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Senior Housing in the CRE Allocation Stack

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Comparative returns, volatility, and correlation — and the case for senior housing in a diversified CRE allocation in 2026.

Senior housing has historically sat in the alternative bucket of institutional CRE allocation. The post-pandemic period stress-tested every CRE category, and the relative performance has updated the comparison materially. The case for an allocation today is not the demographic story alone — it is the relationship of senior housing returns and volatility to the rest of the stack.

The framing

Senior housing offers higher operating complexity than multifamily and lower correlation with cyclical demand than industrial or office. The allocation case turns on whether an investor can underwrite the operating risk premium.

1. The Historical Returns Comparison

Across long-horizon institutional CRE returns, senior housing has produced total returns competitive with industrial and meaningfully above office, with multifamily typically in between. The dispersion within senior housing — between top-quartile and bottom-quartile operators — is wider than in multifamily, reflecting the operating intensity of the asset class. The returns data is not the headline; the dispersion is.

The most recent index data sharpens the point. Senior housing posted a {NCREIF_SENIOR_HOUSING_Q2_2026.totalReturnQuarter} total return in {NCREIF_SENIOR_HOUSING_Q2_2026.asOf} , bringing year-to-date returns to {NCREIF_SENIOR_HOUSING_Q2_2026.totalReturnYtd} and outperforming the broader NCREIF Property Index by {NCREIF_SENIOR_HOUSING_Q2_2026.outperformanceVsNpi} — the {NCREIF_SENIOR_HOUSING_Q2_2026.consecutiveQuartersOutperforming}th consecutive quarter of index outperformance. Capital appreciation contributed {NCREIF_SENIOR_HOUSING_Q2_2026.capitalAppreciationQuarter} and income {NCREIF_SENIOR_HOUSING_Q2_2026.incomeReturnQuarter}, both near their highest quarterly levels since 2017. Over the trailing four quarters senior housing was the only

NPI sector to post a double-digit total return ({NCREIF_SENIOR_HOUSING_Q2_2026.trailingFourQuarterTotalReturn}) against {NCREIF_SENIOR_HOUSING_Q2_2026.npiTrailingFourQuarterTotalReturn} for the index overall. The sample is still maturing — {NCREIF_SENIOR_HOUSING_Q2_2026.propertiesTracked} properties this quarter, up {NCREIF_SENIOR_HOUSING_Q2_2026.propertiesAddedThisQuarter} since Q1 and up from {NCREIF_SENIOR_HOUSING_Q2_2026.propertiesTrackedAtInception} at inception in {NCREIF_SENIOR_HOUSING_Q2_2026.inceptionYear} — so period-to-period comparisons should be read with the composition change in mind.

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{MARKET_BENCHMARK_FOOTNOTE}

Occupancy is moving with the returns. NIC MAP reported senior housing occupancy of {NIC_MAP_OCCUPANCY_Q2_2026.occupancy} across its {NIC_MAP_OCCUPANCY_Q2_2026.source.replace('NIC MAP, ', '')} in {NIC_MAP_OCCUPANCY_Q2_2026.asOf} ({NIC_MAP_OCCUPANCY_Q2_2026.quarterlyChange} for the quarter), the {NIC_MAP_OCCUPANCY_Q2_2026.consecutiveQuartersOfGains}th consecutive quarter of gains. Within the index, assisted living total returns moved ahead of independent living as the occupancy spread between the two settings narrowed to its tightest since 2014.

2. Volatility and Drawdown

Senior housing exhibited a deep pandemic-era drawdown driven by occupancy and labor disruption, followed by a recovery longer than other CRE categories experienced. The volatility profile reflects the operating complexity. For institutional allocation purposes, the relevant question is not the historical volatility but the predictability of the underlying operating performance — which is what the Operating Infrastructure is designed to improve.

3. Correlation With Other CRE Classes

Senior housing demand is structurally driven by demographics and acuity, not by employment growth or consumer cyclicality. The correlation with industrial and office returns is meaningfully lower than the correlation among the cyclical categories. In a diversified CRE allocation, senior housing is a genuine diversifier — provided the operating risk is priced.

4. The Operating Risk Premium

The case against senior housing for many institutional allocators has been the operating risk premium — the additional return required to compensate for the operational complexity, regulatory exposure, and labor sensitivity of the asset class. The operating risk premium is real. The structural answer is not to avoid the asset class; it is to underwrite the operating risk explicitly and to monitor it continuously after close.

5. The 2026 Allocation Case

Three structural factors strengthen the senior housing allocation case in 2026:

- Demand-supply gap. The development pipeline has not kept pace with qualified demand growth in many trade areas, supporting NOI growth ahead of broader CRE.
- Operator-controlled operating record maturity. The data and platform infrastructure to underwrite and monitor operating risk has materially improved, narrowing the operating risk premium for institutional allocators.
- Diversification value. Lower correlation with cyclical CRE categories adds genuine portfolio resilience as office and other categories continue to repricing.

6. The Allocation Discipline

For an institutional allocator considering or expanding a senior housing position, three operating disciplines protect the allocation thesis: trade-area-grounded market selection (not metro-level demographic narrative); operator-quality diligence with workforce and clinical signal review (not financial-only); and post-close monitoring at the leading-indicator cadence the asset class requires (not quarterly reporting cycle).

7. Where SeniorCRE Fits

SeniorCRE is the operator-controlled operating infrastructure and monitoring layer that brings senior housing closer to the underwriting and oversight discipline institutional CRE allocators expect. The platform supports the diligence framework, the operator scorecard, the trade-area market intelligence, and the leading-indicator monitoring required to underwrite the operating risk premium with confidence.

What changes when senior housing is allocated with operator-controlled operating infrastructure

- The operating risk premium is priced explicitly, not implicitly.
- Underperformance is identified before it lands in financial reporting.
- Allocation case to investment committee is grounded in evidence, not narrative.
- Portfolio concentration is visible at the operator and trade-area level.
- Senior housing earns its place in the diversified CRE stack.

Senior housing belongs in the institutional CRE allocation stack on the merits — provided

the operating risk is underwritten and monitored with the discipline the asset class requires. SeniorCRE is the layer that makes that discipline operational.

Related research: NCREIF · NIC

See how SeniorCRE makes this operational

SeniorCRE unifies clinical, financial, and operating signals into one platform — so the analysis above becomes a daily workflow, not a one-time report.

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