

## FIRST QUARTER 2022 SENIORS HOUSING INCOME RETURNS IMPROVE

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The total investment return for the senior housing sector was a positive 1.08% in the first quarter of 2022. This marked the seventh consecutive quarterly gain after one quarter of pandemic-related negative returns in the second quarter of 2020 (negative 1.00%). Short-term total returns for senior housing remain low compared with the broader NPI, which saw total returns of 5.33% in the first quarter. Appreciation returns for the NPI dwarf those of senior housing, as the NPI was boosted in part by outsized returns in industrial properties (10.96%). Many investors have reduced their appreciation expectations for seniors housing as the impact of the coronavirus has weighed heavily on their view of the sector.

The income return in the first quarter was 0.91%, its best showing since late 2020. This was stronger than industrial and nearly on par with apartments, and slightly less than the NPI (0.99%). The appreciation (capital/valuation) return was 0.18%, the third consecutive quarterly increase after seven quarters of declines that began in late 2019. The appreciation return was below the other main property types. The appreciation return is the change in value net of any capital expenditures incurred during the quarter.

On a longer-term basis, the ten-year return for senior housing was the strongest of the main property types, except for industrial. For this time frame, the income returns for senior housing (5.47%) surpassed the NPI (4.83%), while the appreciation return (4.49%) was slightly less than the NPI (4.61%).

Note that the performance measurements cited above for senior housing reflect the returns of 175 senior housing properties valued at \$9.54 billion in the first quarter. This was the highest property count and market value in the NCREIF time series for senior housing. It's also notable that the number of properties tracked by this index has grown significantly

since the beginning of the pandemic, having been 134 properties in the first quarter of 2020, valued at \$6.3 billion. The additional properties may be influencing the overall performance returns of the index.

First quarter 2022 market fundamentals data for senior housing showed improved demand patterns compared with the pandemic-related losses and moderate growth in inventory in the 31 Primary Markets, according to NIC MAP® Data powered by NIC MAP Vision. The occupancy rate for senior housing stood at 80.6% in the first quarter, up 2.5 percentage points from its low point, but still 6.7 percentage points below its pre-pandemic level of 87.2% in the first quarter of 2020. The average masks the wide range of occupancy rates by property, however, with 30% of properties having occupancy levels at or above 90%. While these statistics are promising, future occupancy improvement will be shaped by local patterns of inventory growth and demand, and will be influenced by the broad economy, consumer confidence, inflation pressures, rising interest rates, the ease of development, COVID-19 variants, and vaccination rates.

**TOTAL RETURNS**

	<b>Total NPI</b>	<b>Total Apartment</b>	<b>Total Stabilized Senior Housing</b>
1st Qtr 2022	5.33	5.25	1.08
4th Qtr 2021	6.15	6.82	0.88
One Year	21.87	24.12	4.04
Three Years	9.60	10.19	3.60
Five Years	8.54	8.55	6.35
Ten Years	9.61	9.23	10.13

**INCOME RETURNS**

	<b>Total NPI</b>	<b>Total Apartment</b>	<b>Total Stabilized Senior Housing</b>
1st Qtr 2022	0.99	0.93	0.91
4th Qtr 2021	1.03	0.97	0.82
One Year	4.18	3.81	3.27
Three Years	4.28	3.95	4.09
Five Years	4.41	4.10	4.67
Ten Years	4.83	4.51	5.47

**APPRECIATION RETURNS**

	<b>Total NPI</b>	<b>Total Apartment</b>	<b>Total Stabilized Senior Housing</b>
1st Qtr 2022	4.34	4.32	0.18
4th Qtr 2021	5.12	5.85	0.06
One Year	17.16	19.76	0.77
Three Years	5.16	6.06	-0.46
Five Years	4.00	4.32	1.64
Ten Years	4.61	4.57	4.49

Source: NCREIF, NIC Research & Analytics