

CHANCERY MONTHLY NEWSLETTER

Senior living construction starts have significantly decreased, with only 1,300 starts in Q2 2024, the lowest since before 2008. This slowdown, coupled with longer project timelines, risks creating a future shortage of senior housing. As demand rises and supply lowers, occupancy rates may increase, but competition for units could drive up costs and limit choices for seniors, potentially worsening affordability issues.

Low Number of Senior Living Construction Starts Leading to Future Inventory ‘Pinch’

It’s no secret that senior living construction starts are down, and the length of time it takes for a project to open is up. But as the challenges starting new construction projects linger, the likelihood of a future shortage of senior housing inventory grows.

That’s according to a new blog post from the National Investment Center for Seniors Housing & Care (NIC) and NIC MAP Vision.

Preliminary NIC MAP data shows there were only about 1,300 senior living construction starts in the second quarter of 2024 – a number that is likely to be the lowest level of new construction starts since even before the 2008 financial crisis. When all is said and done this year, the industry is on track to see an average of about 2,579 starts per quarter in 2024, a marked decrease compared to 2023’s quarterly average of 3,617.

At the same time, the average time it takes to complete a senior living project has risen to 29 months in 2023, up from 21 months in 2017. A previous estimate from NIC showed that the industry would fall short of projected demand by 2030 unless new development speeds up by a rate of 3.5 times its current pace.

“The historical decline in new construction starts, in 2022, 2023, and continuing into the first half of 2024 is a harbinger of a future pinch in inventory,” the NIC blog post reads. “While the market may not feel the squeeze of today’s construction slowdown right away, the real impact is expected to ripple through the industry years down the line and will start to take effect as early as next year.”

NIC added those conditions could “worsen each year depending on how soon and how aggressively new development quickens.”

One effect of the ongoing slowdown in new construction is that occupancy may rise across the industry. But NIC cautioned operators that competition would intensify for available units, likely leading to increased costs for residents down the line.

“Seniors will find themselves competing for inventory, which can drive up prices and limit choices,” the blog post reads. “This could exacerbate the issue of affordability for some seniors. Moreover, the lack of supply could lead to longer wait times for placement in preferred facilities, compelling seniors to consider alternative living arrangements or delaying the transition from one care level to the next.”

Looking ahead, high demand coupled with lower new supply is set to “create a tighter senior housing market, where strategic anticipation and operational excellence become critical differentiators for the various stakeholders involved,” NIC added.

“Based on the declining trend of new construction starts in 2023 and continuing in 2024, NIC MAP Vision would anticipate a corresponding decrease in new inventory being delivered to market starting in 2025,” the blog post reads.

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