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INDUSTRY INSIGHT

This data-driven article indicates that investors in senior living real estate favor active adult and assisted living properties, with 54% and 33% respectively, according to a survey by Partner Valuation Advisors. The shift is attributed to changing preferences among baby boomers, living longer than previous generations. Concerns for the upcoming year include debt capital markets, competition for capital placement, development costs, and construction activity. The survey reflects a more cautious lending approach, with loan-to-value ratios decreasing. Property values have generally declined, prompting compensatory rent growth exceeding 3%.

Active Adult, Assisted Living Among Most Sought-After Senior Living Investments

Assisted living and active adult are among the top senior living real estate types that investors are interested in.

That's according to a recent survey from Partner Valuation Advisors. The survey garnered responses from about 100 "influential leaders in the seniors housing industry," including lenders, investors, developers and investment sales professionals.

Just over half of respondents (54%) identified active adult as a top investment target, while another 33% said the same about assisted living properties. According to the report, the reason indicated for doing so is the changing preferences of baby boomers, with assisted living in particular being due to the generation "living longer than previous generations."

The survey also highlighted the main concerns from respondents in the coming year, which include debt capital markets, competition of capital placement, development costs and construction activity for new supply in that order. The cost of labor was ranked as "less concerning" this year.

A major highlight of the survey showed the marketing time of senior housing assets for the majority of respondents at 62% was between nine and 12 months. An additional 37% saw an average of six and nine months, with the remaining 1% seeing between three and six months.

Loan-to-value sizing has been decreasing and indicates the increasingly conservative approach to lending. The report states prior to 2023, lenders would cap LTV between 70% and 75%.

However, this year 52% of survey respondents indicated their cap was between 75% and 70%, and an additional 45% were capped between 55% and 64%.“

These shifts in market circumstances and borrower requirements result in a more cautious credit strategy from lenders, who are less inclined to concede to higher loan-to-value ratios,” the report’s author wrote.

Respondents also weighed in on property values as well, with the majority noting declines over the past year. 54% noted declines between 7.5% and 12.5%, and 29% responded with declines greater than 12.5%. Only 1% saw appreciation up to 7.5%. To offset these depreciations, the report’s author wrote there had been rent growth “well in excess of 3%.”

Original Article:

https://seniorhousingnews.com/2023/10/23/active-adult-assisted-living-among-most-sought-after-senior-living-investments/