01:06 - 04:16
Lucas McCurdy
Bridge the Gap in three, two. Welcome to Bridge the Gap Podcast, this senior living podcast with Josh and Lucas, and a great show and a great friend and returning guest. Big supporter of Bridge the Gap. We want to welcome Kyle Gardner, COO at NIC MAP. Welcome back to the show.

Kyle Gardner
Hey, good morning, guys. Great to be with you.

Lucas McCurdy
Well, every time we have you on, we get the latest trends, we get the latest data, the download. And you know we're going to start with the senior housing story. You know, NIC MAP, you guys recently released a second edition of its senior housing market Outlook. And if you had to give our listeners the headline from this report in one sentence, essentially, what do you think that would be?

There's so many to pull from. I think the one that's sticking with me at this moment is the supply and demand gap is getting bigger. The need for senior housing is only growing, and our our ability to keep up with that need is, you know, shrinking or slowing down. So the gap grows would be the headline. Well, that that makes it a lot of sense, especially given, as I'm remembering back to the other episodes as we've been tracking this over the past couple of years together.

It's just amazing to see that right now. And talking about years ago, two years ago. NIC map first, the first market outlook identified a significant development gap ahead for the senior housing industry. What has happened since then and how has that outlook changed?

Kyle Gardner
So the original report really looked at the growth of the 80-plus population over the next 25 years, the current supply mix, and the rate of development, trying to take some very basic fundamentals of our industry and look out for into the future.

The demographic side is well established. The baby boomers are turning 80 this year, and they're growing, you know, at the same pace we were expecting them to. The big thing that's changed is that development has actually slowed down even more from the historical lows. It was out a few years ago. So that's why the gap is widening.

It's not that there is an unknown number of baby boomers who have just popped up on the planet. It's that the capital markets and the development markets continue to be very difficult to execute in for our industry. And that's contributing to the pace. You know, we'll talk about current performance of existing supply in a little bit. But the big takeaway is that development continues to be incredibly difficult and expensive.

Josh Crisp
Well, so Kyle, those are a lot of topics we want to unpack. You just kind of touched on that, but let's sort of dissect a little bit more of this big wave that we've been talking about. So it's here basically, you know, the first baby boomers, as you just alluded to, you just said it's 2026. They turned 80.

04:16 - 08:11
Josh Crisp
We've been talking about them for years. I can remember back in the early teens of 2013, 14 people were talking about this, and that started the conversation. Well, they've started turning 80. So has this big boom actually arrived, or what? Your opinion on that?

Kyle Gardner
Yeah, you could think about it as it started to land. You know, this cohort of customers, the baby boomers, are entering their 80s now.

And over the next five years, we're going to see, you know, our country is going to have to serve an additional 5 million people of this age cohort. So for senior housing, that's an extra 5 million leads to engage with 5 million families, to talk to 5 million people to serve and take care of. And with our historical penetration rate, we're serving 10 to 12% of that cohort generally.

So somewhere over 500,000 new residents will move in. In addition to the families and the residents we're serving today. And that's just in the next five years. But it doesn't stop because the cohort gets bigger as time goes on. The baby boomers, you know, didn't peak in 1946. You know, they continued to grow and grow.

So about 15 years from now we will have an additional 13 million people over the age of 80 in this country relative to where we are today. So that's an additional million-plus potential residents that our industry might be serving in that time. And, you know, we need to build some properties in order to take care of them or come up with some new services or means of care delivery to engage those families and help them in their, their stage of life.

Josh Crisp
Well, so you just started touching on some of my questions, right? Because when you hear those data points, that sounds really exciting. And I mean, the antennas pop up. What an opportunity, right, for our industry. But, you know, depending on what hat you wear, whether it's the developer, the owner-operator, the management company, I think there's a lot of different implications there.

But I mean, what does this really mean for senior housing? What's going to happen, literally, you think, from a data perspective, and what are the implications for our industry? You know, we're we're coming up on a conference and everybody's going to be talking about this because this data is now you guys are putting it out there. What do you think those conversations are going to be like?

Kyle Gardner
I think that there will be a couple of different types of conversations, and it will come down to like how much capital you can raise. So hopefully everyone's talking about how can I make development happen, you know, within my markets, within my areas of interest. And people are sharing ideas on how to get creative, either for saving on building costs so they can lower the total project cost.

They're looking at creative financing solutions, trying to reinvent the wheel generally because things just aren't getting done at a pace that the industry is used to doing, not even meeting the need of tomorrow. Just what is our historical norm? We're so far below that, so I would love to have conversations or hear about people having those conversations and trying to problem-solve for building and financing that growth.

08:11 - 12:58
Kyle Gardner
But I also think there's going to be a lot of conversations around new capital coming into the space, seeing this growth opportunity, wanting to participate in the industry in a way they haven't before, and looking around for acquisitions, for management partners, for service partners. So it should just be a really exciting time of growth across the board.

Josh Crisp
Well, and you know, this is not something that is speculative. You know, when we're talking about this wave of population, it's the data points. It's in the census. And so it should be somewhat predictable. So, you know, that seems like it's a position where we know exactly what we should be planning for. How do you think that's impacting plans as we're forward looking at at this data?

Kyle Gardner
I think because it is so well documented and established and it's not an assumption, it's it's a fact. These people will turn 80 now or in the very, very near future and they will need some type of care. They will need some type of service. I think that helps reduce friction to institutions or entrepreneurs who have not been in this space before, and they're looking around for a problem to solve. They're looking around for a place to deploy capital and get a return.

And they can see, wow, there's just this monumental amount of new demand entering senior housing. And when I compare that to other, you know, investment opportunities, this one seems really attractive. So, you know, Crieff has put out some data that senior housing continues to be the number one performing asset type, at least on a on a one year basis.

I think we're at like seven quarters and straight of being the number one performer. That's going to get the attention of large institutional capital managers. But I'm also seeing a big influx of what I would call retail investors who are setting up residential care homes or are looking to become service providers in the space and participate in the wave in maybe a way that's not traditional to the classic Nic cohort, if you will.

Lucas McCurdy
You know, a big part of that story is, is demographics and also absorption. And this is, to me, one of the fun parts to talk about, you know, the demographics that tells us about what's coming. But the operating data tells us what's happening today. What are you seeing in senior housing occupancy and absorption?

Kyle Gardner
The occupancy story is one everyone should be excited about. You know, we talk publicly about a couple of different numbers. So I'm going to answer your question using our primary and secondary market group. So think about the 100 largest metros in the country. You know, New York, Dallas, Philly, Nashville, Raleigh, things of that nature. That cohort has passed 90% occupancy for the first time since Covid. And that's on the back of almost four years of continuous occupancy growth.

So the story of, you know, filling buildings continues to occur. That's for stabilized occupancy. If you look at different cuts of the data, some cohorts are even higher on the occupancy chart. Some are lower as well. But kind of overall, the average is in the 90s. From an from a absorption standpoint, you know, the occupancy only rises because there's demand and absorption really measures that.

So we've had four straight years of occupancy growing by 200 basis points or basically 2% each year. And that's on the back of absorption. Historic levels continue to to occur. So pre-COVID, you know, our kind of high bar for absorption was in the like 5000 unit range per quarter. We have not been below that threshold since 2021. So basically sense from the beginning of 2022 to now, we have outperformed our best pre-COVID level.

And that's just a sign of, you know, the baby boomers started shopping for senior housing before they turned 80. There's new product type in our market that's attracting a younger senior. I think families are being more intentional and planning for the long term, even if they don't intend to move in later. You know, they're shopping earlier, they're trying to get educated earlier.

12:58 - 15:46
Kyle Gardner
So these are all positive signs that people need our product. They're heavily considering our product. And you know, the adoption continues to be strong.

Lucas McCrudy
That just shows such a the, you know, a great health of the recovery in our industry. You know, can you tell us more about kind of the durability of this? I mean, are we going to continue to see this growth? Is it a flash in the pan? Where are we going?

Kyle Gardner
Well, I'd like to think it will continue for two reasons. We know. You know, at least the folks here on the pod know this industry is a need-based service. You know, we really try as an industry to make the lifestyle and the living environment of our residents really high quality.

Make it engaging, make it fun. But people come for care. The overwhelming majority of our of our customers, of our residents come for care. And that's shown up during the Great Depression that shown up during Covid. That showing up today of people come because they have a need. And so as the, you know, fundamentally what that means as the base population grows, assuming absorb, excuse me, assuming that penetration and adoption rates of the product remain constant, we will have a greater need from the population.

So, you know, the demand is is consistent because of the demographics. Things that might change that would be alternatives or new care, new care environments that come up. Maybe that's the evolution of care at home. You know, in the single family house. Maybe that's new products that our industry comes up with, new care delivery models or some some kind of change in, in consumer behavior.

Those are all things that could affect it. But those types of things typically take a very long time to affect change, maybe even an entire generation. And that's just, you know, my my opinion, not not the official one of NIC map. So when I look at the near-term demand in the near term profile of supply, I feel very confident that this kind of upward trend that the industry is experiencing will continue, and at worst, it will flatten out. I don't see a reason that would cause us to see material occupancy declines at the national level.

Josh Crisp
So, Kyle, this wave of demographic that is helped lead to these occupancy boosts absorption, growth. Let's flip the coin a little bit and talk about the supply. You know, at the same time the demand is greatly accelerating, which is just an awesome story for our industry.

15:46 - 21:03
Josh Crisp
Construction starts are, you know, really low and continue. They've actually fallen. So what does that really mean for the whole development pipeline.

Kyle Gardner
Yeah I think it reflects that. We're in a challenging environment. Costs are very high. Regulatory regulations on new building are getting difficult. And not just in our industry either. I, you know, looking at Wall Street Journal or kind of national press, I'm sure everyone's seen headlines on the reactions to data centers and people getting nervous about new large scale projects popping up in their backyard.

So as a nation, if we respond negatively to development generally, even if we know we need some of it, like senior housing or other health care services, you know, increased regulations across development classes can negatively impact us. And I'm not saying that the blowback on data centers is the reason that senior housing is slowing down. I think there's nuanced reasons to that, mostly on, you know, compressed margins of the operating profile.

Construction costs are still much higher than they were pre-COVID. Labor is a challenge and continues to be. So, you know, really the outcome of all that is just the gap between what we are able to deliver and what we need to be able to deliver is growing in in the wrong way. And that means that, hey, there's an even bigger investment opportunity for capital and operators and entrepreneurs who can come into this space and find ways to get deals done.

Josh Crisp
It seems like we've got, you know, two contradicting lines on on the graph between the demographic and that supply and demand. It just keeps growing. I mean, what do you think is going to happen if those continue to widen

Kyle Gardner
So many ways to kind of approach this, putting on my personal hat for a moment and just thinking of like, all right, the what if scenarios, I think if there's if we as an industry don't meet the need of the resident or the customer, the customer will look elsewhere.

That's first and foremost. And, you know, fortunately, we have enough supply to serve a material portion of the of the residents or the prospective residents of our country. But at ten years from now, if we don't up our development pace, there will be more people shopping elsewhere than they will be shopping here. And so I think that's lost revenue opportunity for our industry, that's lost opportunity to serve families, to build connections.

And so if we're not able to build new physical plant, you know, build new properties, can we come up with new service lines to meet people in the broader community outside the four walls of our building? Can we create subsidiary service lines to go into the home? Because if we don't as an industry, I think we'll see new entrants from technology or other health care areas seeking revenue and seeking growth for themselves come up with solutions to sell against senior housing and try and serve that massive demographic group, the the 80 plus boomers.

So, you know, there's a lot of ways that could unfold. It could be technology, it could be new health care lines. Another another possibility is if we aren't meeting the need of tomorrow's resident, the government, the federal government might step in and try and fill the void. You know, we just look at skilled nursing and see how that's played out.

You know, I think that's probably far off. I don't want to speculate on like when or what that looks like, but that's certainly a possibility if we can't get our stuff together and kind of deliver for tomorrow's residents.

Lucas McCurdy

So this is a really fun topic for me personally when we talk about existing inventory. You know, Kyle, you and I have talked about how many communities there are nationwide before and just the age, the actual age of these communities.

I believe it's two out of every five senior housing units are now more than 25 years old. And my day job, as many know, is renovating those 25 year old communities and units. And it's a big topic. And right now we're very busy doing those things. But I think on the back of what you just said is, are there other creative ways to be thinking about this beyond simply building new communities?

I know for me personally, I'm having a lot more conversations about expansions. If if a operator or an owner has even an inch more of land to add on to, whether that's adding a new unit or maybe a memory care to their existing A.L. or even cottages are very hot right now. I think that those are big conversations moving forward. I'd love to get your thoughts on that.

21:03 -
Kyle Gardner
Yeah, I'm seeing and hearing a lot about that as well, where it's, you know, more cost effective to do the expansion, in part because you've already got the fixed cost coverage of the staff. You know, the incremental staff load is a lot lower the development cost to still expensive, but it's a smaller absolute dollar than taking on a complete build.

And more often than not, it seems to be paying off in the long term financially for all parties. So everyone kind of comes out on a happy place in that regard. Do you get to serve more residents at the community? The investors and the operators make a return? We're going to have to see more of that candidly, because if we're not, if we're already unable to meet the development pace on a net new basis, then cycling or refreshing old supply and replacing that with net new properties, right.

How often do we hear about someone buying a 150 unit building, tearing it down and building it completely new from scratch? That's just unheard of. But you go through single family neighborhoods and you see teardowns all the time as people want that ideal plot of land. So I think we'll start to have a bifurcation or kind of a broadening of offerings where older buildings get refreshed and serve maybe the middle market, or they find a niche kind of specialty in their local region.

The new supply will probably have to come in with higher rates just given the costs to build. And so maybe that's serving a more affluent market. And then the majority of the supply that's out there kind of fits in the middle, you know, from the value play to the premium or like low end of luxury, something of that nature.
I think we'll just have more choice, which is nice for the customer. But obviously that's going to vary from market to market. I think the really well built out markets Florida and California, Texas, Pennsylvania, Ohio, there will be a lot of variety available to consumers, but we still need more. You know, that's the story as we just need more.

Glad to know that. Like you're keeping busy though. Would love to hear just you know, is there any type of specific expansion that you're seeing. Is it typically, you know, a little a little facelift? Is it a full on like additions like ten, 20% unit increase?

Lucas McCurdy
Absolutely. It's all of those things, I think that the the owners and operators, investors out there, again, if they have even a little bit to add on to or or connect some of these, you know, buildings, their wings are either L-shaped or U-shaped. And if there's a way to close that circle, even with adding, you know, eight more units, it can really impact, especially with the demand.

And I think it brings you bring up a good point. Even on the repositioning side, is this balance between, you know, one might think, well, we're going to have eye occupancy anyways. Why do we need to reinvest CapEx? Why do we even need to refresh? We're going to have a full building anyways. I will say that is not the attitude that I'm seeing in the marketplace. I'm seeing an aggressive attitude that is taking even some newer buildings, meaning let's say it's eight, ten, 12 years old and there is a refresh happening where historically I've been at this 18 years, those buildings, they sit for another decade before they get refreshed.

And that's that's not happening. I think people are refreshing across the board. And what I'm noticing and I'm I'm wondering if this is consumer demand. There's a high Infosys and a high priority placed on unit refreshes right now. I will tell you, because I have been through thousands and thousands of units and they are old. They are very old and they may have even updated the common spaces.

But these units are tired and the industry has not been able to come up with a really cohesive solution to do unit refreshes at scale. What has happened over the past couple of decades? It has been left in the hands of the maintenance director, and what happens when that is done is you get a patchwork quilt. This unit has a different light.

This unit has a different countertop, this unit has a different faucet. And they're all just, you know, off the bargain shelf at Home Depot. And I'm noticing the rights, private equity and owners are wanting a uniform, cohesive program dedicated to updating units. And I think that maybe consumer demand.

Kyle Gardner
Yeah, that's incredible insight and kind of makes sense. Right. We always get compared to hospitality. And if you go into a hotel, you can tell pretty quickly if the units are dated and if the wallpapers from the 90s, that feels odd in 2026. And you know, the baby boomers are talked about as being choosy or very informed buyers, very opinionated buyers. They've traveled the world. They've they've they're coming as the wealthiest customer on average, that our industry has ever served.

00:26:37:14 - 00:26:58:08

Unknown
So it doesn't surprise me that they want they want what they want, if you will.

Lucas McCurdy
Yes, absolutely. Kyle, thank you so much. We really appreciate it.

Kyle Gardner
Absolutely guys. Much love. See you out there.

Lucas McCurdy
To all of our listeners. We'd love to hear from you. Engage with our content. Go to com and see you on the next one. Thanks for listening to another great episode of Bridge the Gap.