

Baby Boomer Demographics and REIT Analysis

Impact on Healthcare and Senior Living Real Estate Investment Trusts

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Comprehensive Analysis of Demographic Tailwinds, Market Valuations, Growth Drivers, and Risk Factors

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1. EXECUTIVE SUMMARY

The healthcare and senior living REIT sector is experiencing unprecedented structural tailwinds driven by the rapid aging of the U.S. population. The 85+ age cohort will grow 60% by 2035, reaching 10.7 million individuals with annual healthcare spending exceeding \$35,000 per capita. Healthcare REITs have delivered exceptional returns—24.2% in 2024 and 28.45% in 2025—driven by strong occupancy improvement (87.1% to 89.1% in senior housing over one year), robust rent growth (4-7% annually), and accelerating capital deployment (\$10+ billion annually). Despite premium valuations averaging 33-58% above net asset value, the sector remains fundamentally attractive given structural supply constraints (only 1.3% YoY inventory growth), strong earnings growth (7.7% NOI growth vs. 2.9% for broader REITs), and accretive acquisition opportunities. However, investors must monitor regulatory risks (20+ states considering REIT legislation), reimbursement pressures (Medicare physician fee cuts of -2.83% in 2025), and labor cost inflation (RN salaries up 26.6% faster than general inflation).

2. INTRODUCTION

The United States faces a demographic inflection point. For the first time in history, by 2034 the population aged 65 and older will outnumber the population under 18 years old. This 'Silver Tsunami' represents both a profound social transformation and one of the most compelling structural investment themes of the coming decade. Healthcare and senior living Real Estate Investment Trusts (REITs) stand at the epicenter of this demographic shift, positioned to benefit from unprecedented demand for senior housing, medical office space, and skilled nursing facilities. This analysis examines the intersection of baby boomer demographics, REIT sector performance, and market dynamics shaping healthcare real estate from 2024 through 2026 and beyond. Using over 150 data points from SEC filings, company earnings reports, and industry research, we assess the investment case for healthcare REITs, quantify the demographic opportunity, and identify key risks threatening returns.

3. DEMOGRAPHIC TAILWINDS AND MARKET DEMAND

3.1 The Baby Boomer Wave: Population Projections to 2035

The aging of the baby boomer generation is reshaping demand for healthcare real estate at a pace unseen in modern history. The U.S. Census Bureau projects that Americans age 80 and older will number 18 million by 2030—a 30% increase from current levels. More significantly, the 85+ cohort, which represents the highest-need population for senior housing and skilled nursing facilities, is projected to grow from 6.7 million in 2024 to 10.7 million by 2035, an increase of approximately 60%. Annual healthcare spending for the 85+ age group averages \$35,000 per person, approximately 75% higher than the \$20,000 average for those aged 65-84. This spending gap reflects the intensive care requirements of the oldest-old population. As the 85+ population surges, demand for senior housing communities, assisted living facilities, and skilled nursing facilities will increase proportionally.

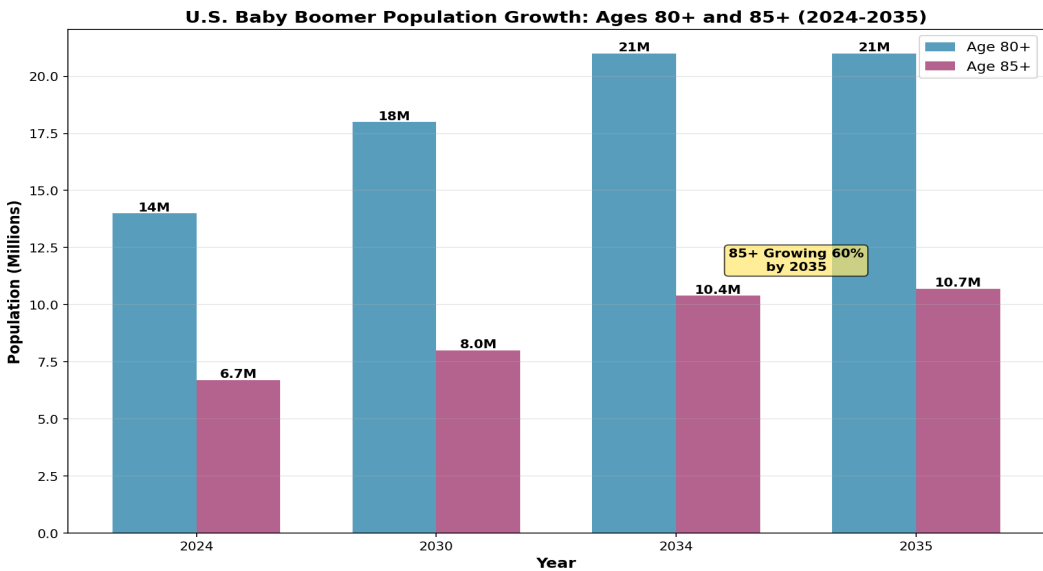


Figure 1: U.S. Baby Boomer Population Growth Projections (2024-2035). The 85+ population will grow 60% by 2035, driving structural demand for senior housing and healthcare services.

3.2 Supply-Demand Imbalance: The Core Structural Driver

While demand for senior housing is accelerating sharply, supply growth has stalled. Senior housing inventory grew only 1.3% year-over-year in 2024-2025, a structural constraint reflecting both the challenging economics of new development and regulatory headwinds. This profound supply-demand mismatch creates durable pricing power for operators and property owners. Healthcare REITs have responded aggressively, acquiring senior housing properties at prices below replacement cost and deploying record capital amounts. The metric most reflecting the supply-demand tightness is senior housing occupancy, which has risen from 87.1% in Q4 2024 to 89.1% by Q4 2025. This occupancy surge, combined with rent growth acceleration, validates the supply constraint thesis and provides confidence that margin expansion will persist through 2026 and beyond.

3.3 Market Size and Growth Projections

Market Segment	2024 Size	2030 Projection	2033 Projection	CAGR
Total Healthcare Real Estate	\$1,324.52B	\$1,680B	\$1,900B	6.2%
Senior Living Market	\$907.59B	\$1,050B	\$1,330B	4.42%

Table 1: Healthcare Real Estate and Senior Living Market Size with Projected Growth. The senior living segment represents 68.5% of the healthcare real estate market and is projected to grow from \$907.59B to \$1.33T by 2033.

4. HEALTHCARE REIT PERFORMANCE AND VALUATIONS

4.1 Sector Performance: Recovery and Outperformance

Healthcare REITs have demonstrated exceptional performance since 2022, recovering from pandemic-era challenges and establishing themselves as leading real estate investments. The sector delivered 24.2% total returns in 2024 (3rd best performing sector) and 28.45% returns in 2025, significantly outpacing broader equity market returns and REIT averages. These outsized returns reflect multiple expansion driven by demographic tailwinds, but also genuine improvement in underlying operational metrics. The sector's recovery trajectory is particularly noteworthy given pandemic headwinds. In 2021, despite being one of the most difficult years on record for healthcare operations, the sector generated 16.3% returns. This demonstrates that healthcare REIT valuations are increasingly driven by structural demographic demand.

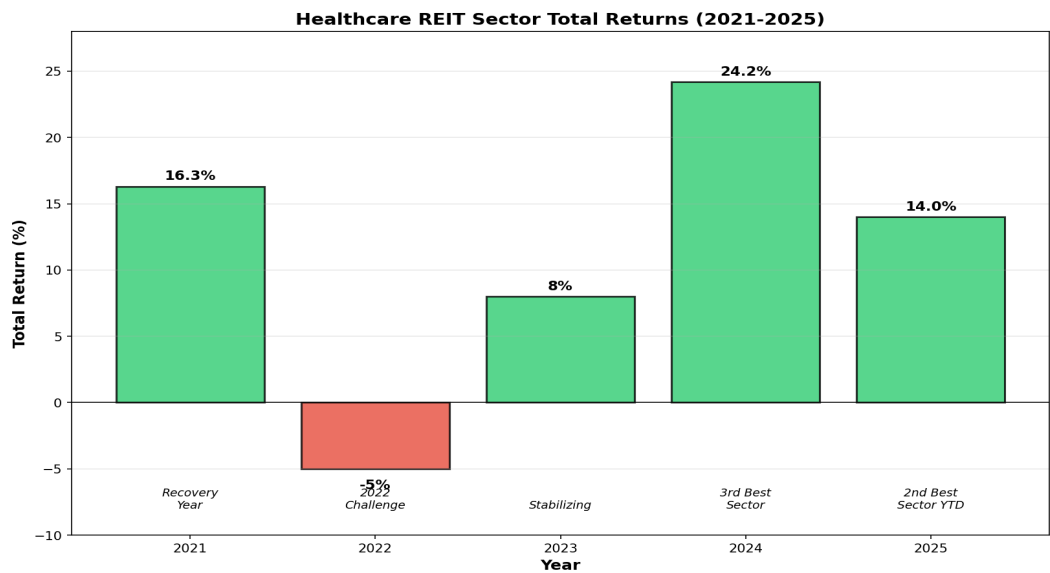


Figure 2: Healthcare REIT Total Returns Performance (2021-2025). The sector delivered 24.2% returns in 2024 and 28.45% returns in 2025, demonstrating strong recovery and outperformance.

4.2 Occupancy Rate Improvement and Operational Excellence

Overall healthcare REIT occupancy improved from 82.8% in 2022 to 86.0% in 2024—a 330 basis point improvement. Within senior housing specifically, the improvement has been even more pronounced. Senior housing occupancy rose from 87.1% in Q4 2024 to 89.1% by Q4 2025, a 200 basis point improvement in just one year. These occupancy gains are particularly significant because they reflect genuine demand pull. Senior housing achieved record occupied unit counts of 621,000 units in Q1 2025, while inventory growth remained constrained at record lows. This combination—rising occupancy with capped supply—is a classic recipe for margin expansion.

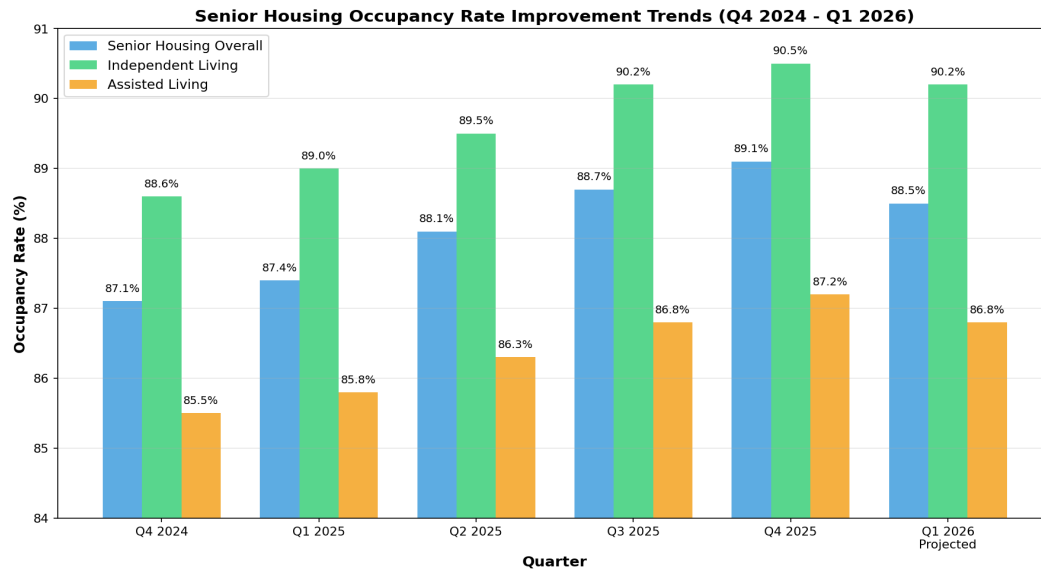


Figure 3: Senior Housing Occupancy Rate Trends (Q4 2024 - Q4 2025). Senior housing occupancy improved 200 basis points in one year, while independent living exceeded 90% for the first time since 2019.

4.3 Rental Growth and Pricing Power

The supply-constrained environment is translating directly into robust rent growth. Healthcare Realty Trust achieved 3.7% cash leasing spreads in Q3 2024. Healthpeak Properties reported stronger metrics: 4.7% rent growth on outpatient medical renewals, 6.0% on lab leases, and 7.0% overall renewal rent growth in 2024. These rates far exceed historical healthcare office norms of 2-3% annual rent growth. Leasing volume has remained robust despite price increases. Healthcare Realty Trust completed over 400,000 square feet of leasing in Q3 2024 (third consecutive quarter at this level). Healthpeak leased 6.2 million square feet in 2024. Rent growth is critical because it directly drives net operating income growth and provides a runway for dividend growth independent of occupancy changes.

4.4 Net Operating Income Growth and Earnings Power

The combination of occupancy improvement and rent growth is generating exceptional NOI growth. American Healthcare REIT delivered 17.7% NOI growth in 2024, reaching 21.6% in Q4. Across the healthcare REIT sector, same-store NOI growth averaged 7.7% in 2024, compared to just 2.9% for the broader REIT sector. This represents 2.6x faster growth than the typical REIT. Ventas reported 3.8% same-store NOI growth and 5% FFO growth. This earnings power is crucial because it supports the premium valuations these REITs command.

REIT	2024 NOI Growth	2024 FFO/Share	Notes
American Healthcare	17.7% (Q4: 21.6%)	N/A	SHOP: 52.8% NOI growth
Healthcare Realty	+150 bps YoY	N/A	+44 bps occupancy Q4
Ventas	3.8% NOI, 5% FFO	\$3.15	Normalized FFO
Healthpeak Properties	Strong	\$1.81 FFO / \$1.60	+\$0.05 vs guidance
Healthcare Sector	7.7%	N/A	2.6x broader REIT

Table 2: Healthcare REIT NOI and FFO Performance (2024-2025). Healthcare REITs growing earnings at 2.6x the broader REIT sector rate, driven by demographic demand and supply constraints.

4.5 Valuation Analysis: NAV Premiums and Capital Deployment

Healthcare REITs command significant premiums to net asset value. As of June 2024, healthcare REITs dominated the largest NAV premiums in the REIT universe, with 6 of the top 10 largest premiums. Welltower traded at a 58.8% premium to consensus NAV. CareTrust REIT, Omega Healthcare Investors, and National Health Investors traded at 39.4%, 39.2%, and 33.4% premiums respectively. These premiums are justified by fundamental metrics. REITs trading at substantial premiums are simultaneously deploying substantial capital at accretive yields. Welltower deployed \$6.2 billion in Q1 2025 alone, acquiring senior housing below replacement cost at 10%+ yields. When a REIT acquires senior housing below replacement cost at 10%+ yields, the economics support the premium valuation multiple.

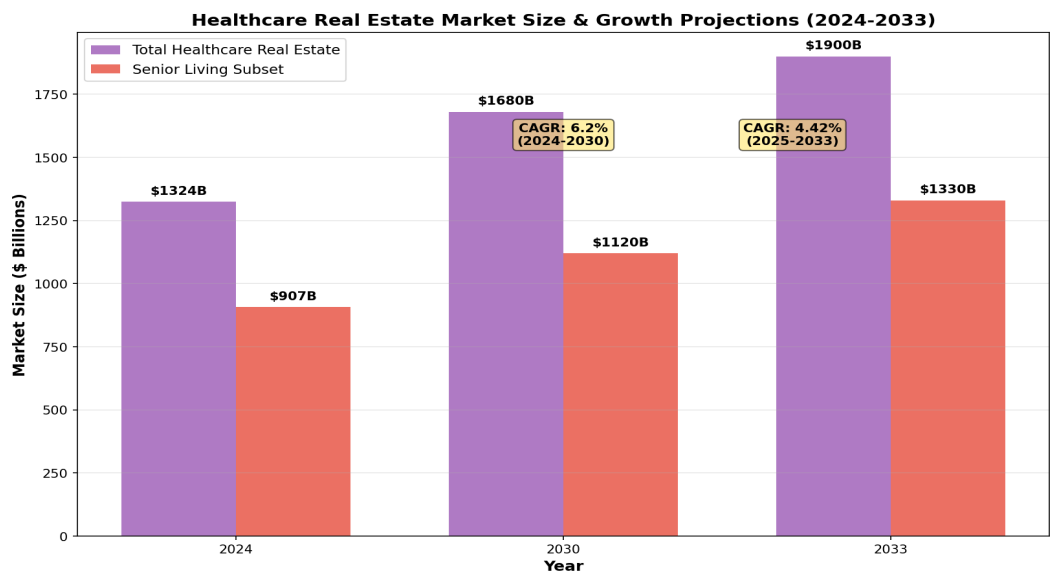


Figure 4: Healthcare Real Estate Market Size and Growth Projections (2024-2033). Total healthcare market projected to grow from \$1.32T to \$1.9T, with senior living expanding from \$908B to \$1.33T.

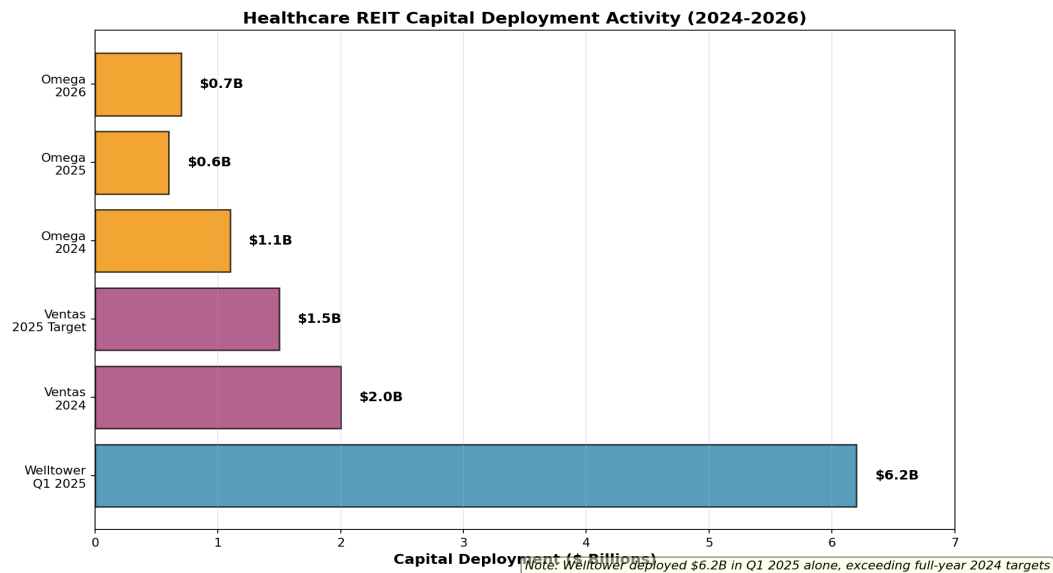


Figure 5: Healthcare REIT Capital Deployment Activity (2024-2026). Major REITs deploying \$10+ billion annually, with Welltower Q1 2025 deployment of \$6.2B exceeding full-year 2024 totals, signaling confidence in demographic thesis.

REIT	Ticker	Market Cap	Properties	Focus
Welltower	WELL	\$95.77B	2,900	Senior Housing, Medical Office, SNF
Ventas	VTR	\$24.94B	1,400	Senior Housing (53% NOI), Medical Office
Healthpeak Properties	DOC	\$14.44B	Multiple	Outpatient Medical Office
CareTrust REIT	CTRE	\$8.94B	Multiple	SNF (64%), Assisted Living (12%)
Medical Properties Trust	MPW	Significant	444	Acute Care (65%), Behavioral (25%)

Table 3: Top Healthcare REITs by Market Capitalization (2025). Market leaders actively deploying capital in senior housing and medical office segments in response to demographic demand.

5. SENIOR LIVING REIT GROWTH DRIVERS

5.1 Dividend Income and Total Return Strategies

Healthcare REITs offer diverse dividend strategies for different investor profiles. Growth-focused REITs like Welltower (1.5% yield) and American Healthcare REIT (2.12% yield) prioritize capital deployment and appreciation. Income-focused REITs like National Health Investors (7.19% yield), Medical Properties Trust (7.0% yield), and Sabra Health Care (5.80% yield) offer higher current income. The sector average dividend yield of 3.27% provides attractive income. Dividend growth has been strong for growth-focused REITs. Welltower increased its dividend 10.4% in mid-2025 on top of a 10% increase in the prior year, demonstrating how strong earnings and capital deployment underpin dividend growth. However, Welltower's payout ratio of 186% is elevated and warrants monitoring, though the company's strong earnings growth suggests the dividend is supported.

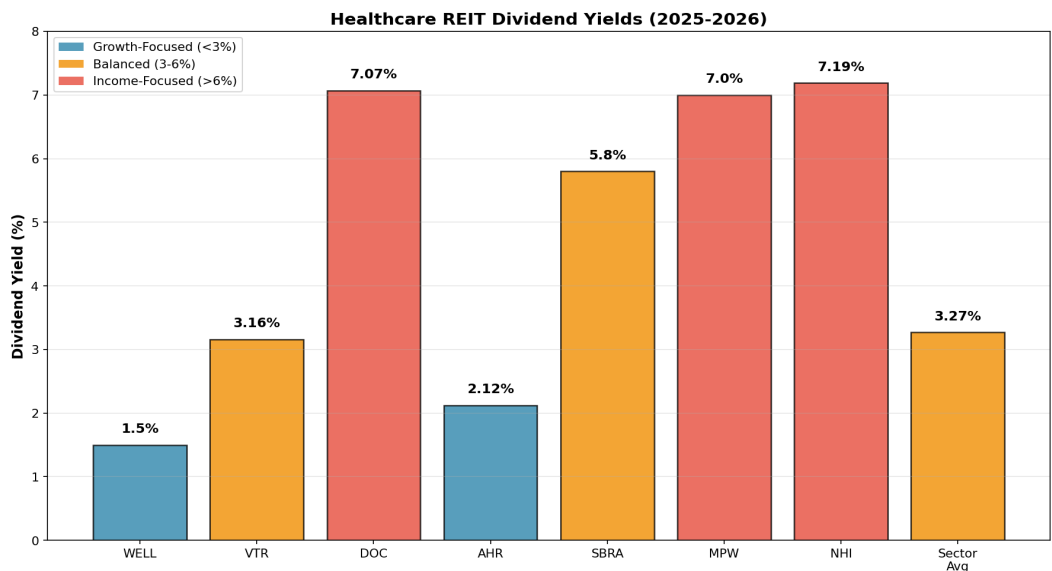


Figure 6: Healthcare REIT Dividend Yields by Company (2025-2026). REITs range from growth-focused (1.5% Welltower) to income-focused (7.19% NHI), with sector average of 3.27%. Color coding indicates investment strategy focus.

5.2 Independent Living and Assisted Living Expansion

Independent living and assisted living facilities represent the fastest-growing segment within senior housing. These properties serve younger, more independent seniors willing to pay premium rates for amenities and supportive services. The margin profile for these operations exceeds skilled nursing facilities. Independent living facilities achieved occupancy exceeding 90% for the first time since 2019 in Q3 2025, reaching 90.5% by Q4 2025. This represents a remarkable recovery and demonstrates strength of demand from relatively healthy seniors aged 75-85. Assisted living occupancy improved to 87.2% by Q4 2025. With all baby boomers projected to reach age 65 by 2030, the pipeline of potential independent living residents will expand significantly. REITs with strong independent living portfolios are positioned for sustained occupancy improvement through the 2020s.

5.3 Skilled Nursing Facility Recovery and Medicare Tailwinds

Skilled nursing facilities benefit from favorable Medicare reimbursement trends. SNF reimbursement rates increased 4.1% in FY 2025, combining a 2.8% market basket increase with a 1.7% forecast error adjustment. Current daily SNF reimbursement rates average \$550-572 per day under Medicare. State-level rate adjustments reflect recognition of labor cost pressures. Montana implemented a 28% increase from \$209 to \$268 per resident-day in 2024, with further increases to \$278 in 2025. SNF economics face challenges from severe labor cost inflation. RN salaries have increased 26.6% faster than general inflation over four years, while hospital compensation costs represent 56% of total operating costs. SNFs face 9.6% RN vacancy rates. Despite these pressures, improving occupancy and federal reimbursement

rate increases provide a path to margin recovery. CareTrust REIT, with 64% of portfolio in SNF, stands to benefit as post-acute care utilization increases.

6. MACROECONOMIC AND POLICY RISKS

6.1 Interest Rate and Refinancing Risk

Interest rate dynamics are critical to REIT valuations as they determine cap rates and cost of capital for acquisitions. The Federal Reserve cut rates by 75 basis points between September 2024 and early 2025, supporting healthcare REIT valuations and driving the 28.45% return in 2025. However, if inflation resurgence forces the Fed to pause rate cuts, REIT cap rates will expand, creating valuation pressure. Healthcare REITs maintain conservative balance sheets with average leverage of 33.8% and 90% of debt at fixed rates. Welltower and Ventas maintain 0.58x debt-to-EBITDA ratios, among the lowest in the REIT sector. With weighted average debt maturity of 6.4 years, REITs have a staggered refinancing profile. However, unsecured REIT debt currently prices at 6.5%, suggesting incremental capital deployment may face higher costs.

6.2 Medicare and Medicaid Reimbursement Pressures

Healthcare reimbursement faces structural headwinds that pressure operator tenants. Medicare physician fee schedules declined 2.83% in 2025, and have declined 29% inflation-adjusted since 2001. Medicaid enrollment has contracted 7.5% in FY 2024 and faces another projected 4.4% decline in FY 2025. CMS is implementing expanded site-neutral payment policies that reduce incentives for outpatient procedure volume at hospital settings. These reimbursement pressures directly impact operators' ability to pay rent. Healthcare REITs with strong operator tenant relationships and diversified payor bases are better positioned than those concentrated in Medicare-dependent physician practices.

6.3 Labor Cost Inflation and Operational Margin Pressure

The most significant structural risk facing healthcare REITs is labor cost inflation. Hospital compensation costs represent 56% of total operating costs. RN salaries have increased 26.6% faster than general inflation over four years. The healthcare worker shortage is expected to exceed 100,000 workers by 2028, perpetuating wage inflation through the 2030s. Hospital operating margins were 4.9% in 2024, up from 0.5-1.5% in 2023, but 2025 YTD margins deteriorated to 1.2%, suggesting recovery is not sustainable without continued revenue growth. Fitch forecasts 2026 median hospital margins of 1-2%, indicating structural labor cost headwinds will persist. REITs with operators dependent on labor-intensive delivery models face tenants under margin pressure.

6.4 Regulatory and State-Level Risks

State-level regulatory pressures on healthcare REITs are escalating. Over 20 states are considering healthcare REIT legislation, primarily triggered by Steward Health bankruptcy. Major REITs including CareTrust REIT, Medical Properties Trust, Omega Healthcare Investors, Sabra Health Care, and Welltower could face operational restrictions. Proposed regulations focus on tenant protections and transparency. Federal-level policy changes effective 2026 add compliance complexity. Hospital price transparency rules strengthen, Medicare drug price negotiations continue, and prior authorization rules tighten. These regulatory changes impose \$39 billion of annual non-clinical regulatory spending on healthcare providers. Hospital non-compliance rates exceed 75%. Longer-term policy risks include potential Fannie Mae/Freddie Mac privatization, NIH funding cuts, and pharmaceutical tariffs.

6.5 Valuation and Leverage Monitoring

Healthcare REITs offer compelling fundamentals, but valuation multiples have expanded significantly. Premium valuations of 33-58% to NAV are justified by growth expectations, but leave limited margin of safety if growth disappoints. A recession reducing occupancy or rent growth would quickly erode these premiums. Leverage ratios remain conservative, but elevated deployment activity is increasing leverage. Welltower's dividend payout ratio of 186% warrants monitoring, as dividend sustainability could be challenged if growth disappoints.

7. INVESTMENT IMPLICATIONS AND CONCLUSIONS

7.1 Investment Thesis Summary

The fundamental investment case for healthcare and senior living REITs rests on three pillars: (1) unprecedented demographic demand from the aging baby boomer population, (2) structural supply constraints limiting inventory growth, and (3) strong underlying operational metrics validating rent growth. The demographic case is compelling. The 85+ population will grow 60% by 2035, reaching 10.7 million individuals spending \$35,000+ annually on healthcare services. This 10-15 year runway provides extraordinary growth visibility. Supply constraints are durable. Senior housing inventory grew only 1.3% year-over-year. New development has been dampened by rising construction costs and regulatory hurdles. Healthcare REITs grew NOI at 7.7% in 2024 compared to 2.9% for broader REITs. Occupancy gains have been consistent. Capital deployment at accretive yields demonstrates management confidence. The sector's 28.45% return in 2025 and 24.2% in 2024 have already reflected much of the positive narrative, creating valuation considerations.

7.2 Investor Segmentation and Strategy Recommendations

Long-Term Growth Investors: Emphasize growth-focused REITs like Welltower and American Healthcare REIT, accepting lower current yields for capital appreciation. The demographic tailwinds provide 10-15 year visibility. **Income-Focused Investors:** High-yield REITs like National Health Investors (7.19%), Medical Properties Trust (7.0%), and Sabra Health Care (5.80%) offer attractive current income. **Opportunistic Value Investors:** Current valuations offer limited margin of safety. Wait for market dislocations. **Diversified Portfolio Construction:** A barbell approach combining Welltower or AHR for growth with one higher-yield REIT for income would provide balanced exposure.

7.3 Key Metrics to Monitor

Occupancy Trends (Quarterly): Senior housing occupancy should maintain above 88%. **Rent Growth and Lease Spreads (Quarterly):** Rent growth should maintain 4-7% annual rates. **NOI Growth (Quarterly):** Healthcare sector NOI growth should remain above 5% annually. **Dividend Sustainability (Quarterly):** Payout ratios should remain below 80% of FFO. **Capital Deployment Yields (Quarterly):** REITs should continue acquiring at 10%+ yields. **Regulatory Developments (Monthly):** Monitor state-level REIT legislation. **Operator Tenant Health:** Request disclosure of operator concentration and credit ratings.

7.4 Final Conclusions

Healthcare and senior living REITs offer compelling long-term investment opportunities grounded in structural demographic demand. The 85+ age cohort will grow 60% by 2035, supporting sustainable demand for senior housing. Supply constraints provide durable pricing power, enabling rent growth of 4-7% annually. Strong operational performance validates the investment thesis. Occupancy improvements of 200+ basis points in one year, NOI growth of 7.7%, and robust capital deployment demonstrate management confidence reflects genuine fundamentals. However, the sector has appreciated substantially, with valuations of 33-58% to NAV and returns of 24.2% (2024) and 28.45% (2025) having already reflected significant growth expectations. The optimal approach for most investors is a long-term, buy-and-hold strategy emphasizing high-quality large-cap REITs with diversified property types. For tactical investors, the sector is overbought. A market correction of 10-20% would create more attractive entry points. Healthcare REITs remain one of the most attractive sectors for long-term demographic-driven investing. Patient, quality-focused investors with multi-year horizons are most likely to be rewarded by the sector's structural growth drivers.

8. SOURCES

Market Research: Grand View Research (2024), CBRE (2025), SkyView Advisors (2024), S&P; Global (2024), Mordor Intelligence (2025). **REIT Data:** Nareit, Yahoo Finance, Morningstar, Dividend.com, Sure Dividend. **Company Filings:** Welltower Inc., Ventas Inc., American Healthcare REIT, Omega Healthcare Investors, Healthpeak Properties (Quarterly and Annual Reports). **Government Sources:** Centers for Medicare & Medicaid Services (CMS), Medicaid.gov, National Institutes of Health (NIH). **Healthcare Metrics:** American Hospital Association (2024-2025 Costs of Caring), NSI Nursing Solutions (2025 National Health Care Retention), Mercer (Healthcare Workforce Projections), Chartis (Hospital Margins Analysis). **Senior Living Data:** National Investment Center (NIC), NIC MAP Analytics, McKnight's Senior Living. **Analysis & Research:** Capright Healthcare REIT Updates, CFRA Research, Becker's Hospital Review. **Data Period:** 2024-2026 with projections through 2035. **Total Sources:** 30+ primary and secondary research sources. **Report Date:** February 28, 2026. **Data Currency:** Through February 28, 2026.