

CHANCERY MONTHLY NEWSLETTER

The senior living industry faces challenges and opportunities in 2024. Despite setbacks in 2023, there's hope for improved occupancy, reaching pre-pandemic levels by year-end. High-acuity assisted living is gaining traction, potentially surpassing independent living. Pandemic recovery is expected by late 2024, with strong demand from aging baby boomers. Operators must adapt to evolving consumer preferences. The industry may witness increased use of discounts and concessions to boost occupancy.

Top Senior Housing Trends for 2024 — Part I

A new year always brings new challenges and opportunities. In 2024, the senior living industry will have plenty of both.

The senior living sector endured a hard year in 2023, starting with multiple stories of operators shutting down or in distress, and ending with assisted living being slammed in the recent Washington Post series.

But there are reasons for hope as 2024 dawns. The industry is heading into the new year with more momentum on occupancy and the prospect of regaining pre-pandemic census levels by the year's end. At the same time, they are excited by a relatively low rate of new construction starts and looming demand from the baby boomer generation, which could keep occupancy gains flowing into 2025 and potentially beyond.

As it has been for the previous few years, staffing and expenses are likely to remain pain points. Scrutiny from the media and the public is also sure to rise in the coming year as the industry gains a more prominent spot in the U.S. real estate market.

Innovation and evolution will continue, meaning operators must make sure they are keeping up with the times. More new entrants into the industry, coupled with tech including AI, are sure to transform senior living in the year ahead, if only in a gradual way.

‘The great rebalancing’ of IL and AL draws nearer

The senior living sector appears to be undergoing what might be called a “great rebalancing,” which would see assisted living overtake independent living as the most prevalent offering.

It’s been no secret that the senior living industry has seen an influx of needs-based demand in the post-pandemic era – one needs only look at the most recent occupancy report from NIC MAP Vision.

Although “recovery trajectories and timelines continued to be uneven” in 2023, according to NIC Principal Omar Zahraoui, assisted living has helped buoy occupancy results in the past year. The product type added census at a faster rate than independent living in the third quarter of 2023, with occupancy improving by 0.9 percentage points to 82.6%, according to NIC MAP Vision. Assisted living operators in secondary markets have already reached pre-pandemic totals with rates of 84.3% in the third quarter of the year.

“Majority independent living properties house more residents compared to assisted living. Yet, if the high-acuity trend persists, we might see a shift with more residents in assisted living than independent living in the coming years,” Zahraoui told SHN earlier this year.

Some operators across the country – including the nation’s largest, Brookdale Senior Living (NYSE: BKD) – have shifted in favor of catering to a higher-acuity population in 2023 as demand dynamics alter the balance of the industry’s product types. The company is forging ahead with its HealthPlus model, which CEO Cindy Baier said in November “sets the stage for 2024 to be a great year.”

On the flip side, independent living growth has been lower than some companies have hoped. Earlier this year, executives with Ventas (NYSE: VTR) noted “disappointing” performance in some of its independent living assets formerly managed by Holiday Retirement.

National Health Investors (NYSE: NHI) has in the last two years reported similar challenges among the former Holiday communities in its senior housing operating portfolio (SHOP), and CEO Eric Mendelsohn was bullish on the prospect of needs-based demand in the future in August when he remarked that the company was seeing improving fundamentals in needs-based senior housing.

Given the demand at hand – and taking into account that assisted living is still among the senior living industry’s top investment targets – it is likely that more companies will seek to grow and evolve in the space in 2024 and the years to follow. Expect to see more companies making high-acuity and value-based care plays a la Brookdale, or debut products meant to serve a resident population with more care needs.

Pandemic recovery ends, next chapter begins

NIC MAP Vision data shows the senior living operators in the country’s top primary markets could return to pre-pandemic occupancy in late 2024.

This will be as good a marker as any to declare that the pandemic recovery period is over. Certainly, the effects of Covid-19 will reverberate throughout senior living for years to come, and the pandemic has forever altered the landscape. But with occupancies back to their pre-Covid baseline, 2024 will be the year when the focus will shift away from regaining what was lost and toward all that can be gained in the future.

This is not to say that the industry is out of the woods, given the state of other operational metrics like staffing and expenses. However, the oldest baby boomers are slated to turn 80 in 2025, and the immediate demand outlook for senior living has perhaps never-before looked better.

Nearly 60% of respondents to an ASHA survey over the summer were considering a move that potentially included transitioning to a senior living community within the next four years. A total of 92% of respondents to that survey agreed or strongly agreed that remaining independent and self-sufficient was important to them. And, just under a quarter of respondents said they preferred to live in their own home.

That data suggests that senior living operators are well-positioned to capture demand from boomers. The challenge for operators now is actually delivering a product that older adults in the generation will want.

Catering to the boomers will require changing the industry’s long-held paradigms, according to Arrow Senior Living CEO Stephanie Harris.

“The industry has historically done a lot of telling people when they can eat and what they can do, and we’re realizing that doesn’t work for today’s consumer,” she said during a panel discussion at this year’s NIC Fall Conference.

She is also in favor of a more “dynamic” pricing structure that is flexible to many different economic situations.

The concession wars resume

The other side to occupancy gains in 2024 will be how operators achieve them. Taking a cue from the past, it is likely that discounts and concessions will kick into overdrive, or at least come back with a vengeance after a period of widespread rate increases.

For one, it seems as though the industry has picked all its low-hanging fruit in the form of pent-up demand.

“From a marketing point of view, I would call it back to normal while steadily moving up,” said 12 Oaks President Greg Puklicz during a recent SHN+ webinar.

The number of operators offering discounts and concessions has ticked up this year, according to a survey from senior living consultancy Bild & Co. The survey showed that the number of operators tracked by Bild offering concessions grew from 17.9% in the first quarter of the year to 22% in the third quarter. Likewise, the number of operators offering no concessions fell, going from 63.6% in the first quarter of 2023 to 57% in the third quarter.

As operators look to add the last bit of occupancy to hit their census targets, no doubt they will employ price-cutting strategies as they always have. The challenge for the industry in 2024 will be to add residents in a way that maintains rates and margins.

Original Article:

<https://seniorhousingnews.com/2024/01/01/top-senior-housing-trends-for-2024/>

Stony Plain Project Update

Three Robins Stony Plain is a seven-storey building with a total of 85 one-bedroom, one-bedroom plus den, and two-bedroom plus den suites. The ground floor of the building houses the Stony Plain Public Library, Ladybugs Flowers, and other residence amenities.

- Both the management team and residents have hosted and taken part in many memorable group events in 2023, including painting and woodworking classes, many holiday celebrations, and teaming up with groups such as Stony Plain Fish & Game, Stony Plain Francophone School, and the Stony Plain Public Library for relevant programming. In Q4, Stony Plain hosted the Parkland County RCMP to provide a talk on how to avoid scams aimed at seniors, residents knitted 68 hats for newborns for the maternity ward at the local hospital, and hosted celebrations for Halloween, Remembrance Day, and Christmas.



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