The U.S. Active Adult (55+) Community Market: A Primer
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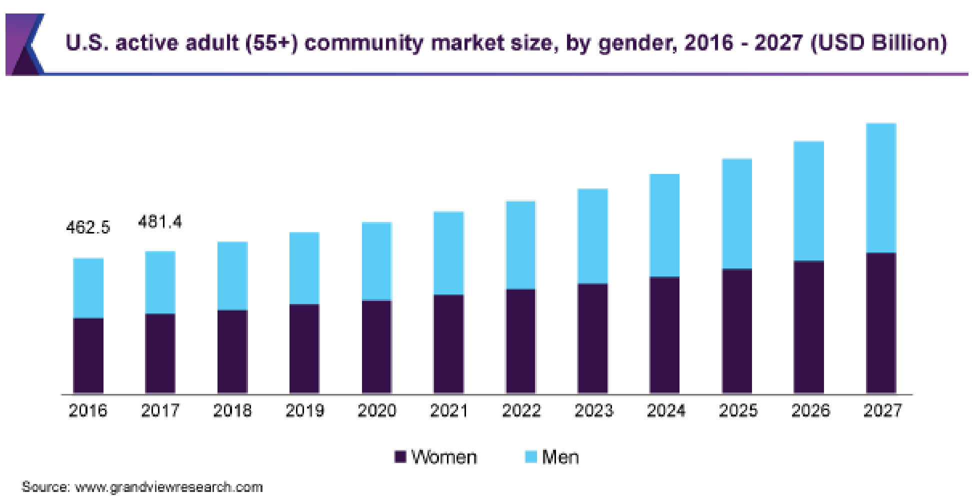
Back in April 2020, we wrote a primer on Continuing Care Retirement Communities (CCRCs). These properties include independent living (IL), assisted living (AL), and nursing care (NC) facilities. CCRCs emphasize a host of services and options associated with the care that is or may be needed over the lifespan of the residents.

Another fast-growing option for many retirees is 55+ Active Adult Communities. These are "age-restricted" or "age-qualified" communities, typically meaning that someone in the residence must be at least 55 years old.[1] The communities do not have on-site dining facilities, nor do they provide healthcare services. The homeowners' association (HOA) dues for these communities are used for exterior maintenance and a range of amenities that characterize the 'active' element of the community.

The move to active adult communities is driven by a desire by residents to be surrounded by others in a similar age bracken, and to involve themselves in different physical and recreational activities. Amenities might include, for example, golf courses, tennis courts, pools, and other shared facilities. In many ways, these communities are not much different than other living arrangements; except for the age restrictions.

U.S. Active Adult (55+) Community Market

The most recent data on the U.S. Active Adult (55+) Community market has been published in a report by Grand View Research. According the late 2020 report, the market for the U.S. Active Adult (55+) Community was valued at USD 523.4 billion in 2019 and is expected to expand at a compound annual growth rate (CAGR) of around 4.3% from 2020 to 2027.[2]



[1] Breeding, Brad. The Pros & Cons of 55+ Active Adult Communities. MyLifeSite. April 9, 2018. Available at: https://mylifesite.net/blog/post/pros-cons-55-active-adult-communities/. Accessed on December 31, 2021.
[2] U.S. Active Adult (55+) Community Market Size, Share & Trends Analysis Report By Gender (Men, Women), And Segment Forecasts, 2020 – 2027. Grand View Research. October, 2020. Available at: https://www.grandviewresearch.com/industry-analysis/us-active-adult-community-market. Accessed on December 31, 2021.

The residents of these communities are mostly baby boomers, who range in age from their mid-fifties to their mid-seventies. They tend to have a different outlook on their retirement years than their counterparts from prior generations, in part due to increased life expectancy and a desire to live an independent and maintenance-free lifestyle.

While these communities may offer certain optional care services to residents, the communities to not operate in accordance with federal regulations associated with care facilities. As such, there is not Medicare or Medicaid reimbursement for the costs of living in these communities.

Although women make up the largest revenue share of 55.3% in 2019, the report indicates that men are expected to become the fastest-growing segment. This is largely due to the increasing life expectancy of men. Even if women still tend to live longer, the extension of male life expectancy and delay many serious disabilities into the target age range of residents helps to make up for any lag in demand.

Some of the prominent players in the U.S. active adult (55+) community market include[3]:

- The Villages
- The Pulte Homes Corporation
- Laguna Woods Village (LWV)
- Green Valley Recreation
- Holiday City - Berkeley
- On Top of the World
- Century Village

The Active Adult Community is a Relatively New Trend for Developers

Rental homes in active-adult communities are a relatively new segment for many developers, according to Scott Burman, principal and construction president of Engel Burman, a real estate developer, owner and manager of a variety of senior housing options in New York, New Jersey and Florida:

> "We're building 800 rentals in four Sutton Landing buildings in New York, with 200 units in each location. We know there's demand for luxury rentals in active-adult communities, but we're also doing this now because we've seen a paradigm shift in attitudes about rental housing. Seven to 10 years ago, we couldn't have built these communities. There was community and government resistance to rental housing because it was considered transient."[4]

The movement toward these communities also reflects an interest among many 'active' adults in renting as opposed to owning. At least to start. Many of the residents in these communities are previous homeowners. The amenities and sense of community is a big draw, while many are also attracted to the flexibility of renting. Many of these communities provide the option of purchasing; however, renting gives residents the option of trying out a community before deciding to buy – often times with a small discount for the lessee.

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[3] Ibid.

[4] Lerner, Michele. Demand rises among seniors to rent rather than own in active-adult communities. The Washington Post. June 24, 2021. Available at: https://www.washingtonpost.com/realestate/demand-rises-among-seniors-to-rent-rather-than-own-in-active-adult-communities/2021/06/23/527c5018-c3d6-11eb-9a8d-f95d7724967c_story.html. Accessed on December 31, 2021.

Possible Impacts from COVID-19

A couple interviewed in a Washington Post article on this topic last year noted one of the key benefits of their living arrangement during the pandemic. Kathy Bell, a resident at a Florida active adult community said,

> "We're in good health and want to enjoy our life. It feels like we're on vacation all the time. Even during the pandemic when everyone had to stay apart, we felt like we were part of a strong community and didn't feel isolated."[5]

This is just one resident's comment. But, the experience of the pandemic could very well highlight the need and desire to find ways to create safe options for reducing the risk of social isolation. Such isolation is often the case for older adults and serves as a driver for this market. The pandemic could accelerate the demand for active adult communities.

That said, there is also a concerning trend involving lowered life expectancy overall due to the heightened mortality rate due to the pandemic. If longer life expectancy is a key driver for this market, it begs the question of how these statistics could impact the demand for active adult communities.

For sure, this is a metric that should be monitored, but the prevalence of vaccines and the emergence of effective new therapeutics – combined with the trend toward less virulent strains of Covid-19 – would suggest that the negative impact on life expectancy in the near term may not have a long-term impact on the growth of this market. If anything – one could argue – the attractiveness of this living option is just getting stronger through the pandemic.

[5] Ibid.