

## Intro

Welcome to season eight of Bridge the Gap, a podcast dedicated to informing, educating, and influencing the future of housing and services for seniors. The BTG network is powered by sponsors, Aline, NIC MAP, Procure HR, Sage, Hamilton CapTel, ServiceMaster, The Bridge Group Construction, and Solinty and produced by Solinity Marketing. Bridge the Gap in three, two.

00:43 - 00:58

Lucas McCurdy

Welcome to Bridge the Gap podcast, the senior living podcast with Josh and Lucas. A beautiful day here in beautiful Fort Lauderdale at the FSLA conference. We got a great returning guest, our good friend Kyle Gardner. Nick. Matt. Welcome to the show.

00:58 - 01:02

Kyle Gardner

Yeah, great to be with you guys. And, thanks for having me again. It's always fun to be here.

01:02 - 01:23

Lucas McCurdy

It's fun because our listeners know when Kyle or Arick comes on, they're about to get some data. They're about to get some of the latest trends and information that people pay a lot of money for. And Kyle comes on here and gives it to us all for free. And, so with that said, Kyle, give us, give us a download and we'll dive into a conversation about it.

01:51 - 03:14

Kyle Gardner

Yeah, absolutely. So we just released our 2Q data, looking at trends in supply, demand, and construction for private pay seniors and for nursing care as well. Fortunately, the story continues to be overwhelmingly positive from a demand standpoint. Occupancy grew, about 80 basis points in a single quarter. So we're up to 88.1% in primary markets, which is just wonderful.

We're basically back to pre-pandemic levels. And some markets are well past that pre-pandemic mark. Driven all by absorption. We have had multiple quarters in a row now of absorption just accelerating. And especially, you know, we just released the two Q data. But going back to Q1, Q1 2025 was the biggest Q1 in the last 10 or 12 years from a demand standpoint.

And so that's the, you know, the early part of the baby boom, right? Like technically, the baby boomers will turn 80 in 2026, 2027. But the kind of demographic wave of American families having children started in 1942 to 1945, with a kind of, I guess, that's the end of the Silent Generation. So they've been entering our market, you know, buying our product, independent living is accelerating a lot faster than AL.

I would say. We're in like 89, 90% occupancy there in the primary markets, which is awesome. So that product seems to be flourishing. And it kind of makes sense. The younger, more mobile,

more social resident is moving into that. And then, assisted living is kind of right behind it as a standalone. I think that's majority AL is in that 86 to 87% range.

03:14 - 03:49

Josh Crisp

Kyle. So, something maybe you could do for our listeners? Sure. We've got on this podcast a lot of new listeners, as we do each time, and people are still learning what you guys do at NIC MAP. And when they hear terms like independent living, they're learning about our industry. And I think assisted living and memory care are pretty easy to wrap your arms around.

But independent living can kind of be this gray zone. So, when you say independent living, how does Nic map define that? So the data that you're collecting is a broad range of all types of independent living. Or do you put some sort of rails around how you define that?

03:49 - 06:21

Kyle Gardner

I'm going to answer your question by zooming out even further and just kind of talking about all the care types we track for us. We really focus on private pay, senior housing, and then we do monitor a little bit of, more like government reimbursed stuff, with skilled nursing, nursing care, the spectrum of data and communities that we cover starts at active adult rentals.

Specifically, we don't really track active adult homes for sale or things of that nature. We look purely at the rental play. So a 55-plus active adult community is essentially a lifestyle multifamily property that has a lot of services and community-style amenities where the senior is, does not need day-to-day health care, even maybe week-to-week health care.

They're looking for a community. They're looking for social events. They're looking for opportunities to go and get new experiences. And that's really the very new product for our space. That's been growing rapidly. Active adult is kind of the new independent living in a way. So maybe 20 years ago, independent living was the entry point for our industry, where you had seniors were more established in their 70s.

Maybe they had a couple of health care issues that they needed, you know, to have monitored every once in a while. But they were largely mobile and looking for community, but they couldn't live at home, or they didn't want to live at home anymore. And so for independent living, it's a relatively broad product across the country. The way we kind of define that is a rental community where meals are included. You're on a campus or in a property, as a standalone building or sometimes a campus environment. And specific amenities are often a primary one, such as meals are included. So if you kind of look at active adult in IL, the main difference is kind of the meals and the amenities.

And then as you move up, obviously, care becomes the differentiating factor. And maybe building design. Right. So, an assisted living in an IL building could look identical. But it's the type of care being provided. The staff mix starts to change pretty drastically. And then when you

get to memory care and skilled nursing again, the building design is going to change more, be more care-centric, have different rooms, presence, and a very different staffing mix for nursing care versus.

06:21 - 07:06

Josh Crisp

Well, thank you for kind of clearly defining and defining that. So, a very positive story is what the numbers are telling us is what the data is telling us. And you feel that, right, Lucas? I mean, we're going to these events. We're talking to operators. The operators are much more positive that occupancies are going up. You would think that is a story that's being told not only in our industry, but outside of our industry.

I don't know if you're sensing this or seeing this in any kind of numbers, but it seems like a lot of new investment, new capital that has never been in senior housing before, is emerging. Are you seeing that same kind of trend with mergers and acquisitions?

07:06 - 08:33

Kyle Gardner

The transaction volume is definitely picking up. Prices are rising. I think we've seen four quarters in a row, prices increase. So acquisition activity is definitely back, maybe not to peak levels that we saw at certain periods. But compared to the kind of long-term trends, transaction volume is largely back. And, I hear anecdotes at events like you guys do.

People are they're evaluating deals, they're closing deals. They're excited about that. But that's largely on the acquisition side to talk about the kind of new entrants. We're definitely seeing a lot more people explore the industry, maybe do a little window shopping if they're not ready to commit capital or they're in that early stage of kind of building the business case for it, people are reaching out to us, more people are coming to NIC conferences.

The growth conference we had earlier this year was really successful, both on the operator front and the capital front, which I think is good for the industry overall. You have the same long-term players. You know, the name brands. I think we can all, you know, when I say that something comes to mind for you, and yes, they're still here, they're not going anywhere. But also companies that have predominantly been in an adjacent sector, in a multifamily space, or in a family office who's done deals here. And they're they're looking at seniors as a great opportunity for the next 20 to 30 years.

08:33 - 09:99

Josh Crisp

Something that's very puzzling to me. Maybe you can give us some data and insight on the positive story. We know we've heard you say that the supply and demand, I mean, it's just askew. So the demand continues to grow. But it seems like the deficit of the supply continues to grow as well. So, what are you seeing with new construction? We know that there's a lot of

renovation happening where we know occupancy is going up. So, how is that favorability impacting new development, new construction projects coming out of the ground?

09:09 - 09:31

Kyle Gardner

Unfortunately, it is not a fun story on that part of the industry. So in the second quarter, we had the lowest number of new units opened ever on record, fewer than a thousand units opened in that period. So in terms of like, the metric we track is kind of, new new units or kind of construction over inventory. And it was below 1% for the first time on our record.

09:35 - 09:37

Josh Crisp

Across all sectors?

09:37 - 11:00

Kyle Gardner

Yeah. Like that's kind of the aggregate senior housing. So that wouldn't include nursing care or like nursing care, I think is well known that inventory has been on the decline and that that's more affected by kind of government reimbursement rates and other regulations. But in the private pay space, you know, 2010 to 2020, we saw development outpace population growth pretty dramatically and consistently for a full decade. And that put pressure on the space. But we were all preparing for what's happening now and then through a mix of tight banking regulations, tight capital markets, people feeling, certain investors feeling like the performance from Covid was just too much to, like, go right back into new development mode. So there may be a slower tendency to take risks in certain areas, or they prefer to take risks through acquisition.

So we're seeing maybe more of a hesitancy in some cases to do new development. But we're but I think by and large, people want to do it, though it's more of getting the deals done. I know you guys do development. You're you talked to a ton of investors. You're doing renovations and things of that nature. Like, are you feeling that people are moving away from this type of work, or do you think it's more that there's a barrier to progress. And I'm curious to get your take. I'm flipping the script on you.

11:00 - 13:36

Josh Crisp

From my limited perspective, we're going to have a lot of folks on the podcast that I hope that we can ask that question to you, who are very experienced developers and operators. But, I mean, I don't think it's any one thing that I'm hearing. Obviously, construction costs are still really difficult to make a deal.

So there's that. I also think probably one factor that's probably harder to quantify is the fact that I think there's a lot of talk about the products or the housing type that has traditionally been built

and filled, and operated by our industry very much. There's a different set of wants and preferences from the next generation.

And while we are speculative, we're not for sure what that housing model is, and we're not exactly for sure what those service delivery types are, and what, candidly, the cost and, and how the market's going to receive that. So there's a sort of speculative group of seniors that are emerging into our space. And there's not necessarily a proven model that we know works.

So I think anytime you do something that's for the first time, you're sort of pioneering into this boomer generation. And so I think people are not only less willing to just write checks for the investment. But they're, they're waiting to see models emerging that have a proven stabilization record. Right. So show me where you've done this before. And a developer saying, well, I've done this type before. This is a little bit different. It's a new pro forma. And so anytime you can even find an investor that's willing to take that speculative risk and invest, I think the cost of that is higher, which makes it even more difficult for the deal to pencil. So I think there's a little bit of that.

And to your earlier point, people have memories. People remember a lot of developers out there that were like, hey, the demographics are coming, let's, let's jump on after the Great Recession, this development boom. And they put out all this product and probably delivered the product too much product to the market at the same time. And, you had lower stabilization, higher cash burn. And people got burned from the space. They talked. Right? And so there's probably some of that as well. So I don't know. Lucas, what do you think?

13:36 - 14:36

Lucas McCurdy

So I have a different take on, a little bit different lane, right? It is the renovation track, which is my bailiwick. That's what I do personally, from my day job every day, working with the biggest REITs all the way down to you mentioned family office. Just this kind of smaller. Maybe they've got a portfolio of 5 to 10 buildings, and they're looking to expand and grow.

And, personally, those are some of my favorite people to work with because they're excited, they're aggressive, they're ready to make decisions. And, they really value what I bring to the table. There. To your point about mergers and acquisitions, that's really where I come in, most often. And I see that transaction volume really taking place where the inventory is old, so to speak. These buildings are legacy buildings, circa 1990s, maybe early 2000, and have had very little love over the years. Maybe they've changed some carpet out, you know.

14:36 - 14:37

Kyle Gardner

Just kind of basics.

14:37 - 15:27

Lucas McCurdy

Very basics. And those are perfect value add deals where the building maybe has some reputation problems due to the operations or staffing issues, and then the physical plant and then just the way it looks, it needs an update and, I enjoy that part of the turnaround and get to see them get from that initial investment to that 88% occupancy, 90% occupancy.

When you know that the building was struggling, probably in the 60s or 70s. And I'm seeing that, and that's because nothing is coming out of the ground, so to speak. And so these investors, they're, they're options are value add, acquisitions. And I see a lot of them.

15:27 - 17:03

Kyle Gardner

Yeah. And the data shows, too, I think part of the reason we're seeing transaction prices increase in volumes increase is that the cost to do new development in a secondary or tertiary market might be 400 and or something like that. You are a tier one market. It might be 700 or 800 a door. For a really premium product.

But the price per unit we're seeing on transactions, mostly in like the value add space, I would say, is 150 to 250 a door. You know, again, depending on the age and the size of the asset. So it's a lot easier for someone to dip their toe in, kind of that price, put some capital CapEx into the project, like refresh it, knowing the demand is right there, right, for certain markets.

Versus, to your point, developers are kind of playing the 4 to 5 year game, maybe longer in a tier one metro where you're kind of betting on the next component, the next senior to come in. And there has been so much change in the industry with care service delivery, with new innovations in health care. We've got the new, big, beautiful bill that's going to bring changes to Medicare and Medicaid, which, while it does not directly affect private pay seniors, will kind of have ripple effects around us as well.

So there is a lot of change happening. I do think that creates hesitation, amongst certain parties, but there's so much excitement around the space that I think people want to get in and they're going to they're going to find a way to do it.

17:03 - 17:34

Josh Crisp

Well. Do you have any outlook? I mean, so you're seeing trends, not only what's happening right now, but you're seeing the trends over time. Yet. Do you see that when you study data from the past for as long as you all been collecting, is there something cyclical where you're like at a certain time period, the development should be coming back, or is it just more about the factors we've already been talking about? And it's not really a cyclical thing. It's these things are going to have to happen before this happens, and we may stay flat for a long time. On development.

17:34 - 22:45

Kyle Gardner

I would say the demographics are not really cyclical. It's more than that's a known thing. There will be 16 million new 80-year-olds in the next 15 years. A massive increase over the current population and the year-over-year growth rate is going to hover between 4 and 8% for the next 10 to 15 years, give or take a few.

Wow. So that's just for the 80-plus population, right? We're while we're seeing the younger demographic grow at a much slower rate as birth, kind of birth rates decline, family size is shrinking a little bit in the capital markets and things of that nature. That's definitely cyclical. I mean, we benefited in the 20s from really low interest rates.

We saw senior housing have a development boom. We really saw a lot of industries have development booms during that time because debt was so cheap, relatively speaking. And right now it's not, it's more modestly priced. I would say. I think everyone would love for interest rates to go back to zero. We'd have a cap rate, we'd have valuation expansion, and we would have more activity going on. There would be a massive amount of risk-taking, which would be good. You know, again, taking comes with risks. But I think overall that would be healthy for the space.

Our asset class was one of the best performers in the 20 tens compared to other, other assets like industrials, office, and multifamily. We were a top performer according to some NCREIF data in the current decade. You know, we're still up there amongst the best performers. And we're number two in terms of optimism behind data centers, which has the AI wave behind it. So I think that's pretty impressive. You know, you have this once-in-a-lifetime kind of technology moment happening. And there's so much what if there. And then the next most exciting thing is demographics, which is a little bit, you know, simpler.

But it is I think there was a speaker, NIC, a few years ago who said, demographics is destiny. Like, this is happening, right? People are coming to the space. One thing I would add on the development cycle and things of that nature is with the baby boomer generation coming into our sector, they are wealthier than any demographic before them, on a, on a inflation-adjusted basis.

So in our Senior Housing Market Outlook report that we put out last year, we just did a webinar a few weeks ago called Closing the Gap. I would encourage people to go check out the, we put some data out that shows what a senior income network looks like. The median rates are the exact midpoint, so there's no skewing from the ultra wealthy, in that number, we have the highest net worth of any generation from the past, like 40 years.

Incomes have been steadily increasing. And I think over the past 10 or 15 years, net worth is up on a median basis, maybe 30 to 35%. And this is all inflation, inflation-adjusted senior housing rent in that same time period is only up 7 or 8%. Again inflation-adjusted. So there's a massive increase. Like, not only is the donut getting bigger in terms of right.

The donut is the senior population, and you have the top half of the donut being the wealthy, and the bottom half of the donut potentially being like Medicare, Medicaid, they're getting

reimbursed. And, they're getting government support. And you often hear like the middle is kind of the missing middle part that can't afford private pay, and makes too much money for government subsidies. Well, we think the donuts are getting bigger and the donut hole is shrinking on a relative basis, meaning in aggregate that middle is going to get larger from a number, on an absolute basis. But relative to the size of the overall donut, there's more people are able to afford our product. Now that's based on, pretty big assumption, called asset spend down.

Meaning if I get to a point where I need to move into assisted living or memory care, I will spend all of my assets. I'll sell my house, I'll use my equity, I'll use my retirement, and I'll pay that down. When you incorporate that into the analysis, it's overwhelmingly positive. The potential demand here now also brings with it some risk because a wealthier senior may not want to go to a community.

They may look for alternatives. And I think that's another thing you mentioned, you know, we don't know exactly what this next generation wants. We have some ideas. There are a lot of operators and investors out there running experiments in terms of new product types or prototypes. But care at home care delivery mechanisms are also becoming more accessible. So we'll see. I mean, we've been around as an industry now for 30-plus years. There's a long, long road ahead for us to adapt, and I think we won't.

22:45 - 23:11

Josh Crisp

Well, that's very positive. That's actually a really good note to probably wrap up this conversation. Kyle, I know, you're here for LA, you're making a presentation here, which is going to be great data for the Florida providers. It's been a minute since Lucas and I have been down here. What a great job they do. The energy is phenomenal. In the expo today, meeting a lot of new, new providers, and it's exciting. What a great time in Florida.

23:11 - 23:34

Lucas McCurdy

A great time and a great conversation, that to me, this podcast is the quintessence of annual, download on senior housing right now. And what's going to be coming in the future. So share this with your friends and people who are interested. This is the quickest, fastest way to get up to date on what senior housing is and where it's going. Thanks, Kyle, for your time today. Really appreciate it.

23:34 - 23:36

Kyle Gardner

Yeah, glad to be here and appreciate you guys as well.

23:36 - 23:54

Lucas McCurdy



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#### Outro

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