Feb 2024 (Issue No. 73)

CHANCERY MONTHLY NEWSLETTER

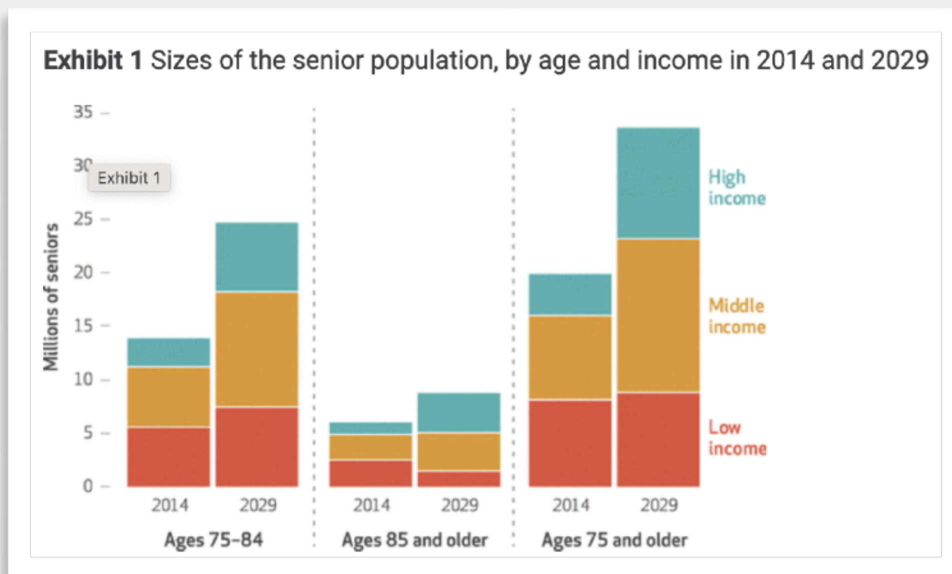
INDUSTRY INSIGHT

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. Luxury senior living trends continue, targeting affluent demographics. Non-traditional players like Costco may enter the senior housing market, blending retail, housing, and healthcare. Regional owners seek greater density for efficiency.

Top Senior Housing Trends for 2024 —— Part II

Luxury senior living levels up

The luxury senior living trend is already red-hot, but it could get even hotter in 2024 – or at least more sophisticated. And this is for good reason. While the groundbreaking "Forgotten Middle" study quantified the huge surge in middle-market demand on the way, that same study also showed major growth in the high-income older adults demographic.



CHANCERY SENIORS HOUSING 长享瑞

In recent years, companies such as Galerie Living, Sunrise and Vi have all vied for more affluent residents by going bigger on lifestyle and quality of service. Other operators, including Watermark Retirement and Revel Communities, have adopted new membership-based payment structures in order to accommodate resident tastes for the finer things in life.

Luxury senior living has evolved substantially over the last decade, with these and other operators at the forefront. Where the product type was once defined by crystal chandeliers and fine-dining, luxury senior living is now all about a "feeling." In 2023, it's becoming less uncommon to see communities with monthly rates in the five-digits and offering world-class concierge services rivaling the country's top hotels.

Some operators are also now seeing a distinction between what they call "excellence" – providing a good quality service and product – and true luxury, with the latter being a vibe instead of a product to be bought or sold. That distinction is forcing operators in the luxury space to get more savvy about what they are offering and who they are selling to.

As more investors and operators chase a more affluent crowd, more will differentiate themselves by catering to niches or offering services meant to compete with five-star hotels.

Costco Senior Living – or something like it – becomes a credible concept

Just 10 years ago, one might not have guessed that Jimmy Buffet and Mickey Mouse would be big influencers in the U.S. senior housing market. But heading into 2024, they are mainstays among a more active crowd of consumers in search of 55+ housing they can own – and they likely won't be the only huge brands to make a senior living play in the future.

Since its inception in 2017, Latitude Margaritavilles' locations have attracted "parrotheads" from all across the U.S., who flock to the communities to buy single-family homes, bask in the sun and enjoy a bevy of party-themed onsite amenities. Latitude Margaritaville President William Bullock told SHN this year that sales have been so hot, the company has had to limit sales each month so it doesn't "sell more than we can build."

"While a lot of home builders are cautiously optimistic on the market … we are as bullish as we've ever been," Bullock said in May. "We couldn't be happier with the space right now, and we're in growth mode."

In 2023, the senior housing brand went international, with plans from Mexico-based development group Levy Holding to develop a new property near Guadalajara, Mexico.

Separately, the Storylving by Disney concept developed by DMB Development has had a fast rise since first being announced in 2022. The concept – which was recently extended to a second location in North Carolina – includes space set aside for 55+ dwellings in addition to fun and festive amenities.

In the cases of both Margaritaville and Storyliving, the brands joined forces with seasoned developers and builders, and it does not seem like a stretch to imagine another national brand with appeal for seniors undertaking something similar.

Costco is among the most trusted brands in the U.S., according to the latest Morning Consult Most Trusted Brands survey. Although it's hard to imagine senior housing dovetailing with a low-cost, warehouse-style retailer like Costco, the company already is involved in a mixed-use development project in Los Angeles that blends a Costco store with multifamily housing. Some apartments will be marketed as affordable housing for seniors, according to the L.A. Times.

Admittedly, this is a far more modest endeavor than the sprawling developments from Disney and Margaritaville. But with developers and operators avidly trying to unlock the secret to middle-market senior housing, a partnership with a brand like Costco makes a lot of sense. Co-locating senior living with a Costco location provides easy access to a vast array of affordably-priced products and services, including groceries, pharmacy and optical care.

Already, Amazon is helping to finance an affordable assisted living community in the Washington, D.C. area. In 2024, expect the line between retail, housing and health care to converge more often and in more creative ways, including in the realm of senior living.

Race for regional density heats up

Two years ago, the rise of regional operators – and super-regionals – was a major trend. Heading into 2024, REITs and other ownership groups still favor strong regional operators, and a race is on to build greater regional density with favored operating partners.

Welltower is one case in point. The word "density" appeared seven times in the REIT's November 2023 business update. One element of the company's capital allocation strategy, according to that update, is a "granular approach" that "provides opportunity to acquire assets at deep discounts to replacement cost while complementing Welltower's regional density strategy."

An example of this strategy is in Canada, where a number of properties – including communities formerly operated by Revera and Chartwell – will be operating under a new platform created by Welltower and Cogir.

"Planned transitions support Welltower's regional density strategy within core Canadian markets with Cogir, one of our strongest operating partners," the business update stated.

The strategy also is in play in California, where Welltower has been methodically expanding its portfolio of communities operated by Oakmont.

Ventas, too, is in pursuit of regional density. CEO Debra Cafaro sees the quest for density as driving consolidation.

"As far as consolidation goes, it's not necessarily operators coming together, but building a critical mass in markets where they have local penetration … so that they have the critical mass to be profitable and efficient on the chassis that they've built," Cafaro told SHN at the 2023 NIC Fall Conference in Chicago.

The idea is for operators to gain enough scale within these markets to be able to operate efficiently – with the aid of technology – and still have "a sustainable model on a normal, market-based management fee."

As owners pursue more operator shifts to increase regional density, the operator landscape will continue to change in 2024. Large national players such as Sunrise and Watermark already have seen their portfolios pared back as owners swap in particular operators that they have selected to create density within a specific region. And even some long-established regional operators will be subsumed by other regionals through this type of consolidation. As 2023 came to a close, news came through that RUI is acquiring Brandywine Living.

Working with Welltower, RUI has expanded from its homebase of Virginia to now have communities up and down the East Coast, from Connecticut to Florida. This seems to parallel the growth that Welltower and Oakmont have pursued on the West Coast. Do not be surprised if RUI adds even more communities in 2024 to create even greater density.

This drive for regional density holds the potential to reshape the industry in profound ways, particularly if it does bring about the shift that Cafaro described, away from owner-operator models in favor of next-generation management contracts. And challenges are sure to arise, as it is never easy to do operator transitions – and there are sure to be more large-scale transitions to come in the year ahead.

Greater alignment and operating efficiency are no doubt needed in the industry, but one major question for 2024 could be whether the push for regional density brings about the loss of some long-standing operators that have been industry pioneers – and whether what comes next creates more elevation or dislocation for the sector.

Original Article:

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