SENIORS HOUSING U.S. ACTIVE ADULT REPORT 2023

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SENIORS HOUSING

INTRODUCTION

The Active Adult "AA" segment of the multifamily real estate market is a niche that is dedicated to residents aged 55 and older who are looking for housing options that cater to their unique needs and preferences. First popularized by Del Webb as far back as the 1960's, the segment has gained significant attention and popularity in recent years due to the increasing number of baby boomers reaching retirement age and seeking a lifestyle that promotes active and independent living.

AA communities are designed with a wide range of amenities catering to the needs and interests of this demographic. Based around the local community, AA properties may include fitness centers, swimming pools, golf courses, and pickleball courts, while ranging in design from single-family build-to-rent and townhomes to traditional multifamily and condominiums. The goal is to create an environment that encourages an active and engaged lifestyle, fostering social connections and promoting overall well-being.

In addition to physical amenities, AA communities often provide services that allow residents to enjoy a low-maintenance lifestyle. Unlike Independent Living communities, daily meals are not provided by AA operators but many social events such as happy hours at the community center are common. Many communities also offer organized social events and activities providing opportunities for residents to connect with like-minded individuals.

The AA segment presents significant opportunities for real estate developers and investors. As the baby boomer generation continues to age, the demand for housing options that cater to their specific needs and desires is expected to grow. Developers who can create well-designed, amenity-rich communities that meet the preferences of this demographic are likely to see strong demand and offer potential for long-term success.

Overall, the AA segment represents a growing and lucrative market within the real estate industry. With the right combination of housing options, amenities, and services, developers and investors have the potential to tap into the desires and aspirations of this demographic and provide them with a fulfilling and enjoyable living experience.

RECAP

57,015

ACTIVE ADULT UNITS NATIONWIDE

(Class A, Fully Age-Restricted Properties, across all markets covered by Yardi Matrix*)

$2,199

AVERAGE RENT FOR AA UNIT AS OF 3Q23

(National Average Rent for Traditional Class A Multifamily Unit was $2,076)

94.2%

NATIONAL AVERAGE AA OCCUPANCY

(During the 12-month period ending in September 2023)

3,833

NET NEW LEASES SIGNED NATIONWIDE

(During the 12-month period ending in September 2023)

Source: Yardi Matrix

* Note: NICMAP reports nearly 82,000 active adult units nationwide across all Class types. Yardi tracks Class A active adult units separately from other Class types.

DEMOGRAPHICS

More than 60.7 million Americans are over age 65. During the next five years, that number is expected to increase to nearly 70 million, an annual growth rate of 3%.

California, Florida, and Texas are home to a quarter of America's seniors as well as a quarter of the U.S. population. However, California and Texas have two of the smallest total percentages of senior residents.

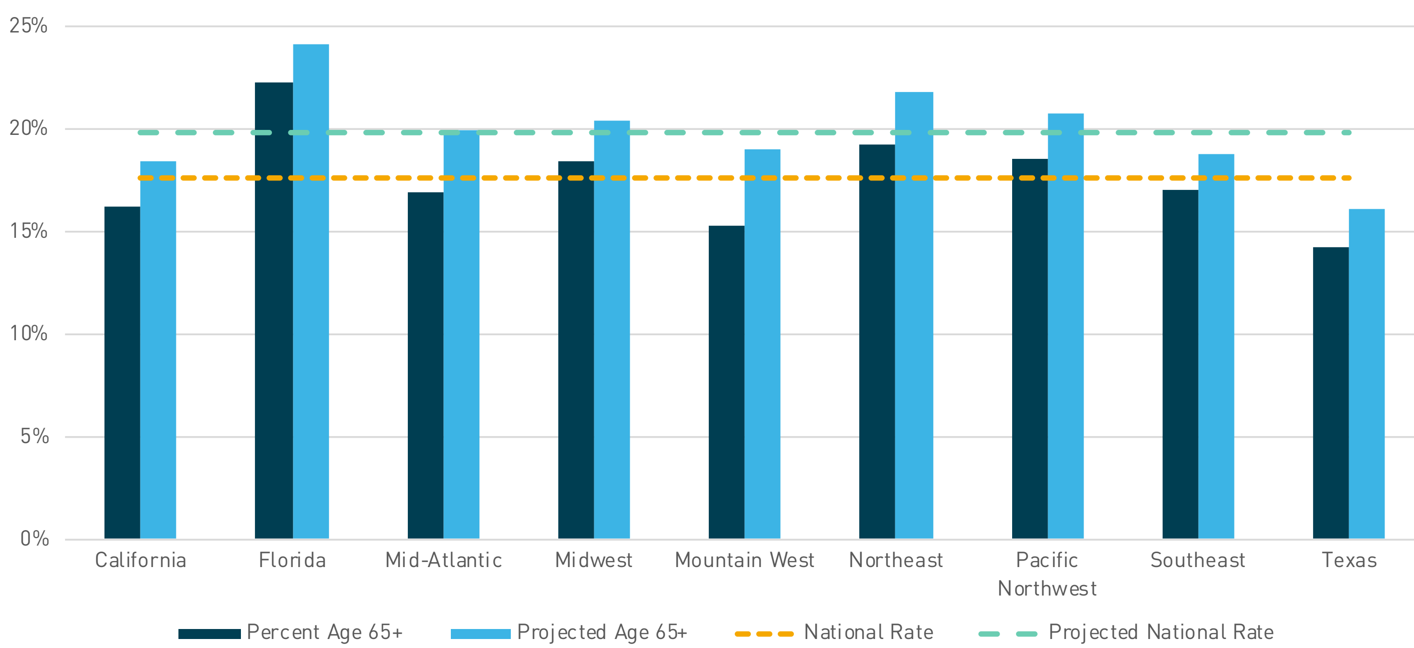
The Midwest and Northeast account for nearly two in five senior residents nationwide, while accounting for roughly one out of every three total residents.

While the Southeast is viewed as a retirement magnet, its total percentage of senior residents remains below the national average.

Migration is expected to play a key role in the distribution of older adults over the next five years. States that are attracting younger adults in the South and the West expect to see seniors follow children after retirement to be near families.

By 2030, half of the states in the country will have 65+ populations measuring over 20% of their total populations.

65+ POPULATION AS A PERCENTAGE OF TOTAL POPULATION



Sources: U.S. Census Bureau, Sitewise

COMMUNITY OPERATIONS

During the lease-up period, properties carry a staff of 4-7 employees and 3-4 during normal operations, depending on the size of the community and number of amenities offered.

Pre-lease for properties usually begins around nine months prior to opening.

At roughly 5-8 units per month, Active Adult communities generally have a slower lease-up period than conventional multifamily properties, calling for more conservative underwriting for construction and sales financing. Stabilized properties boast a retention rate of 80%.

Once residents decide to move into a community, they commit for the long haul. Residents rent for an average of seven years, compared to two for traditional multifamily and one for student housing.

Primary expenses are labor, marketing, and site maintenance. Additional income streams could include garage parking, storage units, an on-site convenience store, catering services for events, and happy hours.

Active Adult and conventional multifamily assets both share management fees of roughly 3%, slightly below that of traditional seniors housing which averages around 5% of revenue.

EVOLUTION OF SERVICES OFFERED

Services Offered	Active Adult	Independent Living	Assisted Living & Memory Care
Shelter	**X**	**X**	**X**
Activities & Recreation	X	X	X
Socialization Programs	X	X	X
Meals		X	X
Transportation		X	X
Basic Medical Care		X	X
Post-Acute & Specialized Memory Care			X

TARGET RENTER GROUP

Residents generally have an **income of at least $50,000 annually** with a minimum of **$150,000 in non-housing related assets**.

Residents can generally **spend up to 50% of their monthly income on rent** and are considered lifestyle renters. The national rent-to-income average for lifestyle renters is 26.9%.

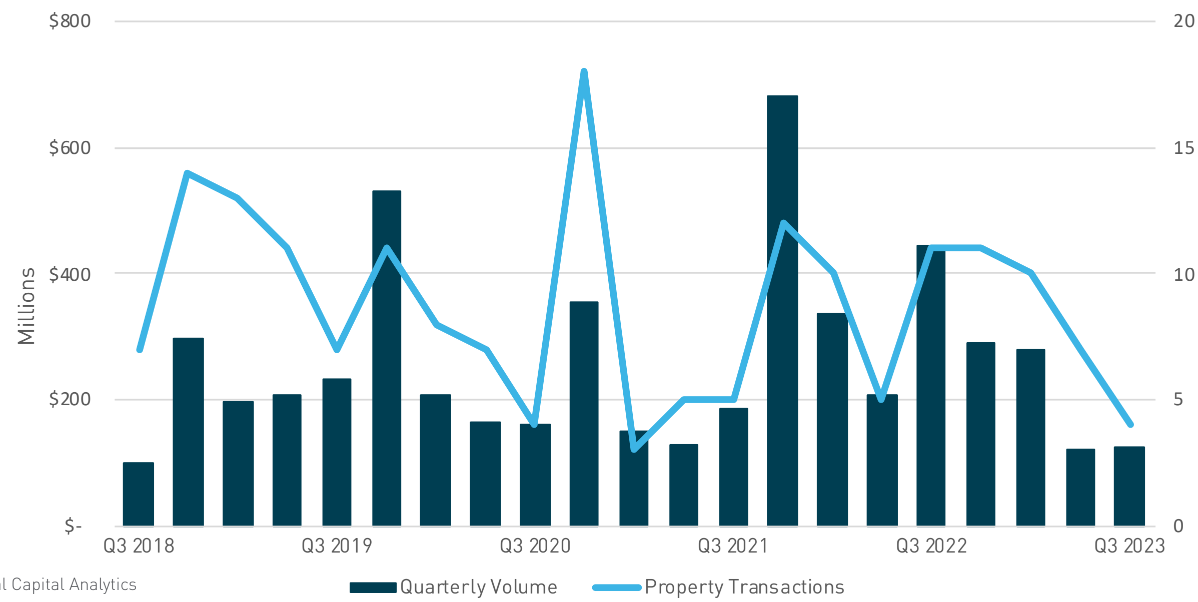
70% of residents are downsizing from a home that is within a ten-mile radius of a property. A growing number of residents are relocating to be closer to children and family members.

According to a 2022 study conducted by Boston University, the **average age of an AA resident is 74**, with 65% of residents being single women and 25% being couples.

SALES TRENDS

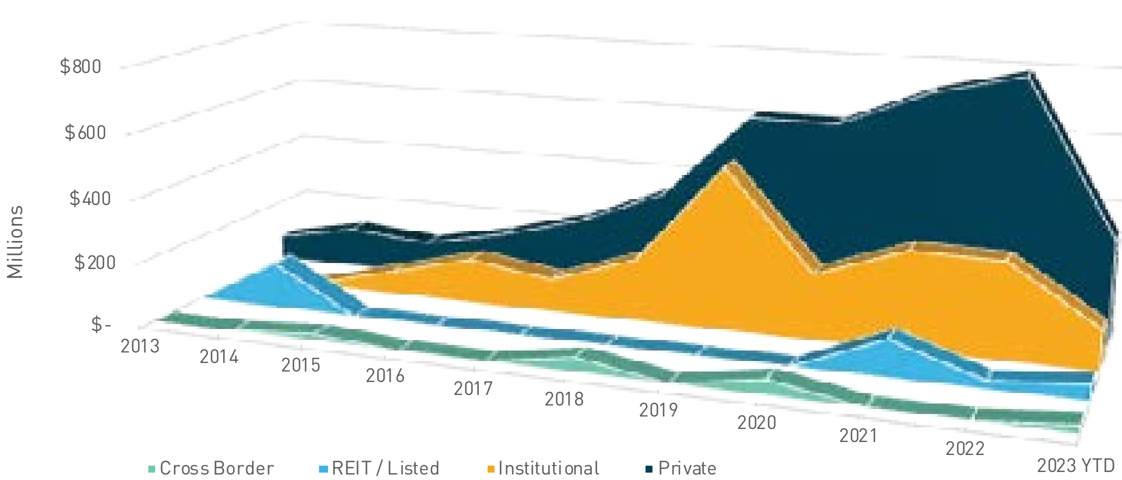
The Active Adult sector hasn't been immune to the downturn in trade volume seen in 2023. According to data compiled from Real Capital Analytics, trade volume for age-restricted mid/high-rise properties has totaled just over $520 million, down roughly 48% from the same time period in 2022. This is on par with the annual decline in overall trade volume for mid/high-rise properties across the conventional multifamily sector. While the average price per unit continues to slide, at $207,601, prices are still 9% above where they were before the 2020 boom in residential real estate pricing. After settling at 4.5% during 3Q22, average cap rates have increased 30 basis points to 4.8%, while median cap rates sit slightly higher at 5.2%, up 80 basis points year-over-year.

ACTIVE ADULT TRANSACTION TRENDS



Source: Real Capital Analytics

CAPITAL FLOWS



SINCE 2013, PRIVATE INVESTMENT HAS TOTALED OVER

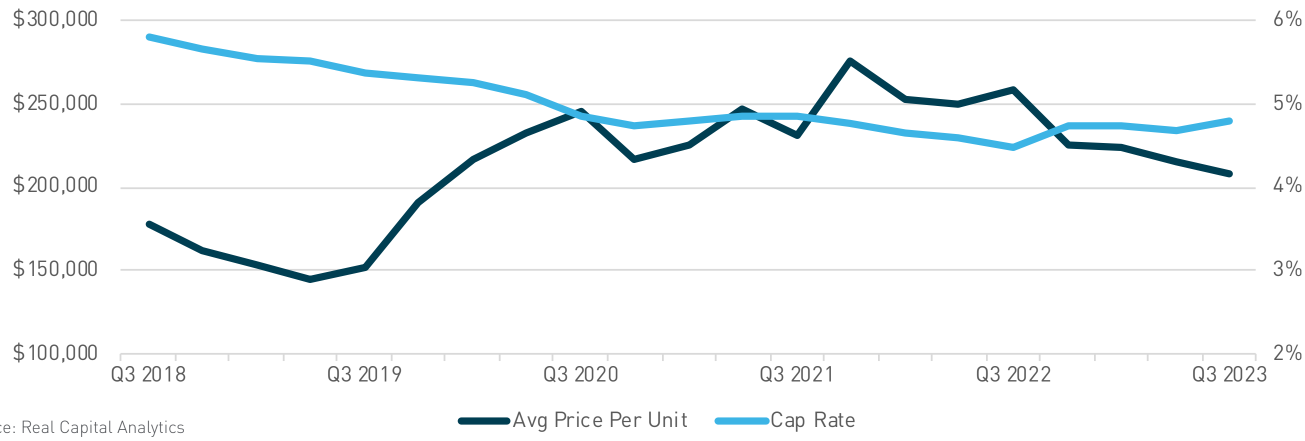
$4.1 B

IN THE ACTIVE ADULT SECTOR, ACCOUNTING FOR **62.7%** OF ALL CAPITAL FLOW.

Source: Real Capital Analytics

SALES TRENDS

PRICE PER UNIT & CAP RATES



Source: Real Capital Analytics

TRANSACTION VOLUME MAJOR PLAYERS

TOP SELLERS

Company	24-Month Disposition
Greystar	$134,500,000
Abacus Capital Group	$121,250,000
Bozzuto Group	$112,500,000
Realen	$112,500,000
National Development	$88,725,000
Alliance Residential	$85,000,000
AMG & Associates	$80,419,068
Avenida Partners	$77,000,000
Kennedy Wilson	$75,800,000
Lomco	$75,000,000

TOP BUYERS

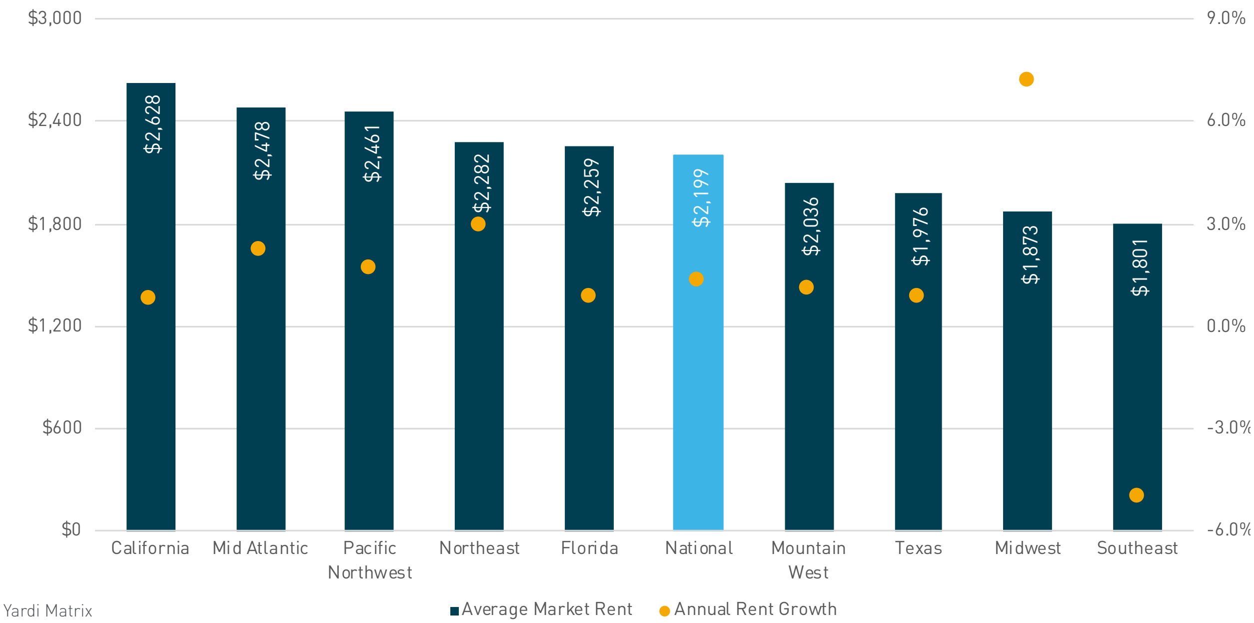
Company	24-Month Acquisition
Greystar	$164,525,000
Blaze Capital Partners	$124,581,901
LaSalle	$121,250,000
Livingston Street Capital	$112,500,000
VTT Management	$87,000,000
PGIM Real Estate	$85,000,000
Pacific Cos	$80,419,068
Bascom Group	$77,000,000
Artemis RE Partners	$77,000,000
Welltower	$75,345,500

Source: Real Capital Analytics

MARKET TRENDS

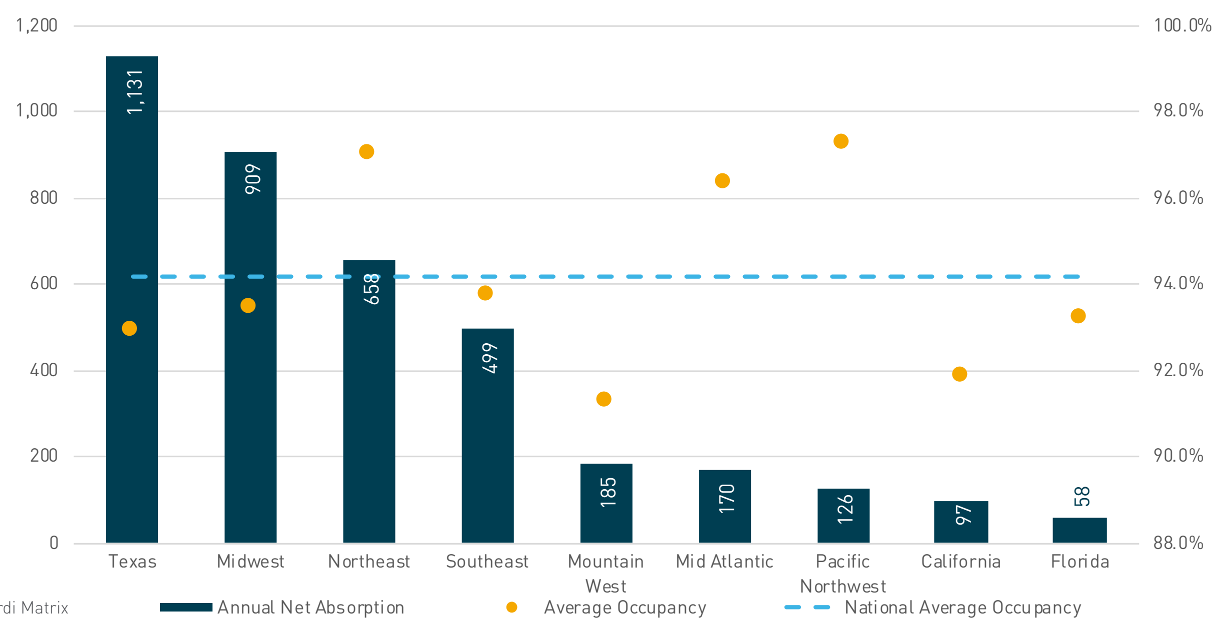
Bolstered by double digit annual rent growth in Cleveland and Indianapolis, the Midwest region led the nation with a 7.2% rise in average asking rent over the trailing 12-month period ending in September 2023. Similar to conventional multifamily properties, rent growth in the Active Adult sector has slowed in 2023. The national average asking rent for an Active Adult unit rose 1.4% year-over-year to $2,199. Ultimately, the sharp rise in rent brought on by the post-pandemic real estate market boom proved to be unsustainable long term and rent growth has returned to historical norms.

RENTAL RATE REGIONAL TRENDS



Source: Yardi Matrix

NET ABSORPTION & OCCUPANCY REGIONAL TRENDS



Source: Yardi Matrix

ACTIVE ADULT LARGEST MARKETS

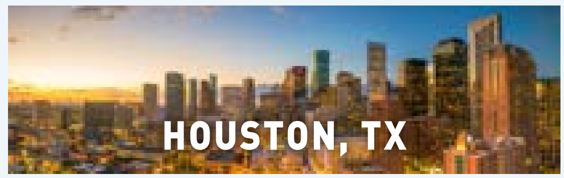
TOP MARKETS

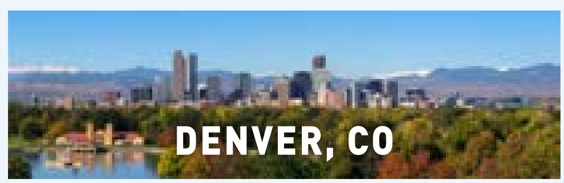
Market	Total Units *
Dallas, TX	**4,999**
Houston, TX	**3,184**
Fort Worth, TX	**2,378**
Phoenix, AZ	**2,313**
Denver, CO	**2,252**
New York City, NY	2,202
Atlanta, GA	2,195
Orange County, CA	2,184
Austin, TX	2,151
Minneapolis - St. Paul, MN	1,965
Orlando, FL	1,394
Las Vegas, NV	1,352
Kansas City, MO	1,340
San Antonio, TX	1,247
Salt Lake City, UT	1,054
Philadelphia, PA	1,036
Inland Empire, CA	1,034
Chicago, IL	1,032
Cleveland, OH	1,029
Charlotte, NC	997

* Inventory includes Age-Restricted, Class A properties

Source: Yardi Matrix

TOP FIVE





TOP PERFORMING MARKETS | MINIMUM 500 UNITS

3Q23 AVERAGE RENT

San Diego, CA	$3,181
New York City	$2,930
Baltimore, MD	$2,900
Philadelphia, PA	$2,882
Newark, NJ	$2,755

ANNUAL RENT GROWTH

Cleveland, OH	20.2%
Baltimore, MD	13.1%
Indianapolis, IN	11.2%
Chicago, IL	8.0%
Trenton, NJ	6.3%

3Q23 AVERAGE OCCUPANCY

Albany, NY	98.9%
Cleveland, OH	98.8%
Trenton, NJ	98.6%
San Diego, CA	97.7%
Richmond-Tidewater, VA	97.6%

ANNUAL NET ABSORPTION

Fort Worth, TX	409
New York City	404
Atlanta, GA	324
Dallas, TX	284
Minneapolis, MN	259

TOP CONSTRUCTION PIPELINES
(All Markets)

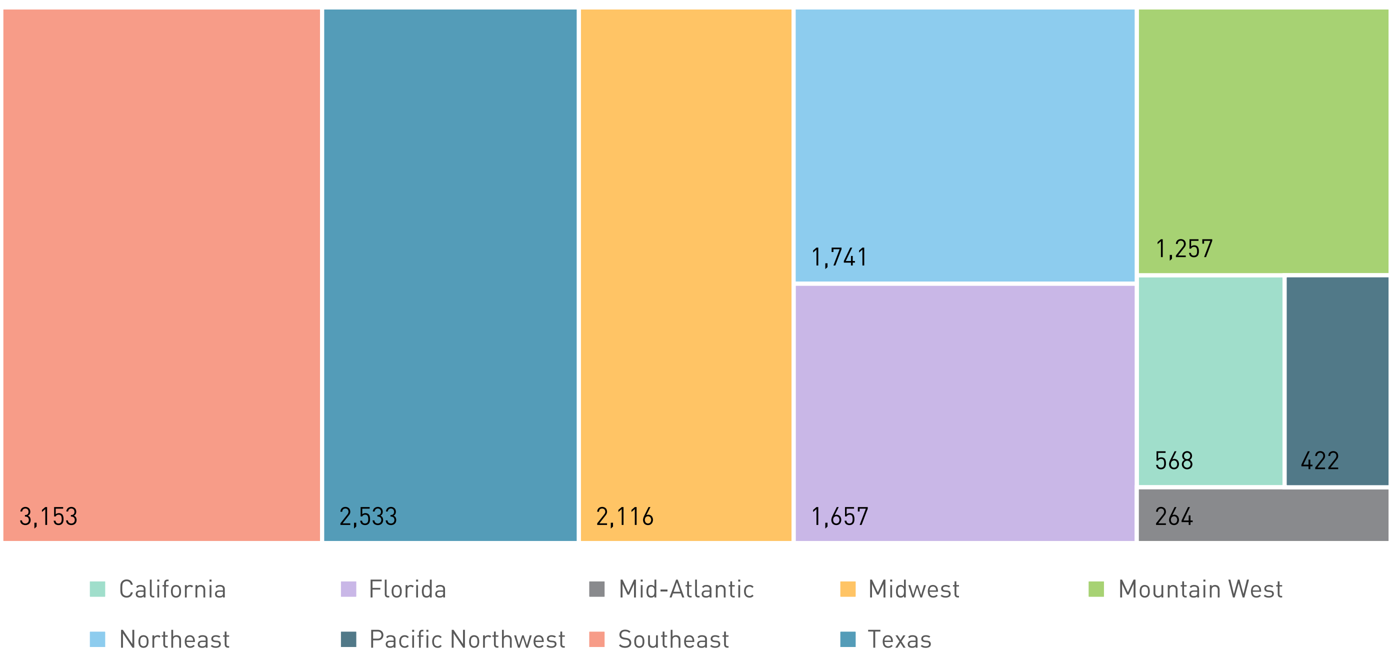
Dallas, TX	1,031
Phoenix, AZ	928
Asheville, NC	852
Charlotte, NC	599
Minneapolis, MN	572

Source: Yardi Matrix

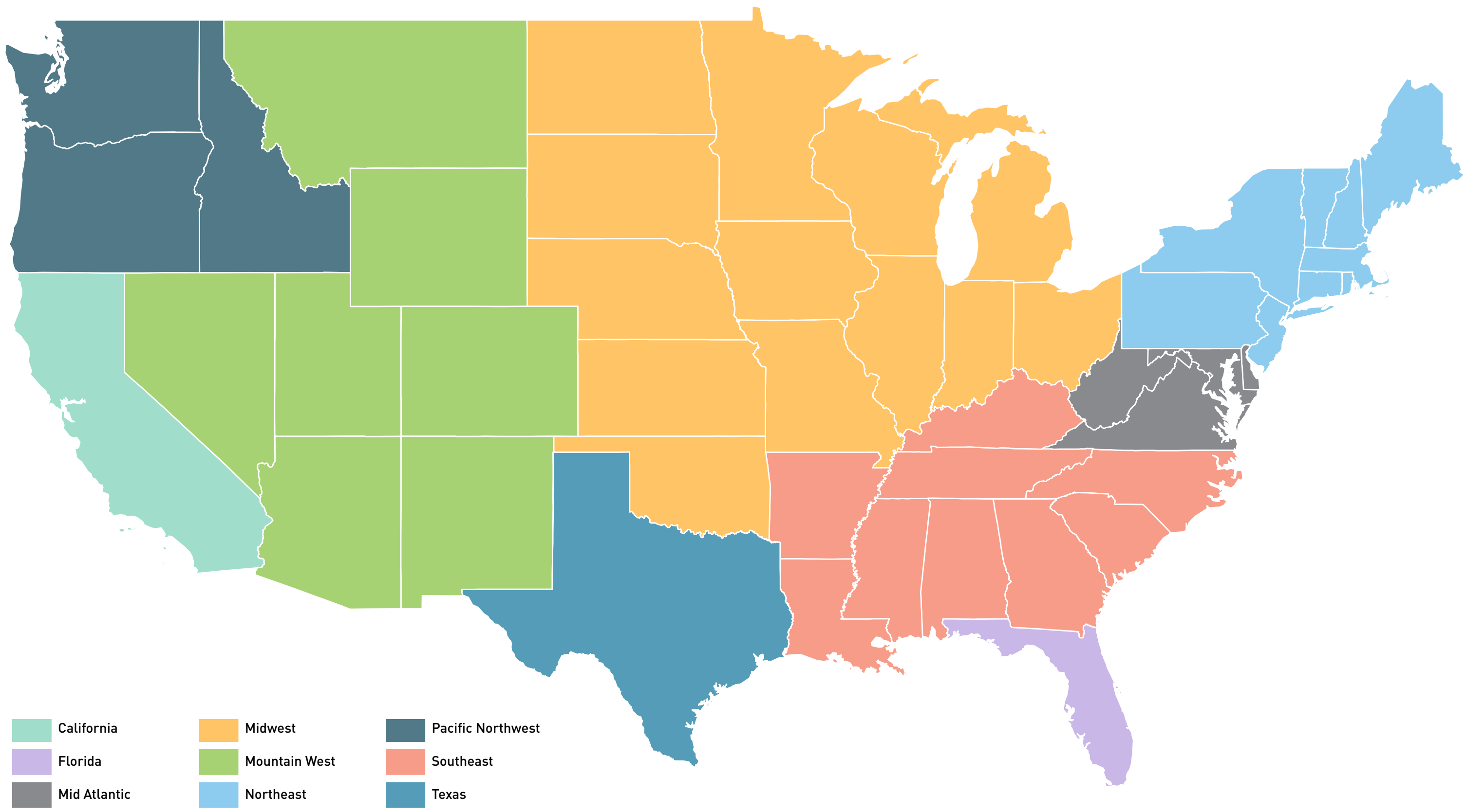
LOOK AHEAD

The U.S. Active Adult market continues to grow; according to Grandview Research, the segment was valued at $587.7 billion in 2022 and is projected to grow at a compound annual growth rate of 4.02% by 2030. As more baby boomers, who want to maintain an independent and active lifestyle, get further into retirement, Active Adult communities have become the most suitable option for those looking to downsize from the burdens of homeownership or are relocating to be near family members. Texas and the Southeast, which were popular relocation destinations during the pandemic migration boom, lead the way in construction activity for Active Adult properties. Active Adult communities continue to gain market appeal from investors and are expected to be one of the most opportunistic investments as interest rates stabilize.

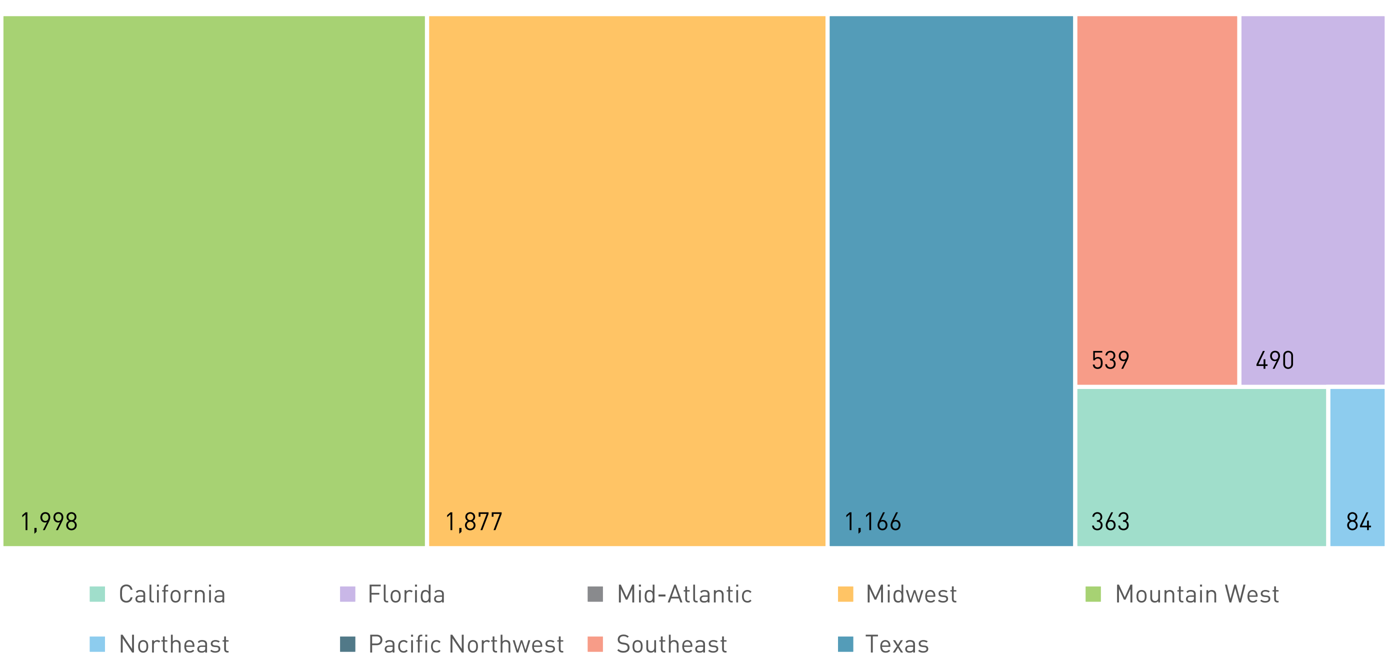
TOTAL UNITS UNDER CONSTRUCTION BY REGION



Source: Yardi Matrix



TOTAL LEASE-UP UNITS BY REGION



Source: Yardi Matrix

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CLICK HERE

CODY TREMPER
Managing Director
214.215.1364
cody.tremper@berkadia.com

DAVID FASANO
Managing Director
312.576.9370
david.fasano@berkadia.com

BROOKS MINFORD
Senior Director
208.309.1404
brooks.minford@berkadia.com

MIKE GARBERS
Managing Director
407.810.5135
mike.garbers@berkadia.com

ROSS SANDERS
Managing Director
314.221.8543
ross.sanders@berkadia.com