



Potential beyond *conventional:* active adult advancing the living sector

A national chronic housing shortage, amplified by an aging population, demographic shifts over the last five years, and more recently, upward pressure on development costs and steep financing costs together position the broad senior housing sector for long-term, sustainable demand. Active adult, a bridge between conventional multifamily and independent living, in particular, also benefits from unique shifts in housing preferences that—alongside very limited inventory—may contribute to outperformance among other senior housing segments.

Paradigm shifts in preferences within the 55+ cohort to age in place, enabled by advances in healthcare, technology, and increased adoption of wellness practices, are leading this cohort to increasingly seek living options that meet their lifestyle, are close to family members, and are more cost-effective than segments of senior housing that offer various levels of care services. In the transitional years toward retirement, often beginning with empty nesting, adult singles and couples look to downsize to communities and accommodations that offer the ability to age in place, with many also looking to move closer to family. Half of adults aged 18 and older report not feeling confident they'll be able to age in place with support from their community through services and accessibility, while more than 40% of adults aged 50 and older expect to relocate.¹ Further, adults in this age group are increasingly looking to rent, concerned about living expenses, maintenance and upkeep associated with home ownership, and higher mortgage rates, all while combating inflationary pressures of basic necessities on a fixed income. In the decade through 2023, the largest increase in rentership occurred in the 65 and older cohort, and the only other cohort to record an increase was the 55 to 64 cohort.²

¹ Building for the Future: Creating Homes and Communities for Aging Well. AARP, December 10, 2024.

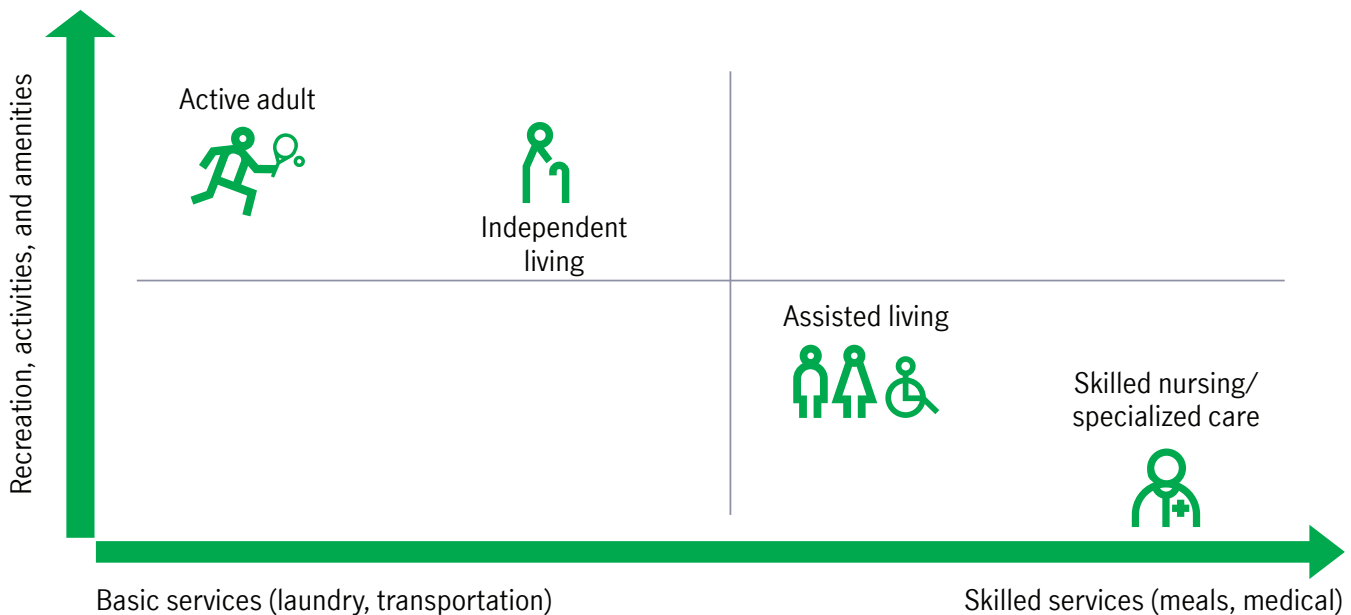
² Why Seniors' Share of Renters Is Soaring. Multi-Housing News, July 9, 2025.

The spectrum of senior housing

Senior housing may encompass a broad range of residential types, subsectors, and building types. For the purposes of this viewpoint, we'll refer to adults aged 55 and older as seniors. Depending on a range of factors, including age, mobility, preferences, physical, cognitive and mental health among others, seniors may opt to live in a broad spectrum of housing. Senior-specific housing includes active adult, independent living, assisted living, skilled nursing care, which can encompass general care or skilled care for treatment of a specific condition, disability, or ailment (e.g., memory care). Licensing and sophistication of services and amenities provided is the major delineator.

The institutional investment spectrum has shifted over time. While specialized operators and select institutional investors historically focused on skilled nursing facilities, the institutional investment community today largely focuses on a broader array of active adult, independent, or assisted living assets. A 2025 survey run by JLL showed more than three-quarters of commercial real estate investors are seeking to increase exposure to senior housing, up from less than a quarter last year, with most focused on assisted living.³ Active adult facilities are functionally close to conventional multifamily, but along with an age restriction (typically 55+), boast a lifestyle focus, and offer amenities and programming in support of healthcare, wellness, and socialization.⁴

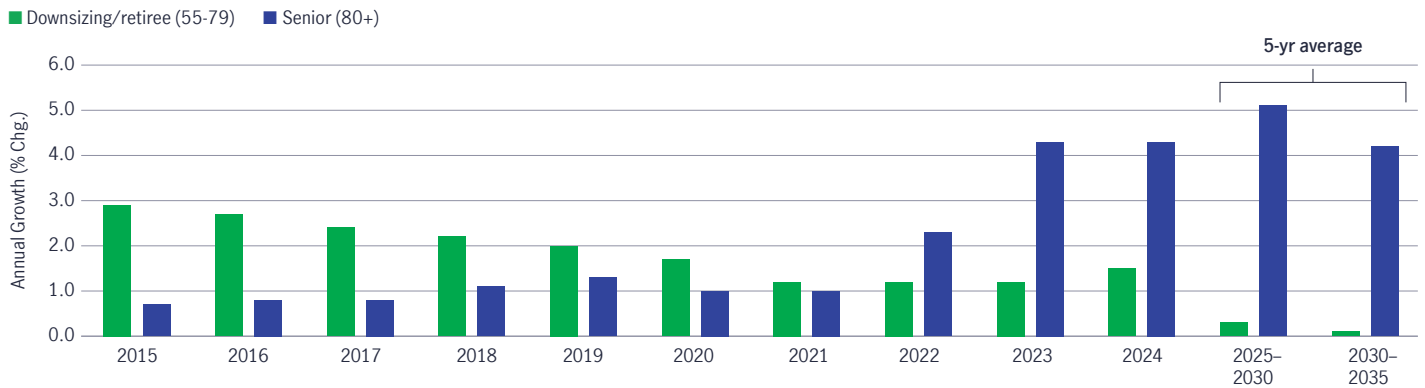
Senior housing offers a range of residential types



Source: Manulife IM Real Estate Research & Strategy. Data is as of September 2025.

³ Institutional Money Floods Senior Housing As Demand Booms, Banks Stay Away. Bisnow, April 18, 2025. ⁴ Active Adult Rental Properties: Defining the Emerging Property Type. NIC, September 2022.

Annual population growth by age cohort



Source: Oxford Economics. Data is as of September 2025.

Paradigm shifts: demographics and living preferences

Commercial real estate investing today is complex and many sectors are challenged by a mixed economic backdrop weighing on demand fundamentals and some oversupply. What distinguishes and even provides some insulation for senior housing is not only strong demand-side support through favorable demographics and countercyclical characteristics, but undersupply that's arguably exacerbated by current economic and market-level dynamics.

Senior housing demand drivers are rooted in demographic trends and more inelastic in nature—a wide spectrum of housing to support aging is always needed. These include a growing rentership rate in the population aged 65 to 74; higher net worth than previous generations; increased downsizing; rising divorce rates for those 50+; and increased solo aging.^{5,6} Combined, these factors are also driving demand for differentiated senior housing catering to a specific demographic whose preferences are showing rapid evolution, particularly following the pandemic.

Fueled by higher net worth, the younger portion of the 55+ cohort is looking to invest in longevity—not just predominantly in retirement, but also in fulfillment alongside their careers. This enhanced focus on health and wellness encompasses not only physical but mental well-being, and in turn, drives a preference

for social inclusion, community, and mobility, particularly after experiences of lockdown during the pandemic.⁷ All together, these preferences form a unique demand pool warranting a different approach for senior housing, and fueling the emergence of the active adult housing subsector. This sector benefits from the youngest baby boomers aging into their 60s who are opting for community benefits, without long-term care needs just yet, but who desire accessibility to healthcare and wellness-related amenities. Generally, this cohort appears to seek out communities and environments that allow prioritization of mental, physical, and social wellness according to NIC, a predominant research-based senior housing and active adult organization.⁸

The surge in demand within this demographic is driven not merely by population growth, but by a fundamental shift in lifestyle preferences and expectations around aging. As older adults increasingly seek vibrant, independent living environments, the active adult segment is redefining what senior housing looks like—requiring a distinct operational model and management approach compared to traditional offerings, such as independent living or assisted living. With institutional capital flowing into senior housing and this segment remaining relatively fragmented and underdeveloped, investors are recognizing a compelling opportunity to lead in a space poised for transformation.

5 Why Seniors' Share of Renters Is Soaring. Multi-Housing News, July 9, 2025. **6** Senior Housing Market Outlook, NIC, November 2025. **7** The Rise of the Active Adult Market. The Senior Care Investor, March 2023. **8** Active Adult Rental Properties: Defining the Emerging Property Type. NIC, September 2022.

Performance advantage rooted in undersupply

As institutional interest in senior housing accelerates, the demand for robust, sector-specific data is becoming increasingly urgent. While current data—particularly for the active adult segment—remains limited, there’s a growing need to integrate conventional multifamily metrics with demographic insight to better assess market dynamics. However, it’s essential to recognize the unique characteristics of this sector. In today’s environment, where traditional multifamily faces headwinds such as supply shocks, shifting immigration policies, and evolving migration patterns, active adult and senior housing remain comparatively insulated—underscoring the importance of a differentiated analytical lens and investment strategy.

Operating and leasing fundamentals currently paint a growth picture for senior housing and active adult, in spite of some of the challenges facing the multifamily market. Historically, active adult occupancy rates tend to mirror conventional multifamily on average, with a significantly different turnover ratio. Whereas conventional multifamily turnover is about 50%, senior housing boasts turnovers as low as 20% to 25%, depending on the segment and geography.⁹ As of Q2 2025, vacancy for multifamily in the United States is about 8%, slightly elevated compared to a 7% long-term historical average. By comparison, average occupancy for active adult nationally was just over 92% as of Q2—also equating to a vacancy of about 8%—and stabilized properties even higher at nearly 96%. The overall average vacancy held steady from one year prior, similar to conventional multifamily trends, while stabilized occupancy improved about 100 basis points (bps).¹⁰

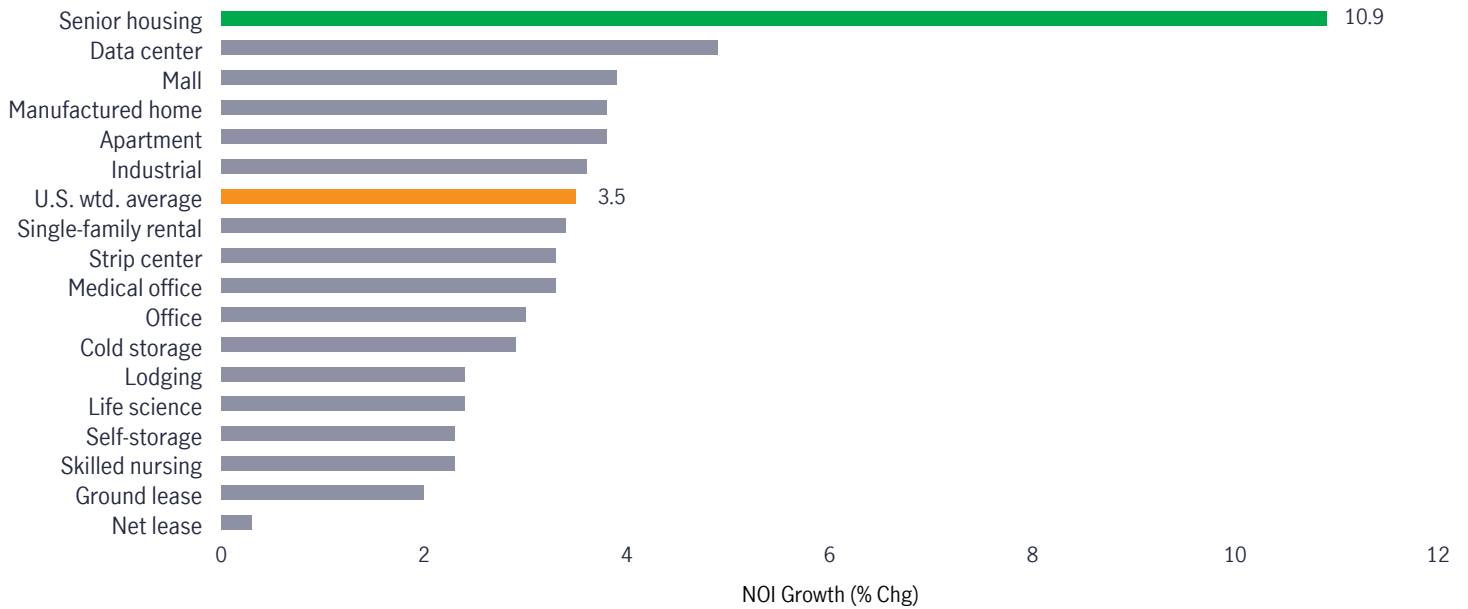
Supply-side trends are more nuanced between senior housing and conventional multifamily. The U.S. multifamily market faces a long-term housing shortage; however, select markets today are likewise experiencing supply shock from record

levels of luxury and higher-quality multifamily development. Senior housing supply, including active adult, is highly constrained, due to cyclical trends and elevated construction costs, but also to the emerging nature of the sector. For instance, while NIC tracks approximately 2 million senior housing units, with data dating to 2006, active adult inventory totals only 118,000, and tracking only began three years ago. Recent studies suggest senior housing demand over the next 35 years will total 100,000 new beds annually. Yet, currently there are only about 4,000 new senior housing units (including independent living, assisted living, and active adult) set for completion through 2026, creating a significant gap—and opportunity—for development. Further, Q2 2025 delivered the lowest level of new deliveries since tracking began, with approximately 800 units hitting the market and representing less than 1% inventory growth year over year.¹¹

Higher interest rates and restrictive lending are hampering development initiatives and slowing the pipeline to a 16-year low, accelerating rent growth and investment activity. With conventional multifamily rents showing some contraction, investors have been largely sidelined. In contrast, senior housing showed a 5% increase in rents in 2024, and rents have consistently accelerated, now up more than 20% since 2019.¹² On average, senior housing boasts a rent premium of as much as 150% over conventional multifamily, potentially a reflection of service levels and operational intensity. Although active adult premiums are lower—typically 10% to 30% over conventional multifamily—the segment has significant operational upside. Active adult assets generally achieve higher rents than market-rate multifamily; boast higher retention and tenure rates that support long-term income production; and while communities and assets may require enhanced operational management compared to market-rate rentals, these assets don’t require healthcare licensure and offer a less management-intense diversification play than other types of senior housing.¹³

⁹ “California’s Subsidized Affordable Homes,” California Housing Partnership, April 2025. ¹⁰ Baby Boomers Begin Making the Move to Senior Housing and Active Adult. NIC, July 10, 2025. ¹¹ Baby Boomers Begin Making the Move to Senior Housing and Active Adult. NIC, July 10, 2025. ¹² Institutional Money Floods Senior Housing As Demand Booms, Banks Stay Away, April 18, 2025. ¹³ Active Adult Rental Properties: Defining the Emerging Property Type. NIC, September 2022.

NOI growth across property sectors (2026–2029)



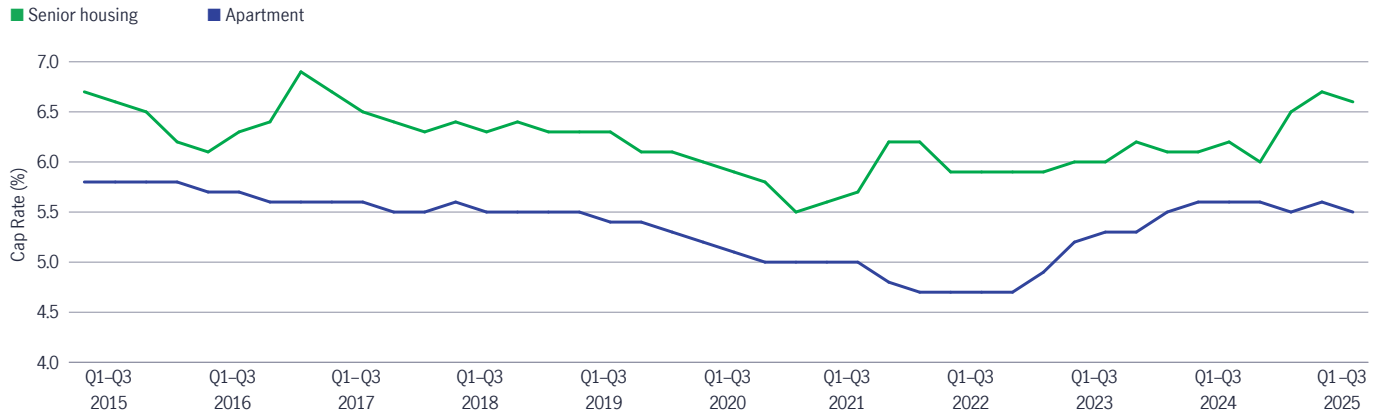
Source: Green Street. Data is as of September 2025. NOI refers to net operating income.

According to Green Street, net operating income (NOI) growth for senior housing is projected to be the strongest among all sectors over the next five years and likely extends to active adult.¹⁴ Total returns for senior housing outpaced the broader Expanded National Property Index by 85bps in the second quarter of 2025 at 2.08%, yielding a 4.00% year-to-date total return and accompanied by positive capital appreciation.¹⁵ Senior housing transaction activity is responding and liquidity for the sector is on the rise as investors seek income growth and stability to bolster portfolios. Total volume in 2024 was

steady from the previous year, just shy of \$16 billion, while other asset classes recorded declines in volume, even though all are challenged by financing.¹⁶ At the same time, average cap rates for senior housing have expanded about 150bps from a low of 5.00% in 2021, eclipsing multifamily cap rates. Class A active adult cap rates average 5.60% to 6.00%, according to a JLL Investor Survey, creating a compelling case for investors seeking exposure to living sectors.¹⁷

¹⁴ Green Street. Data is as of 2Q25. ¹⁵ NCREIF. Data is as of 2Q25. ¹⁶ Seniors Housing and Care. JLL, Spring 2025. ¹⁷ Investor Survey and Trends Outlook Spring 2025. JLL, Spring 2025.

Cap rates—senior housing vs. apartment



Source: Green Street. Data is as of September 2025.

Cyclical risks may put demand under pressure

Senior living, encompassing active adult, is somewhat insulated from economic downturns or recessions, positioning it more resiliently in the current economic climate, which is showing some signs of softening. At the same time, there are trickle-down impacts from a weaker economy that cannot be avoided. Over the short-term, inflation, labor availability, and cost pressures may escalate operational expenses. Longer-term trends, specifically higher interest rates and mobility rates, may also exacerbate downside risks.

For instance, in spite of net migration surges during the pandemic, overall mobility rates (defined as having changed residence within the preceding 12 months) are declining.¹⁸ While mobility appeared to rise through 2018 for senior age groups (65 to 79), it has since shown a pullback of more than

11% between 2019 and 2023, the latest data available. Lower mobility rates may be symptomatic of higher interest rates and low housing supply keeping seniors in their homes for longer. At the same time, higher rates may also prompt seniors to sell their homes and rent their next home to keep costs down.

Both of these trends—higher interest rates and lower mobility—correlate with the increasing number of multigenerational households with a greater dependence on income. Since 2006, the number of households where adults are living with their grandparents has been rising steadily to more than 600,000 households in 2023.¹⁹ Another potential headwind for senior-age homeowners is stickier financial dependency by their children. The share of Gen Z homeowners and renters that receive financial assistance from family for living expenses is 58% and 60%, respectively, which may drive increased adoption of multigenerational living and reduce the need for near-term senior or active adult housing.²⁰

¹⁸ Housing Trends: Older Households Are Moving Less, and Multigenerational Living Is Rising. Federal Reserve of Boston, July 8, 2025. ¹⁹ Housing Trends: Older Households Are Moving Less, and Multigenerational Living Is Rising. Federal Reserve of Boston, July 8, 2025. ²⁰ New Home Trends Institute. John Burns Research & Consulting, December 2023.

Active adult is poised for growth

In spite of challenges related to the economy and monetary policy, the current supply-and-demand imbalance will allow the active adult segment to weather shifts in demand. Accompanying the rise of multigenerational living and stickiness in homeownership, nearly three-quarters of adults today report wanting to age in the same area and/or community.²¹ However, as we move through the economic cycle, and monetary policy responds, households may regain mobility, and seniors are likely to want to recapture some independence as evidenced in many surveys. Further, even if there's any modest correction in demand, the supply pipeline remains hindered by increasing construction costs and timelines. More positively, while many segments of senior housing are also negatively affected by healthcare-related labor force shortages, active adult is the least labor intensive, insulating NOI margins to a degree.

These supply-and-demand dynamics also underscore the broad geographic range of investable markets that may support active adult. Seattle, Las Vegas, Denver, Buffalo, New York, Atlanta, and Orlando have among the highest concentrations of active adult housing according to NIC's seminal data, underscoring the segment's geographic diversity and breadth of investable opportunities.²² Overall market considerations for active adult include strong population growth in the 55+ age cohort; transit infrastructure in support of prevailing transport mode; a strong presence of healthcare and medical hubs; high

property taxes supporting the rationale for seniors to downsize; and a range of incomes in support of diversified product types. Asset-level considerations for active adult include superior on-site amenities, event and site programming, entertainment space, and proximate, walkable recreation, and retail.

The active adult segment presents a compelling investment opportunity shaped by a convergence of favorable market dynamics. Limited supply and early-stage institutional penetration offer investors the ability to capture value at a lower basis, while evolving senior preferences signal a decisive shift toward lifestyle-oriented, independent living. These trends are reinforced by powerful structural forces—demographic and cultural—that support sustained absorption and long-term growth.

In today's complex macroeconomic environment, where diversification is critical to driving outperformance and portfolio differentiation, active adult stands out as a differentiated alternative. It offers exposure to a sector that's not only insulated from some of the pressures facing conventional multifamily—such as supply shocks and migration volatility—but also aligned with a long-term demographic transformation. For investors seeking both stability and strategic growth, we believe active adult represents a unique opportunity to participate in the redefinition of senior living.

²¹ Building for the Future: Creating Homes and Communities for Aging Well. AARP, March 31, 2025. ²² Active Adult Rental Properties: Defining the Emerging Property Type. NIC, September 2022.

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