

A golden opportunity for senior housing

Sustained demand from an aging population and growing interest from institutional investors in alternative commercial real estate is likely to lead to above-average returns for the senior housing sector in the coming cycle. A positive outlook is supported by the following secular trends:

- The massive baby boomer population is reaching an age when living decisions are made for assistance with everyday tasks and higher levels of medical care.
- The current senior population is healthier and more financially secure than previous generations, increasing demand for senior housing.
- Shifting family dynamics and spatial proximity further promote demand for senior housing.
- The sector has demonstrated resilience through economic cycles.

Outperformance across historical real estate cycles

Senior housing has delivered long-term outperformance, with historical total returns exceeding that of the Expanded NCREIF Property Index (NPI) by approximately 210 basis points per year during the past 20 years.¹ Notwithstanding the once-in-a-generation negative impact of the COVID pandemic, which is a significant driving factor behind the sector's underperformance over the past five

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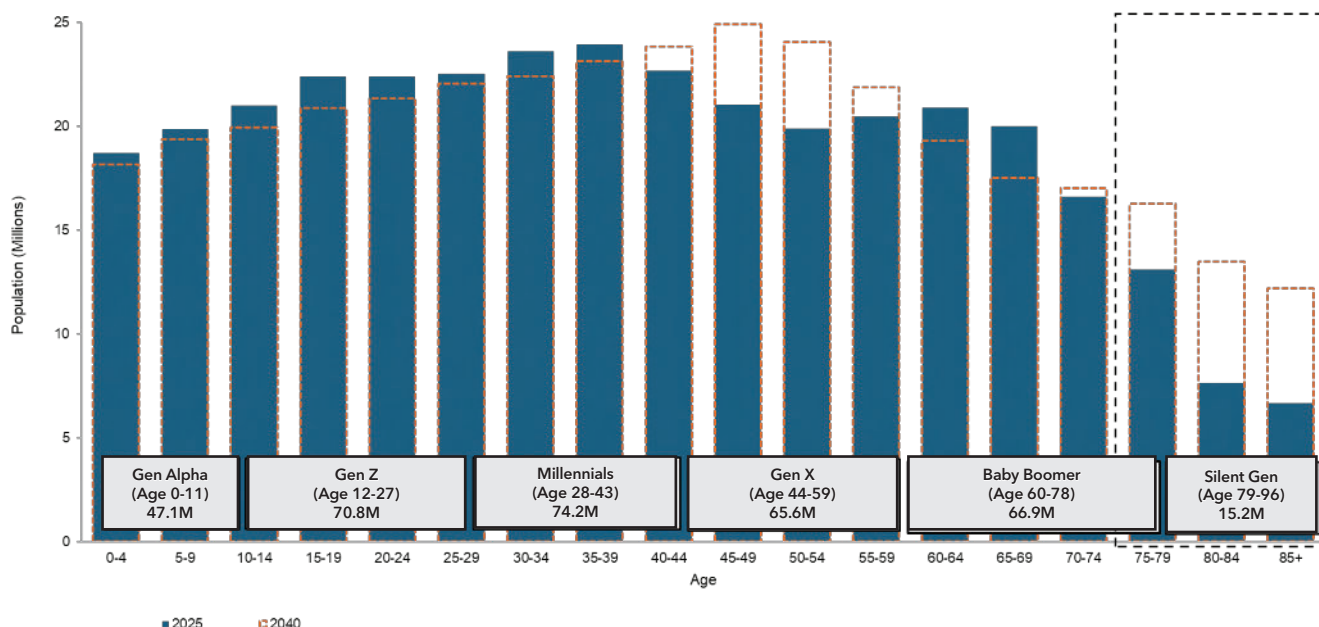
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years, the less discretionary nature of demand in the sector, particularly for the higher-acuity segments of the market, has contributed to its historical outperformance and lower volatility across economic cycles. Outperformance is expected to continue as improving profit margins, driven by rising rental rates and moderating expense growth, contribute to improved NOI growth and valuations.

The long-anticipated "Silver Tsunami" makes landfall

The 80-plus population is expected to increase at an unprecedented rate during the next two decades, growing at an average annual rate above 4 percent through 2030 and above 3 percent well into the 2030s, far outstripping overall population growth (Exhibit 1).² As a result, the 80-plus population is expected to nearly double by 2040. This demographic tailwind, combined with substantial growth in net worth and improvements in health

Exhibit 1. Aging baby boomer tailwind should persist into the coming decade



Sources: Moody's Analytics forecast as of January 2026, Clarion Partners Global Research

outcomes among older households today relative to prior generations of retirees, should provide a consistent, strong demand tailwind for the sector.

Persistent supply/demand imbalance

Supported by this demographic tailwind, senior housing fundamentals have recovered sharply, with occupancies reverting to pre-pandemic levels, and rent growth improving substantially. As of fourth quarter 2025, occupancy has risen to 89.4 percent, a 200-basis-point increase year-over-year and 11 percentage point increase from its pandemic low in 2021.³ Quarterly net absorption has averaged 8,800 units since second quarter 2021, two times the sector's long-term historical average of 4,200 units per quarter.

The supply response thus far has been extremely muted, with financing challenges, elevated costs and return requirements restricting senior housing construction starts. Senior housing starts have steadily declined in recent quarters, with total starts in 2025 slowing to 10,100 units, down 18 percent from the same period in 2024 and less than two-thirds of its most recent peak in 2021.⁴

The rising and persistent demographic tailwind, combined with a muted, near-term supply picture, should aid in maintaining favorable senior housing fundamentals and producing higher returns.

Improved health and wealth support rising penetration rates

In addition to the sheer size and growth of the 80-plus population cohort, today's senior population is wealthier and healthier than senior populations in prior generations. Fueled by healthy home price and stock market appreciation in recent decades, aggregate national household net worth is increasingly concentrated among older households, with the growth in the median net worth for senior and adult children outpacing that of all other age cohorts by a wide margin during the past few decades.⁵ The median net worth for the 75-plus age cohort was \$334,700 as of 2022, two times its inflation-adjusted median net worth in 1989 and the median net worth for the 65-74 age cohort (\$410,000) was highest among all age cohorts and was 2.3 times higher than 1989 levels. In line with this trend, the concentration of national household wealth among 70-plus-year-old households has grown from only

19 percent in 1989 to 32 percent today, with investments in stocks/mutual funds and real estate accounting for 39 percent and 26 percent of this cohort's assets, respectively.⁶ As a result, the health of the stock and housing markets is a key determinant of senior housing affordability for residents. The improved wealth of seniors and their adult children should have a direct correlation to the uptake of senior housing and promote higher penetration rates.

Improving health outcomes among the aging population should also bolster senior housing demand. Mortality rates have trended downward over time, with increasing longevity and life expectancy across age cohorts. Shock mortality events, like COVID-19, had a disproportionate impact on the older population, producing a temporary dip in the increasing longevity trend. However, the long-term upward trend in longevity should continue, as medical advancements and new treatments contribute to increased life expectancy.

In addition to improved finances and health outcomes relative to prior generations, shifting family dynamics are likely to support increasing senior housing penetration. Adult children typically shoulder the responsibility of caregiving for aging parents. However, today's smaller family sizes and changing family spatial proximity reduce the number of available caregivers within families, weakening a traditional safety net for the elderly.

Against the backdrop of a compelling demographic tailwind and a muted, near-term supply outlook, senior housing market fundamentals are expected to remain healthy going forward. This favorable outlook is bolstered by stabilizing operating costs, supported by improving labor availability and the continued adoption of innovative, patient care technologies. The sector's recovery following a turbulent period in the immediate aftermath of COVID has generated an attractive entry point for investors. With all signs pointing to an influx of new investment into the sector, senior housing is poised to outperform.

¹ NCREIF – Expanded NPI, Clarion Partners Global Research, as of Q4 2025

² Moody's Analytics forecast as of January 2026, Clarion Partners Global Research

³ NIC MAP, as of 4Q 2025

⁴ NIC MAP, Construction Monitor (Primary & Secondary markets), as of 4Q 2025

⁵ Federal Reserve, *Survey of Consumer Finances 1989-2022*

⁶ Federal Reserve, *Distributional Financial Accounts – Distribution of Household Wealth in the U.S. since 1989*, as of 3Q 2025

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