



SENIOR HOUSING ANALYST REVIEW & OUTLOOK

NIC SHARK Series Segment II Senior Housing Lease-Up Trends

The NIC SHARK report series is designed to deliver actionable, data-informed insights and forward-looking perspectives to help senior housing capital providers, operators, and developers prepare for the future and better serve America's older adults.

This second segment of the NIC SHARK series reviews senior housing lease-up trends over two key periods in the past decade and provides projections for the next three years. The report examines how these trends can shape our lease-up strategies, highlighting the importance of the first year in setting the trajectory for success. These SHARK insights aim to drive a renewed growth cycle in the senior housing sector.

Key Takeaways:

- Constant S-Shaped Lease-Up Curve:** Lease-up trends over the past decade consistently followed a similar S-shaped curve, with occupancy starting low, accelerating in the second year, and stabilizing by the third and fourth years after opening. However, the steepness of the curve varied between periods.
- Importance of an Early Leasing Push:** The first year is decisive in setting the trajectory for a property's future performance. After the first year, all percentile curves tend to follow similar paths, with properties exhibiting stronger lease-up momentum in their initial year being better positioned to capitalize on accelerating demand in subsequent years. The first-year momentum makes a notable difference and impacts long-term stabilization outcomes and overall success.
- Renewed Growth Cycle with Faster Stabilization and Higher Lows:** While properties that opened in 2022 and 2023 experienced a relatively slower start due to some stabilized properties still recovering occupancy, they are projected to stabilize faster, with a steeper lease-up curve than in past cycles and new occupancy records. Half are on track to reach or exceed 97% occupancy by the fourth year, while another quarter is expected to reach between 87% and 97%, reflecting a higher low at 25th percentile.

Historical Senior Housing Market Trends

2010 - 2015: Balanced Growth

Inventory Growth (CAGR)

0.6%

Absorption (CAGR)

0.4%

AIV Ratio

11:10

P1 Demand outpaced supply

The exhibits above examine the supply and demand dynamics that have shaped our industry over two key periods in the past decade: the post-recession recovery of 2010-2015 (P1) and the supply expansion of 2014-2019 (P2). These periods reflect distinct market forces that offer important insights into lease-up trends.

During the first period (P1), we observed what can be described as “balanced growth,” where demand outpaced supply. The market was recovering from the Great Recession, and there was a healthy balance between new developments and the absorption of those units. This balance is reflected in the absorption-to-inventory velocity (AIV) ratio of 11:10, indicating that for every 10 newly added units, 11 were absorbed on a net basis.

2014 - 2019: Supply Expansion

Inventory Growth (CAGR)

0.7%

Absorption (CAGR)

0.6%

AIV Ratio

7:10

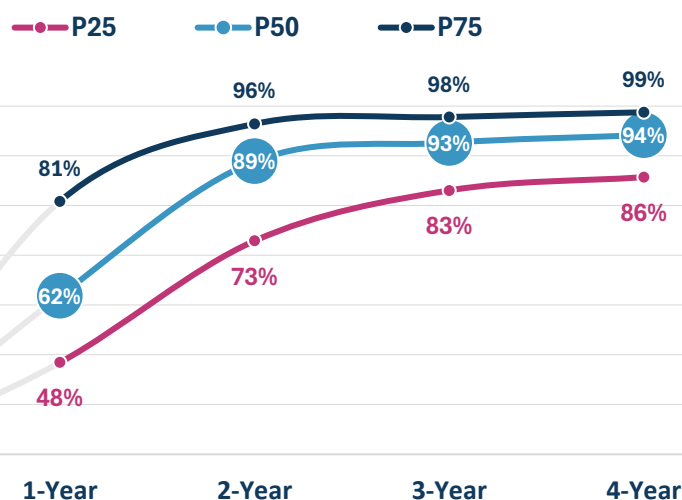
P2 Supply outpaced demand

The second period (P2), from 2014 to 2019, saw notable growth in new supply. Developers, capitalizing on favorable market conditions, accelerated the pace of new units coming online. However, this period also revealed the challenges that arise when supply growth begins to outpace demand, as reflected in the AIV ratio of 7:10 - meaning for every 10 newly added units, only 7 were absorbed on a net basis.

This imbalance highlights the importance of closely monitoring supply and demand dynamics when considering market expansion. Currently, strong demographic growth is paired with moderate inventory increases. With recent interest rate cuts and further reductions expected, we anticipate a resurgence in development activity by 2025.

Lease-Up Trends: Occupancy Rate Distribution Over the First Four Years After Opening Senior Housing - 99 NIC MAP Primary and Secondary Markets

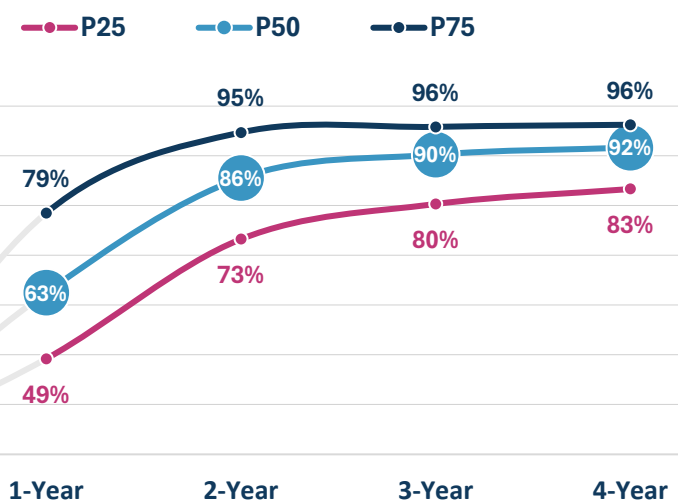
P1: Properties opened in 2010 and 2011



Lease-Up Trends: The exhibits above display the 4-year lease-up trends, or the occupancy distribution at the 25th, 50th, and 75th percentiles for properties opened in the first two years of each period. This breakdown helps us track their lease-up paths over a four-year period.

In both periods, we observed this pattern where occupancy started low, accelerated in the second year, and stabilized by the third and fourth year after opening. **This leads to an important observation: regardless of market conditions over the past decade, lease-up trends typically followed a similar S-shaped curve.**

P2: Properties opened in 2014 and 2015



However, **the steepness of the lease-up curve varies slightly between the two periods.** A key difference is that properties in the 25th percentile struggled to surpass occupancies in the mid-to-low 80s by year four, while the 50th and 75th percentiles exceeded these levels by years two and three.

The percentile trends reveal variability in stabilization, with top-performing properties leasing up more quickly, while those in the lower percentiles follow a relatively slower path to stabilization. Nonetheless, **all percentile curves tend to follow similar trajectories after the first year.**

A key factor that clearly determines the shape of this curve is **the lease-up momentum generated in the first year**. The first year is decisive in setting the trajectory for the property's future performance. Across both periods, properties with a stronger lease-up momentum in the first year consistently saw better long-term stabilization outcomes, as reflected in the higher percentile trends.

This early momentum can make a notable difference and significantly impact future success. Properties that reached higher occupancy in the first year were better positioned to capitalize on accelerating demand in subsequent years, as shown in the 50th and 75th percentile trends. Conversely, those that struggled to gain traction in the first year often faced a slower path to full occupancy, as reflected in the 25th percentile trend.

What does this mean for the senior housing sector? It means that a strategic focus on marketing, pricing, and outreach during the initial lease-up phase is vital. The first-year push isn't just about filling units quickly; it's about establishing a trajectory that sets the stage for long-term success.

The efforts made in that first year set the pace and directly influence occupancy growth in the years that follow. The data shows that properties with limited lease-up success in the first year often struggle to accelerate the pace of lease-ups in a meaningful way in the second year and beyond.

Projected Senior Housing Market Dynamics and Lease-Up Trends

2022 - 2027*: Demand-Driven Surge

Inventory Growth (CAGR)

0.5%

Absorption (CAGR)

1.0%

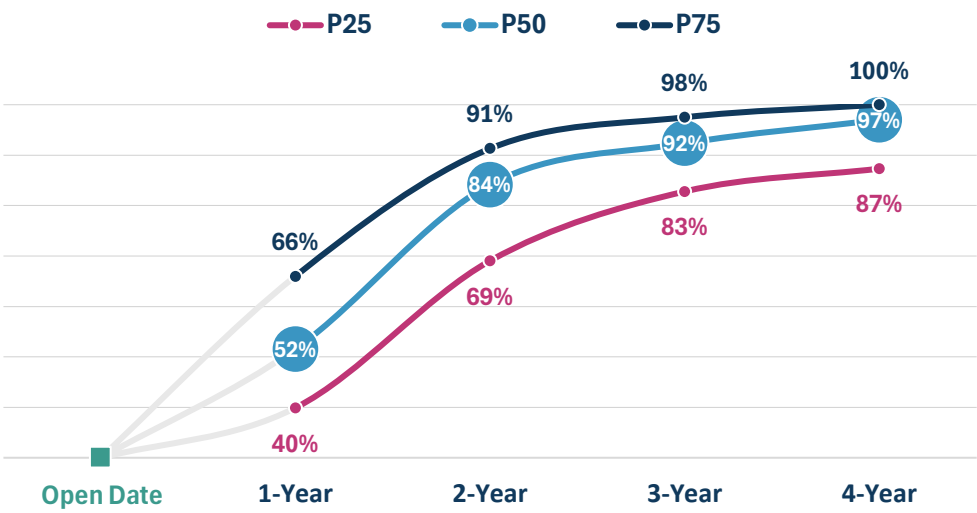
AIV Ratio

23:10

P3 Strong demand and moderate new supply

The exhibits above provide projections for senior housing market dynamics and lease-up trends from 2022 to 2027. According to the first segment of the NIC SHARK report, **the AIV ratio is projected to be 23:10 over the next three years, signaling a renewed growth cycle with faster stabilization**.

Properties opened in 2022 and 2023 experienced a relatively slower start, as many stabilized properties were still recovering occupancy. However, these newer properties are on track to stabilize faster, with a steeper lease-up curve than in past cycles. **Looking ahead**, we anticipate quicker leasing performance and faster stabilization, with half expected to reach or exceed 97% occupancy by the fourth year, while another quarter are expected to reach between 87% and 97%, reflecting a higher low at 25th percentile (87%).



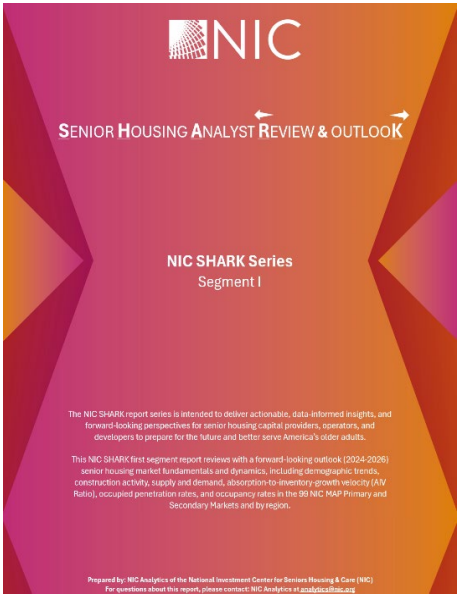
P3: Properties opened in 2022 and 2023

While market supply and demand dynamics play a role in shaping lease-up trends, **the S-shaped curve and the importance of the first-year lease-up push remain constant in our industry**. These dynamics offer actionable insights for adapting our strategies, whether we're operating in a balanced market, navigating a period of supply surge, or preparing for anticipated population growth for older adults, increased demand, and moderate new supply.

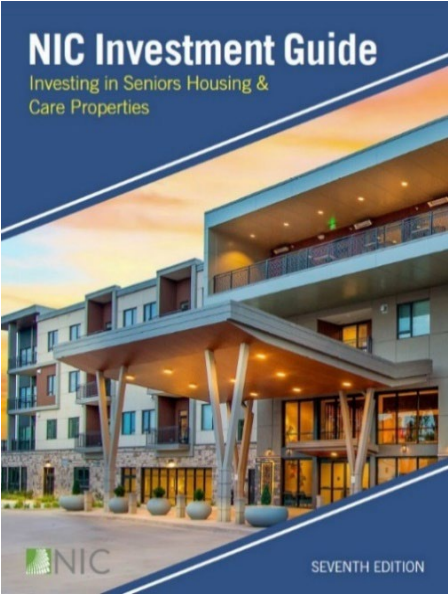
However, **it's important to remember that it's not just the market dynamics are changing – operators are actively shaping them**. The collective efforts put into that first year have the potential to propel the industry forward, allowing senior housing operators to reach more potential residents. **By leveraging the first-year lease-up push, marketing and sales professionals have the power to change the dynamics of the future and redefine success for senior housing.**

Additional NIC Insights and Resources

NIC SHARK Report - Segment I



NIC Investment Guide - Seventh Edition



Data source: NIC MAP® data, powered by NIC MAP Vision
Prepared by: NIC Analytics of the National Investment Center for Seniors Housing & Care (NIC)