

**AEW RESEARCH & STRATEGY**

# Seniors Housing Research Perspective

Q2 2025



## For more information, please contact:



**MICHAEL ACTON, CFA®**

Managing Director, Head of Research & Strategy, North America  
michael.acton@aew.com  
617.261.9577

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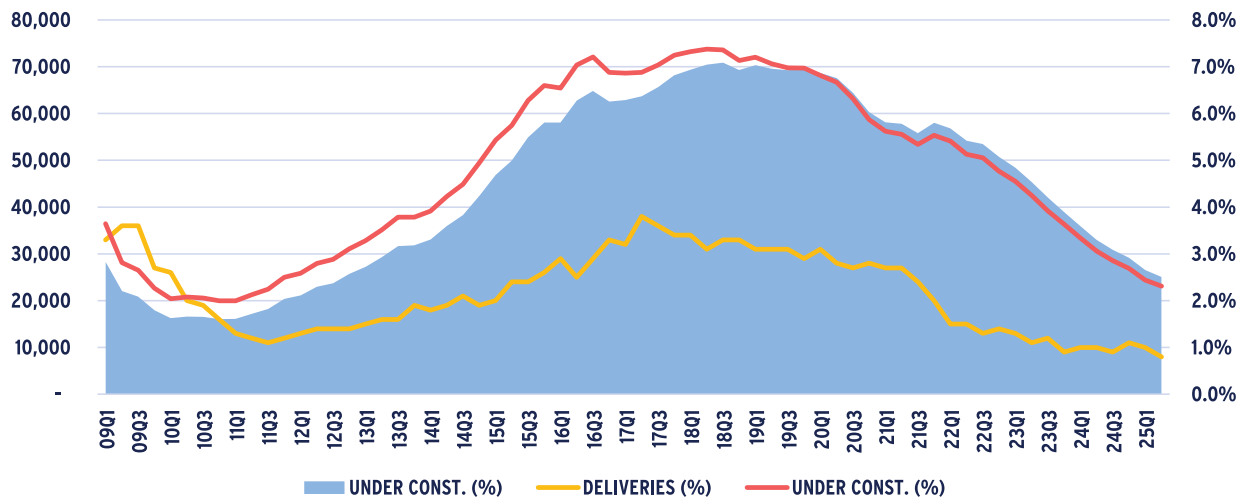
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# Senior Housing

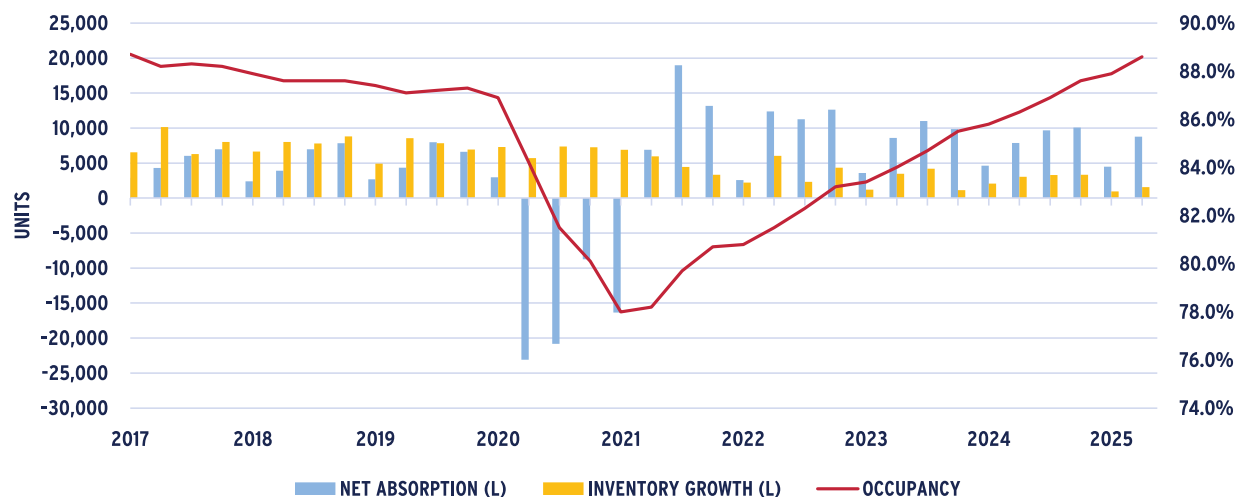
The seniors housing sector showed continued strength through the second quarter, with healthy gains in both revenue and net operating income (NOI). Net absorption reached near-record highs, driven by move-ins outpacing move-outs, 11% above last year's second-quarter pace and more than any quarter before the pandemic according to the National Investment Center for Seniors Housing & Care (NIC)<sup>1</sup>. Limited new construction, rising occupancy, and moderated expenses have helped operators refine pricing strategies, reinforcing financial performance and signaling solid expansion momentum.

**FIGURE 1: SENIORS HOUSING SUPPLY TRENDS - NATIONAL**



Source: NICMAP CBSA Property Trends 2025Q2

**FIGURE 2: SENIORS HOUSING FUNDAMENTALS 2025Q2 - NATIONAL**



Source: NICMAP CBSA Property Trends 2025Q2

<sup>1</sup> Across all primary and secondary markets tracked by NIC

Occupancy levels climbed to 88.6%, surpassing pre-pandemic benchmarks, with lower-acuity properties even exceeding 90%<sup>2</sup>. These gains were consistent across both the higher and lower acuity segments of the market. Although rent growth has slowed from its post-pandemic peak, operators have held onto their ability to implement moderate rate increases. Revenue targets are largely being met or exceeded, and expense pressures have eased—though managing labor costs remains a top priority.

New development continues to lag due to financing challenges and poor returns compared to acquisitions. The revised pace of new construction starts fell below 11,000 units in 2024 (1.0% of existing inventory) with 3,400 units started in the first half of 2025 (0.3% of inventory), representing the slowest pace since NIC has been tracking the sector. With construction starts hitting historic lows and half the current inventory now over 25 years old, supply growth remains minimal while annual demand is accelerating at 3.5%. This imbalance presents a strong long-term outlook for sector fundamentals, especially given seniors housing's resilience in economic downturns.

	SUPPLY		DEMAND
Total SH Units	1,548,987	Pop. Age 75-79	8,224,680
Vacant SH Units	176,206	Pop. Age 80-84	5,081,528
Current Construction	23,960	<b>Additional Units Needed<sup>3</sup></b>	<b>149,073</b>

Capital market activity has rebounded in 2025, buoyed by improved liquidity and tighter lender spreads. Public REITs led an increase in acquisitions, pushing transaction volumes well above pre-pandemic averages. Bidding remains aggressive on select, high-quality assets in primary markets with the right operator with portfolio offerings also more prevalent in the market. Lending appetite has returned, especially for stabilized or value-driven assets, while unsecured debt for listed REITs is available at favorable terms. Broadly pricing has moved higher on a per-unit basis with cap rates ranging in the mid 5% to mid-6% range for new vintage, higher quality assets in primary markets. With solid fundamentals, limited supply, and demographic tailwinds, the sector appears well-positioned for growth throughout the remainder of the decade.

Looking ahead, demand is on the cusp of being supercharged by the aging Baby Boomer generation, whose leading edge is significantly larger than the current resident base. Indeed, the oldest Boomers, people born in 1946, are turning 79 this year. Over the next five years, the group of Americans currently age 80-84 are set to be replaced by a cohort that is more than 50% larger. Existing inventory and development pipelines fall short of projected needs, setting the stage for sustained pricing power and rising occupancies in the years ahead.

## SENIOR HOUSING

VACANCY RATE	11.4%
12-MONTH TREND	
VACANCY RATE	↓
RENT GROWTH	↔
ABSORPTION	↑
COMPLETIONS	↑
CAP RATES	↓
TRANSACTION VOLUME	↑

<sup>2</sup> Majority IL properties' occupancy reached 90.1% as of Q2 2025

<sup>3</sup> Assuming a 90% stabilized occupancy and 10% penetration rate