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Insights

To Self-Manage or to Not Self-Manage: That is the Question

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Senior Housing News recently had two news articles with industry leaders Ventas and Welltower taking opposite stances on the same issue of whether it made sense to self-manage their properties. However, in digging a little deeper, perhaps their differences are not as great as on first blush.

Debra Cafaro, the CEO of Ventas, has decided that the risk of self-managing senior living units is not worth the risk, stating "So our conclusion is that the risk-reward is not there at this time" citing the belief that their focus on ROI "through driving operational performance through its operational insights, capital investment, management and strategy data analytics platform" and a focus on overseeing their third-party managers.

In contrast, Welltower COO John Burkhart is bullish on his company's ability to self-manage its more than 45,000 independent living units and by doing so, control costs and increase margins.

However, it's notable that Welltower is not self-managing properties in its assisted living portfolio – and perhaps Ventas feels that to undertake that effort with only one part of their senior living portfolio (IL) and not the balance (AL, Memory Care) doesn't merit the effort (and it would be interesting to examine Ventas' property mix to see how much IL there is and that could be impacted).

Welltower's rationale is that IL properties are similar to multifamily (and, in essence, they are generally simply senior multifamily as there is no care component), so the self-managing model used by many multifamily owners makes sense. Both companies are posting healthy revenues post-pandemic, so it will be interesting to see if Welltower's self- managing strategy provides the margin advantage they hope and gives them an advantage over their competitor.