

THE POST-COVID FUTURE OF SENIORS HOUSING REAL ESTATE

Zain Jaffer - Oct 1, 2020, 5:03 pm



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A Still-Rising Tide: The Post-COVID Future of Seniors Housing Real Estate



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2020 Letter: Tiger Global is remaining "paranoid" about potential missteps



Tiger Global is celebrating 20 years in business and looking backward in time and into the future for the next 20 years. In their 20th-anniversary letter, which was reviewed by ValueWalk, the Tiger Global team said they are looking for ways to "make our investment flywheel spin faster." They also said they would "remain paranoid

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Like all living sectors in the [COVID-19](#) economy, the seniors housing real estate market showed early cause for concern among investors and building owners alike. While some investors in the industry have already announced some signs of reprieve and rejuvenation — capital is freeing up, deals are resuming — the long-term stability of the sector is dependent on a myriad of forces, each of which are both independent and interconnected. For steel-stomached investors, the current market moment is rich with opportunity, and an in-depth analysis of the seniors housing market is a worthy place to begin.

Dissecting Supply & Demand

The current coronavirus has placed some of its heaviest demands on building owners and operators; owners in the seniors housing market were far from exempt. For operators tasked with ensuring the safety of a senior population, many of whom are immunocompromised and at a great risk for viral transmission, revised budgets and unavoidable expenses were an early COVID reality. Common costs have included increasing the frequency of janitorial cleanings, providing [PPE](#) for workers and residents, stocking up on testing kits, upgrading HVAC system, and making quick changes to building layout and design. The [American Seniors Housing Association](#) predicts an impact ranging between \$40 billion to \$57 billion across the next twelve months.

With this understanding of the financial barriers facing owners and operators in the short term, it's worth looking at the sector's history with a larger lens. Construction in the seniors housing market has been declining, with new building rates in 2019 at their lowest since 2012. But the deceleration of construction has been met with strong rates of unit absorption, with 2019 holding a record high unit absorption rate for the second year in a row.

Keeping a larger lens and shifting to a forward gaze, the term 'Silver Tsunami' might deserve an introduction. It's a phrase that can be heard in nearly every industry conversation, and it describes the approaching spike in our senior population as the baby

boomer generation enters their senior years. According to current demographic studies, the population of people aged 80 and over will be increasing at a rate three times greater than the growth rate of the past decade. Bridge Investment Group predicts that unit demand could exceed supply by over 90,000 units across America in 2025. Numbers like this make promises of strong rent growth, high unit absorption rates, and outsized returns in the market.

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A metric to track when considering seniors sector supply and demand is the availability of unpaid, family caregivers. While caring for loved ones is a reality that the COVID-19 pandemic has made all too accessible, the availability of unpaid care is declining at a rate that mirrors that of the growth in the seniors' population. Differences in family planning, careers, and resources could all be playing a part. Regardless, the [National Investment Center for Seniors Housing & Care](#) (NIC) predict a further rise in demand for seniors care as a result of this diminished familial availability.

At this point it's worth asking, what do we mean when we say seniors care? Unlike other [real estate](#) sectors which are divided by property type, the seniors housing sector is organized based on the operations and offerings of different seniors housing. The sector is made up of three major areas: independent living, assisted living, and acute care. The nuances between these market strata provide investors with a unique opportunity to anticipate demand across each area and build their portfolios accordingly.

JLL, a commercial real estate service firm, conducted an investor survey within the senior housing & care market. The report collected responses from more than 100 investment sales professionals, developers, and private equity investors, among others. The survey pointed to assisted living as the category with the greatest predicted capacity for growth: 42% identified assisted living as their first opportunity choice, compared to only 13% who selected independent living. Additionally, many brokers are of the opinion that the high end of the industry is being overbuilt, considering many seniors won't be expecting or prepared for the costs associated with the kinds of facilities that are currently under construction. The above considerations make seniors housing real estate one of the most nuanced and complex investor landscapes in the market. A well-crafted portfolio that makes the correct predictions is sure to generate enormous return.

Technology: From Luxury to Standard Pillar of Care

In a pre-COVID economy, [technology](#) in the seniors housing sector was less than advanced, and would qualify as a nuance in the above classifications of care. But in dealing with the pandemic under immense safety pressures to ensure the best health outcomes for everyone involved, technology has taken center stage in seniors housing, and it will quickly become a resident expectation rather than an optional building amenity.

As a [tech-entrepreneur](#) and investor, I feel the biggest growth can be seen in wearable technology, resident-monitoring smart tech that can be worn around the wrist or finger. Initially introduced to facilities as a tool for contact tracing, wearables are empowering care staff to provide much more personalized care in a less obtrusive way. Through biotechnology and Bluetooth capabilities, care staff can receive detailed reports on resident temperature, heart rate, sleep cycle patterns, calorie burn, and location. Any changes in the trends of patient information can foreshadow health complications, and with near daily reports, the care staff can use the data to react to any disruptions before the condition worsens. Wearables can help prevent resident wandering, and can offer janitorial teams direct information about which locations have been used and need a thorough cleaning.

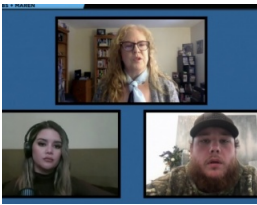
Secondarily, communications technology has seen a huge surge in the seniors housing industry as a way to promote connection and maintain social vitality through the visitation restrictions of the current pandemic. Residents have used video call tools to communicate with their families. Intuitive programs that offer support in the form of closed captioning or speech-to-text capabilities are of paramount importance. Many

building operators are turning their attention to app-based platforms that offer residents the ability to regain agency in their social lives. On these integrated app platforms, residents can arrange transportation for a visit, access and order from the dining hall menu, sign up for support groups of their interest, or manage their e-activity calendars.

Smart tech, including property tech in all of its applications, is quickly transforming the seniors care sector. It's an area ripe for advancement, and investors are already seeing returns. Venture capital fund, [Primetime Partners](#), is one such group at the forefront of senior care, partnering with companies that provide transformative products, services, and experiences for the senior demographic. Intuitive technologies that are need-aware and made to scale for a growing senior population will continue to provide immense returns through the upcoming demographic shift.

To understand the major and minor forces affecting the seniors [housing](#) market is to see bright skies ahead: this is not a sector in which demand will waver, and investments toward more tech-forward care will be unanimously rewarded. If COVID-19 was a test run in improving our standards of care, the rise in senior population will provide endless opportunity for application. For investors, operators, and residents, an investment in the seniors housing and care sector is a win, win, win.

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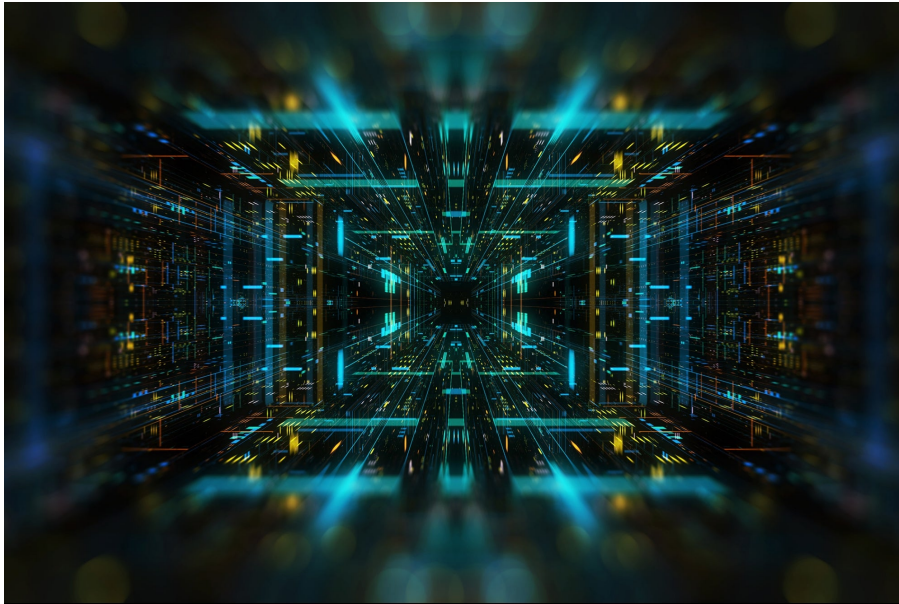
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