



HEALTHCARE & SENIOR HOUSING REPORT

Historic Demand Meets Historic Undersupply

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Senior housing enters 2026 at a defining moment. Long anticipated demographic demand is materializing at scale as new supply slows to historically low levels. Rising occupancy and strengthening rent growth are improving fundamentals, even as cost pressures and development feasibility remain highly market specific.

In this year's report, we examine how demographic momentum, constrained construction pipelines, and shifting cost dynamics are reshaping opportunities across the sector. Read on for a data-driven look at the markets and strategies defining healthcare and senior housing in 2026.

The healthcare and senior housing sectors enter 2026 at a moment when population growth is accelerating faster than at any point in industry history, while the delivery pipeline has contracted. Occupancy continues its steady march upward, construction starts remain limited, and demographic pressure is now becoming a measurable force rather than a distant forecast. At the same time, operators and investors continue to navigate rising labor expenses, persistent construction cost inflation, and the tail effects of pandemic-era disruptions.

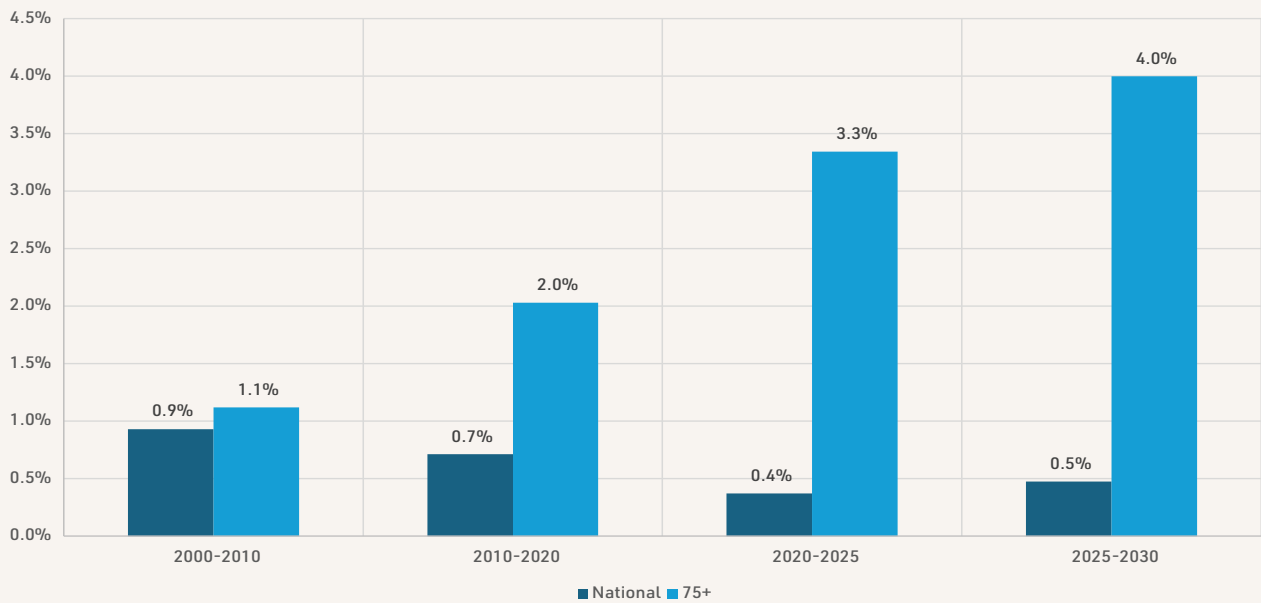
Yet the overarching story for 2026 is one of alignment. Demographics, slowed construction, and improving operations are converging to create potentially one of the

most favorable long-term supply-demand imbalances the industry has seen.

Demand Surges While New Supply Shrinks

Demographic momentum is finally at full strength. The population aged 75 and older is the backbone of senior housing demand and is increasing rapidly, with annual growth rates accelerating from roughly 2% (2010–2020) to 4% (2025–2030). Several markets across the Sun Belt show 6.0–7.0% annual growth rate projections, while slower-growing regions will still experience meaningful increases. The following chart shows the annualized growth rates for the total US population compared to the 75+ demographic.

Annualized Growth Rates National vs 75+ Demographic



Occupancy recovery has been strong across all senior housing types, and many markets are on pace to reach or exceed stabilized levels this year, a trend anticipated in last year’s IRR Viewpoint and now coming to fruition. Importantly, rent growth has mirrored these improvements. Operators in high-demand markets have reported year-over-year rent increases in the 4–8% range, and in some constrained markets, even higher. According to NIC MAP Q3 CBSA Trends, the rent growth rates peaked in Q3 2023 at 6.1% and levels of reported rent growth are still elevated at 4.3% in Q3 2025. With new supply constrained and occupancy rising, we believe this trend may continue or increase.

Senior housing construction remains muted. Elevated interest rates in 2023 and 2024, coupled with cost inflation, held back development starts. Many lenders remain measured even as financing conditions ease. As seen in recent years, some underperforming communities continue to transition to behavioral health or alternative uses, further reducing available supply.

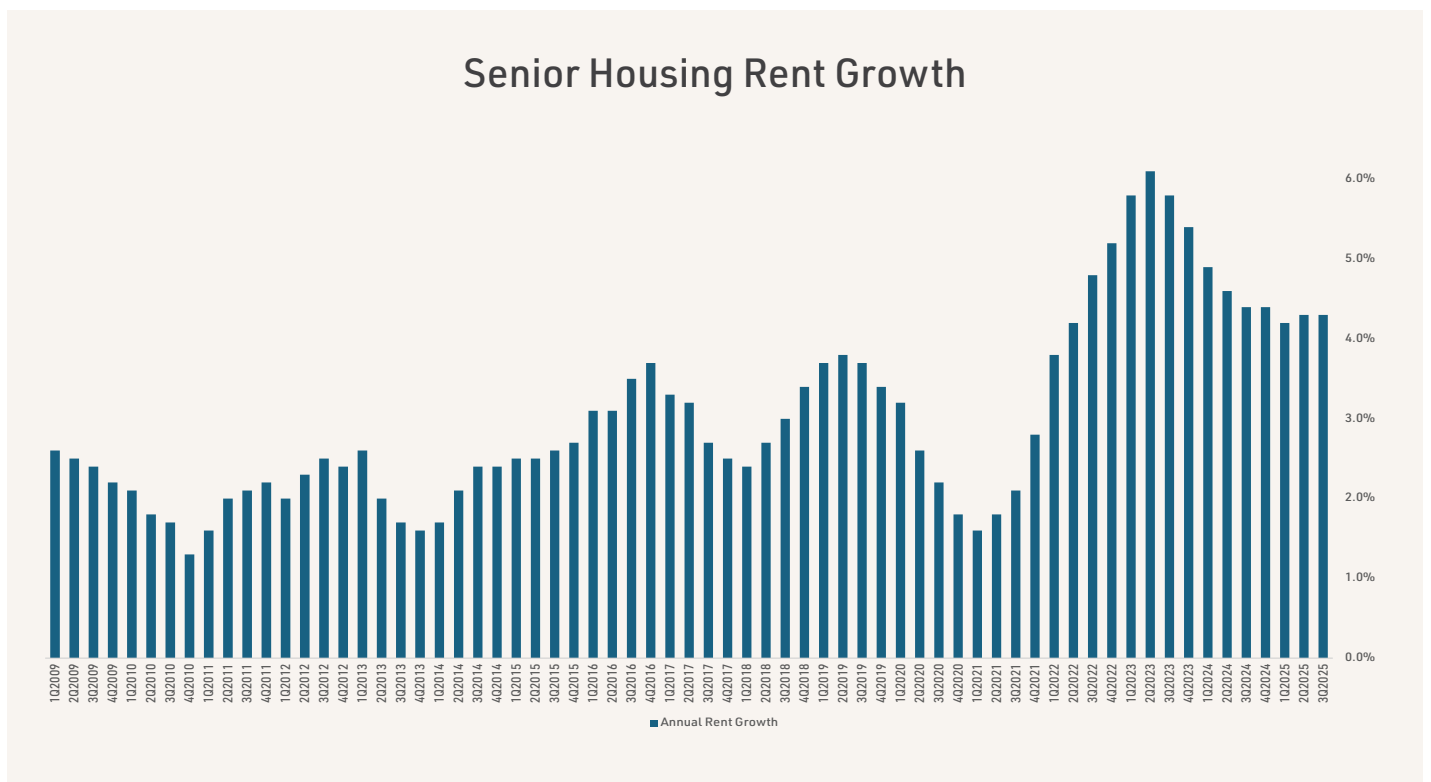
For existing operators, the environment is increasingly favorable. For new development, feasibility has become deeply dependent on strong operating performance and local cost dynamics.



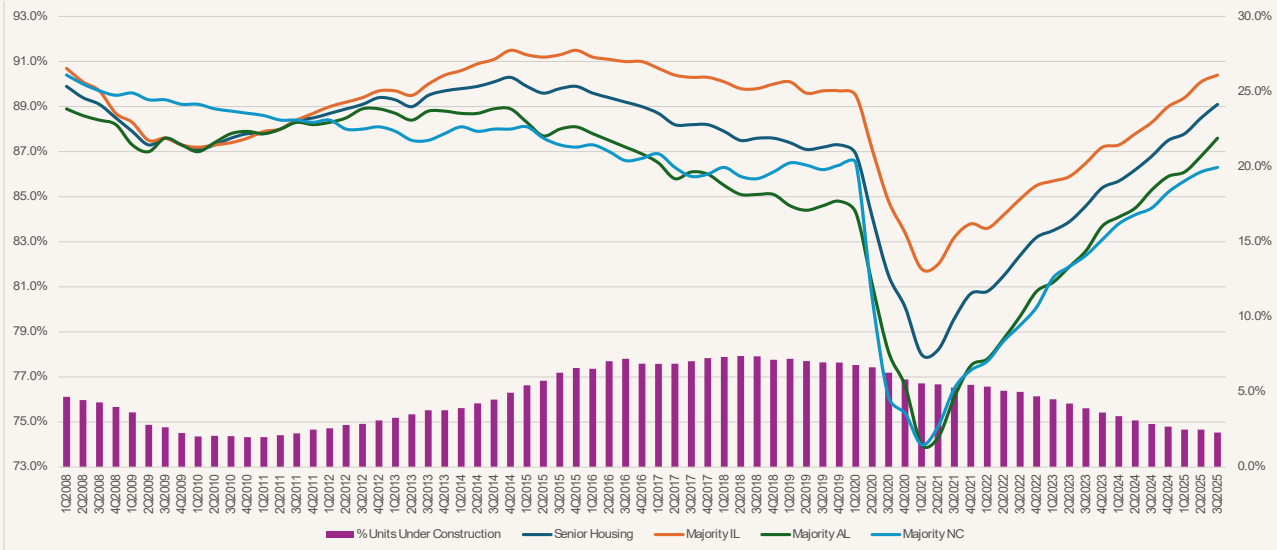
New Occupancy Highs Fueling Rent Surge

Occupancy levels have improved markedly since pandemic lows and have now surpassed pre-2020 levels in many markets. According to NIC MAP, independent living occupancy is averaging above 90%, while assisted living and memory care have climbed into the high-80% range nationally. In some high-growth metros, absorption is outpacing inventory.

The following chart presents the occupancy by care type according to NIC MAP as well as the percentage of units under construction over time. Currently, there are around 25,000 units under construction, or 2.3% of total supply, compared to Q3 2018 when there were approximately 71,000 under construction, or 7.4% of total supply.



Occupancy & Units Under Construction



Properties that continue to struggle typically reflect market-specific issues with either outdated physical plants, competitive disadvantages, or weaker surrounding demographics. Pandemic-driven labor shortages have moderated but continue to exert pressure, particularly in high-cost labor markets. Wage escalation remains a defining operating challenge, even as conditions normalize.

The rising occupancy rates and constrained supply have empowered operators to push rents. Many providers are achieving sustained year-over-year rate growth above inflation, a key driver of improving NOI performance heading into 2026.

A Market Shaped by Cost Pressures

While demand fundamentals are historically strong, cost pressures continue to shape feasibility. These costs include:

Labor. Labor remains the single largest expense category and varies dramatically by market. In certain coastal metros, wage levels for nurses and caregivers are more than double those in Southeastern and Midwestern markets, directly influencing operating margins. This labor disparity is one reason the California and Pacific Northwest markets rank disproportionately lower compared to other regions in our 2026 Senior Housing Opportunity Index.

Construction. Construction costs, elevated since 2021, remain significantly above long-term norms. While inflation has cooled, material and labor costs have not returned to pre-pandemic baselines. High construction cost indices

in markets such as California, the Northeast, and select Mountain West metros continue to limit new supply.

Financing. The lending environment entering 2026 is cautiously improving as capital providers re-engage after several years of elevated rates and tight credit. HUD’s LEAN program has been an active source of financing, with 232/223(f) volume rising meaningfully in 2024 and continuing to expand through 2025 as stabilized facilities took advantage of lower-rate refinancing opportunities. Several major HUD lenders reported some of their strongest seniors-housing pipelines since before the pandemic, and expectations are for continued momentum should rate conditions ease further. Agency lenders, who remained relatively subdued for much of 2024, have begun signaling a more competitive posture with better property fundamentals. While banks remain selective and generally conservative in their exposure, many have shifted from a lending pause to a slow re-entry into the sector, particularly for well-performing assets in strong markets. Combined with growing interest from private debt funds and life-company capital, these trends point toward gradually expanding liquidity for senior housing and healthcare real estate, though underwriting remains disciplined and development financing is still reserved for the strongest operators and best markets.

Still, these pressures help explain why construction pipelines remain low and why existing assets continue to benefit from supply scarcity.

Bright Year for Capital Markets

Transaction activity in the seniors housing and healthcare sector accelerated significantly in 2025, positioning the year to surpass the record 716 publicly announced deals logged in 2024. According to LevinPro LTC, there were 205 publicly disclosed transactions in Q3 2025, which is a 13% increase from both Q2 2025 and Q3 2024. This brought the year-to-date total to 565 transactions. 2025 was on track to reach 820 deals by year-end or a 14.5% increase from last year's record. While activity surged, total dollar volume in Q3 2025 fell to \$3.47 billion, which is a 36% drop from Q2 2025, suggesting a heavier tilt toward smaller and mid-sized deals despite strong deal volume overall.

Interestingly, skilled nursing facilities accounted for 41% of Q3 activity, followed by assisted living (38%) and independent living (11%), with affordable senior apartments, active adult, and CCRCs coming in at lower percentages. Ben Swett, Managing Editor of The SeniorCare Investor, noted: "There has been a slight uptick in the number of portfolio deals that have closed. Stabilized Class-A properties are also comprising a greater share in the seniors housing M&A market today, which will help average values soar for 2025."

An Insider's Guide to Investment Opportunities

Be on the lookout for our publication "Senior Housing Market Opportunity Index (2026)." It highlights the widening gap between the markets where revenue potential exceeds costs and those where high expenses constrain feasibility. In this report, we look at more than 100 markets, examining rates, occupancy, operating costs, and construction costs to show where the best opportunities reside.

Top Markets Share Key Characteristics

Consistently strong performers such as New Orleans, Raleigh, Austin, Ann Arbor, Virginia Beach, San Antonio, Boulder, and Greensboro stand out. These markets offer:

- Rapid 75+ population growth
- Moderate labor costs
- High occupancy and rent growth
- Strong healthcare infrastructure

Raleigh and Austin continue their ascent as premier Sun Belt opportunities, fueled by explosive demographic growth, business-friendly climates, and exceptional healthcare ecosystems. Ann Arbor and Boulder, both college towns, demonstrate the power of affluent, cost-moderated secondary markets with strong pricing power and constrained supply.

High Costs, Regulations, Slow Demand Plague Some Markets

At the other end of the spectrum, California's interior and coastal markets, along with Seattle, Provo, and certain Northeastern metros, show limited feasibility due to:

- High labor and construction costs
- Regulatory burdens
- Slower demand growth
- Moderated achievable rents

These markets often require highly targeted product types or niche positioning and repositioning, with new development feasible only in select, well-supported cases.

Long-Term Positive Outlook Despite Pressures

Senior housing is entering an expansion phase where demand is structurally outpacing new supply, a trend projected to continue well into the 2030s. NIC MAP anticipates that the industry could maintain occupancy above stabilized levels as early as 2026 if construction pipelines remain constrained.

Operators have offset higher operating costs by increasing rents, enhancing care offerings, and capitalizing on improved reimbursement environments in many states. Investors are increasingly focused on markets where demographic tailwinds and manageable cost structures align.

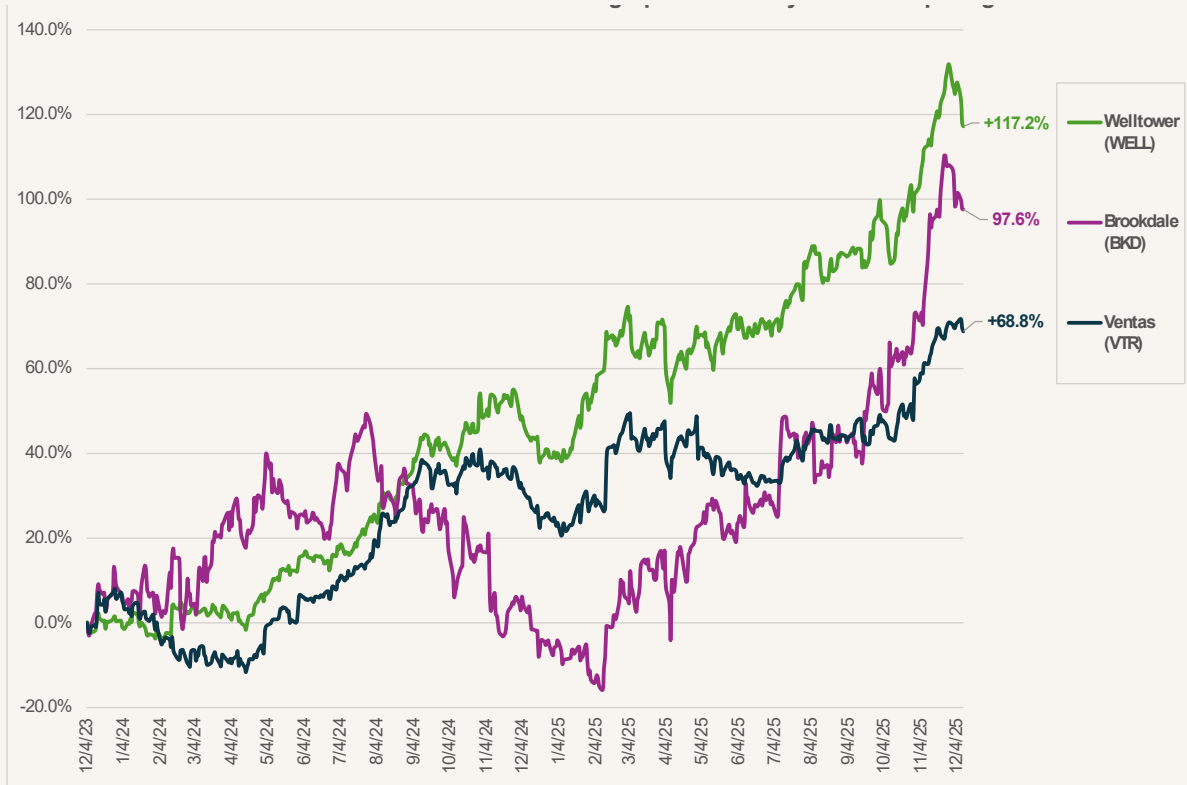
While risks remain—cost inflation, staffing mandates, reimbursement variability, and capital market uncertainty—the long-term outlook is positive. The convergence of demographic strength, limited supply growth, and rising unit pricing positions the sector for strong performance.

End-of-Year Rally Could Mean Higher Valuations to Come

Publicly traded senior housing REITs and operator equities are a bellwether for future individual property transaction pricing. The following chart compares the equity pricing for Brookdale, the largest senior housing operator, and two of the largest healthcare REITs (Welltower and Ventas) over the past three years.

The price trends for these companies are remarkably similar and the strong value increases in the 4th quarter of 2025 may foretell higher valuations for individual senior housing assets. Over the last six months of 2025, this cohort staged a clear, broad-based rally. From mid-June to early December, Brookdale is up 61%, while Welltower, at 35%, and Ventas, at 28%, also showed strong performances.

Three-Year Performance of Senior Housing Equities Shows Synchronized Upswing



The message going into 2026 is public markets are re-pricing the space more favorably, suggesting less fear around the macro/capital-cost backdrop and more confidence in forward cash flows.

Operators have regained meaningful earnings leverage as fundamentals improve. Brookdale’s relative surge is consistent with the idea that incremental occupancy/rate gains are now translating into outsized equity returns, while the REITs deliver steadier appreciation tied to balance sheets, portfolios, and cost of capital.

Pivotal Year Ahead

Healthcare and senior housing stand at a pivotal moment. The industry has never faced such a powerful combination of:

- Historic population growth
- Record-low construction pipelines
- Rising but increasingly manageable operating expenses
- Strong rent growth and occupancy recovery
- Highly differentiated market opportunities

For owners, operators, investors, and developers, 2026 represents both a challenge and an exceptional opportunity. As this year’s data makes clear, success will increasingly depend on market selection, operational precision, and a

deep understanding of local cost dynamics.

IRR’s Healthcare & Senior Housing Practice Group remains committed to providing the insights and expertise needed to navigate this evolving landscape with unmatched local expertise. Nationally.

SOURCES

Annualized Growth Rates National vs 75+ Demographic

Source: U.S. Bureau of Labor Statistics & Claritas

Senior Housing Rent Growth

Source: NIC MAP CBSA Trends | 3Q25

Occupancy & Units Under Construction

Source: NIC MAP CBSA Trends | 3Q25

Three-Year Performance of Senior Housing Equities Shows Synchronized Upswing

Source: Yahoo Finance, compiled by IRR



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ABOUT IRR

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