SENIORCRE • VALUATION

How Senior Housing & Care Communities Are Valued in 2026

March 14, 2026 • 11 min read

Cap rate ranges, valuation methodology, and the discount factors that separate a headline price from a defensible one.

Senior Housing & Care valuation is more methodology-sensitive than most CRE categories. The same building can support a wide range of defensible prices depending on which NOI is capitalized, how acuity revenue is treated, what labor cost is normalized, and how the trade-area dynamics are weighted. The questions below — and the methodology underneath them — produce the defensible price.

The framing

A senior housing & care valuation is the capitalization of a normalized, sustainable NOI by a cap rate that reflects asset-class, market, operator-quality, and condition risk. Each component is a methodology decision.

1. The Cap Rate Ranges in 2026

Senior Housing & Care cap rates have widened from prior-cycle compression and are now reflecting the operating risk premium more transparently. Indicative ranges across stabilized, predominantly private-pay communities in 2026 — useful as orientation, not as a substitute for trade-area and operator-specific diligence:

- Stabilized assisted living: typically 7.0%–8.5% in primary markets, with top-quartile operator and asset combinations trading inside that range and chronic-pressure operators outside it.
- Stabilized memory care: typically 7.5%–9.0%, reflecting the higher operating intensity and acuity risk.
- Stabilized independent living: typically 6.5%–7.5%, closer to multifamily on operating profile.
- Active adult / 55+: typically 5.5%–6.5%, trading on a multifamily-adjacent basis.
- Skilled nursing: wider range driven heavily by payer mix, operator quality, and CMS performance — typically 11.0%–14.0% in 2026.

2. The Standard Methodology

The three-step valuation methodology that institutional acquirers and lenders use:

- Step 1: Normalize NOI. Adjust trailing operating performance for non-recurring items, owner add-backs, capital reserve, management fee, agency-to-stable conversion, and acuity-mix sustainability.
- Step 2: Determine the cap rate. Start from the asset-class range, adjust for trade-area strength, operator quality, asset age and condition, and labor risk.
- Step 3: Apply discount factors. Reflect lease-up, capital expenditure backlog, regulatory exposure, and any specific operating-risk premium identified in diligence.

3. The Discount Factors That Matter

The discount factors below are commonly omitted from headline pricing — and they materially separate a defensible price from an aspirational one:

- Acuity-mix sustainability discount. If the in-place revenue mix is heavier than the trade area can sustain, future revenue should be modeled at the sustainable mix.
- Workforce stability discount. Communities with elevated agency reliance or weak retention should price the conversion path explicitly, not assume it.
- Capital expenditure backlog. Deferred maintenance and unit modernization required to sustain rate position should be deducted from value, not absorbed in operating budget.
- Regulatory exposure. Recent serious deficiencies — at this community or across the operator — warrant a discount and a remediation plan.
- Trade-area supply pipeline. Announced and permitted competitive supply within the trade area compresses sustainable rate growth and warrants explicit treatment.

4. The Diligence Questions That Produce a Defensible Price

- What NOI is being capitalized — physical or financial occupancy, pre- or post-management fee, with or without capital reserve?
- What is the acuity-mix sustainability of the in-place revenue?
- What is the workforce stability profile, and what is the cost to convert agency reliance to scheduled coverage?
- What is the capital expenditure backlog over the next 36 months?
- What is the operator's recent regulatory record across all communities?
- What is the trade-area supply pipeline over the next 24–36 months?

5. Where SeniorCRE Fits

SeniorCRE provides the diligence intelligence that turns these methodology questions into defensible answers: acuity-adjusted revenue analysis, workforce stability profile, operator-level regulatory record, and trade-area supply visibility. Brokers, buyers, and lenders gain the substrate to underwrite to a price that survives the year-two operating

reality.

What changes when valuation methodology is explicit

- Pricing conversations focus on methodology assumptions, not headline cap rates.
- Lender and equity expectations align around the same NOI definition.
- Operating-risk discount factors are priced explicitly.
- Year-two performance more closely tracks the underwriting model.
- Brokerage credibility is reinforced by defensible price evidence.

A defensible senior housing & care valuation is not the cap rate applied to last year's NOI. It is the cap rate applied to the sustainable NOI, with the discount factors the diligence reveals. SeniorCRE is the layer that makes that discipline operational.

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