seniors will easily transition from their homes to this rental product. As residents age, ZB plans to layer on services for an additional fee which may include housekeeping, home care, occupational and physical therapy. It is assumed that residents will move out of the community to AL when paying for extensive a la carte services becomes cost prohibitive.

The site, located at 3151 Golfview Road is on Lake Jackson in Sebring, Highlands County, Florida. The proposed community includes 140 active adult apartments with 20 Club Homes encircling the property. Studio, one and two bedroom apartment units are proposed along with two to three bedroom penthouses. Amenities in the main apartment building (and available to all residents) will include a restaurant (also open to the public), a fitness center, pool and beauty salon and a home care office. Monthly rent will include utilities (electric/water/sewer), cable TV and Wi-Fi. Pricing for the proposed community by unit type is found in the table below.

TABLE 1 Proposed Monthly Rent by Unit Type		
<i>Unit Type</i>	<i>Square Feet</i>	<i>Monthly Rent</i>
Studio	500	\$2,025
1 Bedroom	750	\$2,475
2 Bedroom	1,000	\$3,400
Club Home	1,300	\$4,100

ZB is interested in determining whether the market can support this Project and is requesting that Occupancy Answers (OA) conduct a market assessment to determine the number of age and income qualified households in the market as well as the Market and Penetration Rates for the Project. They are also seeking feedback from local realtors as to the viability and attractiveness of the Project.

We have completed a market feasibility study for an IL active adult community in Sebring, Florida with the following components.

- Area and Site Location
- Definition of Primary Market Area
- Demographic Summary
- Competitive Analysis
- Realtor Interviews
- Market Depth Analysis
- Appendix A: Interview Contacts
- Appendix B: Demographic Data

An Executive Summary is provided at the end of this report including strategic recommendations for the development of the proposed community.

REPORT FINDINGS

AREA AND PROJECT SITE LOCATION¹

Highlands County in central Florida is located in Lake Wales Ridge, a 150-mile-long range of sand hills, scrub and numerous freshwater lakes. Once a group of prehistoric islands, the area is home to dozens of rare species of plants and animals. Highland County is bounded by Okeechobee County to the east, Polk County to the north, Hardee and DeSoto counties (west) and Glades County to the south. Tampa/St. Petersburg is approximately 75 miles to the west and Port St. Lucie is about the same distance away on the east coast.

Within Highlands County, the cities of Avon Park, Sebring and Lake Placid are found along U.S. Highway 27, a north/south artery. Sebring is the county seat and is known as the “city on the circle” for its unique layout. Points of interest in Sebring include the Highland Museum of the Arts, Sebring International Raceway (and the annual 12 Hours of Sebring race) and the Highlands Hammock State Park, with diverse wildlife such as alligators and otters and extensive biking and walking trails. Boat ramps, fishing piers and swim centers provide easy access to the Sebring waterways from its public parks. Numerous public and private golf courses make the sport accessible to both visitors and residents.

Highlands County as well as adjacent counties are depicted in the map below.



¹ Information in this section is taken from <https://www.highlandsfl.gov/> and <https://visitsebring.com/activities/nature/>

Area Perception

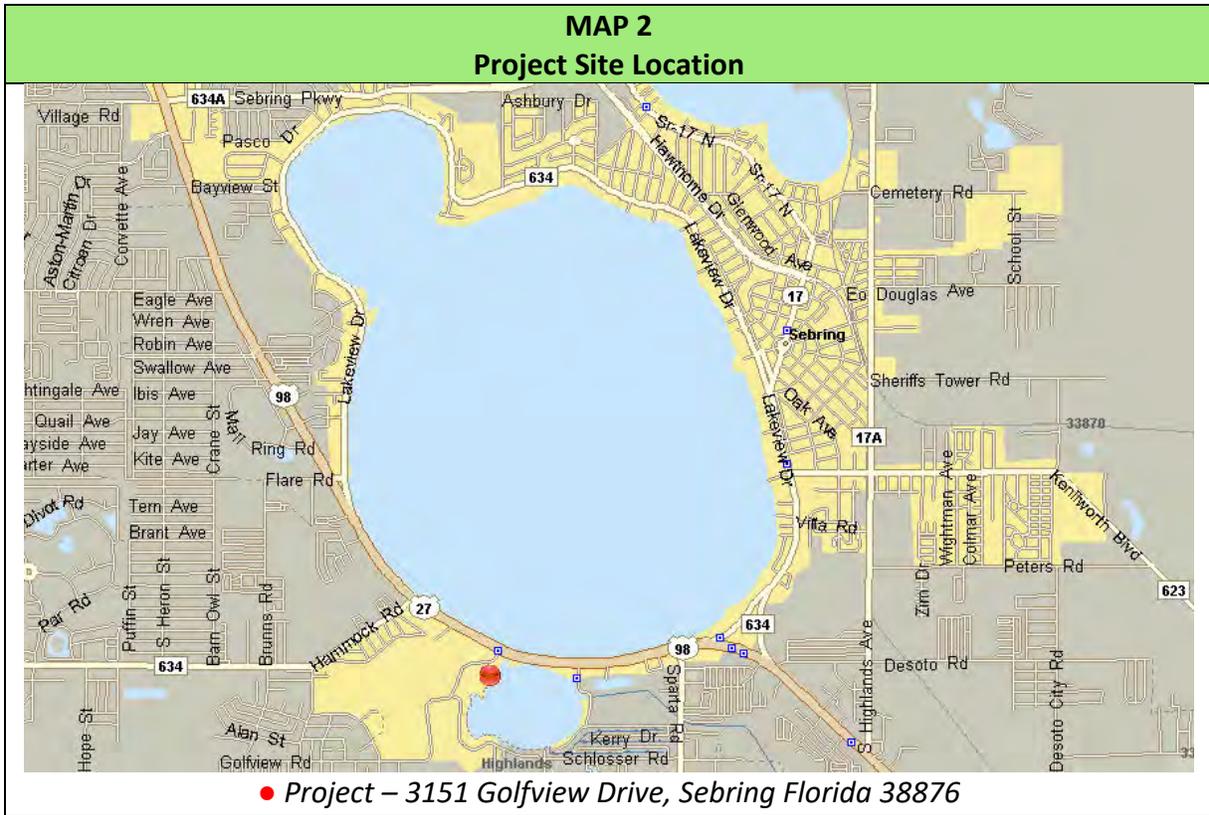
Six local realtors were interviewed who provided insight into the local area. Each emphasized the tranquility and slower pace of life in Sebring as well as the beautiful surroundings. This, coupled with a low cost of living including home prices, low taxes and insurance costs is creating an active real estate market attracting many seniors to relocate to the area from the Northeast and the coasts of Florida. Following are the realtor's comments.

- Lake Jackson is beautiful as are the other lakes in the county. This is prime real estate.
- We are a small area with lots of retired people, the low cost of living attracts them. They love the quiet.
- Mostly seniors move to this area. Young adults can't make the finances work here if they want six figures.
- We are starting to get some industry but we are mostly agricultural.
- Traffic is bad in the winter, especially along Highway 27 which is the main business route.
- Hardee and Okeechobee counties are largely agricultural, all cows and few people and few jobs.
- The coast is moving to Sebring where it is slower and less chaotic.
- Second and third generations are now inheriting these houses from the original owners.
- We are the poorest county in Florida, but the real estate market is the best it's been in 10 years. We offer peace and quiet and people like the low taxes.
- It's like Mayberry here, we have old time family traditions.
- We were voted Reader's Digest "Most Interesting Place" due to our murals, country fair, fishing and boating and our Clown University.

Project Site Location

The Project site along Lake Jackson is opposite Harder Hall Country/Golf Club and near Sebring Golf Club as well as within walking distance of several restaurants. Lake Jackson offers boating and fishing and stunning views. The Publix grocery store is within 1.5 miles and Lakeshore Mall, anchored by Bealls, J C Penny and an AMC Cinema is within a few minutes' drive on the western shore of Lake Jackson. Downtown Sebring, is located on the eastern shore of the Lake. Highlands Regional Medical Center is within 2 miles of the Project site along U.S. Highway 98 and Florida Hospital in Sebring is approximately 5 miles away. Numerous physicians' offices are located along U.S. Highway 27 as well.

The site is pictured in Map 2 and Map 3 (satellite image) below.



DEFINITION OF PRIMARY MARKET AREA

The PMA for the Project is the local area from which the largest concentration of residents are expected to be drawn. The PMA defined below is based on conversations with local realtors and planners as well as knowledge of household income levels for seniors and travel patterns in the Sebring area.

The map below depicts the PMA and its zip codes are listed in Table 2.

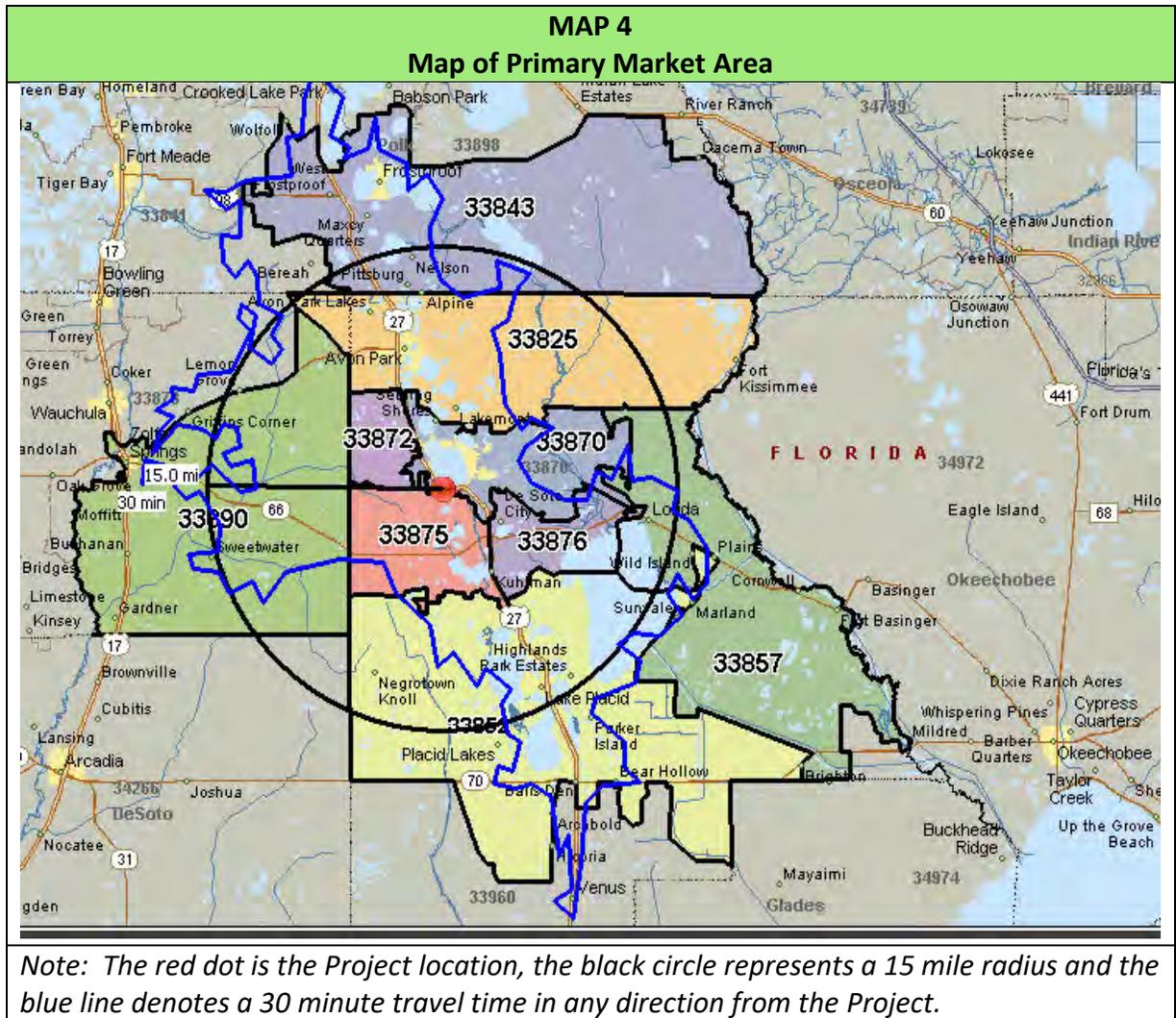


TABLE 2	
Primary Market Area Zip Codes	
33890	Zolfo Springs
33875	Sebring
33852	Lake Placid
33857	Lorida
33872	Sebring
33843	Frostproof
33876	Sebring
33870	Sebring
33825	Avon Park

- The PMA contains 9 local zip codes, located largely in Highlands County with a small northern portion in Polk County and Hardee County to the west. It follows the main arteries in the county including U.S. Highway 27 (connecting Avon Park, Sebring and Lake Placid) and State Route 66 from Hardee County into Highlands County. A majority of the area is within a 15 mile radius and 30 minute drive time from the Project location. The Kissimmee River forms the eastern boundary of the PMA. Numerous lakes are found throughout PMA, making roadways sparse in some locations to the east.
- The city of Okeechobee (east of the PMA) is rural and sparsely populated. Residents are thought to have been born and raised in the area and are unlikely to relocate to Sebring. Therefore, this city is not included in the PMA.
- Interviews with numerous realtors revealed that seniors frequently relocate from the east and west coast of Florida (Fort Myers and Miami) as well as other points in Southern Florida to the Sebring area. This represents a significant secondary market for the Project.

DEMOGRAPHIC SUMMARY

Occupancy Answers obtains demographic data from Environics Analytics (formerly Claritas), a leading provider of demographic data based on the U.S. Census. Data for year 2020 and 2025 are now available and are projected from information from the 2010 Census. Findings from the American Community Survey are incorporated on a rolling annual basis, to ensure the most accurate projections.

The demographic data include both population and households. Those living in households are either renter or owner households. This is the basis for the market depth analysis presented within this report.

Key demographic findings are summarized below and presented on Table 3 for various age groups. The population 75+ is the typical age cohort for senior housing. The complete demographic report is found in Appendix B.

- All population and household age cohorts are predicted to increase from 2020 to 2025 with the exception of total adult child households (ages 45 to 64). Significant increases are predicted in the 65+ population and households. This suggests that seniors may be relocating to the PMA in addition to growing older.
- Half of all 75+ households have annual incomes of \$35,000 or more which is predicted to increase by 2.3% annually to 2025. \$35,000+ is the target household income for the Project. The greatest annual percentage increase is in age 75+ households with an annual income of \$75,000+ (4.9%).
- Adult child households (age 45 to 64) decrease in number from 2020 to 2025 by 1.6% annually. However, the percentage of these households with annual incomes of \$75,000+ are predicted to increase from 27.2% to 32.0% during the period.
- The Median Housing Unit Value increases from \$116,625 to \$126,132 by 2025 by an average annual increase of 1.6%. Over three-quarters of the households in the PMA own rather than rent their home.

TABLE 3 PMA Demographic Data						
		<i>2020</i>	<i>% of Total</i>	<i>2025</i>	<i>% of Total</i>	<i>% Annual Increase</i>
Total Population		124,235	100.0%	130,359	100.0%	1.0%
Population	65+	41,975	33.8%	46,951	36.0%	2.3%
	75+	20,999	16.9%	22,475	17.2%	1.4%
	85+	5,830	4.7%	6,365	4.9%	1.8%
Total Households		51,663	100.0%	54,336	100.0%	1.0%
Households	65+	26,018	50.4%	28,992	53.4%	2.2%
	75+	13,828	26.8%	14,782	27.2%	1.3%
	85+	3,892	7.5%	4,249	7.8%	1.8%
Household Income 75+	\$35,000+	6,574	47.5%	7,363	49.8%	2.3%
	\$50,000+	3,855	27.9%	4,537	30.7%	3.3%
	\$75,000+	1,700	12.3%	2,159	14.6%	4.9%
Total Adult Child Households (45 to 64)		14,321	100.0%	13,192	100.0%	-1.6%
	\$75,000+	3,895	27.2%	4,222	32.0%	1.6%
Median Housing Unit Value		\$116,625		\$126,132		1.6%
Owner-Occupied (all ages)		77.2%		77.3%		0.0%
Renter-Occupied (all ages)		22.8%		22.7%		-0.1%

COMPETITIVE ANALYSIS

There is a limited supply of senior housing within the PMA, consisting of mostly AL communities for seniors who need assistance with personal care and activities of daily living. However, there are numerous active adult communities (largely for purchase and typically 55 years and older) and naturally occurring retirement communities (NORCs) in which seniors reside, including mobile home parks and condominiums. Active adult communities and NORCs are typically devoid of any formal services such as meal service, housekeeping, laundry or home healthcare. Within the PMA, some of these communities are now for rent rather than purchase.

There is one existing IL community called The Palms of Sebring and one planned IL community, Lakeshore Manor at Lake Jackson². Each is described below. An overview of local rental active adult communities NORCs follows this description.

Existing Independent Living Communities³

- The Palms of Sebring, located at 725 S. Pine Street, Sebring (33870) is a for-profit rental (Type C)⁴ Life Plan community, built in 1970 with an addition in 1984. It is owned and operated by Sebring Senior Care, LLC. The community has 118 total apartments in two buildings (The Towers and Poinsetta) and 100 nursing beds. Amenities on campus include a lounge, two activity spaces, library, exercise room, gift shop, common washers/dryers, beauty shop and restaurant (open to the public).

The apartments accommodate both IL and AL, allowing residents to age in place. There are IL studio (\$2,195/month– 460 square feet⁵), one bedroom (\$2,440 - \$2,905/550 to 650 square feet) and two bedroom (\$3,250/775 square feet) units, some with balconies. Services provided to IL residents and included in the monthly rent are transportation, utilities, bi-weekly housekeeping and flat linen, maintenance, emergency response pendant and transportation. When a resident needs assistance with activities of daily living, the fees are higher (studio – \$2,830, one bedroom - \$3,093 and two bedroom - \$3,785). When more care is needed, a resident is charged by a 5-tiered level of care

² Information about planned communities within the PMA was obtained from the Highlands County Planning Department, the Central Florida Regional Planning Council and the local planning departments of Sebring, Avon Park and Lake Placid. The NIC (National Investment Center) database was also consulted to identify new construction.

³ Two HUD affordable communities are located in the PMA and are excluded from the analysis (The Groves at Victoria Park and Fair Havens Village) as the residents are assumed not to meet the minimum income qualifications.

⁴ Type C Life Plan communities typically IL, AL and nursing beds. As a resident transitions through these levels of care, the rent increases to reflect the amount of personal care and services being provided.

⁵ Square feet measurements are estimates from floor plans.

system increasing in increments of \$260 (level 1) to \$1,300 (level 5). Included in the AL basic rent are three meals per day, weekly housekeeping and personal laundry and linen, utilities, maintenance, transportation and an emergency response pendant. There is a fee for the second occupancy of \$600 for either IL or AL. A one-time community fee of \$2,000 is charged. There is no wait list to move in and there are “always some available”. “Many” of the units are occupied by residents receiving AL services. There are typically 250 residents living at the Palms, so the community is considered almost fully occupied.

Planned Independent Living Communities

- Lakeshore Manor at Lake Jackson is an IL community under construction in Sebring at 2301 U.S. Highway 27 S. The community is being developed by Mainstay Senior Living which owns and operates the Manor at Lake Jackson AL which is adjacent to the site. Construction of the four-story 80 unit apartment building is expected to be completed in mid-summer 2020 with an initial move-in date of August 2020. There will be 7 floor plans offered for 50 IL units on the third and fourth floors and 30 AL units on the first and second floors. Studios will measure 320 square feet and one bedrooms will range from 480 to 640. No two bedroom units are being built. Amenities will include a first floor dining room facing Lake Jackson and an activity room. Although pricing has not yet been established, a one bedroom is estimated to rent for \$2,000 per month. Included services for both IL and AL are expected to be three meals per day, activities, transportation and utilities including Wi-Fi and cable TV.

Existing and planned competitive communities are shown in the map below.



Naturally Occurring Retirement Communities

According to realtors interviewed, mobile homes and condominiums which are now renting to seniors are estimated to be from \$900 to \$1,500 per month for a one bedroom unit. One estimate for a two bedroom unit was lower at \$700 to \$1,000. Seniors who own their mobile homes are reported to pay up to \$800 per month in land leases.

PMA Market rate communities cited as most likely to have senior renters include Willow Gate 55+ homes, Vantage Pointe 55+ homes, Tanglewood Mobile Homes, Golf Hammock homes (and Country Club) and Ashley Oaks 55+ homes, Country Club at Sebring 55+ homes, Sun n' Lake homes, Tomoka Heights 55+ homes, Highlands Ridge 55+ homes, and The Bluffs of Sebring Senior Condominium Community. Many have high end amenities including lake front property, clubhouse and pool. One high end condominium community in Sebring was mentioned frequently by realtors as a source of rental properties for seniors and is described here.

- Majestic Cove (69 residences with 3 bedroom 2 and 3 bath units) is a popular home to professional retirees (doctors and lawyers) and is located on Lake Jackson with an outdoor pool and waterfall spa, 36 slip marina, a movie room, beach with grilling area and cabanas and state of the art fitness center. The large units have upgraded custom interiors, private balconies, travertine floors, custom cabinets, and granite countertops. Originally for purchase, 3 bedroom units (1,323 square feet) are now renting from \$1,800 to \$3,000 per month depending upon the view.

REALTOR INTERVIEWS

Interviews with realtors were conducted in February 2020 with local agents in various real estate offices in the PMA. All realtors were engaged, knowledgeable and forthcoming in their reactions to the Project. Interview questions addressed topics such as the status of and senior participation in the rental housing market, affordability of rental apartments for seniors, the demand for the Project concept, pricing and number of units and the reasons that seniors move to active adult/IL communities. A list of the six agents interviewed is found in Appendix A. A summary of the interviews as well as verbatim comments follows.

Where do realtors refer for senior housing?

Real estate agents were asked where they refer seniors when they look to relocate. In addition to the local Life Plan community (The Palms at Sebring) and various AL communities throughout the PMA, realtors mentioned that seniors are likely to purchase or rent mobile homes (with a land lease) or condominiums. Many of these are age restricted (55+). These options are perceived as very popular and fully occupied.

- We have The Palms which is always full and there is a new four story development along 27 (Lakeshore Manor at Lake Jackson).
- Normally seniors move to assisted living when they leave their homes.
- Many seniors rent condominiums such as Majestic Cove on Lake Jackson. These were purchased at high prices during the real estate boom and now they can't sell them at that price, so they rent them.
- My biggest sales are mobile homes to seniors such as Tanglewood. They like the activities there, such as the cruises and concerts. The lot rent is \$900 per month.
- People have some means in Lake Placid. Tomoka Heights 55+ (for purchase) has a clubhouse, tennis courts, pool and exercise facility and it shares an entrance with the hospital emergency room. It has a rehab center and nursing home. The HOA is \$175/month.
- I refer them to Golf Hammock and Ashley Oaks, as they like to buy the small condos.
- Most are looking for mobile homes and 55+ condominiums.
- Many move to Majestic Cove which has two and three bedroom luxury condos for rent.

Why are seniors seeking senior housing?

Seniors frequently move back to the Northeast when a spouse dies or their home becomes too much maintenance for them. Others will relocate to assisted living or nursing facilities or rent condominiums for which maintenance is provided. Reportedly, they become nervous about being alone and prefer a living situation that offers opportunities for socialization. This is typically in their late 70s to 80s, when an apartment with maintenance included in the monthly rent becomes attractive.

- 70 to 80 year olds are moving out of their homes now and some are moving back north because there is nothing here for them. They can't take care of their homes any longer.
- They just can't do it any more, they want someone to do the lawn.
- They can't take the cold in the Northeast any more so they move down here in their 60s. Then when they can't maintain their homes, they look to move again.
- The 88 year old can't care for the house anymore, so an apartment is more suitable.
- People move back up north with children if their spouse dies.
- They buy here in their 60s and 70s and then in their 80s they sell. But there is nowhere for them to go except for assisted living or nursing which some don't need.
- Seniors are nervous about living alone and don't like being inactive.
- Their current homes in Sebring are too big with too much upkeep. They are downsizing.

Description of the rental market

Most agents commented that there are very few rental properties in the area and those that are available, do very well. These are typically full with waiting lists. In general, their clients would like to own if possible and frequently purchase in 55+ communities or condominiums which offer maintenance and socialization, but little in the way of services. The cost of rentals were thought to be from \$900 to \$1,500 for a one bedroom apartment.

- The rental units in the area are all full. Long term rentals (for all ages) are doing very well.
- Our own agency rental department has a waiting list.
- I find that people would rather own than rent if they can, especially people with money.
- We don't have enough rentals. A one bedroom costs about \$1,500 here.
- Most people purchase in the 55+ communities such as Country Club at Sebring. The association fee is \$750/year. They stay in this house as long as they can.
- Rents for a two bedroom, one or two baths are generally \$700 to \$1,000.

Perceived demand for the Project of 160 Units

Those interviewed unanimously approve of the Project, pointing out that there is nothing in the area like it. They perceived the Project to be unique due to its high end and numerous amenities and the availability of services. These services distinguishes it from the 55+ communities which only offer socialization, but no personal care. Most perceived that 160 units is appropriate but not excessive and that the Project should fill easily. Many stated that seniors would prefer to stay in Sebring rather than return to the north or move to assisted living or a nursing home when they must move out of their home. The variety of housing at the Project (apartments and Club Homes) was welcomed.

- There is a demand for rental housing and 160 units is not too many. This will fill up.
- Absolutely, there is a demand for senior housing. People would welcome this and it would be full.
- Seniors will want to go to something like you are proposing instead of just renting a regular apartment.
- Majestic Cove condominiums (and those for rent) are full. People like living there, especially since it's on Lake Jackson with access to boat docks.
- We can use a senior development here, there is not much around. Lake Jackson is a particularly good place to be located.
- 160 units is fine as we have very few rentals.
- There are very few rentals here and nothing like your project (high end with available assistance/club homes and apartments). This could work. All projections are that the coast is moving to Sebring. You could attract these people.

- We have a lot of older folks and there are no options for them here. They are too old to live by themselves, so most go back up north. But they would prefer to stay here.
- There is a high demand for seniors. I like the idea of having services available. We don't have anything like this.
- You will be able to fill this. There are a lot of people who have the finances such as doctors and lawyers.
- Club Homes in addition to the apartments would be nice to have.
- The independent and assisted living communities are always full around here. We don't have enough of these and people end up in nursing homes.
- This could be a gold mine. This could entice seniors as it is a unique idea. The available services make it the first of its kind.
- 160 units would be tough to keep full all year long.

What is considered affordable for seniors within the PMA?

Local seniors are described as being less affluent than those who move to Sebring from other locations in Florida or from the north. Their homes are valued in the low to mid \$100,000s and they would expect to pay up to \$2,000 in rent, but most would prefer to spend less than \$1,500. Seniors are perceived to be financially savvy and aware of what rents they should pay in this market. Interviewees had varying perceptions of the cost of AL rents.

- Local seniors would expect to pay about \$600 to \$700 in rent per month, although Majestic Cove is \$1,800 for a three-bedroom with a pool, work out room and lakefront.
- Assisted living seems to be about \$1,500 to \$1,800 per month so they would want to pay less than that.
- Local rents start at \$900 for an apartment (non age-restricted). Local seniors are on a fixed income and can't afford much.
- The homes that seniors own in Sebring are typically worth \$100,000 to \$150,000.
- Many have mobile homes that they own. Their lot lease is \$400 to \$800 per month.
- People are moving out of their mobile homes because the cost of the land lease is increasing.
- Assisted living with all the meals included is about \$4,000/month.
- The local population is less affluent and are ordinary blue collar folks. On the other hand, there are ranchers that are extremely well off. Those in the middle are snowbirds and have some money.
- Most seniors could afford about \$2,000 per month. They have a good income because they moved here from up north where they had good jobs.
- \$1,500 is on the higher side for the local population of seniors. Some have money, some don't.

- These seniors “are not dumb”. They know the market and what they should pay.

What amenities are seniors looking for?

Respondents reported that seniors desire amenities that create an opportunity for interaction and independence. These include a clubhouse and pool as well as access to golf and Pickleball. Lake access seems to be very important as seniors in this area enjoy fishing and boating. Some mentioned proximity to local healthcare providers and apartments that are designed to be accessible. Specific amenities are mentioned below.

- They want to be near the hospital and their physician’s office.
- They would love lake access for the boating and fishing. I think mostly younger people are looking for a pool (not seniors). They like community interaction and will want a clubhouse and of course, golf.
- Seniors want golf, a pool and a clubhouse. Some residents have golf carts to get around the community.
- Seniors like a movie theater, pool and spa and lounges for socialization. They want to be near their doctors.
- Some of the assisted living communities have tiny apartments such as Fairway Pines and there are not enough activities for seniors. They want the socialization and interaction.
- I suggest Pickleball, a pool and a chip and put. The apartments should be handicapped accessible.

Reaction to Proposed Rents and Unit Sizes

Although some realtors thought that the proposed rents are similar to what seniors would be paying in a mortgage, most reacted negatively to the two bedroom, Club Home and Penthouse proposed monthly rents (\$3,400 to \$7,000). They identified seniors who are moving into the area from both coasts and southern Florida as more likely to find these rents affordable and acceptable. Local seniors are more frugal and would be unlikely to pay the rents for the one bedroom and larger units. The studio rent (at about \$2,000) seemed acceptable to everyone, although most thought this was a more appropriate rent for a one bedroom, especially in comparison to condominiums that are renting currently. A few realtors were more optimistic, saying that since there is nothing like the Project in the area already (and the fact that it is on Lake Jackson), seniors may be willing to pay the higher prices.

- Seniors are moving here from Miami and the east coast, so your proposed rents are not unreasonable for this group of seniors. They are used to higher rents. They will pay with their savings and pension and social security.
- For local seniors, the \$2,475 for a 750 square foot one bedroom sounds too high.
- They are moving from Fort Myers and the west coast as well as Miami/Ft. Lauderdale

and Hollywood. For them, these areas are getting too crazy and expensive. They like this rural area. They can sell a \$600,000 house there and buy the same house for \$300,000 here. Real estate is bigger and better in Sebring.

- Seniors are so frugal here. They won't pay these prices. The studio price (\$2,025/month) is acceptable, but the one and two bedroom prices are too high.
- There is nothing like what you are proposing in the area, so you may be able to get these rents. The studio rent is ok, you may be able to get the one bedroom rent (\$2,475), but the two bedroom rent (\$3,400) is getting too high.
- Seniors in Lake Placid may be able to afford the studio and one bedroom units. These prices are doable. You are pushing the envelope with the \$4,100 for the Club Home. These would cost too much if the senior started to have to pay for personal assistance. Some have long term care insurance, so these prices could work for them if their personal care costs were covered.
- You can purchase a condo and have a mortgage for less than the higher rents that you are charging (Club Homes and penthouses).
- The rents you show for a one bedroom are more like what you should be able to get for the two bedroom/two bath. The \$3,400 for the two bedroom is steep. They could buy a house for that. The amount you are charging would be the same as their mortgage.
- The lake location will help you get higher rents but these rents are a little high.
- A location on Lake Jackson would be considered a premier location.

Who and where is the target senior for this Project?

The target market for the Project seems to be retired professionals such as doctors and lawyers with significant financial resources. These individuals currently live in high end properties such as Majestic Cove or are moving to the area from the east and west coast and southern Florida. A few of those interviewed stressed that the Project would have to be marketed correctly, to reach those who would be willing to pay for the amenities and availability of services. Target seniors within the PMA include those residing in mobile home communities, 55+ communities and possibly veterans.

- We are having a lot of seniors moving here from the coast and up from Miami and some from the Midwest.
- You get much more for your money on the "Ridge" than on the coast and there is no storm surge to worry about after a hurricane. Insurance is lower here because the risk of damage is lower.
- You need the retired person from the coast and southern Florida and Ft. Myers who was a professional. These are the people that live in Majestic Cove.
- People will come from out of the area, but you have to market to them correctly.
- We have a huge veteran population here who tend to have higher pensions than most.

- You should market to mobile home parks like Tomoka Heights and Highlands Ridge. These people have some money as these mobile homes aren't cheap.

MARKET DEPTH ANALYSIS

In this section we calculate the depth of the market for 160 IL active adult units. The market depth analysis is based on the defined market area and demographic projections included within this report. The following assumptions, as noted below, were used for the analysis.

TABLE 4 Market Depth Assumptions	
Age of Households	75+
% of Project residents expected to come from the PMA	70%
Minimum annual income/Sensitivity analysis:	\$35,000/\$50,000
Total number of Project units	160
Full occupancy	95%
Years of analysis	2020/2025

- The minimum age used for the analysis is 75 which is the typical target market for an IL project.
- A 70% market area draw from the Project location was assumed based on interviews with local realtors and planners who noted repeatedly the current and expected influx of seniors from other areas in Florida who may seek senior housing. This assumes that 30% of the Project will fill from beyond the PMA.
- The minimum income (\$35,000) was established based upon the proposed monthly rent for a studio unit (\$2,025) and a rent to income ratio of 70%. This is an acceptable monthly rent according to those interviewed. A sensitivity analysis is conducted using a 50% rent to income ratio (which increases the minimum income to \$50,000) since this active adult Project requires residents to pay for all services including meals. This minimum income is also equivalent to a one bedroom unit priced at \$2,475/month using a 60% rent to income ratio.
- The analysis is conducted in year 2020 and in 2025 to determine the current market depth and future market depth within the PMA. This provides a view of the market in five years based on household growth projections.

The analysis calculates a Market Penetration Rate (the number of age and income qualified households already residing in existing IL rental communities) and a Project Penetration Rate or capture rate which indicates whether there are sufficient qualified households in the PMA for the Project to capture to achieve stabilized occupancy (95%).

Competition

- The number of competitive existing IL units are adjusted based on the following assumptions.
 - All existing communities within the PMA are considered full at 95% occupancy and are included at 100% market area draw as they were included within the Census household and population counts.
 - For purposes of this study, existing communities located proximate to the PMA were not included in the analysis (and were not mentioned as options for seniors by realtors.) It is possible that communities proximate to the PMA draw some residents from the market area but they are not believed to have a significant impact on the outcomes of this analysis.
 - Planned communities are considered full at 95% occupancy and are included at a 70% market area draw.
 - The Project is also considered 95% occupied with a 70% market area draw.

TABLE 5			
Existing and Planned Communities in the PMA (Adjusted)			
<i>Existing Communities</i>			
	# of IL units	Market Area Draw (100%)	Occupancy (95%)
The Palms of Sebring ⁶	71	71	68
Total Existing Units (2020)	71	71	68
<i>Planned Communities</i>			
	# of IL units	Market Area Draw (70%)	Occupancy (95%)
Lakeshore Manor at Lake Jackson	50	35	33
Total Competitive Planned Units			33
Total Competitive Existing and Planned Units			101
Project	160	112	106
TOTAL EXISTING AND PLANNED COMPETITIVE AND PROJECT UNITS (2025)			207

Market Penetration Rate

To assess the market penetration rate (MPR), we identify the total number of age and income qualified households age 75+ in the PMA. As this is a rental Project, we include both

⁶ About half of the residents at The Palms of Sebring in the Tower apartments are assumed to be using AL services. Therefore, half of the 94 Tower units and all of the 24 Poinsettia units (totaling 71) are considered IL in this analysis.

homeowner and renter households. The income level used here represents the minimum income required for all available IL communities and active adult rentals. In this case, we believe \$35,000+ is appropriate for all competitive communities as well as the Project. The adjusted number of existing and planned IL units⁷ and Project units (from Table 5) is divided by total qualified households to calculate the MPR.

The MPR is calculated in the current (2020) and future (2025) years. The table below demonstrates that despite an increase in qualified households, the MPR increases sharply from 2020 to 2025 due to the addition of one planned community and the Project. The MPRs are significantly below what is considered an acceptable benchmark (15%) which is favorable for the Project and confirms that the PMA can support additional IL communities before approaching saturation.

TABLE 6 Market Penetration Rate		
	<i>2020</i>	<i>2025</i>
Total age and income qualified households (75+/\$35,000+)	6,574	7,363
Adjusted existing and (planned in 2025) competitive and Project Units (in 2025)	68	207
MARKET PENETRATION RATES	1.0%	2.8%

It is important to note that the MPRs must be considered along with other factors such as perceived interest in the Project, reputation of the Project operator, monthly rents, the site location and appeal. IL occupancy rates in the PMA are also important. The Palms at Sebring is considered nearly fully occupied based upon the number of reported residents which is positive.

Project Penetration Rate

To determine the Project Penetration Rate, the identified existing and planned competition (adjusted for market area draw and full occupancy on Table 5) are removed from the total age and income qualified households at the established minimum income level for the Project (\$35,000). The adjusted Project units (106 on Table 5) are divided by the net number of age and income qualified households.

⁷ We learned during this study that there are a few mobile home and condominium communities which are now renting their units to seniors (NORCs). This is difficult to quantify and therefore is not included in the analysis. As these communities do not offer services, we do not consider them to be comparable to the Project and nor do we believe their exclusion will impact the results of this study.

The Project Penetration Rate is calculated in 2025 as seen in the table below. Project Penetration Rates which fall below a 3% benchmark are considered acceptable for IL. The result (1.5%), demonstrates that there is sufficient depth in the market now and in the future for the 160 unit Project to fill and reach stabilized occupancy. The PPR is well below the benchmark, indicating that the Project should fill and reach stabilized occupancy, assuming 70% of residents are drawn from the PMA and 30% relocate to the Project from outside the PMA.

TABLE 7 Project Penetration Rate	
	<i>2025</i>
Total age and income qualified households (\$35,000+)	7,363
Less total adjusted existing (and planned in 2025) competition	101
Net age and income qualified households	7,262
Adjusted Project units	106
PROJECT PENETRATION RATE	1.5%

Sensitivity Analysis

Since the Project does not include any services in the monthly rent, we conducted a sensitivity analysis which is more conservative, requiring a higher Project minimum income (\$50,000).⁸ The minimum income needed to afford the Project was revised upward by using a lower rent to income ratio (50% as compared to 70%). As mentioned earlier, this minimum income is also equivalent to a one bedroom unit priced at \$2,475/month using a 60% rent to income ratio. Since the Project offers a la carte services, we assume that residents of the Project will have more expenses (and therefore will need more income) than in a typical IL which includes services in the monthly rent such as meals, housekeeping, linens and transportation. The higher monthly income allows more room for residents to buy these services each month.

In the table below, we use households age 75+ at \$50,000+. In this case, the PPR is higher than in the previous analysis (2.4%), indicating that the Project must capture a larger percentage of qualified households to fill up and achieve stabilized occupancy. However, the PPR remains below the benchmark and this is positive for the Project.

⁸ The higher minimum income applies to only the Project. The existing and planned competition are assumed to require \$35,000 in minimum income as in the MPR analysis.

TABLE 8 Project Penetration Rate	
	<i>2025</i>
Total age and income qualified households (\$50,000+)	4,537
Less total adjusted existing (and planned in 2025) competition	101
Net age and income qualified households	4,436
Adjusted Project units	106
PROJECT PENETRATION RATE	2.4%

EXECUTIVE SUMMARY

FINDINGS AND CONCLUSIONS

This section contains a summary of the tasks undertaken to determine the market depth for an IL active adult rental community on Lake Jackson in Sebring, Florida. This analysis is the basis for our strategic recommendations regarding the development of this Project.

Area Description and Perception

Within Highlands County, the cities of Avon Park, Sebring and Lake Placid are found along U.S. Highway 27, a north/south artery. Sebring is the county seat and is known as the “city on the circle” for its unique layout.

The Sebring area is perceived as tranquil, with a slower pace of life and lovely surroundings. Lake Jackson is particularly beautiful offering many recreational activities. This, coupled with low cost of living and home prices, and low taxes and insurance costs is creating an active real estate market with many seniors relocating to the Sebring area where it is less chaotic as compared to the Northeast and the coasts of Florida.

Definition of the Primary Market Area

The PMA contains 9 local zip codes, found largely in Highlands County. It follows the main arteries in the county including U.S. Highway 27 (north to south) and State Route 66 (west to east). A majority of the area is within a 15 mile radius and 30 minute drive time of the Project. Immediate areas outside the PMA tend to be rural and sparsely populated with limited senior housing options. Seniors relocating from outside the PMA in southern Florida represent a significant secondary market for the Project.

Demographics

The analysis of population and household demographic data is favorable.

- All population and household age cohorts are predicted to increase from 2020 to 2025 with the exception of adult child households (ages 45 to 64). This suggests that seniors may be relocating to the PMA in addition to growing older.
- Half of all 75+ households have annual incomes of \$35,000 or more. The greatest annual percentage increase is in 75+ households with an annual income of \$75,000+ (4.9%).
- Adult child households decrease in number from 2020 to 2025 which would indicate that this age group is not moving to the area. However the percentage of affluent adult child households (\$75,000+) increases.

- The Median Housing Unit Value increases from \$116,625 to \$126,132 by 2025. Over three-quarters of the housing in the PMA is owned rather than rented.

Competitive Analysis

There is a limited supply of senior housing within the PMA, consisting of mostly assisted living (AL) communities for seniors who need assistance with personal care and activities of daily living. However, there are numerous active adult communities (largely for purchase and typically 55 years and older) and naturally occurring retirement communities (NORCs) in which seniors reside including mobile homes and condominiums. Some of these are now for rent in addition to for purchase.

There is one existing IL community called The Palms of Sebring and one planned IL community, Lakeshore Manor at Lake Jackson⁹.

- The Palms of Sebring is a for-profit rental (Type C)¹⁰ Life Plan community (1970/1984). The community has 118 total apartments which serve as both IL and AL units and 100 nursing beds. There are IL studio (\$2,195/month – 460 square feet¹¹), one bedroom (\$2,440 - \$2,905/550 to 650 square feet) and two bedroom (\$3,250/775 square feet) units. Services included in the IL monthly rent are transportation, utilities, bi-weekly housekeeping and flat linen, maintenance, emergency response pendant and transportation. There are typically 250 residents living at the Palms, so they are considered almost fully occupied.
- Lakeshore Manor at Lake Jackson is an IL community under construction by Mainstay Senior Living in Sebring which also owns Manor at Lake Jackson AL (adjacent to the site). Although pricing has not yet been established, a one bedroom is estimated at \$2,000/month. Both IL and AL services are expected to include three meals per day, activities, transportation and utilities including Wi-Fi and cable TV. The community is expected to open mid-summer 2020, well before opening of the Project
- Mobile homes and condominiums now renting to seniors are estimated to be from \$900 to \$1,500 for a one bedroom unit. One estimate for a two bedroom unit was lower at \$700 to \$1,000. Mobile homes (which are owned) are reported to require from \$700 to \$800 per month in land leases. Majestic Cove condominiums (69 residences with 3 bedroom 2 and 3 bath units) is a popular home to professional retirees (doctors and

⁹ Information about planned communities within the PMA was obtained from the Highlands County Planning Department and the local planning departments of Sebring, Avon Park and Lake Placid. Numerous attempts to contact the Central Florida Regional Planning Council went unanswered. The NIC (National Investment Center) database was also consulted.

¹⁰ Type C Life Plan communities typically provide IL, AL and nursing beds. As a resident transitions through these levels of care, the rent increases to reflect the amount of personal care and services being provided.

¹¹ Square feet measurements are estimates from floor plans.

lawyers) located on Lake Jackson. It is now renting from \$1,800 to \$3,000/month depending upon the view.

Realtor Interviews

Interviews with realtors were conducted in February 2020 with local agents in various real estate offices in the PMA. A summary of the interviews follows.

- In addition to referring seniors to the local Life Plan community (The Palms at Sebring) and various AL communities, seniors are likely to purchase or rent mobile homes (with a land lease) or buy or rent existing condominiums.
- Seniors (typically in the late 70s to 80s) frequently move back to the Northeast when a spouse dies or when their home becomes too much to maintain. Others will relocate to AL or nursing facilities or rent condominiums. The few rental properties in the area are typically full with waiting lists but provide little in the way of services. In general, seniors seek communities which offer maintenance and socialization.
- Those interviewed unanimously approve of the Project, pointing out that there is nothing in the area like it. The Project is unique due to its high end amenities and the availability of services. Many stated that seniors would prefer to stay in Sebring later in life. Most perceived that 160 units is appropriate and should fill easily. The variety of housing (apartments and Club Homes) was welcomed.
- Local seniors are less affluent than those who move in from other locations with homes valued in the low to mid \$100,000s. They would expect to pay up to \$2,000 per month in rent, but most would prefer to spend less than \$1,500. Seniors are financially savvy.
- Respondents reported that seniors desire amenities that create interaction and independence. A clubhouse and pool, golf, Pickleball, lake access and proximity to local healthcare providers were noted.
- Although some realtors thought that the proposed rents are similar to what seniors would be paying in a mortgage, most reacted negatively to the two bedroom, Club Home and penthouse proposed rents. Local seniors would be unlikely to pay the proposed rents for even the one bedroom apartments. They identified seniors from the coasts and southern Florida as more likely to find these rents acceptable.
- A few realtors were more optimistic, saying that since there is nothing like the Project in the area already (and the fact that it is on Lake Jackson), seniors may be willing to pay the higher prices.
- The target market for the Project seems to be retired professionals with significant financial resources.

Market Depth Analysis

The Market Depth Analysis for the 160 unit Project is based on the PMA and associated demographic projections and existing and planned competition. It was driven by assumptions including age 75+ households, market area draw (70%) and household minimum income (\$35,000) and occupancy (95%) in the years 2020 and 2025. The results of the analysis are summarized in the table below. A sensitivity analysis was conducted which accounted for the fact that although the Project will offer services, these are not included in the monthly rent. In the sensitivity analysis, the minimum income needed to afford the Project is higher (\$50,000). The results of the analysis are summarized below.

- The Market Penetration Rate (MPRs) in 2020 is significantly below the acceptable benchmark (15%) which is favorable for the Project, indicating that there are very few age and income qualified households currently living (and projected to live) in IL communities as compared to the pool of qualified households. The MPR in 2025 increases sharply due to the addition of one planned competitor and the Project itself. However, the future MPR remains well below the benchmark limit. This confirms that the PMA can support additional IL communities before approaching saturation.
- The Project Penetration Rate (PPRs) in 2025 is well below the acceptable benchmark of 3%, indicating that there is a sufficient number of age and income qualified households available for the Project to capture. This demonstrates that the Project should have no difficulty filling up and stabilizing. The PPR was conducted at a minimum income level equivalent to approximately a \$2,000 per month rent.
- A sensitivity analysis resulted in a PPR, that although higher, remains well below acceptable limits. The sensitivity analysis was conducted at a minimum income level equivalent to approximately a \$2,500 per month rent. Even at this higher income, the results are favorable for the Project.

TABLE 9		
Market Depth Analysis and Sensitivity Analysis Results		
	<i>2020</i>	<i>2025</i>
Total Age and Income qualified households (\$35,000)	6,574	7,363
Total age and income qualified households (\$50,000)	3,855	4,537
<i>Minimum Income (\$35,000)</i>		
Market Penetration Rates	1.0%	2.8%
Project Penetration Rate		1.5%
<i>Minimum Income (\$50,000)</i>		
Project Penetration Rate		2.4%

RECOMMENDATIONS

Based on the findings and conclusions from this analysis, we are able to make the following recommendations.

We recommend that Zon Beachside proceed with the development of the 160 unit active adult community with appealing amenities and a la carte services including access to home care. We base this on the following.

- Demographic data indicate that target age and income households are increasing in the future. In addition, 77.2% of 75+ households are homeowners with median home values of \$116,625 in 2020. Three quarters of these households will be able to supplement their annual income with the proceeds and/or investment income from the sale of their home upon moving to the Project.
- The analysis found the depth of market to be sufficient for the development of 160 units, assuming 70% are drawn from the PMA and 30% relocate to the Project outside the PMA.
- A conservative sensitivity analysis at a higher minimum income produced the same positive results. It is important to note however, that minimum incomes associated with higher rents (above \$2,500) were not specifically tested in this study.
- Realtors with an understanding of the local rental market and the desires of seniors are unanimous in their support of the Project and confirm the influx of seniors to the PMA. Most perceive that 160 units is an appropriate size. Some realtors thought that the higher priced units are similar to what some seniors pay in a mortgage and the Project at these higher rents may be attractive to them (and reasonably priced) because of the added value of the services.
- The site is perceived to offer stunning views of Lake Jackson and be conveniently located to area recreation, shopping and services.¹²

Other Recommendations

We believe that the Project should target a middle market, appealing largely to the local senior as well as offering some larger units (such as penthouses and Club Homes) at a higher price point to attract a somewhat more affluent prospective resident. We make the following recommendations related to amenities, services, pricing and unit sizes which serve to address an affordability issue in the PMA and at the same time allow the Project to compete effectively with existing rental options for seniors.

¹² We did not visit the Project site for this study.

Amenities and Services

We recommend that the Project include amenities similar to those found at local condominium and mobile home communities. These are lake access including a beach with boat launch and fishing pier, Clubhouse with a fitness center, outdoor pool and inside and outside lounges/gathering spaces. We concur with ZB's plan to have a restaurant, beauty salon and home care office on site. Golf carts may be made available (for a fee) for ease of moving around the property, particularly for the Club Homes on the outskirts. Access (at a reduced rate) to the adjacent golf course(s) may be advantageous. A partnership and/or transfer agreement with one or more local ALs may be important and can be promoted.

Apartment and Club Home units should consist of attractive features and fixtures such as granite/stone countertops, custom cabinetry and woodwork, stainless steel appliances, faux wood and/or luxury vinyl tile flooring, modern and upscale lighting and hardware, washer/dryer in separate laundry area, walk-in closets, numerous large windows and a private balcony or patio. The units should be designed to allow for aging in place with accessible bathrooms and wide doorways and halls.

We concur with ZB's plan to include utilities (including cable TV and Wi-Fi) and interior and exterior maintenance in the monthly rent. We suggest that to be competitive with other IL communities now and in the future, transportation (a community van/shuttle) may also be included. This will help to add value and distinguish you from the NORCs (condominium and mobile home rental units) discussed in this report.

Pricing and Unit Size

Most realtors thought that the two bedroom units and larger are too expensive for the local market (from which we estimate that 70% of units will be filled). However, these rents may be acceptable to those attracted to the Project from outside the PMA or to more affluent seniors who have already relocated. The following table summarizes realtors' reactions to the rent prices by unit type.

TABLE 10 Acceptability of Pricing by Unit Type					
	Studio/ \$2,025	One Bedroom/ \$2,475	Two bedroom/ \$3,400	Club Home/ \$4,100	Three bedroom/ Penthouse/ \$6,000 - \$7,500
Realtor 1	A	A	H	H	H
Realtor 2	A	A	H	H	H
Realtor 3	A	A	A	H	H
Realtor 4	A	A	H	H	H
Realtor 5	A	H	H	H	H
Realtor 6	A	H	H	H	H
Note: A – Acceptable; H – Too High					

Specifically,

- **Realtor 1:** The prices are a little high for where you are and what you are offering. You should be able to get \$2,475 for a two bedroom two bath, but not a one bedroom. The lake location will help. The \$3,400 is too steep, they can buy a house or condo and have that as a mortgage. The three bedroom/penthouse is too high.
- **Realtor 2:** I don't think they would like to live in a studio. The one bedroom doesn't sound bad. The two bedroom is a tad too high and the Club home is too high.
- **Realtor 3:** The price for the studio is not real money, so this is doable and the one bedroom is fine, but the two bedroom and Club House may push my envelope if I need to pay for help. But some may have long term care insurance so then this could work. Since there is a void in the market, people with means maybe able to afford the higher priced apartments.
- **Realtor 4:** The studio price is ok and since there is nothing like this around, you should be able to get the price for a one bedroom. The two bedroom and Club Home is too high.
- **Realtor 5:** The studio price is getting closer to what people in Sebring can afford. They are so frugal, they won't pay the Club House price, but the group in Majestic Cove or if they come from the coast may pay. You should mark down the three bedroom/penthouse price.
- **Realtor 6:** One bedroom apartment at \$2,475 sounds high. These prices may not be unreasonable for people moving from the east coast who will pay with their pension, social security and savings.

Based on the above as well as competitive pricing, we make the following recommendations about pricing and unit sizes for the Project.

- Studios are common at the existing and planned communities within the market but are uncommon among the communities that most seniors are reported to rent (mobile homes and condominiums). We believe that studios will not be desirable in the future.

This has been demonstrated in other communities throughout Florida where there is lack of interest in studio apartments for independent living. Therefore, we recommend that the Project consist of one bedroom, one bedroom/den, two bedroom and three bedroom units.

- The following recommendations for prices and square footage are slightly below the existing and planned competitive communities which include more services (such as meals and housekeeping/linens)
 - The size of a small one bedroom should be lowered from the proposed 750 to 650 square feet and priced at \$2,000 per month. The larger one bedroom and one bedroom/den units may be from 800 to 950 and priced at about \$2,250 to \$2,400. Two-bedrooms (1,000 square feet) may be priced at \$2,500.
 - One bedroom, one bedroom/den and small two bedroom units should make up a significant portion of the unit mix in order for the community to be perceived as reasonably priced and financially attractive to the target market.
 - A smaller portion of the units may be larger and priced higher, targeting seniors relocating from outside the PMA or already renting in the condos/mobile homes in the PMA who are perceived to have more financial resources.
 - A few larger two bedroom units (1,100 to 1,300 square feet) priced up to \$2,800 and a small number of penthouses aimed at attracting the more affluent seniors seems possible at \$3,000+. Also, a small number of Club Homes may be built as sold to mitigate risk of over development. Club Homes may start at \$3,000 as well and be sized at 1,300 to 1,500 square feet. Some penthouses and Club Homes may be priced up to \$3,500. Also, premium lake views may garner higher prices for some units.

Target Market

Finally, it will be important to market the Project one or more of the following ways.

- Target seniors within the PMA who reside in their own homes as well as those who have already downsized and are now renting mobile homes or condominiums.
- A marketing campaign that targets seniors on the east and west coasts of Florida seems appropriate given the realtor feedback related to movement of seniors to Central Florida from these areas.
- An interesting target market may also be seniors who previously belonged to or stayed at the hotel at the Harden Hall Country Club who may wish to return when it is redeveloped or restored.

APPENDIX A

INTERVIEW CONTACTS

Interview Contact Names Removed
for Privacy

INTERVIEW CONTACTS		
<i>Organization</i>	<i>Name</i>	<i>Title</i>

APPENDIX B

DEMOGRAPHIC DATA

Pop-Facts® Senior Life Demographics | Summary



Trade Area: Zon Beachside Sebring

	Population
2000 Census	102,297
2010 Census	114,659
2020 Estimate	124,235
2025 Projection	130,359

	Population Change (%)
Growth 2000 - 2010	12.08
Growth 2010 - 2020	8.35
Growth 2020 - 2025	4.93

Benchmark: Florida

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Pop-Facts® Senior Life Demographics | Population & Race

Trade Area: Zon Beachside Sebring

	2000*/2010**		2020		2025	
	Census	%	Estimate	%	Projection	%
Total Population**						
Total Population	114,659	100.00	124,235	100.00	130,359	100.00
Age 45 - 54	13,680	11.93	11,917	9.59	11,355	8.71
Age 55 - 64	14,956	13.04	15,295	12.31	13,681	10.49
Age 65 - 74	17,966	15.67	20,976	16.88	24,476	18.78
Age 75 - 84	12,259	10.69	15,169	12.21	16,110	12.36
Age 85 and over	4,413	3.85	5,830	4.69	6,365	4.88
Age 65 and over	34,638	30.21	41,975	33.79	46,951	36.02
Age 80 and over	9,686	8.45	11,978	9.64	12,688	9.73
Population by Single - Classification Race**						
White Alone	91,722	80.00	96,419	77.61	99,583	76.39
White Alone: Age 65 and over	32,740	35.70	39,290	40.75	43,609	43.79
Black/African American Alone	10,889	9.50	13,200	10.63	14,565	11.17
Black/African American Alone: Age 65 and over	1,160	10.65	1,606	12.17	1,997	13.71
American Indian/Alaskan Native Alone	570	0.50	700	0.56	777	0.60
American Indian/Alaskan Native Alone: Age 65 and over	70	12.28	89	12.71	109	14.03
Asian Alone	1,608	1.40	1,713	1.38	1,787	1.37
Asian Alone: Age 65 and over	188	11.69	242	14.13	274	15.33
Native Hawaiian/Pacific Islander Alone	51	0.04	74	0.06	86	0.07
Native Hawaiian/Pacific Islander Alone: Age 65 and over	9	17.65	16	21.62	18	20.93
Some Other Race Alone	7,313	6.38	8,887	7.15	9,860	7.56
Some Other Race Alone: Age 65 and over	255	3.49	380	4.28	500	5.07
Two or More Races	2,506	2.19	3,242	2.61	3,701	2.84
Two or More Races: Age 65 and over	223	8.90	342	10.55	444	12.00
Population by Hispanic or Latino**						
Hispanic/Latino	21,969	19.16	28,139	22.65	31,923	24.49
Hispanic/Latino: Age 65 and over	1,691	7.70	2,579	9.16	3,398	10.64
Not Hispanic/Latino	92,690	80.84	96,096	77.35	98,436	75.51
Total Population, Male**						
Total Population, Male	57,363	50.03	61,953	49.87	65,019	49.88
Male: Age 45 - 54	6,815	11.88	5,990	9.67	5,718	8.79
Male: Age 55 - 64	6,902	12.03	7,191	11.61	6,378	9.81
Male: Age 65 - 74	8,597	14.99	9,699	15.65	11,346	17.45
Male: Age 75 - 84	5,925	10.33	7,389	11.93	7,883	12.12
Male: Age 85 and over	1,780	3.10	2,670	4.31	2,912	4.48
Male: Age 65 and over	16,302	28.42	19,758	31.89	22,141	34.05
Male: Age 80 and over	4,331	3.78	5,685	4.58	6,046	4.64
Total Population, Female**						
Total Population, Female	57,296	49.97	62,282	50.13	65,340	50.12
Female: Age 45 - 54	6,865	11.98	5,927	9.52	5,637	8.63
Female: Age 55 - 64	8,054	14.06	8,104	13.01	7,303	11.18
Female: Age 65 - 74	9,369	16.35	11,277	18.11	13,130	20.09
Female: Age 75 - 84	6,334	11.05	7,780	12.49	8,227	12.59
Female: Age 85 and over	2,633	4.59	3,160	5.07	3,453	5.29
Female: Age 65 and over	18,336	32.00	22,217	35.67	24,810	37.97
Female: Age 80 and over	5,355	4.67	6,293	5.07	6,642	5.09

Benchmark: Florida

*2000 Census generated data/**2010 Census generated data

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Pop-Facts® Senior Life Demographics | Household Income

Trade Area: Zon Beachside Sebring

	2000*/2010**		2020		2025	
	Census	%	Estimate	%	Projection	%
Householder Age 45 - 54*						
Householder Age 45 - 54	5,208	15.66	6,077	11.76	5,798	10.67
Income Less than \$15,000	883	16.95	998	16.42	871	15.02
Income \$15,000 - \$24,999	702	13.48	832	13.69	679	11.71
Income \$25,000 - \$34,999	663	12.73	782	12.87	705	12.16
Income \$35,000 - \$49,999	1,040	19.97	698	11.49	613	10.57
Income \$50,000 - \$74,999	981	18.84	891	14.66	834	14.38
Income \$75,000 - \$99,999	420	8.06	633	10.42	641	11.06
Income \$100,000 - \$124,999	268	5.15	468	7.70	509	8.78
Income \$125,000 - \$149,999	102	1.96	404	6.65	471	8.12
Income \$150,000 - \$199,999	72	1.38	175	2.88	222	3.83
Income \$200,000 or more	77	1.48	196	3.23	253	4.36
Median Household Income	-	39,979.30	-	43,373.21	-	50,823.10
Householder Age 55 - 64*						
Householder Age 55 - 64	6,137	18.45	8,244	15.96	7,394	13.61
Income Less than \$15,000	1,203	19.60	1,841	22.33	1,553	21.00
Income \$15,000 - \$24,999	913	14.88	1,420	17.23	1,117	15.11
Income \$25,000 - \$34,999	1,007	16.41	984	11.94	843	11.40
Income \$35,000 - \$49,999	1,248	20.34	928	11.26	792	10.71
Income \$50,000 - \$74,999	980	15.97	1,052	12.76	963	13.02
Income \$75,000 - \$99,999	434	7.07	742	9.00	709	9.59
Income \$100,000 - \$124,999	118	1.92	467	5.67	480	6.49
Income \$125,000 - \$149,999	63	1.03	434	5.26	491	6.64
Income \$150,000 - \$199,999	76	1.24	176	2.13	200	2.71
Income \$200,000 or more	95	1.55	200	2.43	246	3.33
Median Household Income	-	34,437.61	-	33,542.25	-	37,876.21
Householder Age 65 - 74*						
Householder Age 65 - 74	9,917	29.81	12,190	23.59	14,210	26.15
Income Less than \$15,000	1,888	19.04	972	7.97	1,050	7.39
Income \$15,000 - \$24,999	2,218	22.37	1,896	15.55	1,988	13.99
Income \$25,000 - \$34,999	1,979	19.96	1,626	13.34	1,832	12.89
Income \$35,000 - \$49,999	1,920	19.36	2,449	20.09	2,696	18.97
Income \$50,000 - \$74,999	1,133	11.43	2,420	19.85	2,826	19.89
Income \$75,000 - \$99,999	357	3.60	1,481	12.15	1,880	13.23
Income \$100,000 - \$124,999	177	1.78	652	5.35	897	6.31
Income \$125,000 - \$149,999	114	1.15	276	2.26	417	2.94
Income \$150,000 - \$199,999	47	0.47	260	2.13	381	2.68
Income \$200,000 or more	84	0.85	158	1.30	243	1.71
Median Household Income	-	29,074.82	-	44,474.65	-	47,200.00
Householder Age 75 - 84*						
Householder Age 75 - 84	7,655	23.01	9,936	19.23	10,533	19.39
Income Less than \$15,000	2,103	27.47	978	9.84	988	9.38
Income \$15,000 - \$24,999	1,791	23.40	2,179	21.93	2,113	20.06
Income \$25,000 - \$34,999	1,401	18.30	1,746	17.57	1,843	17.50
Income \$35,000 - \$49,999	1,156	15.10	2,011	20.24	2,065	19.61
Income \$50,000 - \$74,999	646	8.44	1,662	16.73	1,815	17.23
Income \$75,000 - \$99,999	320	4.18	731	7.36	869	8.25
Income \$100,000 - \$124,999	81	1.06	334	3.36	428	4.06
Income \$125,000 - \$149,999	42	0.55	134	1.35	186	1.77
Income \$150,000 - \$199,999	41	0.54	104	1.05	137	1.30
Income \$200,000 or more	74	0.97	57	0.57	89	0.84
Median Household Income	-	24,605.63	-	35,411.34	-	37,004.83
Householder Age 85 and over*						
Householder Age 85+	2,389	7.18	3,892	7.53	4,249	7.82
Income Less than \$15,000	757	31.69	510	13.10	548	12.90
Income \$15,000 - \$24,999	527	22.06	1,156	29.70	1,169	27.51
Income \$25,000 - \$34,999	359	15.03	685	17.60	758	17.84
Income \$35,000 - \$49,999	270	11.30	708	18.19	761	17.91
Income \$50,000 - \$74,999	148	6.20	493	12.67	563	13.25
Income \$75,000 - \$99,999	58	2.43	213	5.47	271	6.38
Income \$100,000 - \$124,999	9	0.38	65	1.67	89	2.10
Income \$125,000 - \$149,999	9	0.38	30	0.77	46	1.08
Income \$150,000 - \$199,999	10	0.42	24	0.62	32	0.75
Income \$200,000 or more	12	0.50	8	0.20	12	0.28
Median Household Income	-	20,905.20	-	28,526.92	-	29,885.16

Benchmark: Florida

*2000 Census generated data/**2010 Census generated data

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Pop-Facts® Senior Life Demographics | Housing & Households

Trade Area: Zon Beachside Sebring

	2000*/2010**		2020		2025	
	Census	%	Estimate	%	Projection	%
Households by Household Income*						
Total Households	42,169	100.00	51,663	100.00	54,336	100.00
Income Less Than \$15,000	8,877	21.05	7,017	13.58	6,781	12.48
Income \$15,000 - \$24,999	8,266	19.60	9,030	17.48	8,547	15.73
Income \$25,000 - \$34,999	7,304	17.32	7,459	14.44	7,658	14.09
Income \$35,000 - \$49,999	7,680	18.21	8,292	16.05	8,456	15.56
Income \$50,000 - \$74,999	5,802	13.76	9,146	17.70	9,818	18.07
Income \$75,000 - \$99,999	2,232	5.29	4,780	9.25	5,499	10.12
Income \$100,000 - \$124,999	851	2.02	2,583	5.00	3,141	5.78
Income \$125,000 - \$149,999	411	0.97	1,410	2.73	1,797	3.31
Income \$150,000 - \$199,999	292	0.69	1,058	2.05	1,411	2.60
Income \$200,000 - \$249,999	235	0.56	409	0.79	579	1.07
Income \$250,000 - \$499,999	158	0.38	370	0.72	480	0.88
Income \$500,000 or more	34	0.08	109	0.21	169	0.31
Average Household Income	-	39,450.74	-	53,208.21	-	57,721.72
Median Household Income	-	30,141.21	-	38,708.69	-	41,806.68
Age 55+ Median Household Income	-	28,021.24	-	37,484.99	-	40,160.99
Age 65+ Median Household Income	-	26,405.21	-	38,321.17	-	40,507.50
Owner-Occupied Housing Units by Value*						
Value Less Than \$20,000	2,720	8.12	2,864	7.18	2,675	6.37
Value \$20,000 - \$39,999	6,197	18.49	2,984	7.48	3,005	7.15
Value \$40,000 - \$59,999	7,507	22.40	3,392	8.50	3,334	7.94
Value \$60,000 - \$79,999	6,399	19.09	4,030	10.10	3,664	8.72
Value \$80,000 - \$99,999	4,319	12.89	3,884	9.73	3,974	9.46
Value \$100,000 - \$149,999	3,597	10.73	7,467	18.71	7,685	18.29
Value \$150,000 - \$199,999	1,565	4.67	5,071	12.71	5,399	12.85
Value \$200,000 - \$299,999	810	2.42	5,963	14.94	6,610	15.73
Value \$300,000 - \$399,999	190	0.57	2,078	5.21	2,723	6.48
Value \$400,000 - \$499,999	97	0.29	963	2.41	1,300	3.10
Value \$500,000 - \$749,999	45	0.13	455	1.14	739	1.76
Value \$750,000 - \$999,999	31	0.09	290	0.73	318	0.76
Value \$1,000,000+	15	0.04	-	-	-	-
Value \$1,000,000 - \$1,499,999	-	0.00	285	0.71	323	0.77
Value \$1,500,000 - \$1,999,999	-	0.00	35	0.09	94	0.22
Value \$2,000,000+	-	0.00	148	0.37	165	0.39
Median All Owner-Occupied Housing Unit Value	-	60,911.95	-	116,625.19	-	126,132.15
Group Quarters by Population Type**						
Group Quarters Population	3,954	3.45	4,209	3.39	4,217	3.23
Correctional Facilities	2,379	60.17	2,597	61.70	2,598	61.61
Nursing Homes	736	18.61	739	17.56	742	17.59
Other Facilities	0	0.00	0	0.00	0	0.00
Juvenile Facilities	75	1.90	83	1.97	82	1.95
College Dormitories	174	4.40	191	4.54	192	4.55
Military Quarters	0	0.00	0	0.00	0	0.00
Other Noninstitutional Quarters	590	14.92	599	14.23	603	14.30
Occupied Housing Units by Tenure*						
Owner-Occupied	33,492	60.05	39,909	77.25	42,008	77.31
Renter-Occupied	8,654	15.52	11,754	22.75	12,328	22.69

	2000*/2010**		2020		2025	
	Census	%	Estimate	%	Projection	%
Households by Tenure by Age of Householder**						
Total Households	47,489	100.00	51,663	100.00	54,336	100.00
Owner-Occupied	36,625	77.12	39,909	60.31	42,008	60.96
Householder Age 55 - 64	6,807	18.59	6,815	17.08	6,082	14.48
Householder Age 65 - 74	9,596	26.20	10,983	27.52	12,787	30.44
Householder Age 75 - 84	7,326	20.00	8,912	22.33	9,446	22.49
Householder Age 85 and over	2,361	6.45	3,067	7.68	3,358	7.99
Renter-Occupied	10,864	22.88	11,754	22.75	12,328	22.69
Householder Age 55 - 64	1,361	12.53	1,429	12.16	1,312	10.64
Householder Age 65 - 74	1,061	9.77	1,207	10.27	1,423	11.54
Householder Age 75 - 84	856	7.88	1,024	8.71	1,087	8.82
Householder Age 85 and over	613	5.64	825	7.02	891	7.23

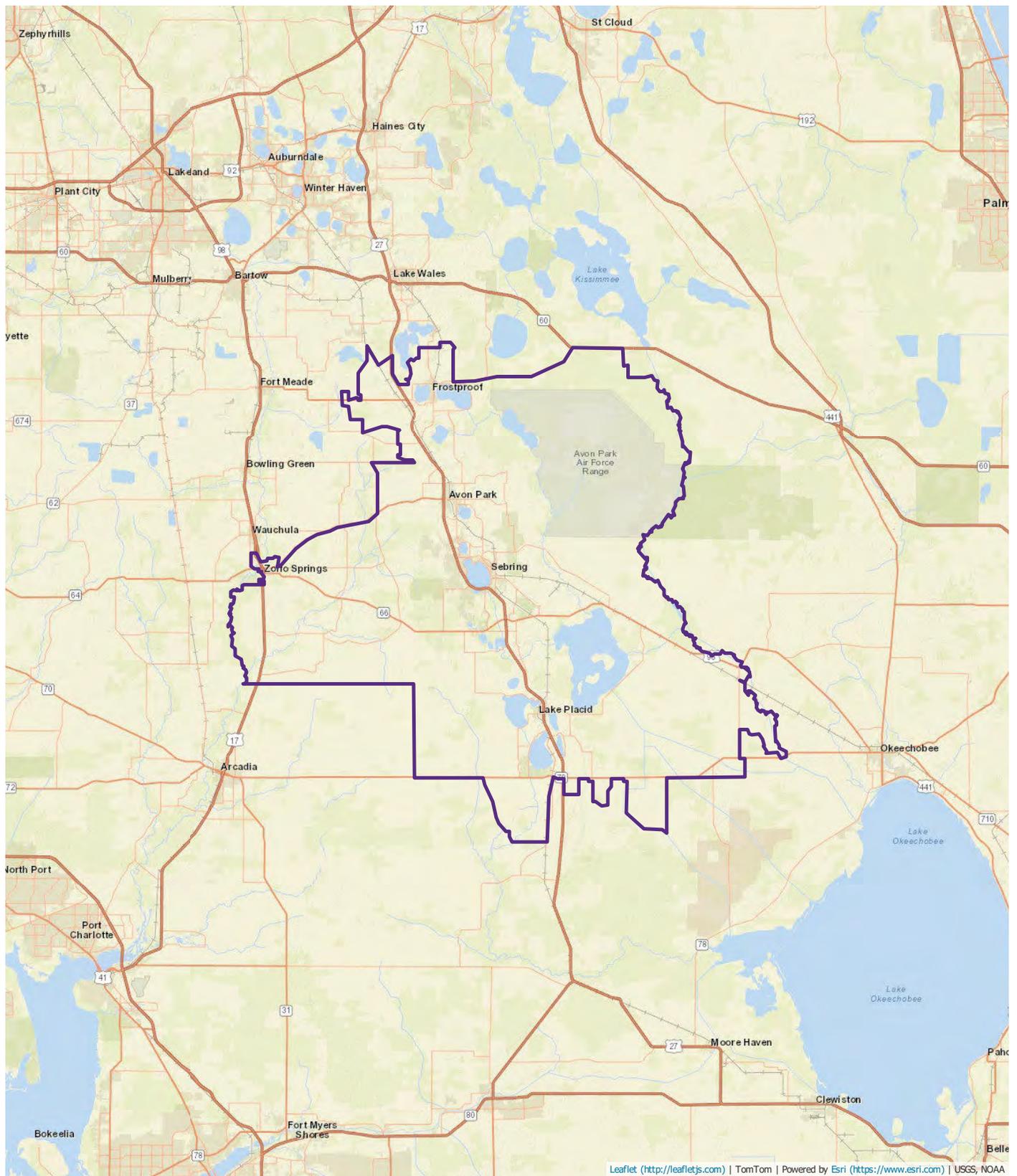
Benchmark: Florida

*2000 Census generated data/**2010 Census generated data

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Pop-Facts® Senior Life Demographics | Map

Trade Area: Zon Beachside Sebring



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Report Details

Name: Pop-Facts® Senior Life Demographics 2020
Date / Time: 2/6/2020 3:24:07 PM
Workspace Vintage: 2020

Trade Area

Name	Level	Geographies
Zon Beachside Sebring	ZIP Code	33825 (Avon Park, FL); 33843 (Frostproof, FL); 33852 (Lake Placid, FL); 33857 (Lorida, FL); 33870 (Sebring, FL); 33872 (Sebring, FL); 33875 (Sebring, FL); 33876 (Sebring, FL); 33890 (Zolfo Springs, FL)

Benchmark

Name	Level	Geographies
Florida	State	Florida

DataSource

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