

## Assisted Living Rebound Well Underway

NIC MAP Vision Intra-Quarterly Data shows positive demand

**"We're not seeing a wave of fear in customer psychographics."**

**Kyle Gardner, COO, NIC MAP Vision**

The recovery of the assisted living market from pandemic-related losses is being driven by three trends worth watching.

- Assisted living is bouncing back more quickly than other senior living segments.
- Pent-up demand is playing a role.
- Recovery in the 69 NIC MAP Secondary markets, mostly smaller-to-medium-sized markets, is faster than in the larger 31 NIC MAP Primary markets.

"Assisted living occupancy has been rebounding since 2021," says Kyle Gardner, COO at NIC MAP Vision. "The market dynamics are positive and encouraging."

The trends are noted in the Intra-Quarterly Report compiled by NIC MAP Vision, a market analytics company for the senior housing industry based in Raleigh, North Carolina. The report provides insights into occupancy rates, economic trends and inventory growth. Data is based on a three-month rolling average.

"The rolling three-month data set gives investors and owners insights into where the market is headed," says Gardner. "The Intra-Quarterly Report provides a pulse for quick tactical changes."

During the pandemic, assisted living properties experienced a faster and larger decline in occupancy than independent living properties. From March 2020 to March 2021, independent living occupancy dropped to 81.7% from 89.7%. Assisted living in the same period dropped to 74.5% from 81.7%.

Assisted living occupancies were more dramatically impacted because frail residents were especially vulnerable to the virus. Weak demand hurt occupancies too. Local health restrictions slowed move-ins. Tours and visitors were limited. Families and seniors themselves were fearful about moving into a congregate setting where the virus might easily spread.



As fears of the virus lessen and restrictions ease, assisted living occupancy is undergoing a significant rebound from pandemic lows. From January 2021 through July 2022, 92 out of the 100 Primary and Secondary markets had a positive change in occupancy. Six markets saw a decline and two were flat.

"The fact that occupancy is recovering at a near similar rate to the original decline is encouraging," Gardner says. "We're not seeing a wave of fear in customer psychographics."

# Pent-up demand helps drive gains

Across all markets, assisted living occupancy increased from January 2021 through July 2022 by 580 basis points, or 5.8%. This compares to 2.9% for independent living properties. "Pent-up demand is boosting the rebound," Gardner says.

Demand for assisted living is also getting a boost from the growing population of adults aged 85 and older, the group most likely to need assisted care. The 85 and older population is projected to more than double from 6.6 million in 2019 to 14.4 million in 2040 (a 118% increase), according to the U.S. Census Bureau.



Construction activity also plays a role. From January 2021 to July 2022, the inventory of independent living units increased 7.5%, or by 19,733 units. The inventory of assisted living units was up only 2.5%, or by 10,271 units.

"Majority assisted living and majority independent living experienced similar levels of absorption between January 2021 and June 2022," Gardner notes. "However, supply growth for majority independent living was so strong during this period that the positive impact of demand was largely offset by new supply."





The Secondary markets have outperformed the Primary markets, the Intra-Quarterly Report shows. From January 2021 through July 2022, the Secondary markets saw an occupancy increase of 5.5%, compared to 4.5% in the Primary Markets. The Secondary markets also showed more favorable improvements (i.e., a larger positive change in occupancy or smaller decline in occupancy) 11 out of the last 19 months.

“There are two important takeaways from this occupancy data,” Gardner says. “There was an obvious outperformance of Secondary markets compared to Primary markets, but also the Secondary markets were more consistent. Secondary Markets had more favorable outcomes in 58% of our last 19 monthly reporting periods.” The Primary markets face supply headwinds and experienced 1.8-3.6x more construction activity than the Secondary markets. Among Primary markets, Minneapolis saw the largest number of construction starts between Q4 2020 and Q2 2022 at 2,706. In that same period, the largest Secondary market – Austin, TX – had a total of 1,563 starts.

The top five markets with the biggest occupancy gains in assisted living – within the May-July 2022 intra-quarterly period – were Las Vegas (up 3%); San Jose (1.4%); and San Diego (1.3%). Chicago, Miami and Phoenix tied for fourth place (1.2%). Dallas finished fifth place (1.1%).

Commenting on the Miami market, Gardener notes that inventory growth turned negative in 2022. Also, demand activity has remained strong as financially qualified seniors continue to move to the area.

The bottom six performing markets were San Antonio (down -0.3%) and Washington, D.C. (-0.3%) tied for first; Seattle (-0.1%); Toledo (-0.021%); Des Moines (-0.016%); Bakersfield, California (-0.014%); and Ogden, Utah (-0.012%).

San Antonio had a lot of new supply come online in 2021, and supply has been an ongoing issue for the market, according to Gardner. In Toledo, he notes that inventory growth has outpaced demand since 2020, though the gap has narrowed in 2022. Demand has been impacted by a small net out migration of financially qualified seniors in 2021.

On a positive note, occupancy declines in the bottom markets, ranging from 0.3% to 0.1%, are less than the gains seen in the top markets, ranging from 3% to 1%. “Markets are not experiencing a drastic slowdown,” Gardner says. “We are generally encouraged.”

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