# The future of investment in seniors housing

As financial markets grow increasingly complex and data-driven, alternative asset managers must continuously innovate to maintain a competitive edge. This evolution is particularly important in the Seniors Housing sector, where demographic trends, operational challenges, and regulatory requirements require sophisticated investment strategies. Recognizing this, Locust Point Capital (LPC) is integrating artificial intelligence (AI) and proprietary data analytics into its entire investment process. By leveraging these technologies, LPC enhances accuracy, efficiency, and risk mitigation, ultimately delivering what it believes will be superior risk-adjusted returns for investors.

As a premier private credit firm specializing exclusively in the U.S. Seniors Housing sector, LPC operates within a $1 trillion industry poised to double over the next 25 years.[1] This extraordinary growth, driven by shifting demographics from the Baby Boomer generation and an increased demand for facility-based care, presents unparalleled investment opportunities. However, long-term success in this sector requires more than favorable demographic trends; it necessitates deep expertise in operational management, regulatory compliance, and capital structuring. In contrast to generalist credit managers, LPC's principals offer nearly thirty years of direct investment experience in a single asset class, equipping the firm to adeptly manage the specific intricacies of Seniors Housing.

## Data-Driven Investing: A Strategic Necessity

While AI and machine learning have gained traction across financial markets, their application in Seniors Housing financing appears to remain in its early stages. LPC is at the forefront of this transformation, integrating data-driven intelligence into deal sourcing, underwriting methodologies, and risk management. By harnessing predictive analytics and proprietary algorithms, LPC can identify emerging market trends, refine borrower assessments, and optimize capital allocation. This disciplined, technology-enhanced approach strengthens LPC's ability to generate attractive returns while mitigating downside risk.

The opportunity set in Seniors Housing sector is underpinned by a profound demographic shift that will drive demand for decades. Over the next 25 years, the U.S. population aged 65 and older is expected to expand by 58%, while the 85+ segment - those most likely to require specialized care - is projected to grow by 121%.[2] With nearly 70% of seniors requiring some form of long-term care during their lifetime, the demand for high-quality senior living communities will continue to rise.[3] However, success in this space requires more than just understanding market demographics. It demands proficiency in operator identification, credit risk assessment, real estate valuation, and deal structuring. Fluctuating occupancy rates, evolving regulatory landscapes, and shifting consumer preferences add layers of complexity, making a disciplined and a data-driven approach essential.

LPC's industry data and domain knowledge has long been the foundation of its investment strategy. Now, the firm is enhancing its capabilities through AI, machine learning, and predictive analytics to refine underwriting and portfolio management. These technologies are being systematically integrated across the investment lifecycle - from origination and underwriting to asset management - elevating efficiency and precision in risk analysis.

LPC is developing predictive analytics in an effort to forecast market trends, improve borrower creditworthiness assessments, and identify potential risks early. Machine learning models analyze large datasets to uncover patterns that traditional underwriting may miss, enhancing valuation accuracy, risk assessment, and stress testing. AI-driven insights support real-time portfolio monitoring, which LPC believes will optimize investments in all market conditions.

## Data as a Competitive Advantage

Data is at the core of LPC's investment philosophy, serving as a strategic asset that influences every stage of the decision-making process. With nearly 30 years of experience in the U.S. Seniors Housing sector, LPC's principals have executed over 500 transactions across senior debt, mezzanine, and equity investments. This extensive transaction history has enabled LPC to build a proprietary dataset that provides a meaningful advantage in structuring, underwriting, and managing investments. By leveraging this wealth of data, LPC can refine its analytical models and enhance the ability to assess risk and identify investment opportunities.

As of December 31, 2024, LPC's funds have collected data on 341 Seniors Housing facilities in the U.S., comprising 36,973 units. According to the American Seniors Housing Association (ASHA) Top 50 Owners publication, if these properties were owned outright, LPC would rank as the third-largest Seniors Housing owner in the U.S.

While LPC functions as a capital provider rather than an owner, this extensive dataset provides the firm with significant insight and operational intelligence comparable to the industry's largest entities.

This proprietary data serves as the foundation for LPC's development of increasingly sophisticated AI-driven models. As these models evolve, LPC is working on integrating machine learning and predictive analytics to enhance its ability to assess credit risk, stress-test portfolios, and anticipate market shifts with greater accuracy than traditional underwriting alone. These tools aim to improve capital deployment precision, proactively manage risks, and ensure performance resilience in both stable and volatile market environments.

## Strengthening Risk Management with AI-Driven Credit Assessment

Credit risk assessment is the foundation of LPC's disciplined investment strategy. LPC has an extensive history of over 500 transactions without any principal losses, showcasing its consistent ability to balance risk and return through meticulous underwriting and industry expertise. Now, the firm is in the process of developing AI-powered analytics to further enhance its risk management framework, refining its approach with what it believes will be greater precision, efficiency, and predictive capabilities.

### AI-Driven Enhancements to Credit Risk Assessment

1. **Automating Due Diligence** – AI-enhanced due diligence is being developed to streamline the evaluation of financial statements, third party reports, and industry benchmarks, significantly reducing manual workload while improving accuracy. By leveraging machine learning models, LPC anticipates being able to accurately assess vast amounts of financial and operational data at an accelerated pace, ensuring thorough and data-driven decision-making.
2. **Predictive Risk Modeling** – Traditional credit risk assessment relies heavily on historical performance metrics. AI-driven models, currently in development, aim to analyze complex data patterns to identify forward looking patterns and identify risks.
3. **Dynamic Stress Testing** – LPC is creating AI models for real-time stress testing across different economic and market scenarios. These simulations will assess how factors like interest rate changes, inflation, occupancy rates, and operational costs affect portfolio performance. By leveraging these predictive insights, LPC can proactively safeguard its investments, leading to resilience even in periods of market volatility.

## Optimizing Deal Structuring Through AI and Proprietary Algorithms

Structuring debt and equity investments in Seniors Housing requires financial expertise, risk management, and legal knowledge. To optimize returns and reduce risks, elements like covenants, collateral, security provisions, and loan terms must be carefully designed. LPC is in the process of developing proprietary AI-driven algorithms designed to enhance deal structuring, which LPC believes will result in a more efficient and data-driven approach to investment decision-making.

## Market characteristics & projected trends

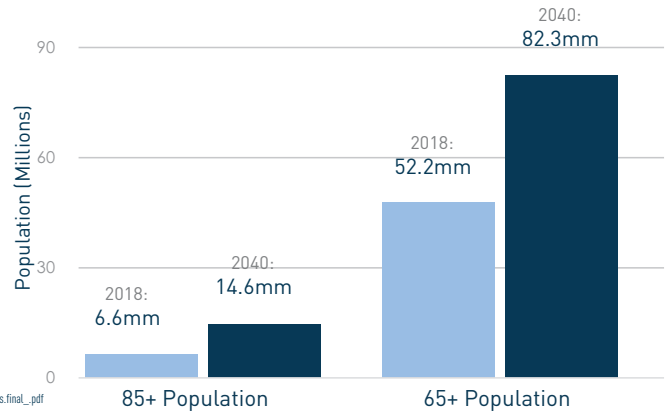
DEMOGRAPHICS

Senior population in the U.S. is anticipated to grow significantly over the next 25 years[1]

65+ Population: +58%

85+ Population: +121%

Nearly 70% of elderly will need long - term care services during their lifetime[2]




1. https://acl.gov/sites/default/files/aging%20and%20Disability%20In%20America/2020Profileolderamericans.final_.pdf
2. https://acl.gov/ltc/basic-needs/how-much-care-will-you-need

### AI-Enhanced Structuring Strategies

1. **Data-Driven Valuation and Pricing Models** – LPC is exploring the potential use of AI-powered models to assess comparable transactions, real-time market trends, and borrower-specific financials to enhance loan pricing and loan proceed constraints. If implemented, this technology could help ensure that each investment aligns with LPC's risk-adjusted return targets while remaining competitive within the capital markets.
2. **Automated Covenant Analysis** – LPC is evaluating the use of natural language processing (NLP) tools to analyze loan agreements with a high degree of precision. This technology could help ensure that loan covenants align with LPC's risk management framework, reducing errors, enhancing lender protections, and strengthening LPC's position in negotiations.
3. **Portfolio-Wide Insights** – LPC is exploring the potential use of AI to aggregate and analyze data across its investment portfolio, identifying correlations and emerging risks that could inform structuring decisions. This technology will allow LPC to refine deal terms, keeping its investments well-positioned in the Seniors Housing market.

### AI-Enhanced Portfolio and Fund Management

LPC's technology-driven strategy extends beyond underwriting and structuring to portfolio management, investor relations and fund management. The firm is developing AI capabilities to support real-time analytics, predictive modeling, and operational efficiency, reinforcing its leadership in alternative asset management.

### Advanced AI-Driven Portfolio Management Capabilities

1. **Data Lakes and Warehouses** – LPC is building a sophisticated data architecture that consolidates raw, cleansed, and structured data from across its investment ecosystem. This infrastructure will serve as a single source of truth, supporting accuracy in performance measurement, risk assessment, and decision-making.
2. **Real-Time Fund Accounting** – LPC is investigating AI-assisted reconciliation tools to automate cash flow analysis, expense tracking, and capital allocation. This technology aims to improve operational efficiency, minimize manual errors, and enhance financial oversight.
3. **Predictive Performance Analytics** – LPC is assessing the use of AI models to monitor asset performance and identify trends that may require proactive interventions. If implemented, this technology could help optimize capital expenditures, adjust loan terms, and identify portfolio rebalancing opportunities, supporting LPC's commitment to maximizing returns while maintaining a disciplined risk management approach.

### Leveraging AI for Market Intelligence and Strategic Deployment

While AI has the potential to transform individual deal structuring and risk assessment, its most powerful application lies in its ability to provide macro-level market intelligence. In the investment landscape, data-driven insights are important for making capital deployment decisions according to risk-adjusted return objectives. LPC is developing an AI-powered data strategy to improve its ability to predict market trends, enhance geographic diversification, and identify new opportunities in the Seniors Housing sector.

### AI-Driven Market Intelligence Strategies

1. **Fund-Level Geographic Overlays** – LPC is developing AI-driven geospatial mapping capabilities to assess market risks, including exposure to natural disasters, local economic conditions, and demographic shifts. By integrating population aging trends and regional regulatory factors, LPC aims to optimize geographic diversification, mitigating localized risks that could impact investment performance.
2. **Benchmarking and Comparable Analysis** – LPC is developing an analytics platform that evaluates transaction benchmarks across the industry on an ongoing basis. By leveraging AI to analyze historical deal structures, loan terms, and asset performance, LPC aims to enhance its ability to price risk effectively and maintain a disciplined approach to capital deployment.
3. **Forward-Looking Investment Models** – LPC is advancing AI-powered predictive analytics to anticipate shifts in Seniors Housing demand. By analyzing occupancy rates, demographic growth patterns, and healthcare infrastructure expansion, LPC seeks to identify high-potential markets before they become saturated. This proactive approach will enable the firm to deploy capital with confidence, which LPC expects will maximize long-term returns while avoiding overexposed submarkets.

### Enhanced Investor Reporting

Institutional investors demand transparency, real-time reporting, and granular insights into their fund positions. The ability to deliver comprehensive, data-driven reporting has become a critical differentiator for asset managers. LPC is developing data automation to enhance its investor reporting capabilities, so that investors receive high-quality, timely, and customized data sets in a form that fits their need.

### AI-Enhanced Investor Reporting Capabilities

1. **Automated Data Processing** – AI is being developed to streamline the extraction, aggregation, and analysis of portfolio data, significantly reducing the time required to compile customized investor reports. This automation enhances reporting accuracy while freeing up LPC's investment professionals to focus on value creation rather than manual data reporting and reconciliation.
2. **Customizable Reporting Dashboard**s – LPC is developing AI-powered investor portals designed to provide institutional investors with dynamic dashboards that offer customizable insights. These platforms will enable investors to filter and analyze portfolio performance metrics, capital deployment timelines, and risk exposure in real time, so that they receive the level of detail tailored to their investment strategies and risk appetites.

By integrating AI into investor relations, LPC enhances its ability to deliver transparency, efficiency, and value-added insights - meeting the evolving expectations of institutional partners.

### A Competitive Advantage Through AI and Data Mastery

Locust Point Capital's use of AI and proprietary data analytics is a significant enhancement to how the firm invests in the Seniors Housing sector. By incorporating AI throughout the investment process - from credit assessment and deal structuring to portfolio management and market analysis - LPC aims to create a data-driven investment platform to enhance returns while preserving capital.

In an increasingly complex and competitive alternative investment landscape, LPC's strategic focus on technological innovation reinforces its position as an industry leader. By combining decades of sector expertise with advanced AI-driven analytics, the firm is redefining how risk is assessed, capital is allocated, and market opportunities are identified. By combining institutional knowledge with advanced technology, LPC provides superior risk-adjusted returns and meets industry demands. Through disciplined execution, data intelligence, and continuous innovation, LPC is not merely financing the future of Seniors Housing - it is actively shaping it.

Eric Smith and Dan Contardi are co-founders of Locust Point Capital, an asset management firm established in 2015 that specializes in direct lending to the lower middle market seniors housing and care industry. Together, their leadership has positioned Locust Point Capital as a key player in providing tailored financial solutions within the U.S. Seniors Housing sector.

LOCUST POINT CAPITAL

[1]Grand View Research: https://www.grandviewresearch.com/industry-analysis/us-senior-living-market-report. "...The U.S. senior living market was valued at approximately $923.20 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of 4.16% from 2024 to 2030, reaching an estimated $1,224.20 billion by the end of the forecast period..."
https://www.plantemoran.com/explore-our-thinking/insight/2024/plante-moran-living-forward/demand-for-senior-housing-set-to-outpace-development
[2]https://acl.gov/sites/default/files/aging%20and%20Disability%20In%20America/2020Profileolderamericans.final_.pdf
[3]https://acl.gov/ltc/basic-needs/how-much-care-will-you-need