

## Seniors Housing: Moving Out of COVID's Shadow



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**Author's note:** Investment return and property fundamentals analysis of the seniors housing property sector referenced in this article encompass only independent living, assisted living, and memory care units. For a detailed description of these care segments, visit [NIC MAP](#).

### Back in 2020 amid COVID-19

pandemic lockdowns, few would have imagined that the seniors housing (SH) sector could emerge from the pandemic on a stronger property performance trajectory than before. After posting annual double-digit declines in net operating income (NOI) during 2020 and 2021, SH NOI growth surged in subsequent years with the annualized growth rate in the first quarter of 2025 pointing to further acceleration.

Of the 20 property sectors, Green Street expects that from 2025 through 2028, SH NOI growth will outperform every other sector by at least 200 basis points. For the second time in a row, participants in the 2Q2025 PREA Consensus Forecast Survey expect SH to deliver the highest total returns of any property sector for 2025. We are looking at quite a turnaround story.

Five years ago, SH staff and residents navigated a nightmarish gauntlet of shifting operational protocols,

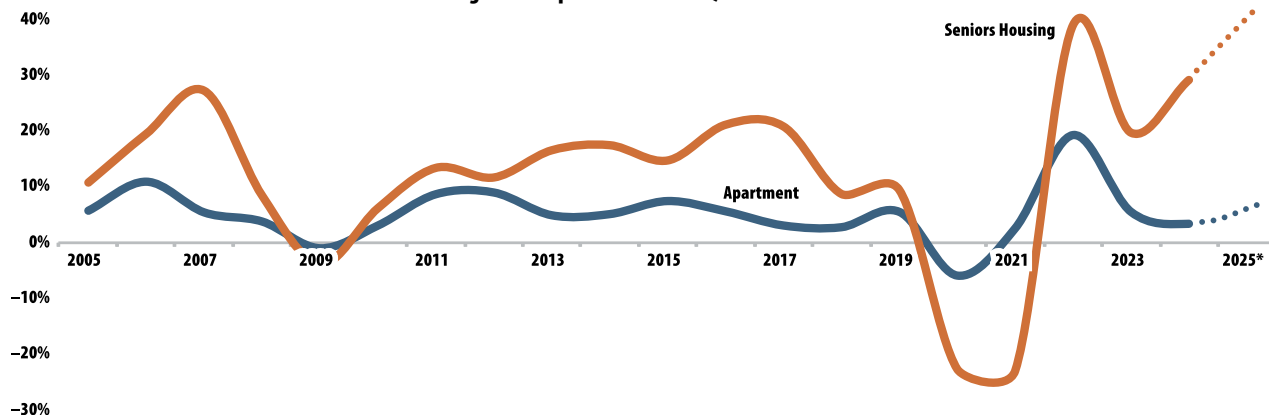
incomplete information, and scarce protective equipment. New resident admissions all but ceased. Although the federal government allocated pandemic relief funds to frontline health care facilities and workers, many SH properties still incurred significant financial losses keeping their facilities operational. Despite a compound annual growth rate (CAGR) of 19.5% from 2021 to 2024 (Exhibit 1), the SH sector didn't recover to pre-pandemic NOI levels until 2024, according to NCREIF data.

As of 1Q2025, SH occupancy is slightly higher than the historical average. The scatterplot of occupancy by metro area and care segment suggests a tight clustering of performance by geography with some outliers among the memory care segment (Exhibit 2). More analysis is warranted, but my initial analysis finds a fair amount of parity between metro areas and the independent living and assisted living care segments. This could mean that investors are less likely to select an "underperforming" geography and/or a combination of care segments. Careful operational and market underwriting is still needed.

### SH Outlook

Even more interesting than SH's post-pandemic property performance is its outlook, which is characterized by

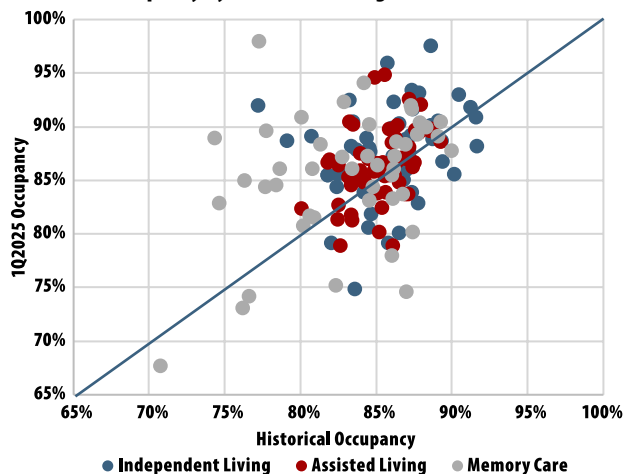
**Exhibit 1: Annualized NOI Growth of Seniors Housing Versus Apartment as of 1Q2025**



**Source:** NCREIF; as of 1Q2025.

\* 2025 is annualized from 1Q data.

**Exhibit 2: Occupancy by Market, Care Segment**



Source: NIC MAP; as of 1Q2025

three primary trends that are structural in nature. Among alternative property sectors, SH is uniquely positioned to benefit from these supply-and-demand tailwinds.

### The “Silver Tsunami” Has Arrived

On average, residents enter SH in their early 80s. The oldest of the baby boomer generational cohort, comprising people born between 1946 and 1964, turns 80 in less than a year. This demographic wave, which has long been cited as the “silver tsunami,” is finally starting to hit. Approximately 14.8 million adults in the US are now at least 80 years old. By 2030 that number will swell to 18.8 million. That translates into a CAGR of

5.0% from 2025 to 2030 versus 2.0% from 2016 to 2025 and an overall population growth rate that is around 0.6%. Only an estimated 10%–15% of the over-80 population will use SH, but even so, the demographic wave arriving now means demand is likely to outpace supply over the next several years.

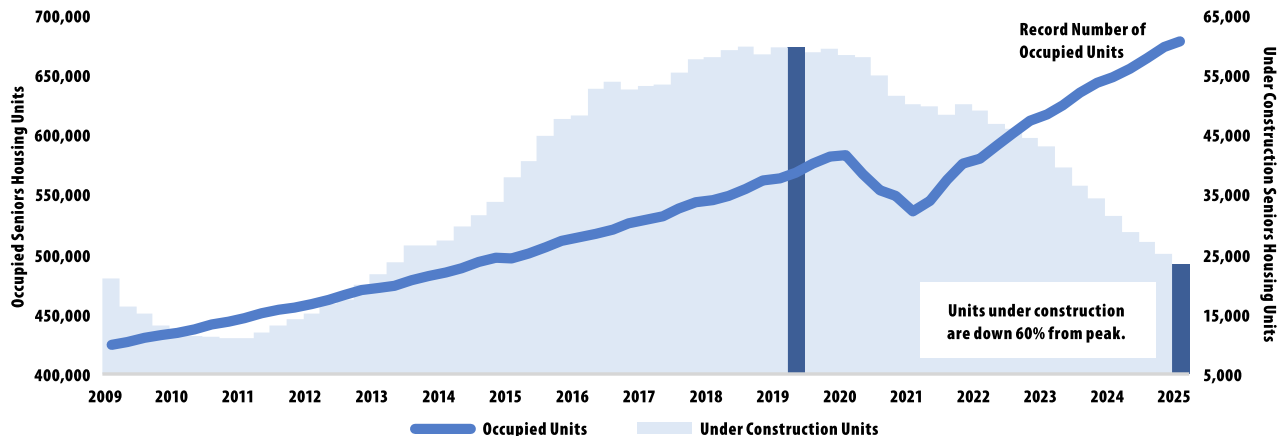
### The 2030 Supply Shortfall Appears Massive

NIC MAP estimates that at the current development pace, a supply shortfall of more than 560,000 units nationwide by 2030 is likely. (Note: this figure includes units in skilled-nursing and continuum-of-care / life-planning facilities.) The yawning gap between the demand for SH and the shortfall in inventory could be unprecedented. The number of SH units under construction as of 1Q2025 is only 40% of 2019’s peak (Exhibit 3). Higher construction costs and a pullback in construction financing, combined with memories of the emotional, operational, and financial toll from the pandemic, have conspired to tamp down SH development activity at a moment when more construction starts are needed.

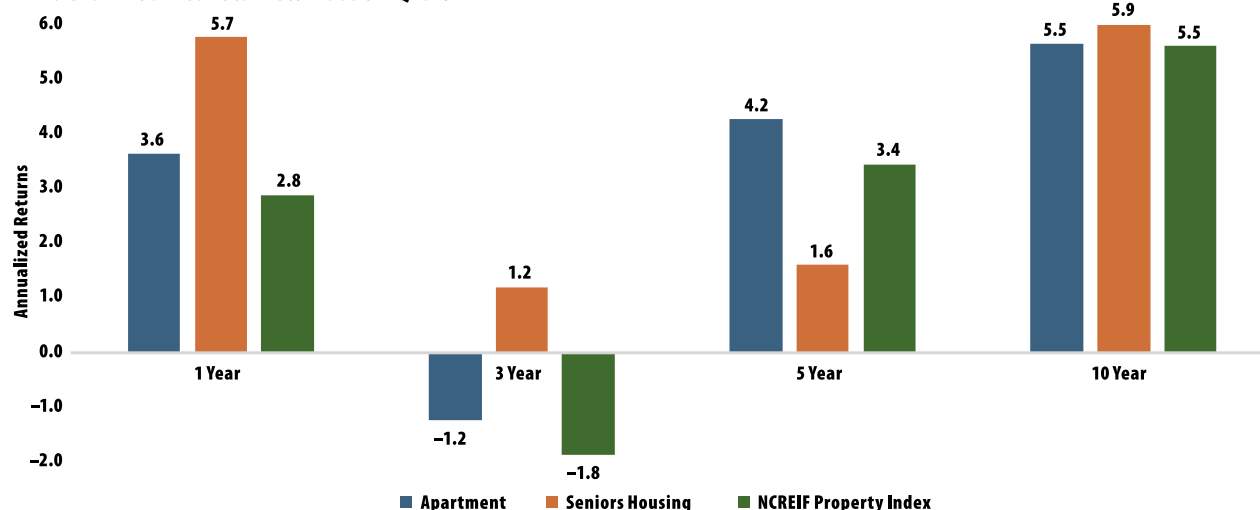
### Wealth Accumulation Has Made SH More Affordable

For millions of younger households, housing affordability is abysmal. Yet many older households have experienced generous asset appreciation from their retirement savings investment vehicles and rising home prices. Add income from Social Security and pensions, and many seniors households are handily able to afford the

**Exhibit 3: Occupied and Under Construction Seniors Housing Units**



Source: NIC MAP; as of 1Q2025

**Exhibit 4: Annualized Total Returns as of 1Q2025**

Source: NCREIF; as of 1Q2025

steep costs of SH residency. NIC MAP estimates that SH affordability for households with a median age of 75 and over is at a historical high. SH is overwhelmingly private pay, meaning that most residents are paying directly out of pocket to cover stay and care costs with little to no public sector funding.

### Investors Have Not “Backed Up the Truck” Yet

Thus far, the very favorable supply-and-demand picture around SH has not necessarily resulted in a rush of investors into the private SH space. MSCI Real Capital Analytics reports that transaction activity was \$14.0 billion in 2024—up from \$10.9 billion in 2023 but below the ten-year annual average of \$15.8 billion. Of the \$17.9 billion in US sales that closed in the five quarters from the start of 2024 through the end of the first quarter of 2025, an estimated \$5 billion came by way of health-care REIT Welltower. At a market cap of \$95 billion, Welltower is the largest publicly traded health-care REIT, and it has moved purposefully and opportunistically to expand its property portfolio since the end of the pandemic using its favorable cost of capital. Welltower’s share price is up 209% cumulatively from January 2020 to May 2025, while the composite REIT index is up 16%. The next-largest health-care REIT, Ventas, is up 37% over the same period, and although the return trend is above average, it pales

in comparison to Welltower’s share price trajectory. Enthusiasm among REIT investors thus far has mostly focused on Welltower.

The speed and the magnitude with which capital can move into even an illiquid asset class such as real estate can lead to value distortions. When the industrial sector posted total annual returns of 43% in 2021, acquisition underwriting became very difficult in subsequent years. Returns in 2021 were unsustainable—but how rapidly would they decelerate in subsequent years? Thus far, no spike has occurred in the SH’s NCREIF return profile, although rolling one-year total returns as of 1Q2025 have accelerated past total returns for the apartment property type and the NCREIF Property Index overall (Exhibit 4).

As compelling as expected supply-and-demand fundamentals seem, significant risks surround SH investment. Properties are operationally and capital intensive. SH capital expenditure reserves are higher than for other property sectors, exceeded only by hotel and office. Shortages of experienced and qualified frontline SH staff since the pandemic have increased payroll expenses. Green Street reports that wages for SH staff generally rose at a 6.6% CAGR from 2019 to 2023 versus 5.1% for total nonfarm employees. Operational and capital intensity combined with pandemic shock means facilities operators still face questions around



their ability to remain going concerns. For example, the July 2025 bankruptcy of nursing and seniors facility operator Genesis HealthCare happened more than five years after COVID struck.

### **The Post-COVID Value Proposition of Seniors Housing**

The COVID-19 pandemic hit the SH sector hard. Yet there is a broad misconception that it devastated the sector. When the pandemic struck, SH staff had to act and adjust quickly to a highly fluid situation around the care of their residents, who were particularly vulnerable to the coronavirus. They did so and undoubtedly secured the welfare of many lives in the process. A University of Chicago report published in June 2021 estimated that the COVID-19 mortality rate for residents in assisted living facilities was 1.9% in 2020, while the fatality rate for the general 85-and-over population who contracted the disease was 1.6%. Note that most residents in assisted living require a higher level of care than do other SH residents as well as the general population and were more likely to succumb to COVID-19. That same report found that approximately two-thirds of SH facilities experienced no fatalities at all.

A cultural stigma against seniors congregant care persists. Would it truly have been better to keep aging loved ones out of SH facilities during the pandemic? The analysis and data are inconclusive at best. Those who have cared for older loved ones at home understand the process can be fraught with attention divided between their well-being and countless other responsibilities. Dangerous situations can arise suddenly and unexpectedly. SH facilities and staff offer expertise and infrastructure for elevated care that provides both peace of mind and service worth the literal price of admission. Although improvements in technology and home care will facilitate aging in place, there is still a line where caring for an older family member exceeds a family's good intentions.

The seniors housing industry has emerged from the long shadow of the COVID-19 pandemic—a true black swan event—having learned valuable lessons and is positioned to capitalize on some very meaningful structural trends. ■

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