

# CHANCERY MONTHLY NEWSLETTER

*Despite challenges like high interest rates and a decrease in transaction volume, the senior housing industry is set for growth. Increased demand from aging populations and strategic acquisitions will drive evolution, with market stabilization expected as distressed assets are absorbed.*

## Senior Housing Tailwinds Should Strengthen, Market Confidence Improve Going Into 2025

After a period of strain, the senior housing industry is poised for a coming evolution and growth with strong tailwinds.

That's according to the latest Senior Housing Outlook Report from commercial real estate and financial advisory firm Walker & Dunlop.

Capital markets challenges in 2024, particularly high interest rates, and wage growth have contributed to a lower year-over-year transaction volume while margins are still recovering to pre-pandemic levels. There were \$3.5 billion of transactions in the first half of 2024, a 32% decrease from the prior year, the report's authors wrote.

Quarterly transaction volumes have also decreased significantly over the past decade. The report states the average quarterly transaction volume between 2014 to 2019 was \$4.4 billion; in 2024, it amounted to \$1.8 billion.

“This trend underscores the importance of understanding the market's evolving dynamics and the need for strategic decision-making to navigate the current environment,” the authors wrote.

Changes have also been underway for senior housing buyers, with the market shifting from real estate investment trusts and institutional buyers to private buyers largely acquiring distressed assets.

The report also notes the key motivators for both buyers and sellers. On the buyer side, investors are seeking stable assets at a discount, as well as “newer vintage distressed assets” that offer an opportunity to drive significant returns as they recover from the challenges posed by Covid-19. For sellers, distressed assets impacted by the pandemic have been a major source of market activity, as well as limited partners needing to recycle capital.

However, despite the challenges, the industry is poised for growth, largely due to the number of adults reaching 80 years old in the U.S. In 2023, the number of adults aged 80 or higher saw a 4.4% increase over the previous year, the largest growth seen in 52 years.

Because of the population-driven demand and low inventory growth that started in 2021, owners and operators also have pricing power, particularly in “strong submarkets,” the report states.

“As we look ahead toward the end of 2024, the seniors housing market is poised for further evolution,” the authors wrote. “Continued demographic growth will be a primary driver of demand, while market stabilization is expected as distressed assets are absorbed and market confidence improves. Capital market conditions will also play a critical role, influencing the availability and cost of financing for new developments and acquisitions. Stakeholders should focus on strategic acquisitions, operational efficiency and proactive management to navigate the complexities of the market and achieve long-term success.”

*Original Article:*

<https://seniorhousingnews.com/2024/09/25/senior-housing-tailwinds-should-strengthen-market-confidence-improve-going-into-2025/>

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