Research

United States | Spring 2025

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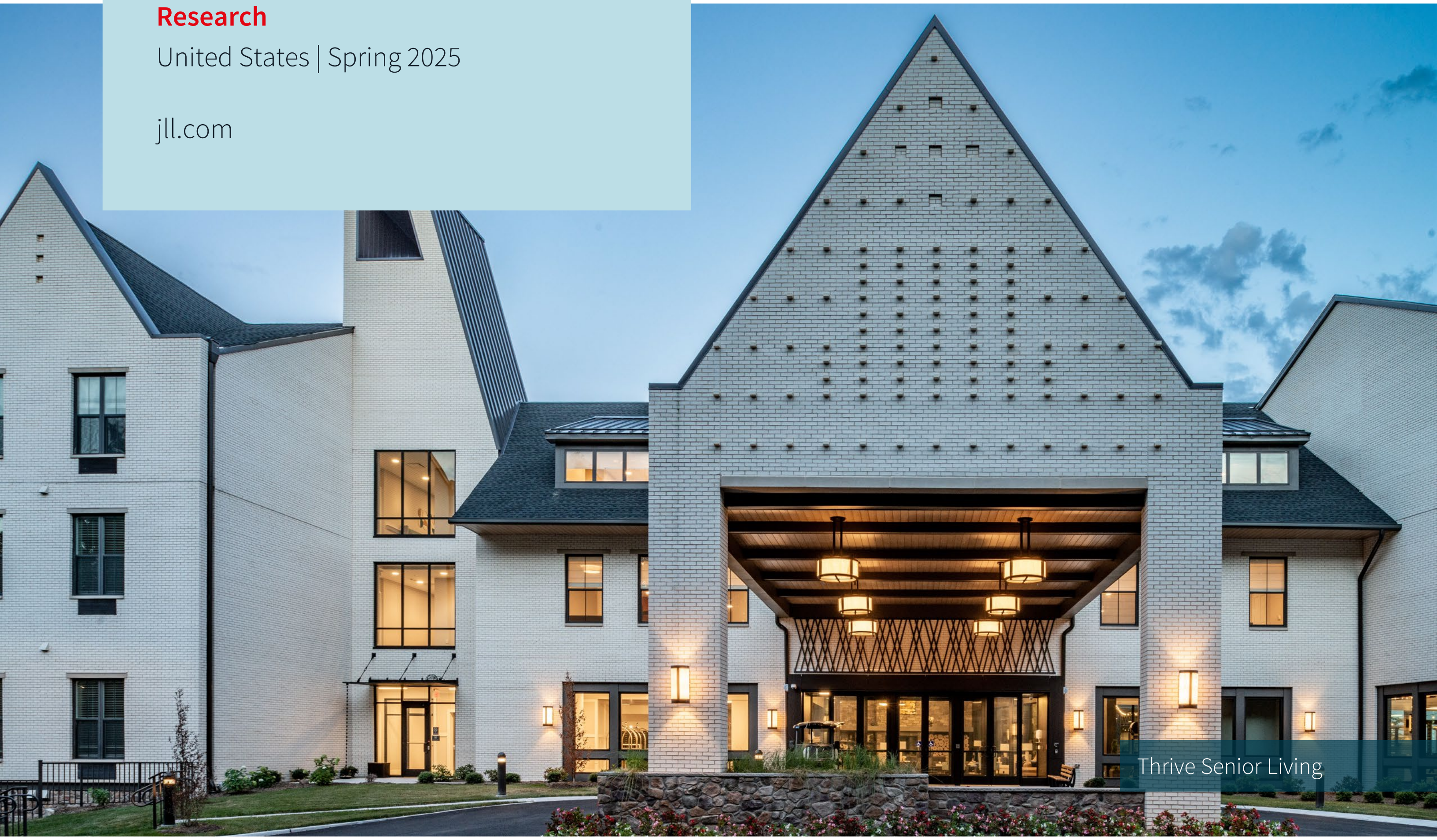

Seniors Housing and Care

Investor Survey and Trends Outlook

SEE A BRIGHTER WAY

Contents

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Report Highlights

- Rolling four-quarter volume increased to the highest level since Q2 2022, as strong transactions flow materialized in the middle of 2024
- Some 57% of respondents expect seniors housing cap rates to compress over the next 12 months, compared to just 17% of respondents in JLL's prior survey
- Outside of select major West Coast cities, most markets have fully recovered to their pre-pandemic occupancy levels, with average occupancy across secondary markets near all time highs
- Demographics in the United States represent a significant tailwind for the seniors housing sector, with the 80+ age cohort set to grow 36% over the next 10 years
- Development of new senior housing facilities is at its lowest levels in over 16 years, while demand has picked up significantly. Subsequently, rent growth is amongst the highest of all CRE sectors
- While investor sentiment continues to be impacted by variable bond markets, most industry participants anticipate market conditions to improve leading to stable or declining cap rates over the next 12 months.
- The majority of investors surveyed are looking to increase their exposure to the seniors housing sector in 2025, with independent and assisted living facilities the most targeted investment segment


Thrive Senior Living

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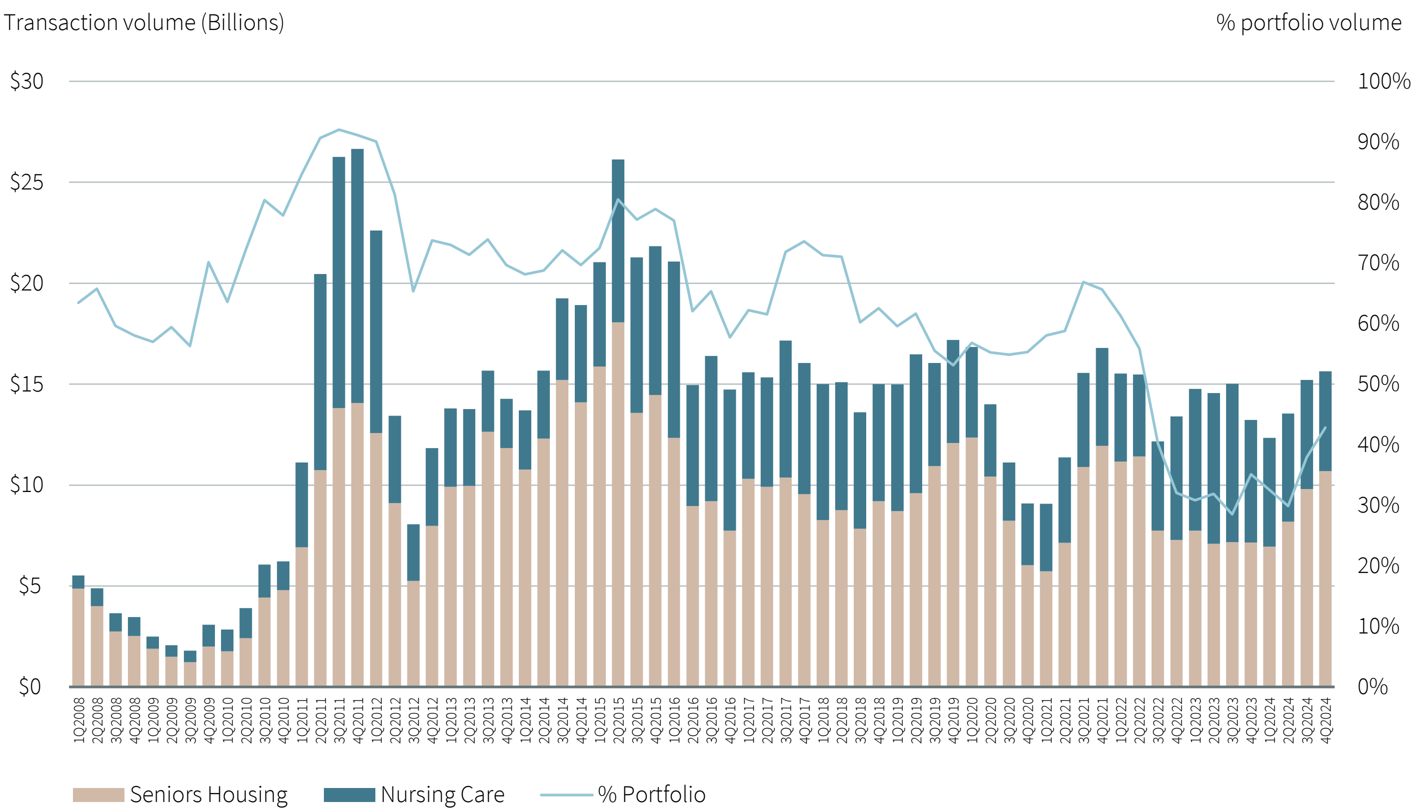
Capital Markets

Transaction volume trending toward pre-pandemic levels

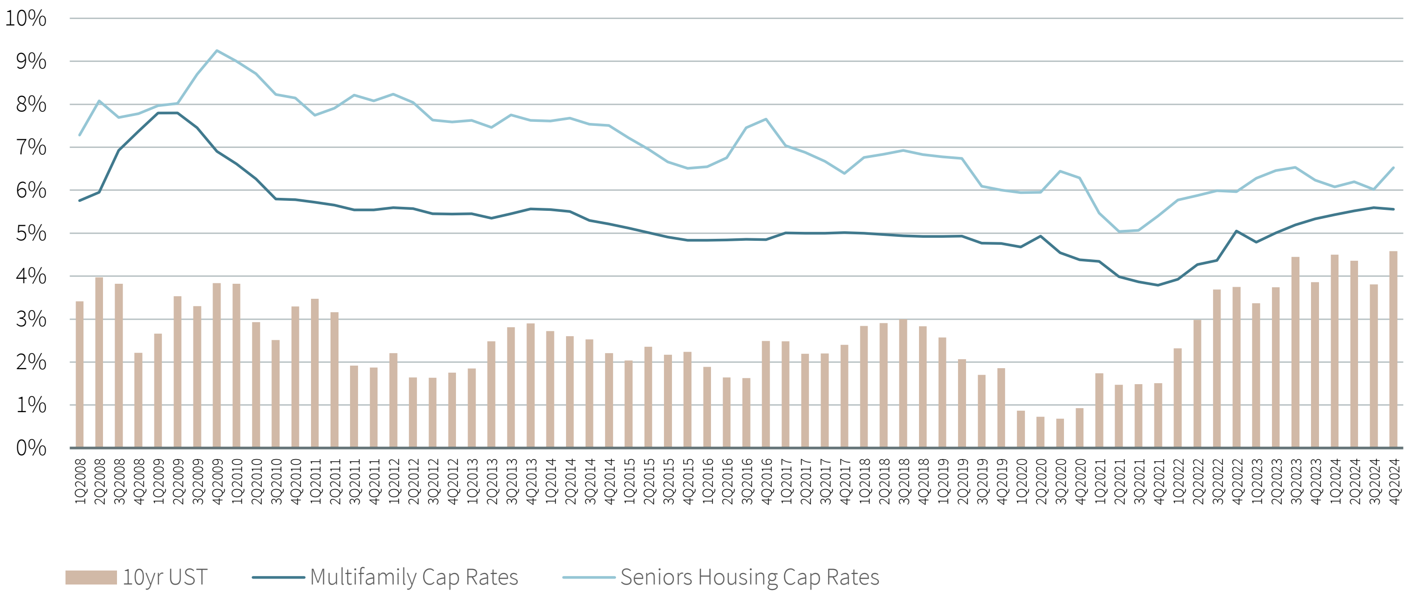
Transaction volume in the seniors housing and nursing care space was flat year-over-year, with annual activity sitting at $15.6B at year-end 2024. Consistent with the trend seen across other property types, the share of portfolio transactions decreased amid lower debt market liquidity for transactions of scale, especially from money center banks. However, the share portfolio transactions saw a slight uptick in Q4 2024 – accounting for 43% of activity, up from 33% in Q4 2023. There were four portfolio deals larger than $100 million, with the $725 million recapitalization of Chicago Pacific Founders' 20 asset portfolio the largest of the year.

Rolling four-quarter transaction volume



Source: JLL Research, Real Capital Analytics

Capitalization rates and 10-year Treasury



Source: JLL Research, NIC MAP, Real Capital Analytics, Federal Reserve

Higher than average debt costs have led to a widespread repricing across all of commercial real estate. Despite widespread speculation in recent months, the 10-year Treasury rate remained relatively stable throughout 2024, with increased volatility returning to the market in the fourth quarter.

'In favor' asset types like industrial and multifamily have generally seen the largest expansion in going-in yields given the tight yield premium at the peak of the market. According to data from NIC MAP, cap rates for seniors housing averaged a low of 5.0% in Q2 2021. Since then, cap rates have expanded by around 150 basis points. Average national multifamily cap rates, while still lower than seniors housing cap rates, rose from a low of 3.8% in Q4 2021 to 5.6% as of Q4 2024.

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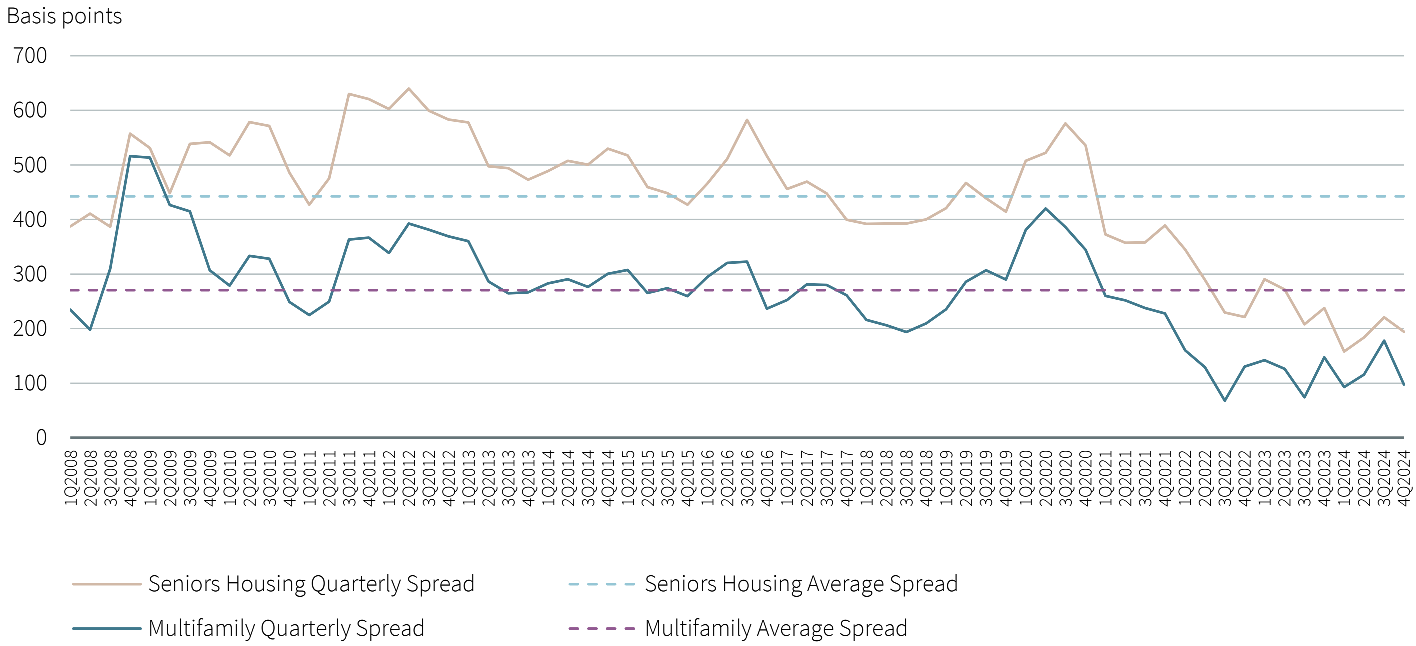
Capitalization rate spreads



Source: JLL Research, Real Capital Analytics, Federal Reserve

Spreads between the 10-year U.S. Treasury and seniors housing cap rates have averaged 442 basis points going back to 2008, evidencing the healthy yield premium that the sector commands.

The spread as of Q4 2024 decreased to 194 basis points, with more investors having to contend with negative leverage in the short-term. For multifamily investments, the spread has averaged 270 basis points over the long-term, with Q4 2024 decreasing to only 97 basis points.

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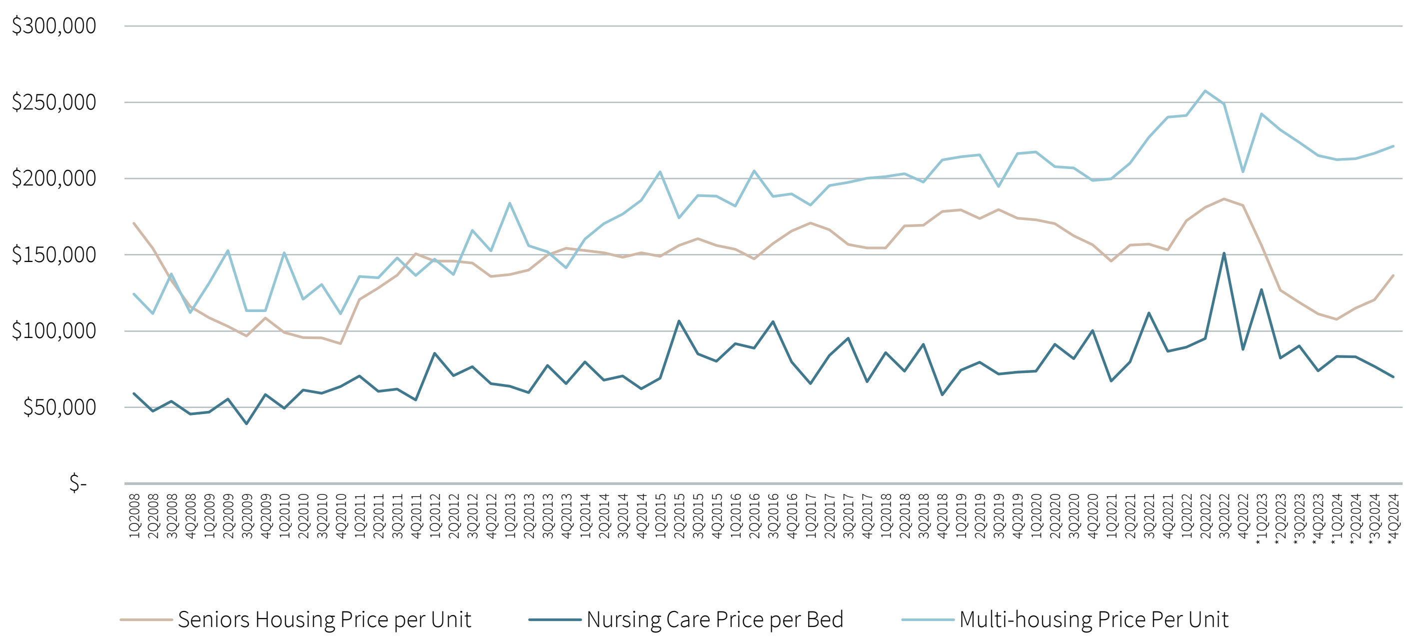
Price per unit trends continue to diverge based on income growth profiles

Valuations on a per-unit basis vary across seniors housing subtypes, and performance has also diverged when comparing to multifamily. The multifamily sector saw a notable runup in per-unit valuations, driven in part by the significant increase in rental rates vs. pre-pandemic levels, but has since stabilized.

The seniors housing and nursing care sectors saw less price appreciation during the past several years, in part a reflection of the increased labor cost for the sector. Values continued to be under pressure throughout 2024 but with more consensus that interest rates have peaked, we expect a new pricing floor to set, and for values to mark some level of recovery as there is more stability in bond indices and/or a future interest rate cut(s) in 2025.

Price per unit comparison across sectors



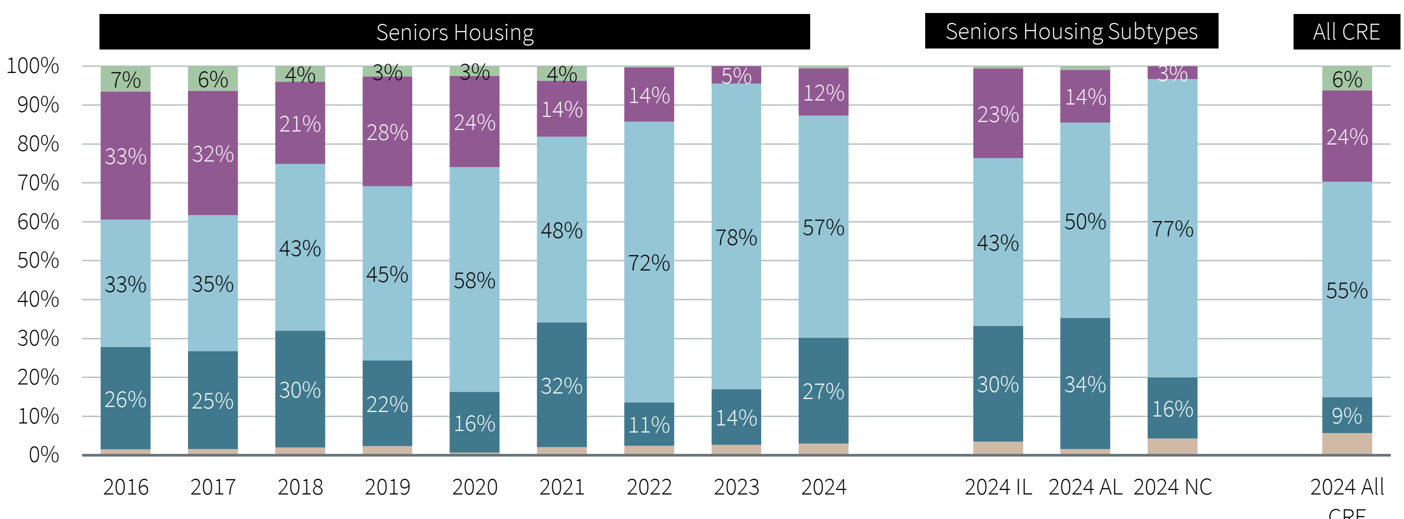
Source: JLL Research, NIC MAP, Real Capital Analytics

Seniors housing buyer pool continues to be led by private investors in 2024

The largest buyer pool for seniors housing assets in 2024 was private buyers, with 57% of purchases. This was a decrease from 2023 but above the average of 52% since 2016. Institutional investors' share of purchases saw a slight uptick from 5% in 2023 to 12% in 2024.

It's clear that private capital continues to take advantage of a less crowded buyer landscape, a trend seen across other property sectors as well.

Buyer composition for seniors housing and care subsectors



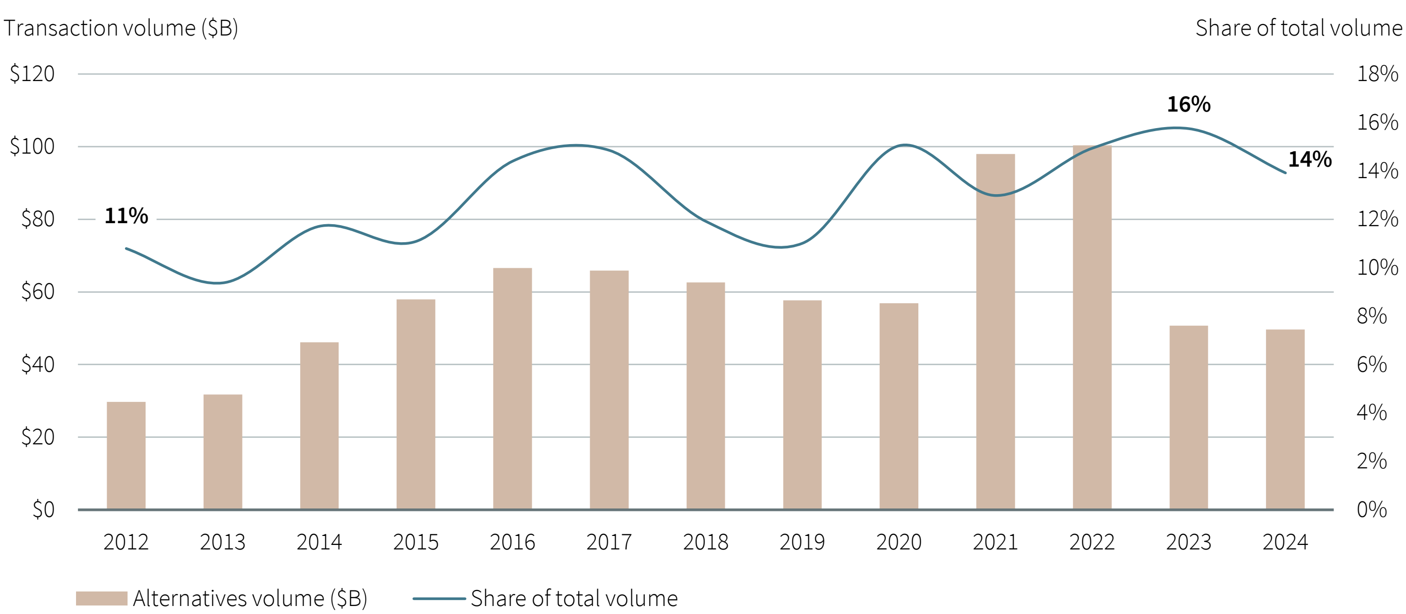
Source: JLL Research, Real Capital Analytics

Alternative sectors volume similar to 2023 at $49.7 billion in 2024

Alternatives continue to be in focus as investors seek growth outside of traditional sectors. While alternatives' share of total investment volume fell from 15.7% in 2023 to 13.9% in 2024, over the past ten years, alternatives' share of total investment volume has risen from 11% as capital continues to target smaller sectors with a compelling demand and growth thesis.

Together with student housing and medical office, the seniors housing sector is among the three largest alternatives sectors in terms of investment volumes. Investors are continuing to raise capital to deploy into these smaller sectors, which in many cases offer greater growth prospects than the main asset types.

Alternative sectors capturing growing share of transaction volume over the prior cycle



Source: JLL Research, Real Capital Analytics

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Property Markets

Occupancy continues its upward momentum in both primary and secondary markets

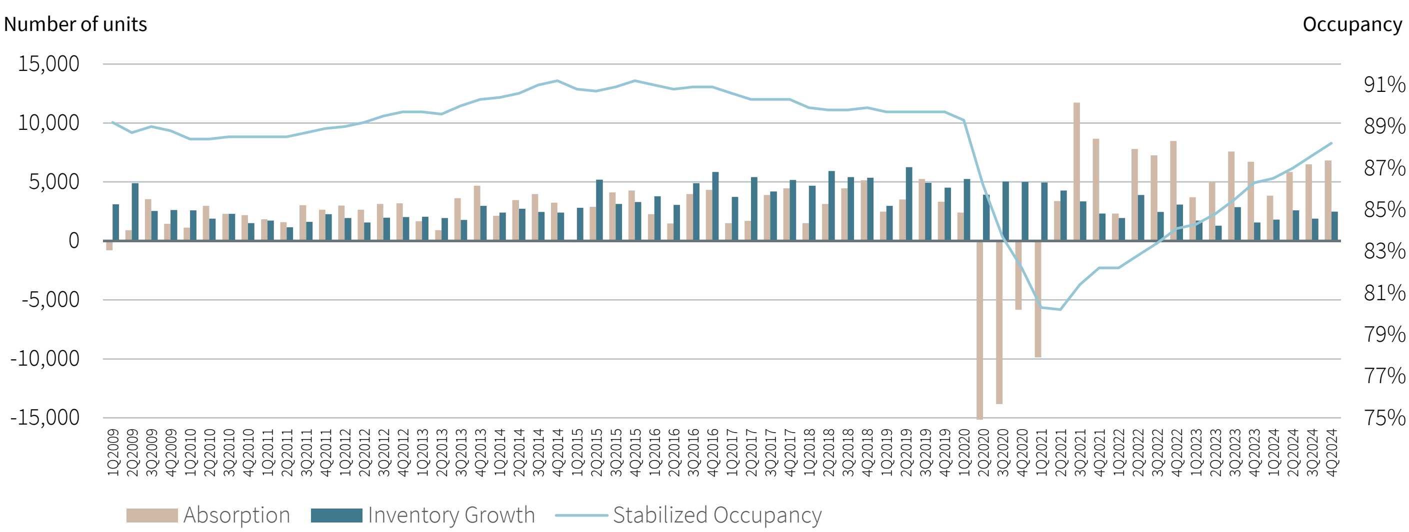
Stabilized occupancy reached a low point of 80.2% across primary markets in the second quarter of 2021 amidst the brunt of the pandemic. Since then, occupancy has staged a notable recovery, growing by 80 basis points to 88.2% in Q4 2024. In secondary markets, the rebound from the depths of the pandemic has totaled 95 basis points, to 89.7% in Q4 2024.

Although occupancy is still lagging peak historical levels in 2014 and 2015, some key factors keep it trending in the right direction. The juxtaposition of high and net positive absorption with below-average inventory growth continues to bolster occupancy growth in seniors housing.

Q4 2024 marks the 15th quarter in a row that primary and secondary markets saw positive absorption since the four quarters of negative absorption resulting from onset of the pandemic in 2020. In primary markets, average quarterly absorption since turning positive in the second quarter of 2021 has been 1.7x the average quarterly amount in the two years before the pandemic.

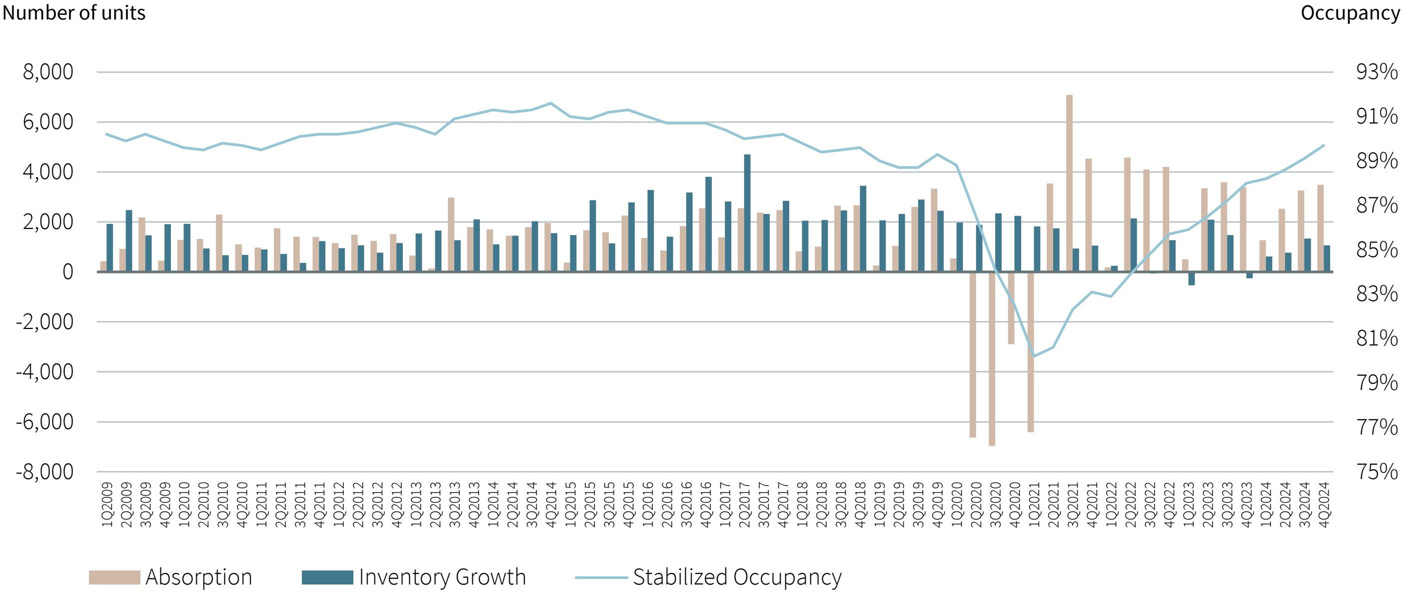
Inventory growth over the past year is 53% lower than it was in the year leading up to the pandemic. Demand is largely driven by the baby boomer generation – Lightcast forecasts the 80+ population will grow by 36.1% in the next 10 years, compared to just 4.3% growth of the total population.

Seniors housing inventory change vs. absorption for primary markets



Source: JLL Research, NIC MAP

Seniors housing inventory change vs. absorption for secondary markets



Source: JLL Research, NIC Map

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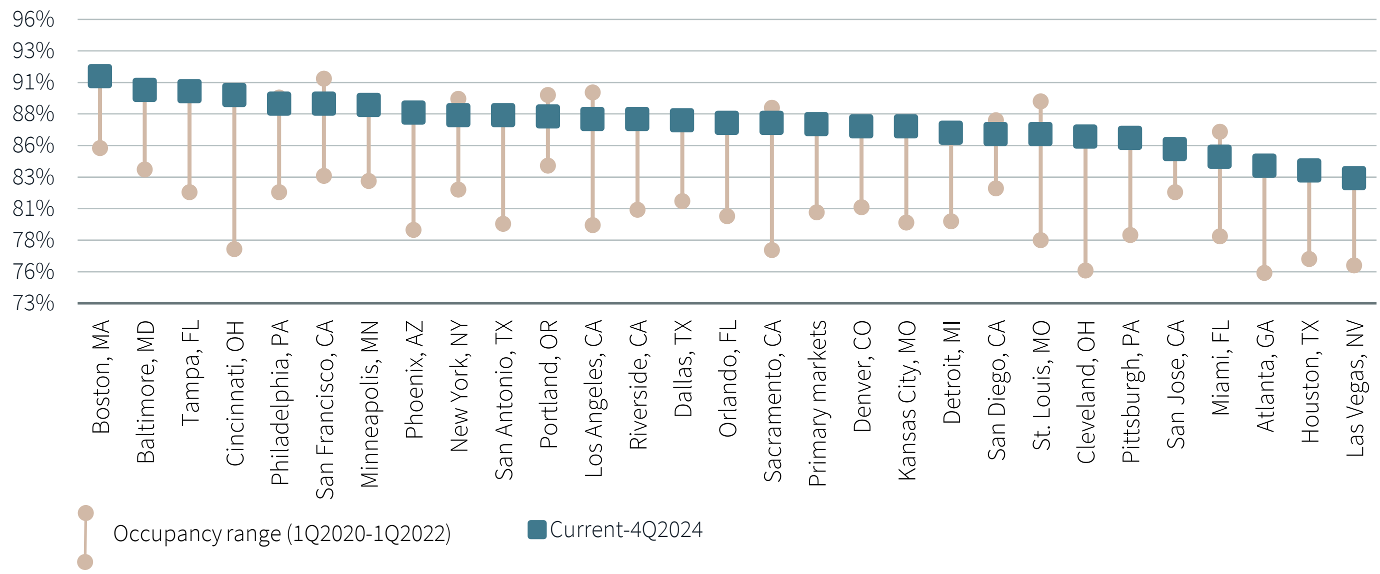
While occupancy is up today across the United States, recovery levels continue to vary across markets, with West Coast markets notably lagging the rest of the country.

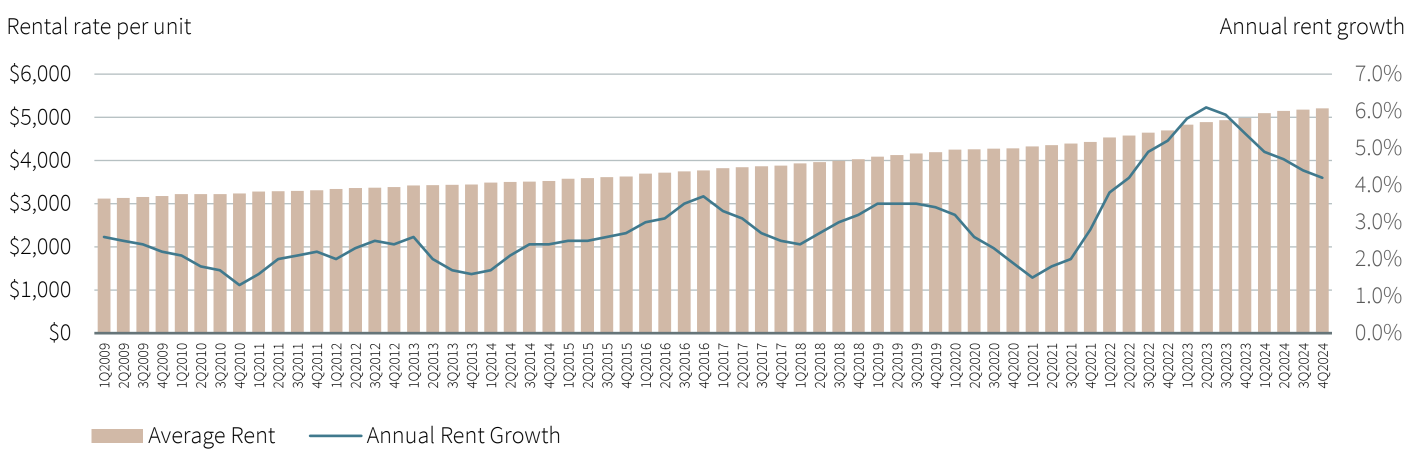
Occupancy recovery continues to advance across seniors housing markets



Source: JLL Research, NIC Map

Prior to the onset of COVID-19, seniors housing rents had been consistently increasing around 2% to 3% annually. After eight quarters of declining growth, the pace of rent growth picked up and accelerated significantly through 2022. The pace of growth during 2023 marked some softening but still exceeds the pace of growth seen during the entire past cycle and also exceeds recent growth trends seen in the multi-housing rental sector. At an average monthly rent of $5,207 across primary and secondary markets, seniors housing rents are 22.5% higher than pre-COVID levels (Q1 2020).

Seniors housing rent growth



Source: JLL Research, NIC Map

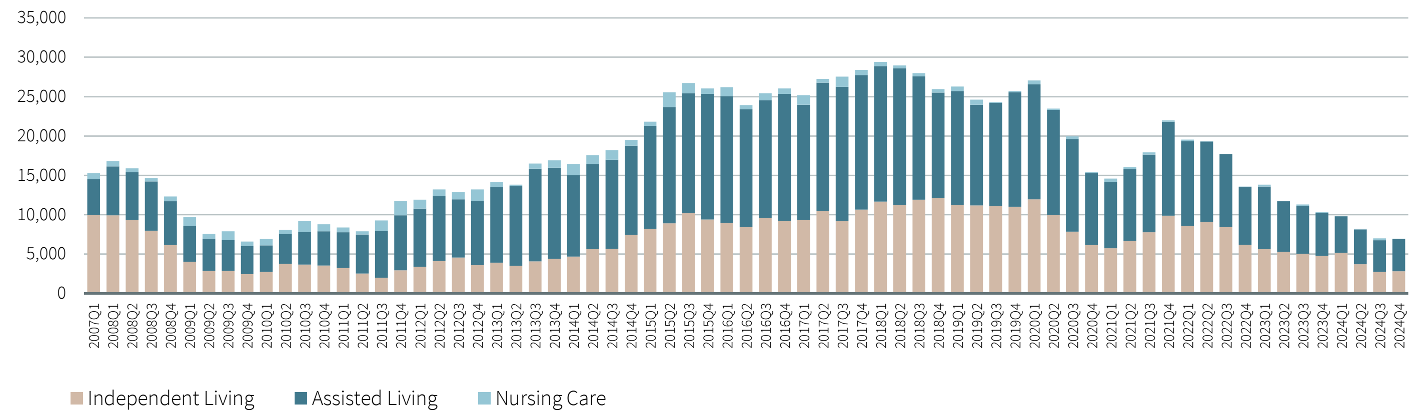
Construction starts continue to decline, in line with trend seen across other sectors

Construction starts are slowing significantly across many commercial real estate sectors, given the more expensive financing environment, elevated construction and labor costs and a slowdown in the pace of demand growth across sectors.

Slowing inventory growth will aid the performance of existing properties. Looking at the seniors housing and care sectors, construction starts slowed following the onset of the pandemic, and then marked some rebound.

Construction starts for primary market locations

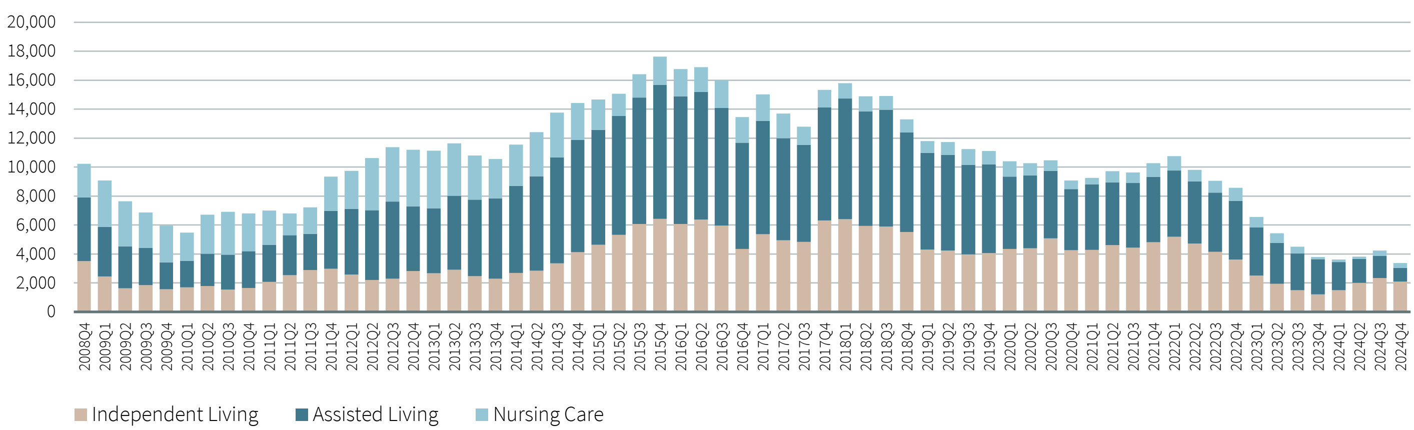
Units started



Source: JLL Research, NIC Map

Construction starts for secondary market locations

Units started



Source: JLL Research, NIC Map

Starts most recently peaked in late 2021 in primary markets, and early 2022 in secondary markets, and are now down 68% and 69%, respectively, from recent peak levels.

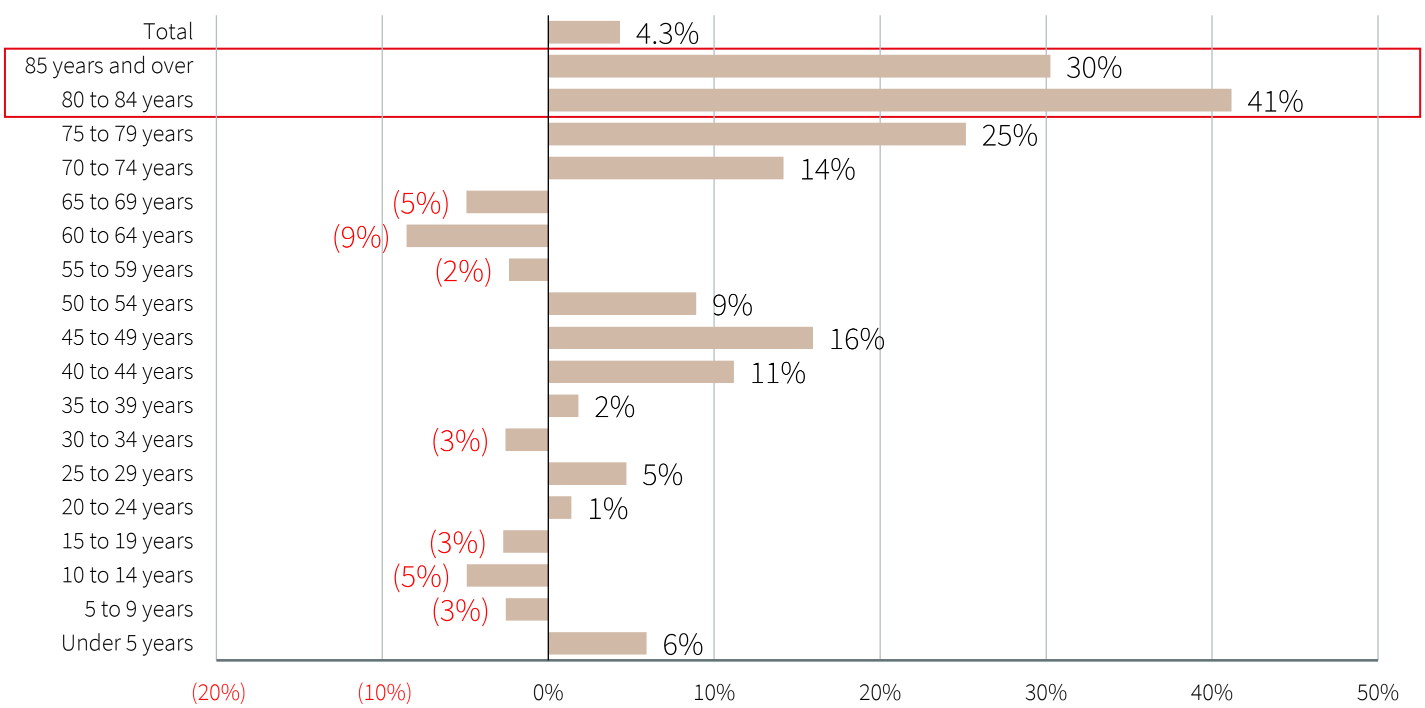
While financial conditions continue to be challenging for starting construction in the coming months, demographic patterns show opportunity for continued seniors housing development.

Wave of retirees drives long-term demand tailwinds

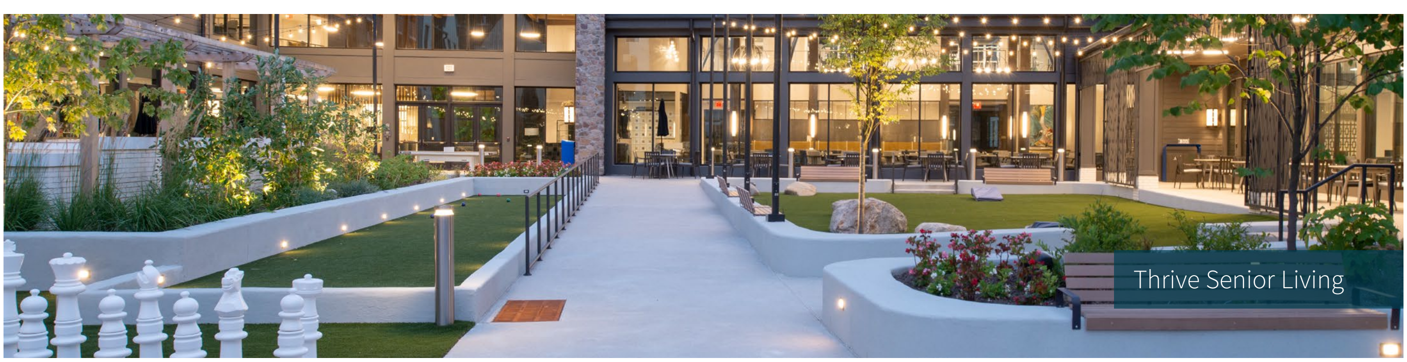
Older populations are projected to grow faster than any other age cohort in the United States over the next 10 years as baby boomers continue to age beyond retirement years. According to the U.S. Department of Health & Human Services more than 10,000 people turn 65 years old every day in the United States.

Specifically, the 80+ population in the U.S. is expected to grow by 36.1%, from 14 million to 19 million, in the next decade. This underscores the enormous wave of pending demand for additional seniors housing and nursing care facilities. By comparison, total U.S. population growth is projected to be a moderate 4.3% during the same period.

The 80+ population is forecasted to grow 36.1% in the next 10 years, compared with just 4.3% overall



Source: JLL Research, Lightcast



04

Investor Survey Results

The JLL Investor Survey focuses on transactions professionals who specialize in the seniors housing and care space. The sample set for this survey was 75+ respondents, encompassing some of the most influential market participants in the sector. The intention of this survey is to garner insights into current market sentiment from industry leaders and to provide expectations for the year ahead.

Summary of questions related to valuation and underwriting

Capitalization rates by investment class

Respondents were asked to select the most appropriate capitalization rate range, applied to year 1 stabilized net operating income, inclusive of market level management fees and replacement reserves, for core or primary market locations, broken out by asset class. Capitalization rates are being compared to data from Q4 2023.

Core	Class A					Class B					Class C				
Capitalization Rates (%)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)
Active Adult	5.0%	6.5%	5.6%	5.8%	-20	5.5%	7.0%	6.1%	6.3%	-20	6.0%	8.0%	6.7%	6.9%	-20
Independent Living	5.5%	9.0%	6.5%	6.5%	0	6.0%	9.5%	7.1%	7.1%	0	6.5%	10.0%	7.7%	7.7%	0
Assisted Living	6.5%	9.5%	7.1%	6.8%	30	6.5%	10.0%	7.7%	7.6%	10	7.0%	10.5%	8.5%	8.5%	0
Memory Care	7.0%	10.0%	8.0%	8.2%	-20	7.5%	10.5%	8.8%	8.8%	0	8.0%	12.0%	9.6%	9.7%	-10
Nursing Care	9.5%	13.5%	11.3%	11.4%	-10	10.0%	14.0%	12.1%	12.1%	0	10.5%	15.0%	12.8%	12.9%	-10
CCRC/LPC	6.5%	10.0%	8.3%	8.8%	-50	7.0%	11.0%	8.9%	9.2%	-30	7.5%	12.0%	9.7%	10.0%	-30

Non-Core	Class A					Class B					Class C				
Capitalization Rates (%)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)
Active Adult	5.0%	7.0%	5.9%	6.2%	-30	5.5%	7.5%	6.5%	6.7%	-20	6.0%	8.5%	7.1%	7.4%	-30
Independent Living	6.0%	9.5%	6.9%	6.9%	0	6.5%	10.0%	7.5%	7.5%	0	7.0%	10.0%	8.0%	8.1%	-10
Assisted Living	6.5%	10.0%	7.4%	7.6%	-20	7.0%	10.0%	8.1%	8.2%	-10	7.5%	10.5%	8.9%	8.9%	0
Memory Care	7.5%	10.0%	8.4%	8.8%	-40	8.0%	12.0%	9.3%	9.4%	-10	8.5%	13.0%	10.1%	10.1%	0
Nursing Care	9.0%	13.5%	11.6%	11.2%	40	10.5%	14.0%	12.5%	12.5%	0	11.0%	15.0%	13.2%	13.2%	0
CCRC/LPC	7.0%	11.0%	8.8%	9.0%	-20	7.5%	12.0%	9.4%	9.6%	-20	7.5%	12.5%	10.1%	10.3%	-20

Cap spreads by investment class

The charts below summarize the resulting cap rate spreads in basis points between core and non-core and by investment class and by location type.

Core	Investment Class Spreads (bps)		
Investment Class	**A-B**	**B-C**	**A-C**
Active Adult	50	65	115
Independent Living	60	65	125
Assisted Living	60	85	145
Memory Care	75	85	160
Nursing Care	80	75	155
CCRC/LPC	65	80	145

Non-Core	Investment Class Spreads (bps)		
Investment Class	**A-B**	**B-C**	**A-C**
Active Adult	60	55	120
Independent Living	60	55	120
Assisted Living	65	80	140
Memory Care	90	85	170
Nursing Care	80	70	155
CCRC/LPC	60	75	135

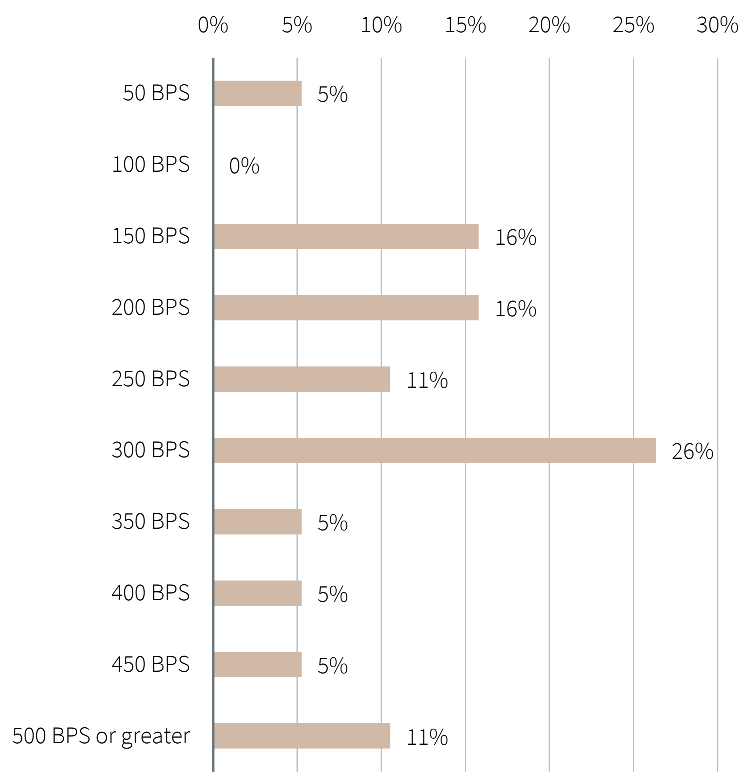
Core vs. Non-Core	Location Spreads (bps)		
Investment Class	**A**	**B**	**C**
Active Adult	30	40	35
Independent Living	40	45	35
Assisted Living	35	40	30
Memory Care	40	55	60
Nursing Care	40	40	40
CCRC/LPC	45	45	35

Unlevered IRRs by investment class

According to the survey, 53% of respondents currently utilize discounted cash flow analysis and required yield rates in determining valuations for seniors housing assets. This marked a decrease from 69% in the last survey.

Respondents were asked to indicate the typical spread they are underwriting between the direct capitalization rate and the unlevered IRR assuming a 7-year hold. Responses varied significantly more than prior years, with spreads averaging 279 basis points.

Typical underwritten spread between direct cap rate and unlevered IRR on a 7-year hold for a performing asset



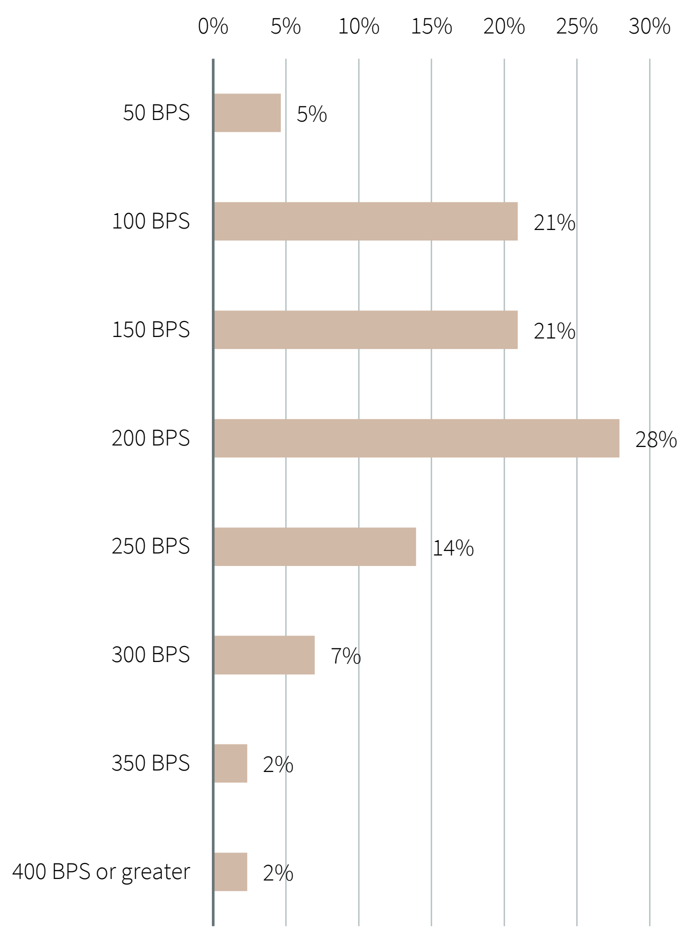
The table below summarizes the unlevered IRRs assuming the average spread of 279 basis points is added to the cap rates tabulated in the earlier table above.

All Markets	Class A					Class B					Class C				
Capitalization Rates (%)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)	Low	High	Avg.	Q4 2023	Change (bps)
Active Adult	7.8%	9.5%	8.5%	8.6%	-5	8.3%	10.0%	9.1%	9.1%	0	8.8%	11.0%	9.7%	9.8%	-10
Independent Living	8.5%	12.0%	9.5%	9.3%	15	9.0%	12.5%	10.1%	9.9%	20	9.5%	12.8%	10.7%	10.5%	15
Assisted Living	9.3%	12.5%	10.1%	9.8%	25	9.5%	12.8%	10.7%	10.5%	20	10.0%	13.3%	11.5%	11.3%	20
Memory Care	10.0%	12.8%	11.0%	11.1%	-10	10.5%	14.0%	11.8%	11.7%	10	11.0%	15.3%	12.6%	12.5%	15
Nursing Care	12.0%	16.3%	14.2%	13.9%	30	13.0%	16.8%	15.1%	14.9%	15	13.5%	17.8%	15.8%	15.7%	10
CCRC/LPC	9.5%	13.3%	11.3%	11.5%	-20	10.0%	14.3%	11.9%	12.0%	-5	10.3%	15.0%	12.7%	12.8%	-10

Performing vs. non-performing properties

Survey respondents were asked to quantify the typical cap rate differential they are applying for performing properties being valued on in-place NOI, vs. non-performing assets being valued on proforma stabilized NOI. The most common answer was 200 basis points difference, at 28% of respondents.

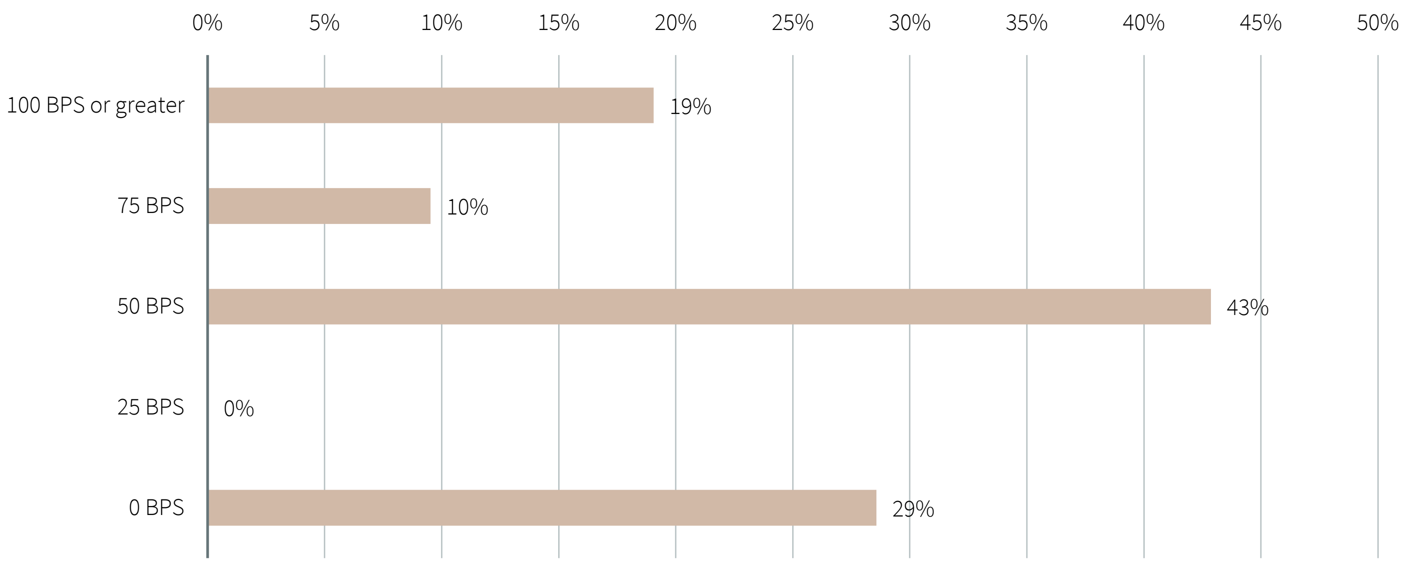
Typical spread between cap rates on performing properties based on in-place NOI vs. cap rates on non-performing properties based on pro forma stabilized NOI



Terminal cap rates

In addition, the survey ascertained the spread between investors' going-in cap rate and the terminal cap rate assuming a 10-year hold. The most common answer choice, at nearly half of respondents, was 50 basis points.

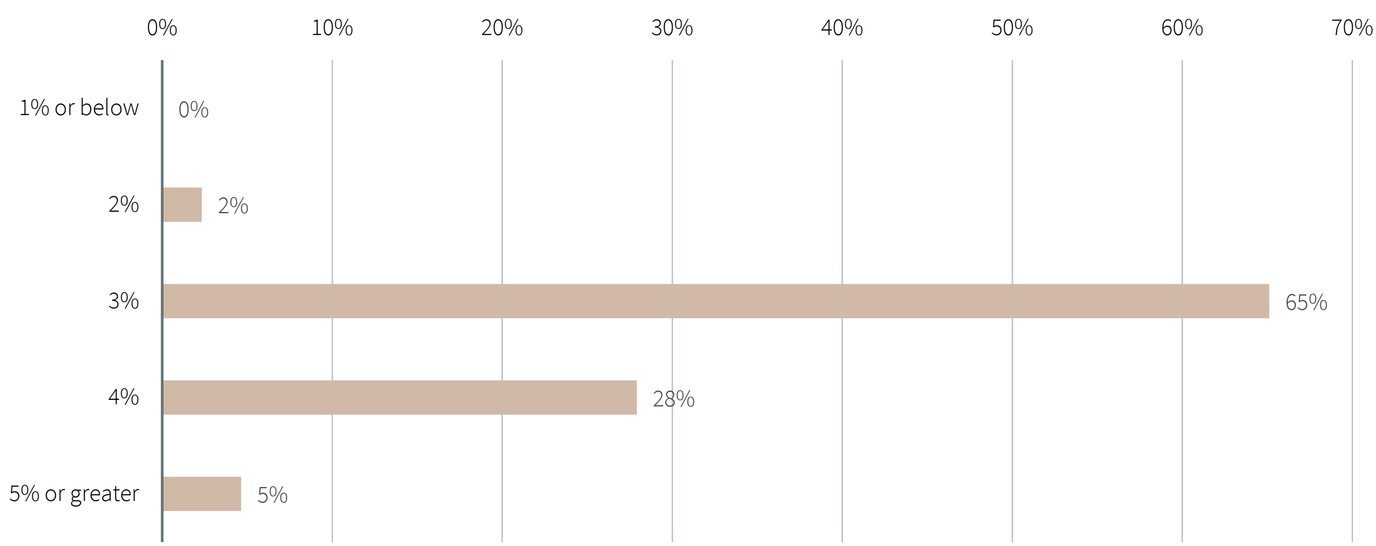
Typical spread you are underwriting between the going-in cap rate and the terminal cap rate on a 10-year hold



Inflation assumptions

Respondents were also asked to indicate the inflationary rates they are typically underwriting. Just under two-thirds of respondents indicated 3%, while a little over a quarter of respondents are generally underwriting 4% inflation.

What is the typical inflation factor you are underwriting?

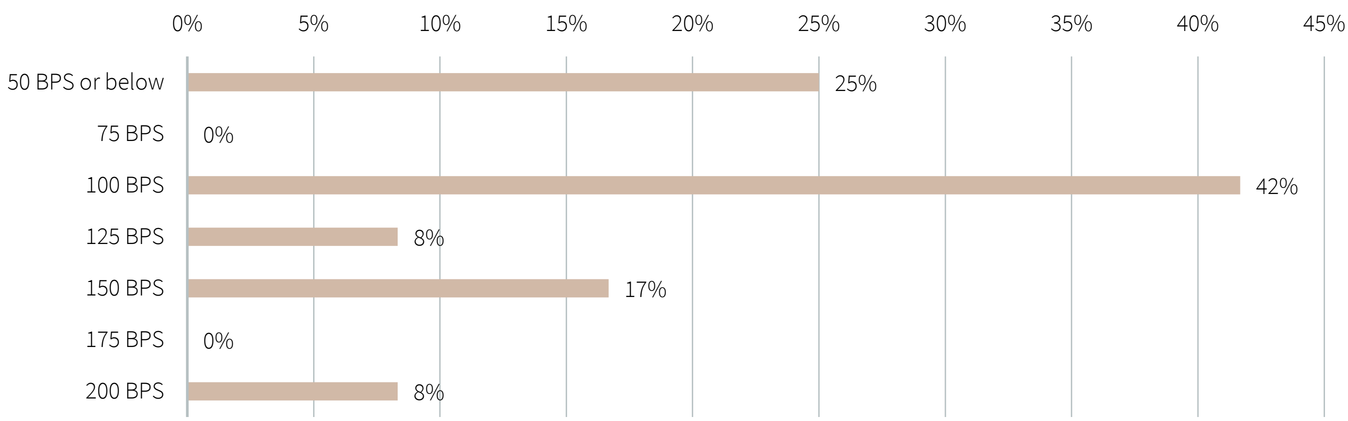


Underwriting of net-leased assets

The survey posed three questions related to absolute or NNN properties, though the investment type is somewhat less prevalent, with roughly one-third of survey respondents indicating that they work with this investment type.

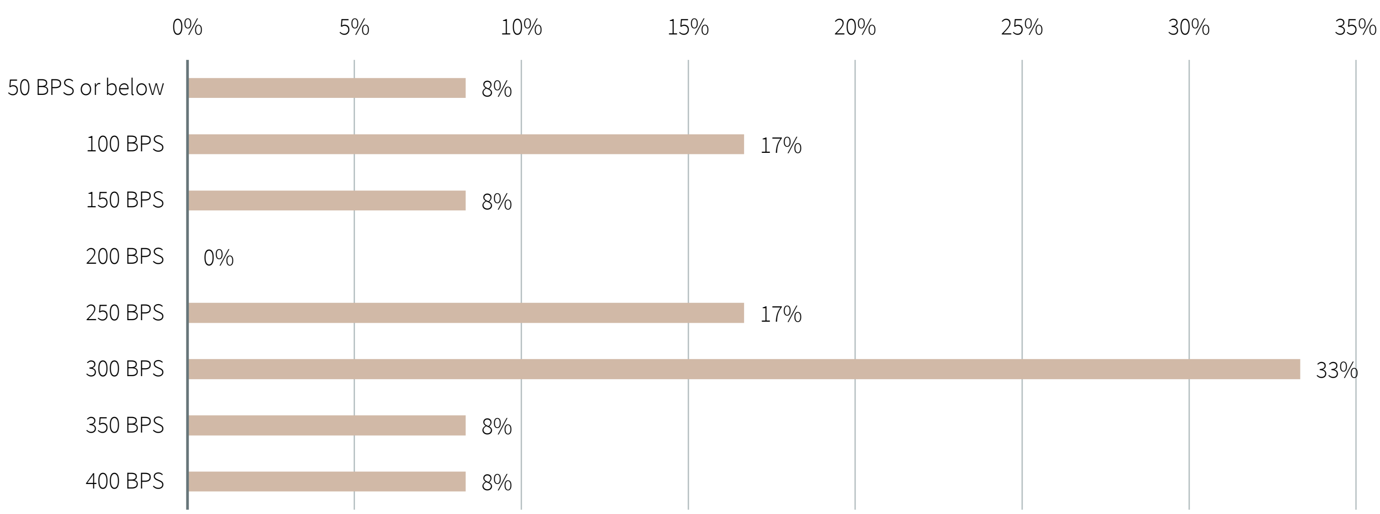
The survey first established the average spread between going-concern cap rates and absolute net leased cap rates for private-pay senior living subsectors (IL, AL, MC), assuming market coverage. The results to this question were scattered, with a spread of 100 basis points being the most common answer choice at 42% of respondents.

Average spread between going-concern cap rates and absolute net leased cap rates for private-pay senior living (IL, AL, MC) assuming market coverage

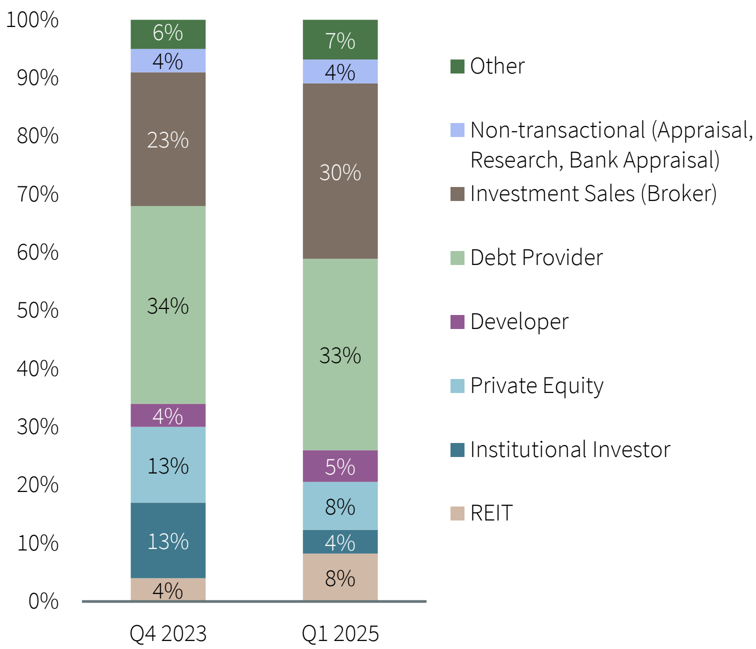


In addition, the survey addressed the typical spread being applied between going-concern cap rates and absolute net leased cap rates for skilled nursing assuming market coverage. Here, spreads of 250 to 300 basis points represented the most common answer choices, with half the respondents indicating this range.

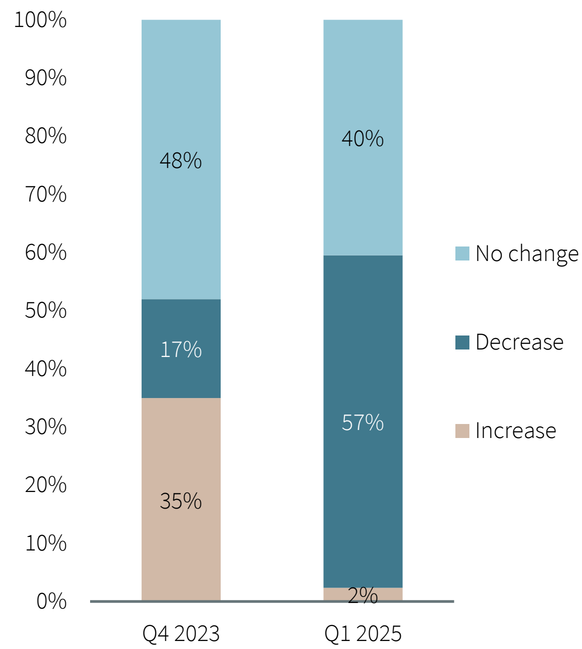
Average spread between going-concern cap rates and absolute net leased cap rates for skilled nursing assuming market coverage



Composition of survey respondents

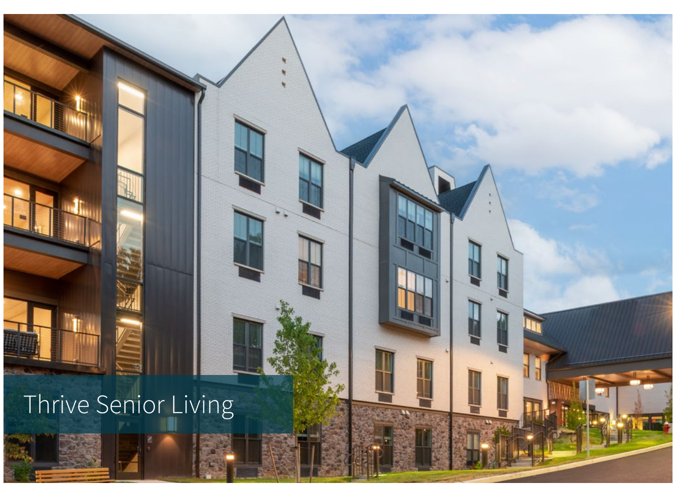


12-month outlook for capitalization rates



Composition of respondents

The largest category of survey respondents was represented by debt providers, at 33%. Investment sales professionals represented the second-largest share of respondents at 30%, and private equity firms and REIT'S accounted for the next-largest share of responses, at 8%, respectively.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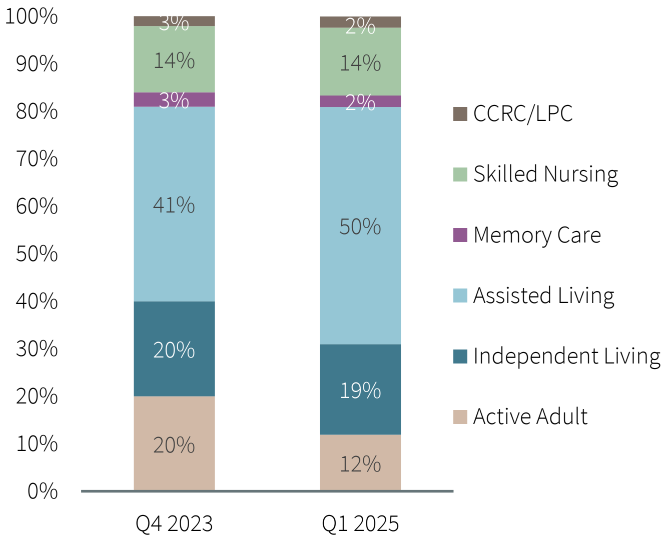
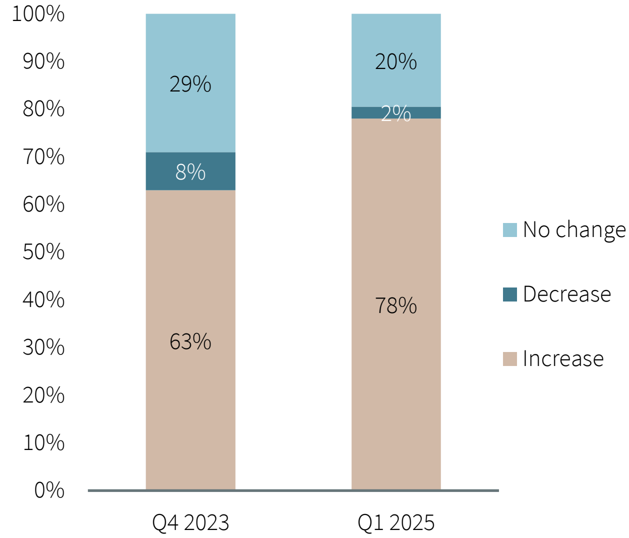
Outlook for capitalization rates

Survey respondents' expectations for cap rates are reflective of more certainty around the Federal Reserve's future path, and the consensus that the Fed has reached peak interest rates. One year ago, 65% of respondents were expecting cap rates to either decrease or stay the same, this survey period marked the share of respondents with the same expectations jumped to 97% with just 1 respondent expecting an increase in cap rates. However, the recent volatility in the 10-year Treasury has resulted in resurgent uncertainty in the market and further compression in going-in yields may lag current expectations.

Biggest investment opportunity over next 12 months



Investment exposure to seniors housing in 2025

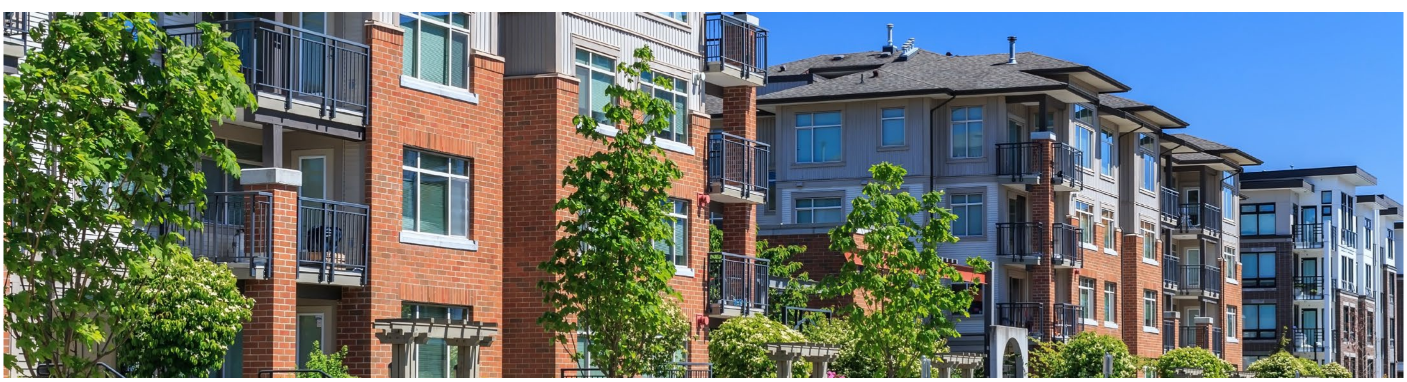


Opportunity for investment

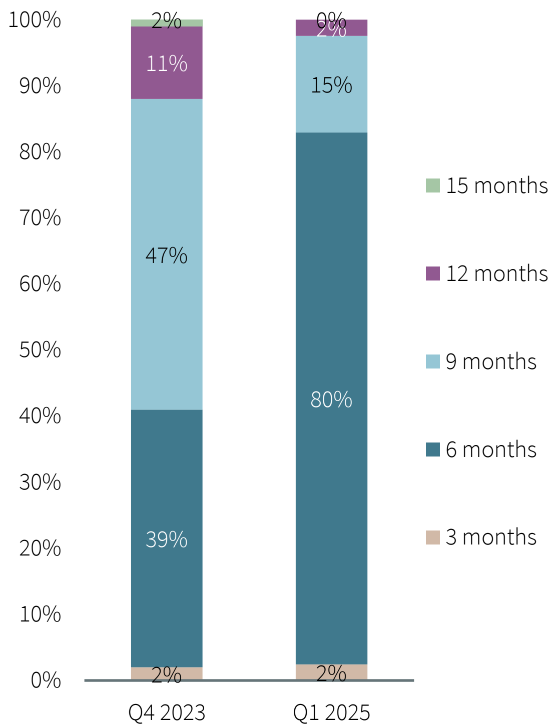
Assisted living has continued to peak investor interest and in the Q1 2025 survey, assisted living cemented its position as the most targeted investment opportunity, independent living and skilled nursing rounded out the top-three investment picks, while interest in active adult waned.

Investment exposure

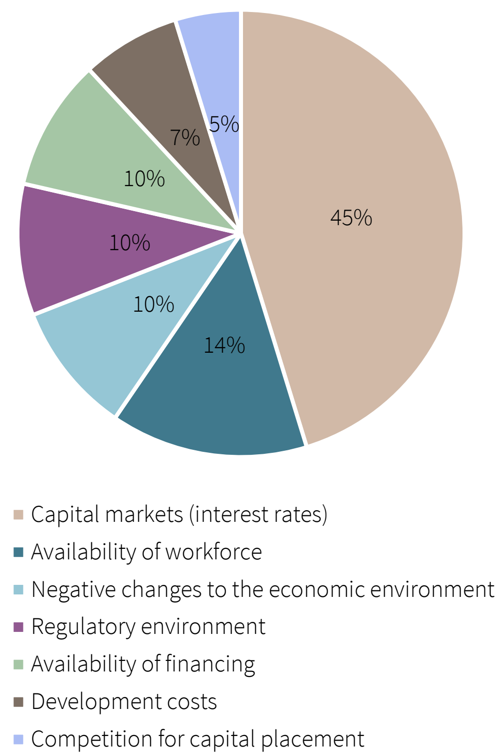
In line with investors' increased focus on alternative investment sectors across the board, respondents to Q1 2025 survey indicated they are seeking to increase their exposure to the seniors sector in 2025. A further 20% of respondents are seeking to maintain their current level of exposure, and just 2% of respondents are looking to decrease their exposure. Opportunities exist for investors to acquire high-quality real estate at below replacement cost and the investment community will continue to target alternative sectors that stand to benefit from long-term demographic tailwinds.



Typical marketing time for seniors housing assets



Top concern that could negatively impact seniors housing in 2025



Marketing time

Respondents were asked to indicate the typical marketing time for seniors housing assets, defined as the number of months between the date a community is listed through the date of closing. As stability returned to the market in 2024, 80% of respondents indicated 'six months' as the typical marketing time for senior housing assets.

The next highest response category, at 15% of responses, was '9 months'. The responses evidence that marketing time has generally been decreasing amid the decreasing interest rate environment in mid-2024, and investor willingness to jump back into deal making mode has overtaken prior hesitancy due to capital preservation.

Negative impacts

Market participants were asked to identify their top concern about market changes that could negatively impact the seniors housing and care market during 2025. The highest share of respondents (45%) cited capital markets and interest rate related concerns as their largest concern, with another 10% citing availability of financing.

The current volatility in the borrowing market is effecting underwriting assumptions with valuations vulnerable to reassessments. Declining spreads have buffered some of this volatility but it remains to be seen how much more compression can be achieved

Investment Class and Locational Descriptions

Investment Class

Class A: Excellent quality assets located in desirable market locations, primarily core markets, but can be in non-core markets. Construction is steel-frame or reinforced concrete, with an average age less than 10 years. Building finishes are high-end or superior to the market with top quality FF&E, state-of-the-art technology, and enriched amenities. Capture a greater than its proportionate share of the market with occupancy levels and rent growth that outperforms the market, targeting a high net worth population. Nursing care properties are best described as being located on or near a healthcare campus with state-of-the-art therapy space and equipment. Resident rooms are primarily private with quality mix that outperforms the market.

Class B: Good to average quality assets located in core and non-core market locations. Construction consists of steel-frame, reinforced concrete, or wood frame with an effective age between 10 and 25 years. Building finishes, FF&E, technology and amenities are considered adequate or average to the market and becoming dated. These properties capture their proportionate share of the market with average occupancy and rent levels consistent with the market but generally do not compete with investment class A assets. For nursing care, properties have functional design, primarily containing private and semi-private resident rooms, and adheres to life safety code. The payor source is primarily Medicaid with a census mix and private pay rates consistent with the market.

Class C: Average to fair quality assets located in non-core locations. Construction is wood frame with an effective age older than 25 years and may be non-purpose built. Investment class C properties contain amenities and finish that is inferior to the market, may contain deferred maintenance or require other cosmetic improvements to maintain competitiveness. Resident rooms may not have full bathrooms or kitchenettes. Rent and occupancy levels typically fall below market averages and may contain a significant percentage of subsidized rents. For nursing care, properties are located with little to no access to healthcare providers. The improvements feature a more institutional design and functional obsolescence with a high percentage of semi-private or ward rooms, outdated mechanical systems, inadequate ventilation systems and may not meet all life safety code requirements.

Market Location Classifications

Core (Primary): Market locations are consistent with the NIC MAP top 30 MSAs, generally more densely populated, with higher barriers to entry. Demographic growth and the economic base outperform national and regional averages. Specific to nursing homes, this includes properties in states with a Certificate of Need (CON) or similar restriction on development and in states with sustainable Medicaid reimbursement programs.

Non-core (Secondary): Market locations that are typically outside the NIC MAP top 30 MSAs, or the surrounding suburbs, generally less populated areas with a thin target population base and low barriers to entry. The economic base is similar-to or inferior-to national averages. Specific to nursing homes the market will not have a CON or similar restriction that limit new development. Medicaid reimbursement for nursing homes may also be challenged or underfunded.


Thrive Senior Living

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