

CHANCERY MONTHLY NEWSLETTER

Investor interest in senior housing is rising, with 78% of investors planning to expand their portfolios in 2025. Assisted living leads investment opportunities, while competition for quality assets may grow. Despite challenges like low new development and potential regulatory changes, strong fundamentals and favorable demographics boost sector confidence..

Investor Interest In Senior Housing Swells, Competition For Assets ‘May Intensify’

Independent living and assisted living continue to lead the way for future senior housing investment, with a recent survey showing a 24% increase in positive investment sentiment for the sector from 2024.

That’s according to JLL Capital Markets’ eighth edition of the Senior Housing and Care Investor Survey and Trends report.

A total of 78% of investors said they plan to increase their senior living portfolios this year. Favorable demographic trends, improved sector occupancy and recent bustling transaction activity coincide with the survey’s rosier findings.

“We expect a big year from a transaction standpoint and expect an even bigger year if interest rates decide to play along,” Bryan Lockard, executive managing director and head of healthcare and alternative real estate at JLL Value and Risk Advisory, told Senior Housing News on Friday.

Assisted living leads the pack across the continuum for future investment as 50% of investors said it was the top opportunity over the next 12 months, up 22% from 2024.

Competition for “quality assets may intensify” within the assisted living sector, Lockard noted.

“It was not that long ago that we were all saying, ‘Survive to ’25,’ and we are here now,” Lockard told SHN. “Our expectations are for a very active year and not just from a distressed sales point.”

Independent living, skilled nursing and active adult follow close behind assisted living for future investment, and JLL reported that the senior living sector wrapped up 2024 with the highest investment volume since the second quarter of 2022.

That was driven by increased investor confidence in capital markets and strong underlying fundamentals—spanning low development to favorable demographic trends oft-touted across the industry.

Those with dry powder to fire are executing on senior living deals, with one recent example being Welltower (NYSE: WELL). The real estate investment trust executed on a \$2 billion investment pipeline in 45 days across 27 transactions, mostly in senior living.

In terms of cap rates, 57% of respondents expect them to compress over the next 12 months, contrasted with 17% of respondents tallied in 2024.

“This suggests the market has reached its bottom and we should see continued improvement over the next 12 months,” Lockard told SHN.

This comes as “most markets” have recovered to pre-pandemic occupancy, and the average occupancy rate in secondary markets are “near all-time highs,” the report notes. That’s led senior living operators to push beyond census and take aim at improving net operating income and margin recovery in 2025.

But investor sentiment continues to be subdued by “variable” bond markets and development for new senior housing is at its lowest point in “over 16 years,” and some of the country’s largest operators are shying away from new projects for the time being.

But development activity is ongoing for select companies, which are choosing to foot more risk in the short-term to capture incoming demand and be ahead of an eventual construction turnaround.

Despite the potential threat of federal health care policy changes in the future, through changes enacted by the Centers for Medicare and Medicaid Services (CMS) or other parts of the administration of U.S. President Donald Trump, Lockard said this uncertainty doesn't appear to dissuade potential future investors, noting they may have "factored in such risks."

He pointed to the 14% interest by investors to increase investments in skilled nursing last year, saying the "consistency suggests that regulatory concerns haven't significantly altered perceptions" in high-acuity settings.

"Overall, the survey suggests the strengths outweigh the risks, in my opinion," Lockard said.

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