

The Rise of Active Adult Rental Housing: Demographics, Demand, Supply, Rent Dynamics, and Availability of Capital

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By Andrew S. Robins



Key Takeaway: *Active adult rental housing is emerging as a compelling real estate investment opportunity, driven by rapidly growing senior renter demand, historically constrained supply, strong occupancy and rent growth, and increasing institutional capital interest.*

Defining the Product Type

Active adult rental housing is a distinct property type positioned between conventional multifamily apartments and traditional senior housing independent living communities. As defined by the National Investment Center for Seniors Housing & Care (NIC), active adult rental properties are age-eligible, market-rate, multifamily rental properties that are lifestyle-focused but do not provide meals through general operations. Designed for older adults ready to downsize to a maintenance-free lifestyle but not yet requiring the services of

traditional independent living, these communities typically require at least one qualifying resident to be 55, 62, or 65 years of age or older, depending on the local jurisdiction. As of the first quarter of 2025, NIC MAP tracked nearly 800 active adult rental properties totaling approximately 118,000 units, a fraction of the approximately two million senior housing units it tracks overall.

Demographic Drivers of Demand

As over 85 million baby boomers age into the 65-plus bracket — now the fastest-growing renter cohort — demand for active adult rental housing is rapidly accelerating. The 65-plus share of U.S. renters has risen from 6.5% in 2013 to over 9% today, with renter households in this age group growing by more than one million over the past five years. Another 2.2 million renters are expected to enter the market in the next decade. The 65-plus population reached 61 million in 2024 (18% of the total, up from 12% two decades ago) and will approach 20% of all renters by 2030, while the 80-plus cohort is projected to grow 36.6% and the 75-plus cohort roughly 45% over the 2025-to-2035 decade — against only 5% total population growth.

Current Supply Landscape

The active adult rental market remains in its early stages, with a national penetration rate slightly below 1% in 2025 — well below traditional senior housing — indicating significant runway for development. With a median unit count of 138 and a median age of projects of less than 10 years, active adult communities are comparably sized to, but far newer than, traditional independent living communities, which have a median of 144 units and a median age of 21 years.

New supply has been severely constrained. Only approximately 2,500 active adult units were added in 2024, down from 4,800 in 2023, reflecting elevated interest rates and rising construction

costs. Senior housing construction starts across the 31 NIC MAP markets fell to just 1,076 units in the first quarter of 2025 — the lowest since mid-2009 — and in the second quarter of 2025, senior living companies opened just 809 new units, representing less than 1% inventory growth for the first time since NIC began reporting in 2005. The largest active adult rental inventories are in Dallas, Los Angeles, New York, Minneapolis, and Houston, while Midwest and Northeast cities such as Providence, Cleveland, Buffalo, Pittsburgh, and Detroit have among the highest concentrations of 55-and-older renter households.

Occupancy Performance

Stabilized active adult rental properties have demonstrated exceptionally strong occupancy. As of the first quarter of 2025, stabilized average occupancy stood at 95.6% — above the 95% occupancy for three consecutive quarters — and two-year stabilized properties held at 96% through early 2026. These figures exceed conventional multifamily occupancy rates by approximately 100 basis points and overall senior housing occupancy of 88.1% in mid-2025.

Rent Trends: Active Adult vs. Traditional Multifamily vs. Independent Living

Active adult rental properties occupy a distinctive pricing position between conventional multifamily and traditional independent living. They command a rent premium over conventional apartments in recognition of their enhanced services, programming, and socialization, while remaining 30% to 50% less expensive than traditional independent living. For context, the average asking rent for senior housing across primary and secondary markets reached \$5,479 per month in the fourth quarter of 2025, with independent living posting same-store in-place rent growth of 9.1%, and traditional assisted living posting same-store asking

rent growth of approximately 4.4% in the third quarter of 2025.

Active adult rent growth has been robust at approximately 4.5% annually over the past five years, outperforming conventional multifamily in many markets. The contrast with traditional multifamily is stark: national effective rents for traditional apartments reached \$1,869 in the second quarter of 2025 with only 2.1% year-over-year (YOY) growth. Reaching contrary conclusions, Apartment List reported the national median rent fell 1.7% YOY in April 2026, and the Harvard Joint Center for Housing Studies reported a 0.6% YOY decline for professionally managed apartments in the fourth quarter of 2025. This divergence is not altogether surprising given active adult's thin supply pipeline and structural and demographic demand drivers.

CBRE forecasts annual rent growth of more than 5% for senior housing overall over the next 36 months. For active adult, independent living, assisted living, and memory care communities, 69% of CBRE survey respondents said they expect rental rate increases of between 3% to 7% over the next 12 months, up from 57% in the prior survey. Harrison Street Asset Management projects active adult rent growth of 3% to 6% annually in 2026.

Investment Characteristics Favoring Active Adult

Active adult rental properties offer compelling investment characteristics once stabilized. Average length of stay runs six to nine years with 80% annual retention — versus only 50% for traditional multifamily — resulting in meaningfully lower turnover costs. With only six to nine full-time employees required per community, payroll costs are far lower than in senior living, and the absence of healthcare licensure reduces operational complexity. The combination of higher rents, lower expenses, and longer tenures enables stabilized active adult properties to achieve operating margins of 55% to 65%, well above the broader senior housing

sector's average margin of 25% — itself the highest since 2018.

Institutional Investor Interest and Capital Flows

Institutional investor interest in active adult rental housing has surged dramatically. The PwC and Urban Land Institute “Emerging Trends in Real Estate 2026” report ranked senior housing second among 27 property subsectors for both investment and development prospects — behind only data centers and up markedly from mid-pack as recently as 2023. Eighty-six percent of institutional investors surveyed by JLL in March 2026 said they will increase senior housing exposure in the year ahead, the highest reading in the survey's history, and Cushman & Wakefield reported that 71% of senior housing investors now expect cap rate compression, versus only 33% at the start of 2025.

Cap rate compression has been most pronounced in active adult. CBRE's H2 2025 survey reported active adult cap rates fell 18 basis points over the six months ending October 2025, with Class A active adult communities averaging 5.5% — the lowest of any care level surveyed and 60 basis points tighter than Class A independent living. No CBRE survey respondents expected cap rates to rise in 2026, and five out of six expected further compression.

Transaction volume reached \$24 billion on a rolling four-quarter basis through the fourth quarter of 2025 — the highest since mid-2015 — with REITs and public-market buyers representing 32% of volume, up from 24% in 2024.

Among the most active players, Greystar — which entered the sector in 2012 — is the largest developer and manager of active adult apartment homes in the United States, with over \$79 billion in assets under management globally. Harrison Street, the largest private owner of senior housing in the United States, has invested approximately \$14.6 billion across roughly 43,000 units since inception. Welltower reported approximately \$14 billion of U.S. senior

housing acquisitions in 2025 while recording 14 consecutive quarters of 20%-plus same-store NOI growth. For passive investors, institutional-quality active adult development projects in Southeast Sun Belt markets have historically targeted preferred returns of 6% to 8%, equity multiples of 1.7x to 2.2x over a five-to-seven-year hold, and IRRs of 14% to 20%.

The Supply-Demand Gap: A Generational Investment Opportunity

The fundamental thesis for active adult rental housing rests on a structural imbalance between surging demand and constrained supply. NIC MAP estimates the United States needs approximately 806,000 additional senior housing units by 2030, against only 17,000 to 20,000 units under construction at year-end 2025 — an investment shortfall of roughly \$275 billion — and current pipelines are tracking at roughly one-third of the required pace. Supply constraints are compounded by elevated construction lending costs, all-in independent living construction costs of \$239 to \$290 per square foot, and an average 29-month construction timeline, meaning projects breaking ground in 2026 will not deliver before mid-2028.

NIC describes the active adult segment as “an additive rather than a substitute” for traditional senior housing, acting as a bridge between conventional multifamily and independent living, and expects demand to continue growing through 2026 and beyond. The combination of historic-high demand, historic-low supply, cap-rate compression, and powerful demographic tailwinds positions active adult rental housing as one of the most compelling real estate investment opportunities for the remainder of this decade.