Why Active Adult is at a Chaotic Crossroads

By **Tim Regan** | June 15, 2022

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Last week, I attended ASHA's 2022 Mid-Year Meeting in Colorado. One topic seemed to be on everyone's mind: The rise of active adult.

Over the last couple of years, investors, owners and operators have embraced the product type as a way to reach the baby boomers the moment they reach retirement age.

But even as a number of companies scale up their active adult plans, a larger question looms: What exactly is active adult?

It's a question that has hovered since the rental active adult boom began several years ago, when NIC announced an effort to try to better define the term and track data related to these communities. I thought that by this point, a clearer definition of active adult would have emerged — but in fact, the market has become increasingly diverse, and it might be harder than ever to say what constitutes an "active adult" community.

In fact, Maxwell Group just last week announced its foray into active adult, with an intriguing model that draws on various trends in the space.

To some, active adult is almost identical to an age-restricted multifamily community, with few hallmarks of a traditional senior living community. To others, active adult communities are squarely on the care continuum, even sometimes with care options and access being a key selling point.

In this week's exclusive, members-only SHN+ Update, I analyze the active adult market and offer key takeaways, including:

- Consumers are already confused about what senior living is, and active adult threatens to add more complication
- On the plus side, active adult innovation is thriving as companies create diverse models
- Maxwell Group's concept could offer a glimpse of where the product type is headed

Active adult lacks definition

Active adult is surging in popularity in 2022, with multiple industry surveys indicating that its appeal with investors has only grown this year. Investors' thinking is relatively simple: active adult communities will be among the first to reach the crucial baby boomer demographic, and that makes them worth investing in now.

This has put the industry at an interesting crossroads, with sizable investment in a product type that is still coming into its own; what constitutes an active adult community changes depending on who you talk with.

Active adult communities typically restrict residency to adults age 55 or older. They also usually don't offer much in the way of senior living services beyond housekeeping or laundry. Additionally, active adult communities usually lack the full slate of senior living amenities, instead focusing on ones that residents can use without much or any direction such as clubhouses, fitness or sports areas and shared kitchens.

But beyond those features, active adult communities become less defined. For example, some companies treat the product type as a stepping stone to independent living or assisted living, and will co-locate active adult communities near others in their portfolio for that reason. Other organizations see active adult communities as a destination unto themselves, and deck them out in resort-style amenities and features. And several groups view active adult as a way to start serving a lower price point, and scale their offerings toward middle-market consumers.

There is also some disagreement about whether active adult communities should include ownership options. While the traditional senior housing world sees the product type as mostly rental in nature, it is not unusual to see master-planned developments from the likes of companies such as Del Webb advertised as active adult.

Complicating matters is that some senior living companies eschew the active adult name altogether. For instance, Capitol Seniors Housing calls its communities "active living."

What constitutes an "active" older adult is also debatable, and I suspect there are many people already in independent living who closely identify with the term. There are some operators — Revel Communities from The Wolff Company comes to mind — that blur the lines between independent living and active adult.

Though it's through no fault of operators, this lack of definition creates confusion for consumers. Already, the senior living market is hard for consumers to grasp, with the media perpetually conflating nursing homes with private-pay offerings. Parsing the differences between independent living, assisted living, memory care, CCRCs and skilled nursing is challenging enough — adding four or five different "active adult" offerings into the mix will not help matters.

And investor confusion or frustration is another risk if the active adult market remains too chaotic and ill-defined. While we have heard that capital availability has improved for active adult projects, lenders naturally seek comparable projects, while investors are hungry for the kind of data that can help them ascertain supply and demand dynamics and other factors critical to success.

For these reasons, I think it would behoove the industry to define active adult and who it's for before the baby boomers get too far along in their aging journey.

Innovative ideas abound

The upside of so much experimentation in active adult is innovation; and a growing slate of companies are bringing with them many new ideas and ideas about how the product should look and feel, and what it should offer.

One innovation lies in what residents get for their dollars. Real estate company Lloyd Jones is pivoting to senior housing, partly with an active adult model that offers residents one meal per day as part of their rates — either breakfast or lunch — plus other services offered on an a la carte basis.

While active adult operators typically forego a meal component for residents, Lloyd Jones Senior Living Vice Chairman Tod Petty disagrees with that notion. With its lower cost per month, he believes active adult can serve as a "safety net" for the middle market.

"Yes, it's more expensive than just age restricted, but it's less expensive than independent living," Petty said during a panel discussion at the recent SHN DISHED/WELLNESS event in Orlando. "We think it's all about food in the future."

Other companies are focusing on health care offerings as a differentiator for active adult. For instance, senior living and health care developer Avenue Development is forging ahead with a preventive care-focused model that gives active adult residents access to wellness and health care services.

On the other end of the spectrum, there are communities like The Canyons in Portland, Oregon. While the community is almost identical to a multifamily property, all of the units come equipped with universal design features, and it offers a range of services that might appeal to older adults.

Others still are trying to reimagine the model in further ways. Treplus Communities, for example, is growing its active concept model of single-story, ranch-style rental homes with universal design principles and access to a clubhouse and other amenities. Real estate investment trust (REIT) Welltower (NYSE: WELL) is among the company's backers.

Weller Life model offers glimpse of the future

Although there are many new models for active adult communities, I am intrigued by one in particular that I think offers a glimpse into the product type's future.

Maxwell Group, the parent company of Senior Living Communities and other senior living brands, is working on an active adult model — similar to Treplus' — called Weller Life. Residents would live in 80 to 120 single-family homes on sprawling 18- to 25-acre sites, not congregate buildings as is typical of the rental product type.

Like with Treplus communities, each Weller Life development is planned to have a clubhouse and a slate of amenities. Maxwell Group wants residents to feel not as if they are living in a congregate active adult community, but in a master-planned community more similar to a Del Webb development. I think this would hold appeal for some of the younger baby boomers, especially those who are reluctant to go from living in large single-family homes to smaller condo or apartment communities.

One of the biggest critiques I hear of active adult is that the model incentivizes developers to build glorified multifamily projects that only cater to residents on the lowest end of the acuity scale. Although home-based services are always an option for residents, many operators are also concerned about "acuity creep" occurring in their communities and potentially turning them into glorified independent living communities down the road.

Under the Maxwell Group model, residents would get the option to access home care services through the company's private-duty home care company, Live Long Well Care. Although I think the company will have to grapple with acuity creep under this model too, I also think the single-family home element changes the equation, insofar as it might lessen the challenges associated with maintaining a vibrant environment in a multifamily-style community as residents age in place.

Another strength of the model is that it is planned to cost significantly less than independent living, with expected monthly resident fees ranging from between $3,000 and $4,000.

Putting all of the pieces together, I see this model as solving for many of the active adult market's biggest challenges: price, acuity and socialization. And if Maxwell Group can deliver on what it has planned, I think we'll see more communities along these lines in the future.

Companies featured in this article:

Maxwell Group, Treplus Communities

Tim Regan

Tim is a lover of bad jokes and board games. When he's not hunched over his work computer, Tim can usually be found hunched over his personal computer.