

The demographic supercycle: why U.S. seniors housing is poised to redefine real asset investing



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A Structural Opportunity in Real Assets

The next great real estate cycle is already taking shape, and it's being driven not by offices, logistics, or data centers, but by age. Over the coming decades, America's 80+ population will swell at a pace unseen in modern history, colliding with a severe shortage of purpose-built seniors housing and care. Supply growth has fallen to multi-decade lows, even as occupancy and margins rise across the sector. The result is a rare imbalance, demand that could overwhelm supply for decades, in an asset class priced at a premium to other real estate sectors. For long-term investors, from pension funds and insurers to sovereigns and consultants, we believe U.S. seniors housing offers something increasingly scarce in real assets: durable income, embedded secular growth, and a chance to compound through demographic inevitability, provided they partner with the right operators and sector specialists.

Demographics Redefining Real Asset Performance

A generational demand surge is beginning to reshape one of the most operationally complex corners of US real assets. Seniors housing combines a real asset with a healthcare and hospitality business, so it behaves differently from traditional property types. The distinction, which previously posed a challenge for generalists, is now providing a strategic advantage for well-prepared institutional investors. With the 80+ age demographic projected to increase significantly over the next thirty years, the sector is positioned for a prolonged period in which demand exceeds supply, thereby sustaining occupancy rates, pricing leverage, and income growth.

The implications are already visible in performance. Senior living posted the highest total return of any NCREIF property type in Q3 2025, marking the third consecutive quarter of outperformance over the broader index [1]. Net absorption has run at historic levels, construction starts have slumped to multi-decade lows, and staffing has recovered as wage pressure eases, lifting margins across stabilized portfolios [2].

Demographic Megatrend: The 80+ Wave Becomes Reality

The long-anticipated surge in the 80+ population is no longer a projection - it's happening now. The first baby boomers turn 80 this year, marking the start of a powerful demographic shift. According to US Census data, the number of Americans aged 80 and older is expected to grow by more than 107% over the coming decades. At the same time, the caregiver ratio, which is the number of women aged 45-64 for every adult over 80, is projected to drop by half by 2040. This shrinking caregiver pool will make home-based care increasingly difficult to sustain, accelerating the move toward purpose-built communities that combine housing, care services, and social engagement [3].

After declining during the pandemic due to admission restrictions, seniors housing occupancy rates have fully recovered. With the 80+ cohort expanding rapidly, this demographic is now the dominant force behind record levels of absorption across the sector [2].

Affordability and Wealth Dynamics

Affordability supports demand as wealth and income rise among older households. Median net worth and home equity for Americans 70+ have grown well ahead of seniors housing rents since 2018, widening the ability to fund multi-year stays. Recent data suggest that the median 75+ household could afford nearly six years of residence at upper-quartile seniors housing rents when combining income and accumulated savings [3]. Given that the average length of stay is roughly 24 months in assisted living and 18 months in memory care, most residents are well-positioned to fund their full tenure using a mix of income and assets. The wealthiest 75+ cohorts are projected to grow faster than the overall 75+ population, a tailwind for private-pay seniors housing [2].

Sector Complexity and Differentiation: Real Estate Plus Healthcare

Seniors housing is not a simple rent roll. Roughly 70% of revenue is consumed by operating expenses, with labor the single largest cost bucket. Service levels, staffing models, and clinical protocols determine resident outcomes and ultimately pricing power [3]. Public REIT operating portfolios point to moderating per diem expenses and expanding margins as occupancy rebuilds and agency staffing usage falls [2]. The sector's needs-based character was evident in the Great Financial Crisis and again through the pandemic, where penetration recovered quickly after vaccines and the lifting of admissions bans [2].

Operator selection as the decisive variable

In an industry that integrates housing, healthcare services, food provision, programming, and family decision-making during a sensitive life stage, we see investment returns as being largely determined by selecting the most capable operators. Across markets, the spread between top-quartile and bottom-quartile NOI growth in our view has less to do with physical plant than with staffing excellence, care pathways, and leadership stability. The current cycle is reinforcing that point. As new capital comes into the space, some platforms have misread the industry's history and operational risks. Senior Housing News recently reported the wind-down of one PE-backed operating platform and highlighted how inexperienced entrants can stumble without seasoned operating partners. The lesson is simple: underwrite the operator first, then the real estate [4].

Market Structure and Access: Fragmentation and Small-Cap Deal Flow

The United States seniors housing market continues to exhibit significant fragmentation, with the majority of properties situated in secondary and tertiary metropolitan areas. Additionally, 72% of these facilities are managed by operators that operate fewer than 25 properties [5]. In our experience, typical communities range from 70 to 130 units, and single-asset transactions often trade below \$50M. This deal profile can be difficult for large, generalist funds to access efficiently, given their preference for deploying capital at scale. Institutional investors can typically pursue one of two practical strategies. The first is to build diversified portfolios through programmatic partnerships with experienced, trusted operators - an approach suited to investors with the scale and resources to manage multiple assets over time. The second is to invest through specialist lenders and managers whose origination networks, underwriting expertise, and asset management platforms are purpose-built for the sector's smaller transaction sizes and hands-on operating dynamics [4].

In our view, the lower middle market offers the strongest opportunity set, as it remains undercapitalized and less crowded by large institutional investors. In this segment, debt is not yet commoditized, allowing investors and lenders to negotiate bespoke structures that more accurately reflect risk, asset quality, operator strength, and return profile. Competition is thinner, pricing is less efficient, and the value of specialized underwriting and relationships is magnified. By contrast, upper middle market transactions tend to attract a wider pool of capital, including REITs and diversified private equity and credit funds, compressing spreads and limiting return potential. For long-term institutional investors, we believe targeting smaller, well-sponsored transactions can offer a meaningful return premium, more control over deal terms, investment diversity, and a direct link to the operators driving performance on the ground.

Future Growth and Operator Capacity

The scale challenge is real. To maintain 90% occupancy at current penetration, the industry would need to develop at nearly twice its historical maximum annual pace, and more than 3.5x today's rate, through the end of the decade. Absent that, NIC estimates point to a supply gap of roughly \$275B by 2030 and more than \$1T in cumulative new inventory needs by the early 2040s. Nearly half of existing stock predates 2000, which implies incremental replacement demand as communities face functional obsolescence without significant capital expenditures [2]. Meeting this need will require both capital and operator capacity. The constraint is not land, it is the availability of qualified teams that can scale without sacrificing outcomes. Institutional investors should prize alignment on culture, data, staffing models, and quality metrics as much as basis and yield [2][3].

Unlike property types with cyclical rent rolls, seniors housing rents are rising as inflation cools, and margins are recovering as staffing normalizes. Public market signals are consistent with that view, with a basket of seniors housing-exposed equities trading above 2019 levels despite a doubling in the risk-free rate. On the private side, NCREIF data shows sustained outperformance in 2025, reflecting expanding NOI and still muted new supply [1][2].

How Private Credit Fits

Seniors housing financing blends real estate and corporate credit, since lenders underwrite both the building and the operating business that cares for residents. Before 2020, banks dominated the space. The rate shock and regulatory scrutiny that followed have created a durable role for non-bank lenders able to structure bridge and stretch senior capital, with reliable takeouts through agency programs such as Fannie Mae, Freddie Mac, and HUD. Permanent liquidity from those agencies supports higher leverage upon stabilization, while private credit fills the construction, lease-up, and repositioning gaps that banks are unable to underwrite today. That partnership is allowing good operators to buy, build, and modernize communities in the markets where demand is steepest [2].

What Institutional Investors Should Look For

Institutional investors entering the seniors housing sector should begin with the fundamentals that drive long-term value: demographics, affordability, and operational excellence. They should focus on markets where 80+ population growth and household wealth clearly outpace new supply, while assessing local caregiver ratios and the quality of existing



stock. The operator continues to serve as the key determinant of success, while partners possessing robust staffing pipelines, transparent outcomes in care, and aligned incentives consistently achieve superior performance. Given the smaller deal sizes, investors can achieve scale through programmatic partnerships or sector-specialist managers with deep underwriting and asset management expertise. Finally, portfolios that prioritize real asset modernization, upgrading older assets with better technology, building systems, and unit design, will capture sustained demand and extend asset life at a basis significantly below replacement cost. Success in seniors housing depends on pairing demographic insight with operational strength and the right partners on the ground.

A Forward Look: From Catch-Up to Compound Growth

The next phase of the seniors housing cycle is defined by acceleration, not recovery. Demand growth is set to outstrip supply for years to come, driving sustained gains in occupancy and pricing power as the sector transitions from catching up to compounding. From the late 2020s into the 2030s, the focus will shift to scaling responsibly, where operator capacity becomes as critical as capital. Public and private markets are steadily expanding access, with new lenders, managers, and dedicated institutional strategies entering the space, a healthy sign for a sector that has long been under-owned relative to its economic importance [4]. The opportunity ahead is to fund an essential service, generate consistent income, and compound value over time in a market where disciplined execution, not market cycles, drives returns [1][2][3].

The Value of Specialist Partners

As investment flows into this super-cycle, the advantage goes to those teams deeply familiar with the day-to-day operations of senior housing and those who operate them, including everything from managing clinical staffing ratios to designing flexible financing structures that remain effective throughout market cycles. Specialist lenders and investors focused on the sector have built these skills over many vintages, helping institutions deploy at scale without losing sight of outcomes. Locust Point Capital is one such specialist, linking purpose-built credit solutions to experienced operators across the lower-mid market, and offering a window into the granular, operator-led underwriting that this sector rewards. For long-term allocators, that distinction means more than return potential, it's an opportunity to back essential infrastructure, generate durable income, and participate in a secular demographic growth story that will define the next generation of real asset investing.

Endnotes

[1] McKnight's Business Daily, "Senior living outperforms other real estate sectors for third consecutive quarter," Oct 31, 2025. NCREIF data on sector returns.

[2] NIC MAP Vision, Senior Housing Market Outlook (2025). Analysis of absorption, penetration, staffing, construction starts, occupancy path to 90%, development pace required, and cumulative investment gap.

[3] PGIM Real Estate, "The Case for Investing in U.S. Senior Housing," July 2025.

Demographics, affordability, operating cost structure, pricing, cap-rate spreads, and return outlook.

[4] Senior Housing News, "New Wave of Investment Firms Enters Senior Living, Must Heed Industry's History," July 24, 2025. Market entry by new platforms and the importance of experienced operators.

[5] National Investment Center for Seniors Housing & Care. (2023). NIC Investment Guide (7th ed.). NIC.