

SENIORS HOUSING OUTLOOK

NAVIGATING GROWTH, INNOVATION, AND
INVESTMENT IN A TRANSFORMING MARKET

FALL 2025

WALKER & DUNLOP®

EXECUTIVE SUMMARY

The seniors housing sector is enjoying strong momentum and heightened investor confidence in 2025. Tight supply, combined with the most favorable demographic trends in decades, has created a competitive environment that rewards well-positioned owners and operators. Demand is outstripping new deliveries in nearly every market, and this imbalance is driving rent growth, boosting valuations, and intensifying competition for high-quality assets.

From Walker & Dunlop’s perspective, the market is being defined by three converging factors:

- 1. Deep capital interest from institutions returning to the sector.
- 2. Capital markets that are increasingly supportive with expanded lending options.
- 3. Operational performance that is steadily improving.

Our clients are capitalizing on this environment through strategic recapitalizations, acquisitions in supply-constrained markets, and repositioning of older assets to meet evolving consumer expectations.

The return of the GSEs, the launch of HUD’s Lean Express Lane, and active participation from bridge lenders and preferred equity providers are expanding financing flexibility. Moderating interest rates are further supporting transaction activity.

While potential Medicaid funding changes could introduce localized challenges, Walker & Dunlop sees the fundamentals—aging population growth, minimal new supply, and operational stability—as overwhelmingly positive. In 2025, seniors housing stands out as a sector where decisive, informed strategies can deliver exceptional results.

This report offers a comprehensive analysis of the current state of the seniors housing market, identifying key demand drivers and exploring the challenges and opportunities ahead. It also provides insights into investment trends and operational considerations shaping the industry’s future.

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HAVES AND HAVE-NOTS IN SENIORS HOUSING

Performance gaps between high-quality, well-located communities (the “haves”) and underperforming assets (the “have-nots”) remain wide in 2025. Properties in strong markets with experienced operators continue to outperform, while older, less competitive assets struggle to attract and retain residents. Demand for best-in-class product has intensified, with top-tier assets routinely drawing 10–15 qualified bids, compared to just 2–3 bids in prior years.

The characteristics that define the “haves” remain consistent—modern design, desirable locations, strong operator reputation, and superior amenities—while “have-nots” continue to be marked by some combination of dated physical plants, weak management, and poor market positioning. The competitive landscape for core assets underscores the importance of some combination of operational excellence, brand strength, and market selection in capturing both resident demand and investor interest.

DEFINING A HAVE



HAVES vs HAVE-NOTS IN TODAY'S MARKET

HAVES

Characteristics:

- ✓ A+ locations
- ✓ Unique product
- ✓ Favorable supply/demand metrics
- ✓ Compelling growth stories – employment, population trends, property-level upside etc.
- ✓ Strong property-level fundamentals – 95% + occupied, out-sized trade-outs, lack of concessions

Transaction Results:

- ✓ Depth in bid sheets
- ✓ Institutional capital showing up
- ✓ Going-in cap in the low 6% to low 7% range

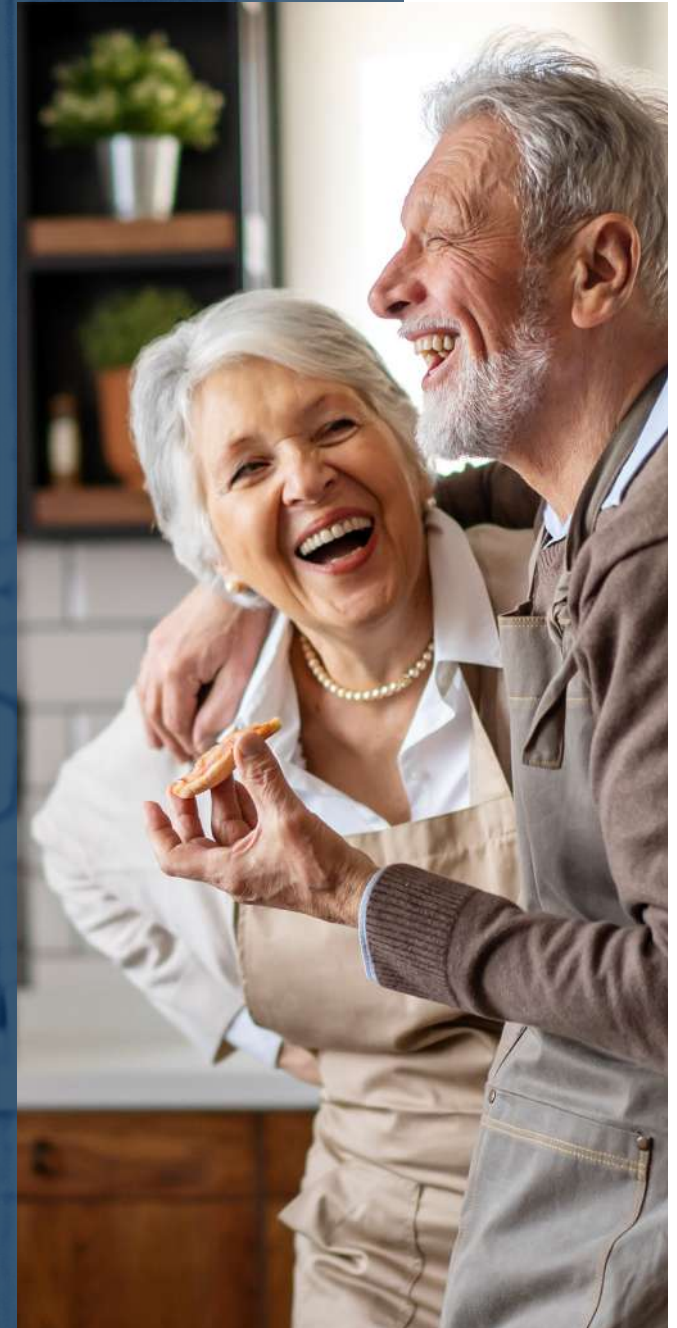
HAVE-NOTS

Characteristics:

- ✗ Secondary/tertiary locations
- ✗ Commodity product
- ✗ Near-term supply concerns
- ✗ Difficulty stabilizing
- ✗ Flat to negative lease trade-outs

Transaction Results:

- ✗ Shallow bid sheet
- ✗ Going-in cap is driven by leverage
- ✗ Often valued at discount to replacement cost





DEBT CAPITAL MARKETS OVERVIEW

Capital market conditions for seniors housing in 2025 are more favorable than in 2024, with notable developments influencing both availability and cost of capital:

ALTERNATIVE CAPITAL SOURCES

Bridge lenders and preferred equity providers remain active, often stepping in to facilitate refinancings or recapitalizations when traditional bank lending is constrained. In many cases, these lenders are offering flexible structures to support property improvements, repositioning strategies, and interim financing until permanent solutions are secured. Life insurance companies are back pursuing high quality permanent financing opportunities, typically for newer assets in larger markets.

BANK SECTOR TRENDS

Regulatory burdens continue to limit some regional banks' appetite for seniors housing lending, but relationship-driven lenders are selectively pursuing opportunities. Banks with strong sector experience are using their market knowledge to win deals by tailoring loan covenants and underwriting assumptions to the unique operating environment of seniors housing.

INTEREST RATE ENVIRONMENT

Moderating long-term rates have improved debt sizing and enabled borrowers to lock in attractive spreads compared to 2024. This has translated into higher leverage availability for well-performing assets and more aggressive terms on refinancing packages.

RETURN OF THE GSES

Fannie Mae and Freddie Mac have re-engaged in the seniors housing space, offering competitive fixed- and floating-rate structures for stabilized properties. Their renewed presence is increasing competition among lenders and helping drive down spreads for top-tier borrowers.

HUD LEAN EXPRESS LANE

Newly introduced to streamline processing for qualifying transactions, the HUD Lean Express Lane significantly reduces timelines from application to commitment. This program is particularly appealing for owners pursuing refinancings or acquisitions with tight closing deadlines.

These factors have created a financing environment in which well-capitalized borrowers with high-quality assets have multiple execution options. The combination of broadened lender participation, improved pricing, and innovative financing programs is making this an opportune time for owners and operators to optimize capital structures and position assets for long-term success.

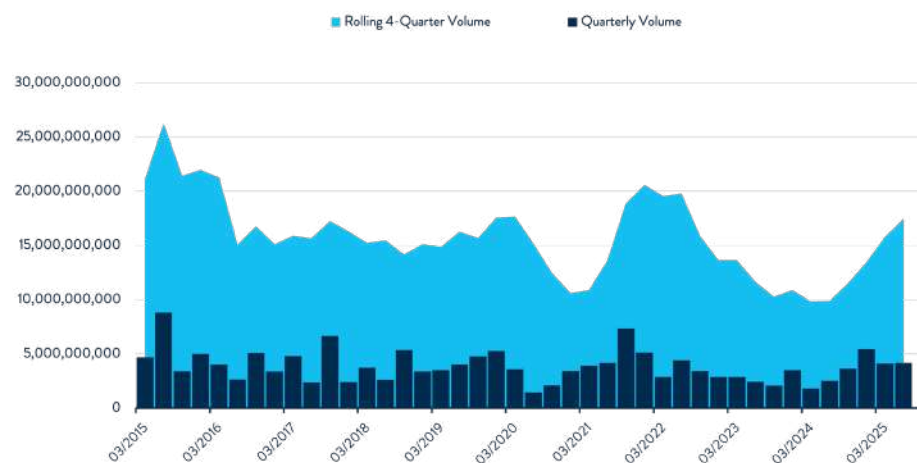
MORE ON LEGISLATIVE CHANGES AND UPDATES

Several legislative and regulatory developments are shaping the 2025 seniors housing landscape. Proposals to shift Medicaid funding from federal to state oversight could impact reimbursement structures for communities serving lower-income residents. At the same time, HUD's Lean Express Lane reflects a federal push to streamline affordable and seniors housing financing, with shorter timelines helping meet urgent capital needs. State-level initiatives in key markets are focusing on incentivizing redevelopment of underutilized commercial properties into seniors housing, potentially unlocking new supply channels. While these changes bring both opportunities and risks, Walker & Dunlop's advisory teams are actively guiding clients through compliance requirements, funding strategies, and advocacy efforts to ensure they remain well-positioned in an evolving policy environment.



TRANSACTION MARKET OVERVIEW

The seniors housing transaction market in 2025 reflects renewed energy and heightened competition. Sales volumes have increased meaningfully compared to 2024, supported by improving debt markets and stronger investor conviction in the sector's fundamentals. Transaction velocity is highest for stabilized, Class A assets in supply-constrained markets, where deep bid sheets—often exceeding 10 qualified offers—are now common. Cap rates for these assets have compressed modestly as capital sources compete for limited opportunities.



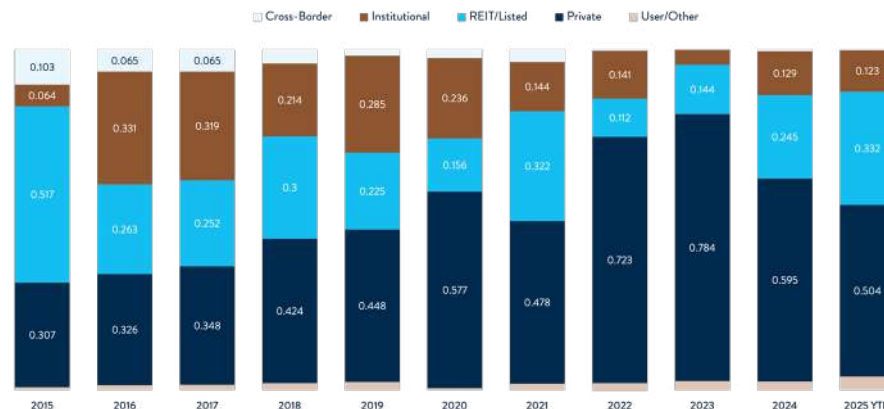
Source: Real Capital Analytics

Distressed sales remain a small portion of total volume, with most transactions driven by strategic portfolio adjustments, recapitalizations, and opportunistic acquisitions.

BUYER AND SELLER EVOLUTION

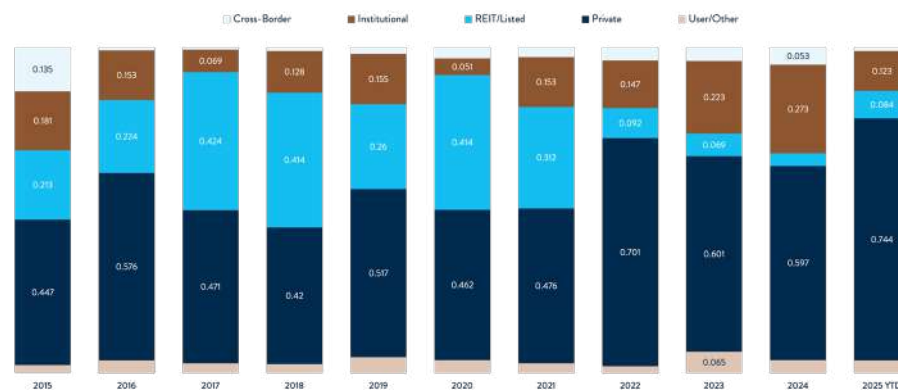
The buyer pool remains broad but is weighted toward private capital, with public REITs and institutional investors also leading, especially in instances of “haves” sales.

BUYER COMPOSITION



A look at sellers underscores the dominance of domestic, private capital in 2025 deal-making and the continued depth of competitive processes for core assets. On the sell-side, activity is led by long-time private owners monetizing gains, institutional sellers rebalancing or pruning non-core holdings, and operators/developers recycling equity from stabilized assets against a backdrop of limited forced sales given lender extensions and recapitalizations.

SELLER COMPOSITION



Looking ahead, transaction momentum is expected to continue as more owners look to capitalize on favorable pricing and financing conditions. Walker & Dunlop's transaction teams are seeing strong alignment between buyer demand and seller expectations, particularly for well-operated assets with proven market appeal.



SELLER MOTIVATIONS

Seller behavior in 2025 reflects a shift from “need to exit” to “choose to optimize,” with most dispositions motivated by opportunity rather than distress. Primary drivers include:

- **Monetize gains/recycle capital:** Cap-rate compression enables owners to crystallize value and redeploy into higher-growth markets or new strategies.
- **Portfolio rebalancing:** Institutions and private owners are pruning non-core assets and consolidating around supply-constrained metros with scale advantages.
- **Debt maturity management:** Sponsors evaluate sale vs. refinance as lenders extend maturities or provide new structures; bridge/preferred equity fills bank gaps.
- **Developers taking chips off the table:** Select developers sell stabilized assets to reload equity for future projects amid scarce development financing.
- **Policy and reimbursement considerations:** Potential Medicaid shifts prompt selective de-risking, while HUD’s Lean Express Lane accelerates refinancings as a selling alternative.
- **Capex and repositioning:** Owners with high capital needs sell to renovation-focused buyers, or invest to demonstrate NOI growth before value-realization sale.

Sellers are predominantly exercising choice—maximizing proceeds, re-aligning strategies, and leveraging improved debt options—rather than exiting under pressure.



BUYER MOTIVATIONS

Buyers in 2025 are prioritizing stabilized cash flow and durable rent growth supported by demographic tailwinds and scarce new supply.

Core motivations include:

- **Scale:** Buyers are aggregating platforms/markets to capture operating efficiencies.
- **Certainty:** Buyers favor stabilized assets and proven operators in supply-constrained submarkets.
- **Value creation:** Buyers are considering selective capex/repositioning where pricing reflects pre-upgrade NOI.
- **Capital access:** Buyers are leveraging GSE re-engagement and HUD’s Lean Express Lane to reduce execution risk and cost of capital.

Bid depth continues to expand, supporting firm pricing for best-in-class communities. Buyers are paying for quality, operator strength, and location, with disciplined underwriting and a premium on speed and certainty of close.



OPERATIONAL PERFORMANCE INSIGHTS

Operational performance in the seniors housing **market continues to improve** in 2025. National occupancy has recovered to pre-pandemic norms at an impressive **88.1 percent**, reaching a second-quarter high as net absorption continues to outpace limited new supply.¹

Asking rents set new highs in 2025, supported by tight supply and steady demand. **Pricing power remains strongest** in supply-constrained submarkets.

¹ NIC MAP® Q2, 2025

GROWTH AND HEADWINDS

Looking ahead, the sector faces several headwinds, including capital needs and supply constraints.

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AFFORDABILITY AND PAYER MIX

Rapid rent growth heightens affordability pressure for some segments, while potential Medicaid funding shifts create reimbursement uncertainty by state.



ELEVATED WAGE BASELINE

Although pressures have eased, wage levels remain above pre-2020 baselines, and some markets still face staffing issues.



CAPITAL NEEDS

Deferred maintenance and modernization requirements can weigh on near-term cash flow if not paired with pricing that reflects capex plans.



LOCALIZED SUPPLY POCKETS

Despite low national deliveries, select submarkets may experience near-term competition from recent openings.

TAILWINDS

Despite some headwinds, the sector shows significant promise due to a number of tailwinds.



LABOR NORMALIZATION

Reliance on agency staffing has eased, and scheduling is more stable, improving day-to-day operations.



INSURANCE AND OPEX VISIBILITY

Insurance costs have moderated from prior peaks, and operators report greater predictability across major expense lines.



VALUATION AND CAP RATES

Strong fundamentals have translated into modest cap-rate compression for core assets as buyer competition increases.



RESILIENT DEMAND

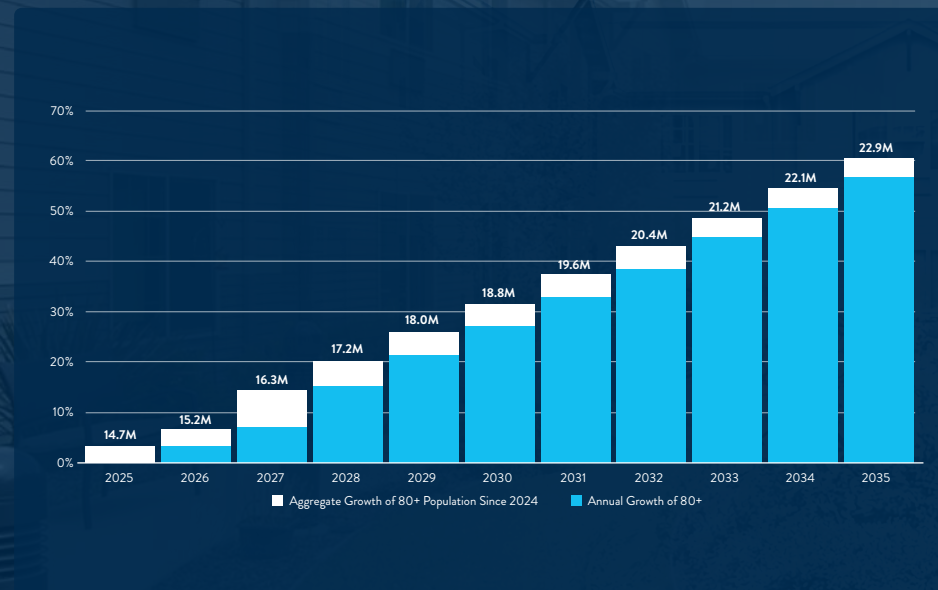
The needs-based nature of seniors housing makes the sector less economically sensitive than other CRE sectors. The increasing 80+ population, combined with low inventory growth, is expected to push occupancy rates above former highs in the coming years.

Source: Green Street Research

SUSTAINED REVENUE GROWTH AHEAD

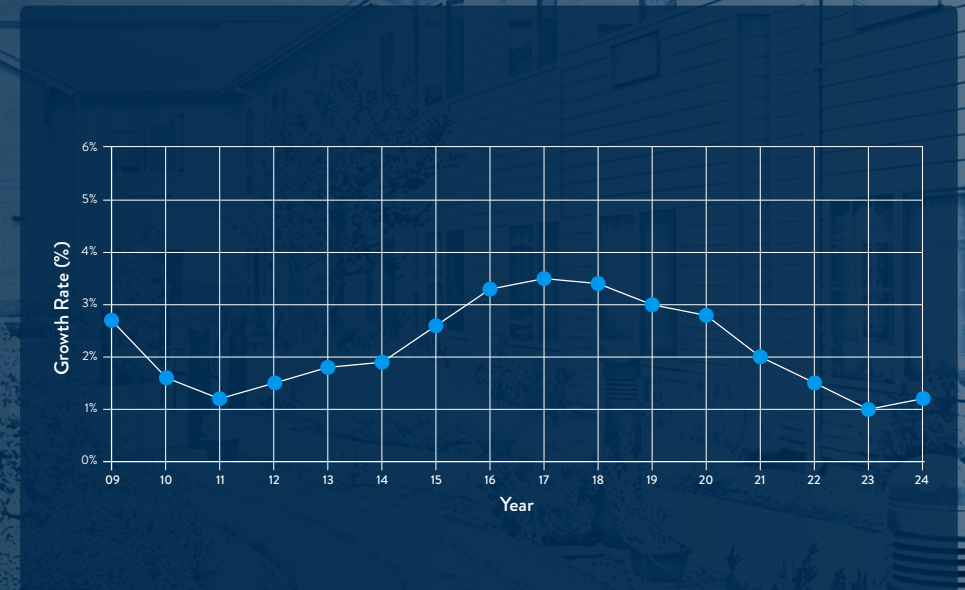
Seniors housing is positioned for a multi-year stretch of rate growth, especially in supply-constrained submarkets. Pricing power is being sustained by two reinforcing forces: exceptional growth in the aging population and a sharply reduced construction pipeline that has kept new deliveries muted since mid-2021. Together, these dynamics support continued revenue gains for well-operated communities while rewarding assets in markets with limited competitive supply.

US 80+ POPULATION GROWTH



Source: NIC MAP® and US Census estimates

NATIONAL SENIORS HOUSING SUPPLY GROWTH

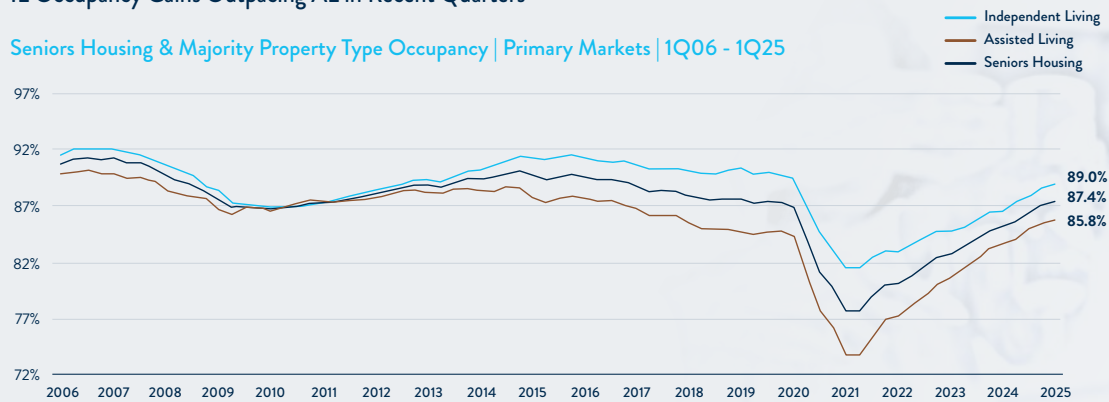


FINANCIAL PERFORMANCE

Financial performance has strengthened meaningfully, reflecting the combined impact of occupancy recovery and sustained rate growth. At the asset level, operators report improving interest coverage and debt-service metrics as revenue growth outpaces expense inflation and labor volatility subsidies. There is a clear upward trajectory in revenue/NOI trends since 2022 and an anticipated acceleration through 2025, with the sharpest gains in supply-constrained submarkets.

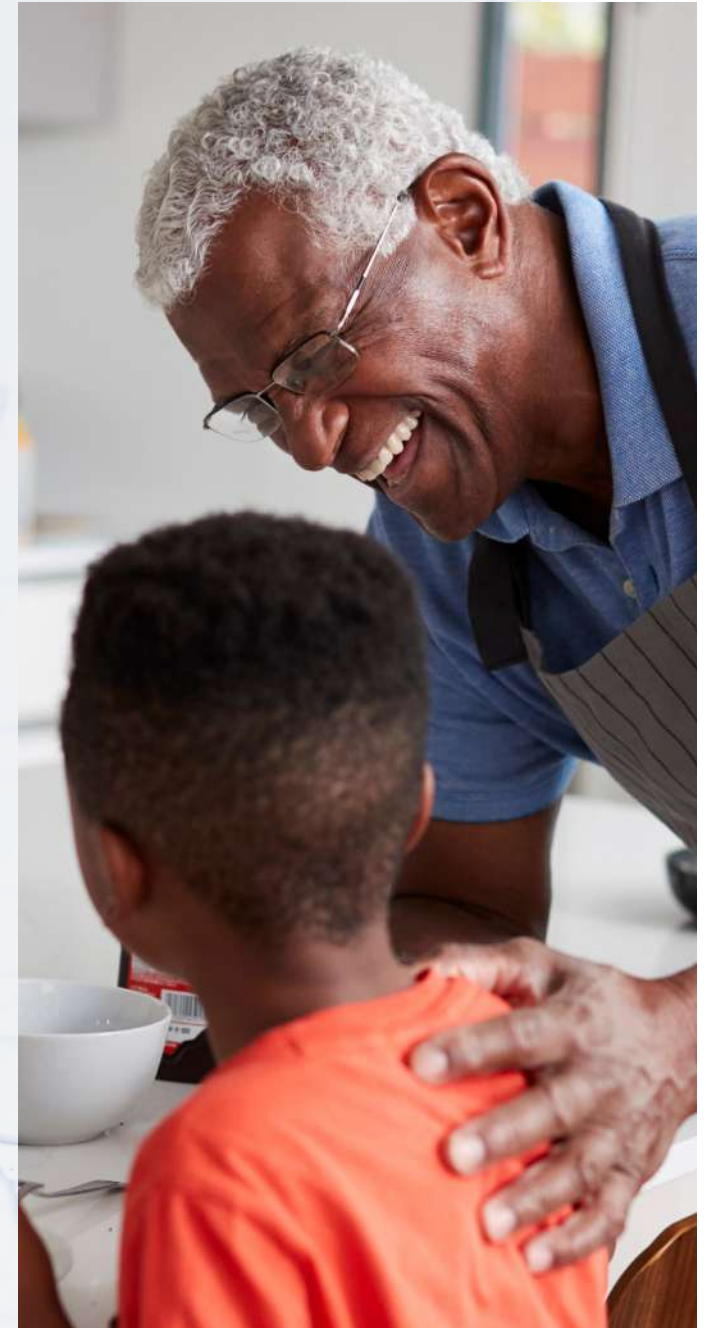
IL Occupancy Gains Outpacing AL in Recent Quarters

Seniors Housing & Majority Property Type Occupancy | Primary Markets | 1Q06 - 1Q25



Source: NIC MAP®

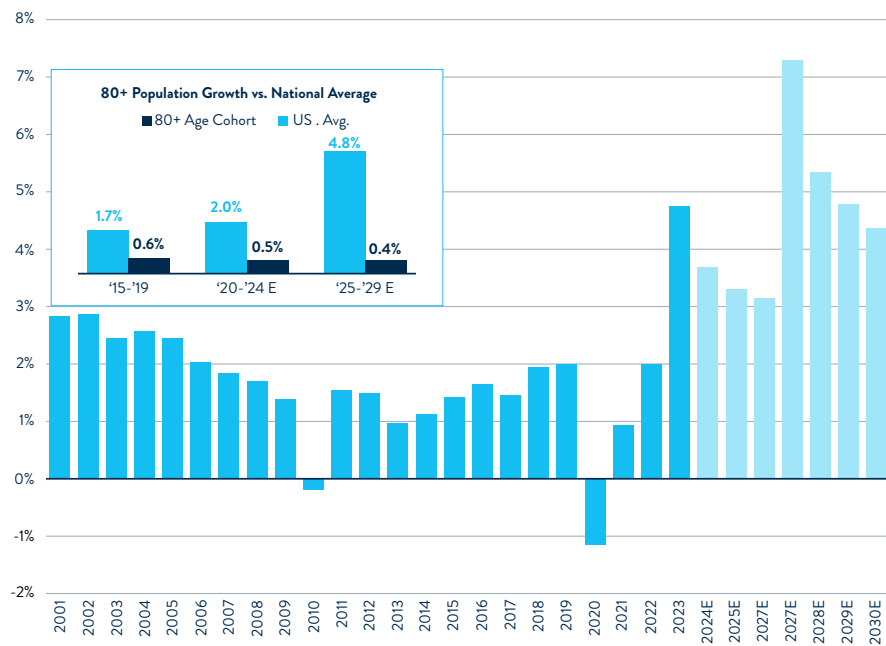
From a capital markets perspective, stronger in-place cash flow and clearer expense visibility are supporting higher loan proceeds and more competitive refinancing packages, particularly when paired with GSE executions or HUD's Lean Express Lane. For owners, the combination of durable revenue growth and stabilizing expenses creates a window to optimize capital structures. For buyers, underwriting should emphasize operator quality and submarket supply barriers to sustain performance.



DEMOGRAPHICS AND SUPPLY

Demand fundamentals remain exceptionally strong as the oldest baby boomers enter higher-acuity, services-rich living years. U.S. Census projections show rapid growth in the 80+ cohort through 2030, expanding the pool of age- and income-qualified households and sustaining move-in velocity.

Population Growth (80+ Year Olds as of Census '23 Estimates)

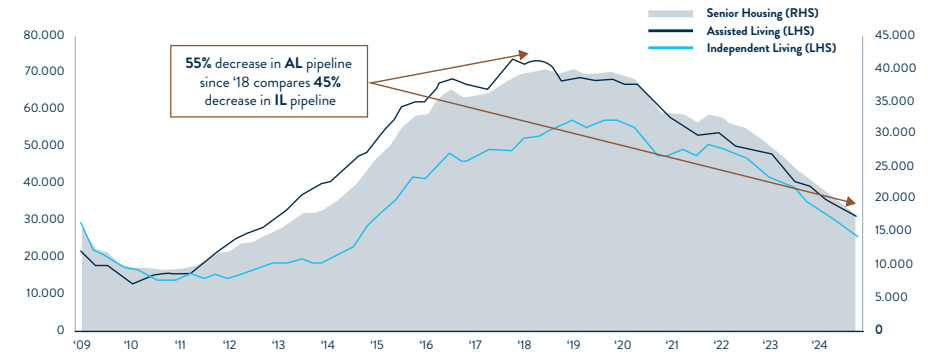


Source: US Census Bureau, Greenstreet

This surge is occurring against the backdrop of a construction pipeline that has reset to decade lows, with inventory growth at or near record troughs since 2021.

On the supply side, development remains constrained by construction costs, tighter bank underwriting, and select zoning hurdles, keeping new deliveries muted even as pre-leasing and waitlists strengthen in many submarkets. Meeting projected demand will likely require building at a pace well above historic peaks

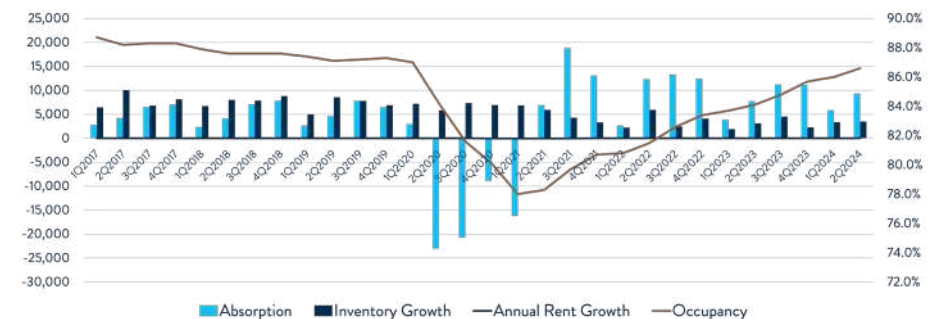
Units Under Construction



Source: Greenstreet

Implications for strategy: Prioritize markets with evidence of durable demand and a limited competitive pipeline. Lean into value-add repositionings where capex can modernize the product quickly.

Seniors Housing Fundamentals



Source: NIC MAP®



FUTURE OUTLOOK

Seniors housing enters the next 12–24 months from a position of strength. Tight supply, sustained demand from aging cohorts, and improving access to capital are expected to support continued revenue growth and active transaction markets. Walker & Dunlop expects:

- **Revenue trajectory:** We expect continued rent growth in supply-constrained submarkets as absorption exceeds muted deliveries. Operators with service differentiation should capture outsized gains.
- **Cap rates and pricing:** There will be modest additional cap-rate compression for core assets where bid depth remains 10–15 offers. Pricing should stabilize for secondary assets as financing terms improve.
- **Financing conditions:** Expect greater liquidity from GSE re-engagement. HUD's Lean Express Lane should support refinancings and acquisitions, lowering execution risk and widening buyer pools.
- **Development timeline:** Starts are likely to remain subdued given construction costs and underwriting standards. New supply will lag demand through at least 2026 in many markets.
- **Strategy focus:** Scale and operator quality will be the primary differentiators. Value-add through targeted capex/repositioning remains attractive where pricing reflects pre-upgrade NOI.
- **Policy watchlist:** Monitor state-level Medicaid changes and affordability pressure. Capital plans should include scenarios for reimbursement shifts and selective rent moderation.

With demographic tailwinds intensifying and construction at decade lows, seniors housing is set up for durable performance. Owners and investors that lean into scale, operating excellence, and proactive capital planning are best positioned to outperform in 2025–2026.

WORK WITH WALKER & DUNLOP

Walker & Dunlop continues to play a pivotal role in the advisory seniors housing market, leveraging deep industry expertise and a broad network to facilitate transactions and drive value for clients. No matter where you are in the seniors housing space, we have solutions to help you achieve your goals.

Our solutions include:



INVESTMENT SALES

Broad marketing processes
Matchmaking solutions



INVESTMENT BANKING

Developer platform advisory



DEBT CAPITAL MARKETS

Bridge solutions
Acquisition financing
Credit facilities



EQUITY SOLUTIONS

W&D proprietary equity
Recapitalization solutions

CASE STUDY

RALSTON CREEK NEIGHBORHOOD

Situation: Ralston Creek, a 134-unit Class-A Assisted Living & Memory Care community in Colorado, was built in 2017 and financed via Series 2017A and 2017B tax-exempt state bonds.

Challenges: The asset fell into operational distress via its first non-profit owner-operator. Beginning in 2022, the owner-operator failed to make monthly payments on account of the Series 2017A Bonds, and the Trustee retained counsel to represent it. In 2023, the non-profit borrower was acquired through an affiliation agreement with another non-profit. This non-profit took over operations of the asset in the fall of 2023 and subsequently put forth a plan to hire representation to list the asset for sale.

Marketing strategy: Walker & Dunlop was engaged in 2024 to market the community on behalf of the non-profit and bondholders. The buyer list included national and regional private equity, REITs, local owner/operators, and non-profits. Each of these potential buyers was sent an initial teaser email and subsequently contacted directly by the Walker & Dunlop team.

Outcome: After canvassing the full spectrum of potential investors for the asset, Walker & Dunlop received 14 letters of intent to purchase the community. Four offers were proffered by local owner/operators. Five groups were selected to tour the asset and submit buyer questionnaires along with a best and final bid. A standout buyer was then selected based on the strength of their offer terms and ability to confidently close the transaction. Walker & Dunlop also negotiated the selection of a backup bidder to perform due diligence concurrent with the first-position buyer.

CASE STUDY

OWNED & LEASEHOLD PORTFOLIO DISPOSITION

Situation: Walker & Dunlop was engaged by the client to sell a portfolio consisting of 44 skilled nursing facilities, of which 37 were leaseholds only. The portfolio consisted of over 10 landlords, 4,143 beds, and spanned six states—WA, OR, NV, WY, SD, and MT.

Challenges: The majority of leaseholds lacked a path to real estate ownership through purchase options. Since this was the case, Walker & Dunlop emphasized to the market that a prospective buyer and leasehold assignee would be saving capital resulting from not having to acquire the real estate and would still garner significant revenue as the replacement lessee. Further, the buyer of the leaseholds would benefit from the installation of ancillary revenue sources. Lastly, the portfolio was positioned as an opportunity for the prospects to become one of the largest operators in each of the respective states.

Marketing strategy: Walker & Dunlop brought the offering to a comprehensive list of owners and operators within the space. With close relationships at the highest level of the decision-making chain, Walker & Dunlop was able to successfully procure offers with an abbreviated bid window.

Walker & Dunlop also had very strong relationships with the landlords for the 37 leaseholds and worked with the client and the landlords to craft the best lease assumptions and/or lease restructuring, maximizing the value of the leaseholds for the client and giving comfort to the landlords about the ability to replace the outgoing tenant with a creditworthy lease assignee.

Outcome: Within a narrow bid window of just two weeks, Walker & Dunlop procured six competitive offers at over 9-figures. The transaction closed successfully.

WALKER & DUNLOP

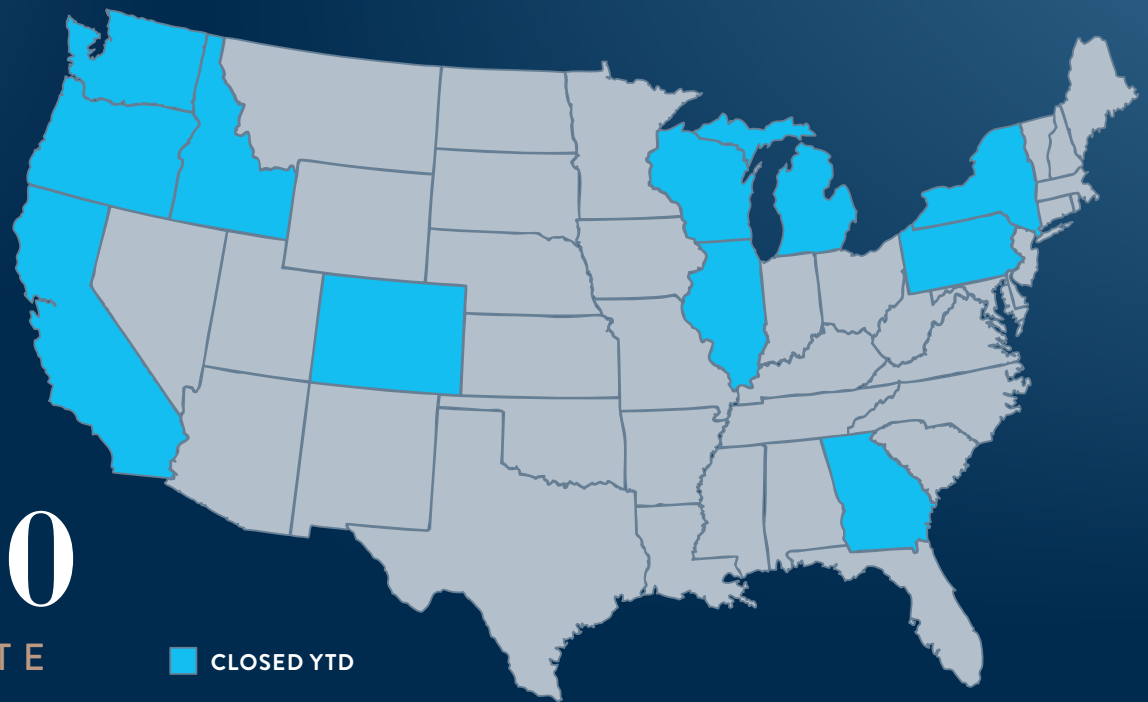
SENIORS HOUSING TEAM

2025 MIDYEAR REVIEW

\$390,370,000

TOTAL VOLUME YEAR TO DATE

**YTD figures include transactions through 8/15/25*



19 ASSETS

TOTAL YEAR TO DATE

11 STATES

CA, CO, ID, OR, WA, GA, NY, PA, IL, MI, WI

\$581,722,300

TOTAL UNDER AGREEMENT

Walker & Dunlop's Seniors Housing team has been instrumental in guiding clients through the challenges of distressed asset sales, helping them identify opportunities and execute strategic transactions. Our commitment to delivering exceptional service and results remains unwavering, positioning us as a trusted partner for stakeholders in the seniors housing market.

[Reach out to our team of seniors housing experts](#) to discuss your next project.



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