

Emerging Trend: Active Adult Retirement Developments



Over the past few years, most commercial real estate (CRE) sectors have had to reinvent themselves to some degree to keep up with changing trends and demands. We've seen this across retail, hospitality, office, and multifamily – with some big shifts taking place in response to the movements of workers and travelers in the post-2020 world.

Among the more interesting trends that have emerged is the shift in how and where people want to live. Simply put, in 2023 tenants and buyers alike expect more from their living situation, whether that be in terms of amenities or accessible neighborhoods.

For developers and CRE professionals, that means a growing requirement to meet new expectations in all corners of the multifamily market. And, as an increasingly large percentage of the population reaches retirement age, the senior living segment has been no exception.

Demographic Shifts

Toward the end of 2022, the National Investment Center for Seniors Housing & Care (NIC) officially created a new definition for a large segment of the senior housing population: “Active Adults.”

This is not the first time this term has been used, but with the new definition, developers and other stakeholders in the senior living sector finally have a breakdown of what constitutes “Active Adult” as a property type. In a nutshell, NIC states: “Active adult rental properties are age-eligible, market rate, multifamily properties that are lifestyle focused; general operations do not provide meals.”

Some finer points from the definition include that:

- “Age-eligible” properties “restrict residents based on age,” with 55+ being a common lower limit for the sector, and that,
- These developments are designed with an independent approach in mind, with no (or limited) catering, and a focus on “lifestyle living” through the provision of activities and amenities designed to boost social interactions.

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In broad terms, this indicates a sector geared towards a generally far younger demographic than we typically think of when it comes to the “assisted or independent living” facilities associated with senior housing.

This puts these developments much more in line with what most would simply call multifamily housing, just with an age-focused twist.

Importantly for investors and developers, however, most of the residents in active adult communities are committing to a long-term living situation. NIC notes that tenure in the segment is typically 6-9 years, making it “very attractive to risk-averse investors and developers once the properties stabilize.”

Focus on Amenities

Another important differentiator between “Active Adult” properties and more typical senior housing developments, or even traditional multifamily, is the amenities on offer. As might be expected from a younger (and more independent) crowd, residents in these developments want access to the kinds of social engagements and activities that allow them to enjoy a fuller lifestyle.

NIC notes that these may include: “a bar/pub area with liquor lockers, a full gym with a range of classes, a dog park, pool, clubhouse, and spaces for sharing meals.” This also stretches to surrounding amenities, like restaurants, retail, and other recreational options making the property’s location extremely important.

The good news for developers and property managers is that even accounting for these factors, “Active Adult” developments still require fewer permanent employees than typical senior living offerings and operational overheads are generally lower as a result.

Surging Demand

Taken together, these facts add up to a strong model for growth. As GlobeSt sums up in a recent article: “The active adult rental property market has enormous growth potential largely due to increasing demand, a longer length of stay, reduced operational requirements (compared to other senior housing options), potential rent premiums, and no required health care licensure.”

Over the coming decade, the need for these kinds of facilities is also likely to increase even further. By 2030, the 65+ age category will comprise one-fifth of the US population. Individuals aging into this category are also expected to live longer, healthier lives, and to spend a longer proportion of their retirement as part of active communities before needing more specialized, assisted-living care. In other words, with the growth of “Active Adult” communities, the idea of what constitutes senior living is shifting.

Meeting Needs

For CRE professionals and developers, these demographic and lifestyle shifts offer a unique set of opportunities. They offer the chance to reevaluate how to approach building and outfitting properties to promote health and long-term well-being. They reframe the narrative around what adds value in senior living facilities, and in doing so to shape the trajectory of the market in coming years.