

FIRST QUARTER 2023 SENIOR HOUSING POSTS POSITIVE TOTAL RETURN

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The senior housing sector posted a total return of 0.11% in the first quarter of 2023, up from a decline of -0.88% total return in the prior quarter. Short-term total returns for senior housing outperformed the broader NPI, which posted a total return of -1.81% in the first quarter. Positive income returns for senior housing were partially offset by negative appreciation, which reduced the overall investment return. In comparison, negative appreciation for the NPI more than offset positive income returns, driving negative total returns for the quarter.

The senior housing income return in the first quarter was 0.88%, stronger than the hotel (0.82%) and industrial (0.83%) sectors, but below the overall NPI (1.01%). The senior housing appreciation (capital/valuation) return was negative for the third consecutive quarter at -0.76% but improved from the prior quarter's return of -1.75% and better than the apartment sector's appreciation return of -3.05%.

Overall, current economic and capital market conditions drove negative appreciation returns in all sectors except hotel (+1.47%). Further, many investors have reduced their appreciation expectations for senior housing as the sector has not yet recovered to its pre-pandemic occupancy rate. The appreciation return is the change in value net of any capital expenditure incurred during the quarter.

On a longer-term basis, the ten-year return for senior housing (9.33%) was the strongest of the main property types, except for industrial (15.64%), and outperformed the NPI ten-year annualized total return of 8.34%. Income returns for senior housing (5.17%) surpassed the NPI (4.64%), as did the appreciation return (4.02% vs 3.58%).

The performance measurements cited above for senior housing reflect the returns of 205 senior housing properties valued at \$11.15

billion in the first quarter. This was the highest property count and market value in the NCREIF time series for senior housing. It is notable that the number of properties tracked by this index has grown significantly since the beginning of the pandemic, up from 134 properties in the first quarter of 2020 that were valued at \$6.3 billion. The additional properties may be influencing the overall performance returns of the index.

First quarter 2023 market fundamentals data for senior housing showed a continued recovery in senior housing occupancy rates in the 31 Primary Markets, according to NIC MAP® Data powered by NIC MAP Vision, as demand for senior housing units outpaced new supply during the first quarter. As a result, the occupancy rate for senior housing stood at 83.2%, up 0.3 percentage points from the prior quarter and 5.4 percentage points from its low point, but still 4.0 percentage points below its pre-pandemic level of 87.2% in the first quarter of 2020. Overall, the relatively steady improvement in market fundamentals against a backdrop of significant volatility in other parts of the economy illustrates the needs-driven demand among older adults for housing and care that the senior housing industry continues to meet.

TOTAL RETURNS

	Total NPI	Total Apartment	Total Senior Housing
1st Qtr 2023	-1.81	-2.10	0.11
4th Qtr 2022	-3.50	-3.21	-0.88
One Year	-1.63	-0.40	1.07
Three Years	7.15	8.24	1.92
Five Years	6.71	7.13	4.04
Ten Years	8.34	8.06	9.33

INCOME RETURNS

	Total NPI	Total Apartment	Total Senior Housing
1st Qtr 2023	1.01	0.95	0.88
4th Qtr 2022	0.95	0.91	0.87
One Year	3.92	3.72	3.51
Three Years	4.08	3.76	3.50
Five Years	4.26	3.97	4.26
Ten Years	4.64	4.34	5.17

APPRECIATION RETURNS

	Total NPI	Total Apartment	Total Senior Housing
1st Qtr 2023	-2.82	-3.05	-0.76
4th Qtr 2022	-4.45	-4.12	-1.75
One Year	-5.39	-4.01	-2.36
Three Years	2.98	4.35	-1.52
Five Years	2.37	3.07	-0.20
Ten Years	3.58	3.60	4.02

Source: NCREIF, NIC Analytics

