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Boston, Portland, Baltimore Lead Seniors Housing Occupancy Higher The lowest rate of senior housing construction since 2014 is one driver.

The ongoing recovery in senior housing fundamentals in the first quarter of 2023 was supported by the lowest rate of senior housing construction since 2014.

Furthermore, construction is expected to remain suppressed during this period of significantly higher financing costs, according to NIC's chief operating officer, Chuck Harry, in prepared remarks.

Q1 marked the seventh consecutive quarter that occupancy rates increased, moving higher by 0.3 percentage points to 83.2%, according to the NIC MAP Vision released by the National Investment Center for Seniors Housing & Care (NIC).

The occupancy rate has increased 5.4 percentage points overall from a pandemic low of 77.8% in the second quarter of 2021 but remained 4 percentage points below the pre-pandemic high of 87.2% in the first quarter of 2020

The slowdown in inventory growth—0.3% from the prior quarter and 1.6% year-over-year – represents near the lowest year-over-year increase in inventory growth since 2013.

“It is no secret that COVID-19 had a direct impact on the senior housing market when occupancy reached record lows at the height of the pandemic,” Michael J. Romer, Esq., Managing Partner of Romer Debbas LLP, tells GlobeSt.com.

“However, we continue to see senior housing occupancy rates increase quarter after quarter, due to the facts that pandemic-related concerns have subsided and the lack of new senior housing construction.”

Carmen I. Pagan, Esq. Agency Lending & Affordable Housing Partner of Romer Debbas LLP, tells GlobeSt.com that this is “yet another indicator of the growing need for more affordable senior housing across the country. There is a rising appetite for this asset class which will hopefully result in increased new construction of senior housing and related commercial real estate financing.”

NIC reported that senior housing units under construction relative to the total existing senior housing inventory continued to trend lower in Q1 to 5.1%, down 2.7 percentage points from its historical peak of 7.8% in Q4 2019.

High Occupancy Drives Revenue Growth

Caroline Clapp, NIC's senior principal, Research & Analytics, said in prepared remarks, "The increase in occupancy and rate growth should help to drive revenue growth, which may help senior housing properties offset some of the increased expenses related to higher costs of debt, labor, food, and energy that have affected the industry in recent years.

NIC's report showed that the assisted living occupancy rate improved by 0.7 percentage points from the prior quarter to 81.2% and independent living remained flat at 85.2%.

The occupancy rate for assisted living increased by 7.3 percentage points since its pandemic-related low, or 3.8 percentage points more than independent living, which was up 3.5 percentage points from its pandemic-related low.

Dallas (84.8%) and San Antonio (84.4%) were the only markets from the 31 metropolitan areas that comprise the NIC MAP Primary Markets that have fully recovered and exceeded pre-pandemic senior housing occupancy rates.

The highest occupancy rates are found in Boston (89.1%), Portland, (86.6%), and Baltimore (86.3%).

Houston (78.5%), Cleveland (79.5%), and Atlanta (80.3%) had the lowest.

More Housing on the Way

Mark Ivancic, SVP of Asset Management – Senior Living and Multifamily, Ryan Companies, tells GlobeSt.com, from a development standpoint, the demand for senior living communities will only continue to grow as the population ages.

"Like everyone else in the industry, COVID posed challenges and now, the economic environment is playing a role," Ivancic said. "Even with these hurdles, we've been able to grow our portfolio by 4.2% between 1Q21 through 1Q23.

Ryan Companies is on track to deliver eight new senior living communities this year with approximately 1,600 new units "and we're confident that these will be absorbed as supply has slowed while demand has accelerated," he said.

<https://www.globest.com/2023/04/07/boston-portland-baltimore-lead-seniors-housing-occupancy-higher/>