AEW RESEARCH & STRATEGY

Seniors Housing Market Perspective

Q3 2025

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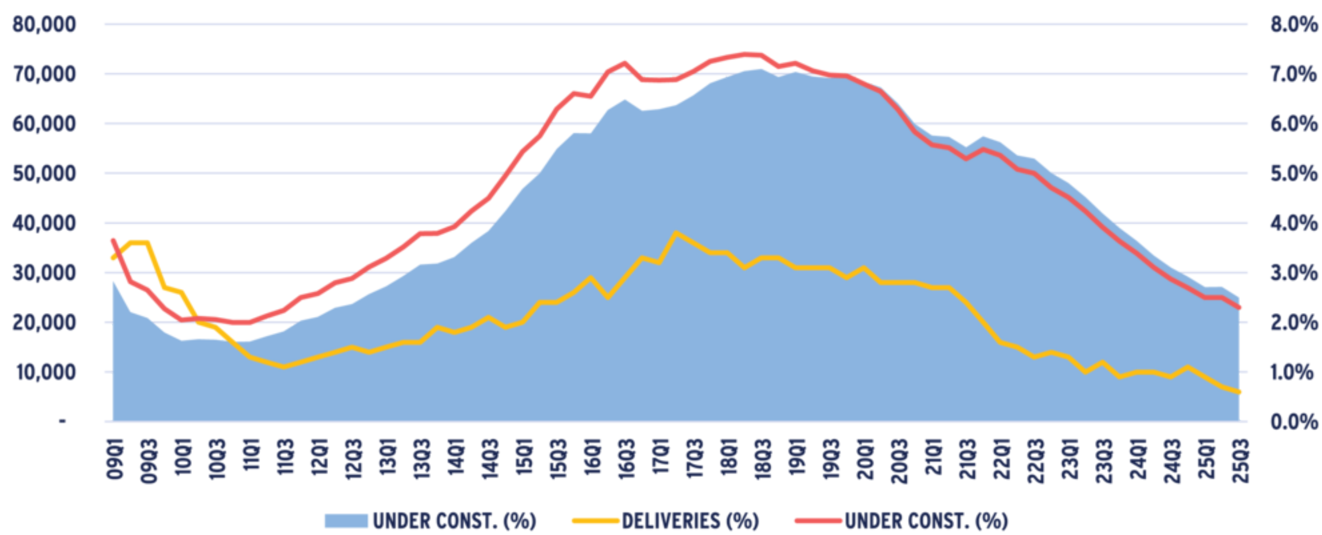
RESEARCH PERSPECTIVE | Q3 2025

Seniors Housing

The seniors housing sector continued to demonstrate healthy revenue and NOI growth through the third quarter, extending the positive momentum seen in recent periods. Resident inflow outpaced turnover, resulting in net absorption that was double the long-term average. Although this pace was 14% below the third quarter of last year, it still exceeded any pre-pandemic quarter, according to data from the National Investment Center for Seniors Housing & Care (NIC)[1]. This sustained demand reflects the sector's resilience and ongoing recovery coupled with the low pace of new projects breaking ground, allowing operators to optimize pricing strategies.

FIGURE 1
SENIORS HOUSING SUPPLY TRENDS NATIONAL



Source: NICMap, as of Q3 2025

Occupancy gains were broad based, with NIC-tracked primary and secondary markets reaching 89.1% in the third quarter—an increase of 60 basis points (bps) quarter-over-quarter, and 180 bps above the pre-pandemic level of 87.3%[2]. Both higher and lower acuity segments contributed to this growth, with lower acuity occupancies surpassing 90% and higher acuity occupancies exceeding pre-COVID benchmarks. These trends underscore a strong opportunity for operators to capitalize on rising demand across the acuity spectrum.

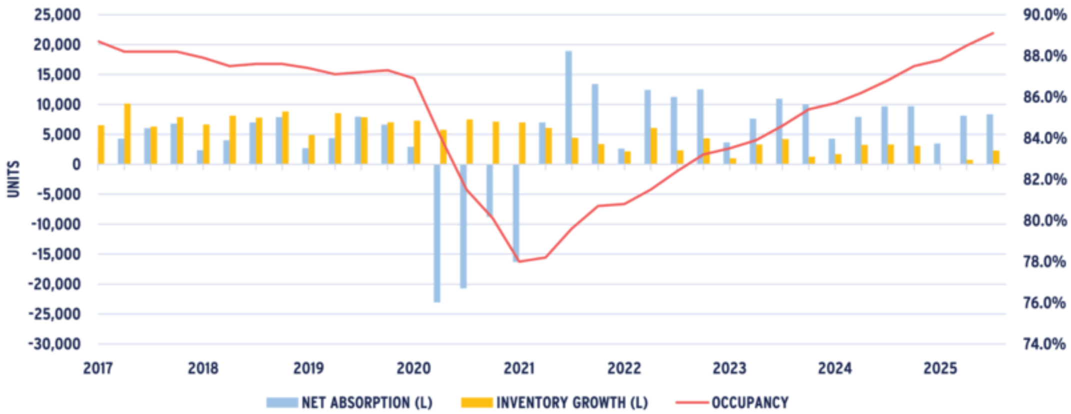
Rent escalations have eased from the peak of the inflationary cycle, yet operators have retained the ability to implement mid-to-high single-digit rate increases. Revenue performance is meeting or exceeding budgeted expectations, and rate-setting leverage is likely to persist well into 2026. On the expense side, operating cost pressures have eased, supporting double-digit NOI growth. To this point, institutionally owned seniors housing properties included in the expanded NCREIF Property Index (NPI+) collective showed year-over-year growth in net operating income of nearly 37% in the third quarter. However, labor costs remain a primary concern, and operators continue to focus on managing this risk to preserve margins.

From a supply perspective, the environment remains constrained. New construction starts continue to shrink due to limited financing availability and an unfavorable return on cost for new builds compared to acquisitions. In 2025, construction starts have totaled just over 6,000 units, representing only 0.6% of existing inventory, the slowest pace since NIC began tracking the sector. With approximately half of the seniors housing inventory now 25 years or older, obsolescence is likely outpacing new development. Currently, 2.3% of inventory is under construction, while annual absorption is running at 3.2%. This imbalance

[1] Across all primary and secondary markets tracked by NIC
[2] As of Q4 2019

presents a compelling opportunity for existing operators and investors, as fundamentals remain strong and supply constraints support pricing and occupancy.

FIGURE 2
SENIORS HOUSING FUNDAMENTALS 2025Q3 - NATIONAL



Source: NICMap, as of Q3 2025

The sector's needs-based demand dynamics continue to make it one of the most economically durable segments of real estate. Over the near-term, pricing power and broader industry fundamentals are expected to strengthen, driven by demographic shifts. The leading edge of the Baby Boomer generation is approximately 60% larger than the trailing edge of today's resident population, and current inventory and pipeline development are unlikely to fully meet the anticipated demand. This demographic tailwind represents a significant long-term opportunity for growth.

Capital markets have shown further improvement in 2025, with increased liquidity and growing lender interest. Transaction volume in the third quarter reached $2.3 billion, slightly above the same period in 2024, driven by aggressive acquisitions from public REITs, particularly Welltower. While private and institutional capital remained active, they were net sellers overall. Quarterly transaction volumes year-to-date were 5% higher than the five-year pre-pandemic average, indicating a shift in market liquidity. High-quality assets in primary markets continue to attract competitive bidding, while less desirable properties face limited interest or elevated cap rates. Pricing has generally moved higher on a per-unit basis, with cap rates ranging from mid-5% to mid-6% for newer, high-quality assets.

Lenders have been supportive of refinancings where a clear path forward exists and are selectively engaging in new business. Traditional lenders such as Fannie Mae and Freddie Mac are actively quoting deals, and banks are reentering the market. Debt fund capital has also become more accessible, particularly for value-add and pre-stabilized assets. Although spreads have narrowed, there remains a wide disparity in risk tolerance among lenders. There is a deeper pool of capital for high-quality, stabilized assets, while construction financing continues to face resistance. Unsecured debt remains available to listed REITs at increasingly attractive rates.

In summary, the seniors housing sector is performing in line with expectations and presents one of the most attractive environments for new investment in recent years. Values appear to be rising, and capital markets are becoming more accommodating, adding liquidity to the transaction landscape. Strong fundamentals, limited new supply and normalized expense growth are driving top-line revenue and supporting double-digit NOI growth. While risks such as labor cost pressures, aging inventory and financing constraints persist, the sector's long-term outlook remains robust. Favorable demographic trends suggest a sustained runway for growth, with the population aging into primary demand years expected to increase by more than 50% in the near-term.

SENIORS HOUSING

VACANCY RATE	10.9%
12-MONTH TREND	
VACANCY RATE	↓
RENT GROWTH	↔
ABSORPTION	↔
COMPLETIONS	↑
CAP RATES	↓
TRANSACTION VOLUME	↓