



Comparing Active Adult and Continuing Care Retirement Communities: Competitors or Complements?

Susan B. Brecht; Anthony J. Mullen, C.P.A., M.S.

ABSTRACT

Operators and developers of seniors housing have been speculating for some time about the extent, if any, of competition for prospects and new residents between Active Adult Communities (AACs), Continuing Care Retirement Communities (CCRCs), and other types of independent living communities. AACs tend to be for-sale communities offering one-floor living, outdoor property maintenance, social and recreational activities, and do not offer meals, personal services (such as housekeeping and transportation), or health care (such as assisted living and nursing care). CCRCs tend to be rental or entrance fee models (with no equity ownership) offering meals, personal care, and health care services, in addition to one-floor living, outdoor property maintenance, and social and recreational activities. This paper presents a direct comparison of senior living residents' motivations to choose to live in an AAC or CCRC, and reports on the differences they perceive in each type of community. Additionally, we examine the extent to which residents of one type of community looked into moving to the other type, and thus the level of competition between AACs and CCRCs. This article addresses these and other related concerns of the seniors housing industry through a combination of data derived from a survey of residents of AACs and CCRCs, as well as anecdotal data obtained from the authors' work in this field over more than two decades.

INTRODUCTION

As the baby boomers have started to “come of age,” the generation being served by continuing care retirement communities (CCRCs) has shifted, and housing for the mature market has entered an era of expansion. This expansion has been fueled further by a housing market that produced resale values that, in some cases, have increased the net worth of many 55+ households as they sell their homes and cash out. In the 1990s, during the boom in assisted living development, the industry began to experience the blurring of lines between independent living and assisted living communities, both of which laid claim to older residents (Mullen, 2003). Now that this challenge to CCRCs has begun to work itself out, with assisted living communities tending to care for frailer residents than originally anticipated, CCRCs are wondering if the newest housing product, the active adult community (AAC), will erode the younger, more active and independent segment of the market that they hope to attract to their apartments and cottages.

How much overlap is there in the seniors housing market for CCRCs and AACs? Mullen (2003) hypothesized competition between AACs and CCRCs (and other independent living) for residents, and that part of the drop in occupancy for CCRCs in the period 1999 to 2003 was due to competition from the many AACs introduced to the market during that time. Other authors have noted the difference between “younger seniors” and “older seniors” in the types of retirement communities they move to, and that younger seniors tend to be pulled into more amenity-rich communities, while older seniors tend to be pushed into more care-oriented communities; but these authors did not note the level of competition between the different types of senior housing communities (Gibler et al., 1998).

While Mullen (2003) did not speculate on the percentage of residents of AACs who originally considered a CCRC but then chose an AAC, he did note that an AAC usually offers overlapping compo-

nents of a CCRC: outdoor property maintenance, one-floor living, social and recreational activities, and programming. Further, an AAC affords a resident the financial benefits of homeownership, which the vast majority of CCRCs do not include.

This paper addresses the question of crossover competition between the two types of communities in an exploratory fashion, recognizing that further research is necessary. For the purposes of this paper, the authors define AACs as communities whose residents are aged 55 and over, common grounds maintenance is provided, and in most cases, amenities include a clubhouse or common gathering area. Most residents of AACs purchase their residential unit either on a fee-simple or condominium basis. CCRCs feature a combination of independent living, assisted living, and skilled nursing units. This type of community typically draws residents in their mid- to late-70s. There are several types of contracts defining how the resident pays for residency and the provision of services (i.e., extensive care, modified, fee-for-service, and rental contracts) (AAHSA et al., 2005). Although a comprehensive presentation of the history of CCRCs is beyond the scope of this brief report, the interested reader is referred to Gordon (1998) or Brecht (2002).

THE PRODUCTS: SIMILARITIES AND DIFFERENCES

Once limited, for the most part, to the Sunbelt, AACs are now being developed throughout the United States. Pioneered by Del Webb, the original model of a large (1,000 units or more) golf course-centered AAC is also changing, with the largest number of new active adult communities eliminating the golf course completely and being designed on a significantly smaller scale. The diminished land requirements resulting from the changing model has allowed many new communities to be developed. Many may have 200 to 400 residential units designed around a clubhouse, and others are even smaller, without any centralized amenities. Residences in

AACs range from single-family-clustered homes and townhouses, to apartments in multi-family structures. While most are offered on a for-sale basis, the rental model is beginning to surface in some markets. The greatest commonality across the ever-increasing AAC community models is what these communities do not provide: hospitality and health care support services such as a structured meal program, housekeeping, home care, and assisted living and nursing care. Considered anathema to the marketing of an AAC, only a small number have added components of a “care” model to their communities as they look to the future needs of aging residents.

By contrast, the CCRC is defined around the hospitality and health care support services eschewed by AACs. CCRCs have emphasized care rather than real estate in selling to older consumers. Typically, CCRCs offer three types of housing and service models including independent living, assisted living, and nursing care. Although the Fair Housing Act now prohibits CCRCs from requiring that residents move through the continuum as their needs change, most communities do have policies that require such movement when services can no longer be delivered into the independent apartments and cottages or when residents become a danger to themselves or others.

The vast majority of CCRCs are more than 10-years-old. According to Continuing Care Retirement Communities 2005 Profile, a study that presented data on 162 CCRCs offering three levels of care, the median age of these communities was 21 years, with the middle half of these communities between 14 and 40 years old (AAHSA et al., 2005). These communities are now starting to serve a new generation of seniors who are much more discerning and demanding than their predecessors (Howe & Strauss, 1991). This change has resulted in a wave of

renovation, expansion, and repositioning as CCRCs scramble to keep from becoming oversized assisted living communities unable to attract the well elderly. One of the most significant changes in CCRCs over the last 10 years has been the increasing size of independent living units. The 2005 study referenced above, which reported on existing communities, indicated that the median size of two-bedroom units was 1,100 square feet and the median size of one-bedroom and studios was 700 and 450 square feet, respectively. The 2004 study, *From Start-Up to Success* (AAHSA, Herbert J. Sims & Co., 2004), revealed the mean size of an independent living unit (including all types of units) in CCRCs developed between 1999 and 2004 was 1,176 square feet, an increase of 13% from its similar study of those communities developed between 1994 and 1999. In addition to the reduction or complete elimination of small studio and one-bedroom units, CCRCs are, when possible, adding cottages, villas, townhomes, and cluster and single-family housing. Emulating their AAC counterparts, CCRCs frequently offer units that start at 1,500 to 1,600 square feet and go well beyond the 2,000-square-foot mark. At a recent conference for CCRC marketing and public relations staff, a random selection of photos of AACs and CCRCs were shown to the audience and almost no one correctly identified which product they were looking at.¹ The similarities and differences between AACs and CCRCs are illustrated in **Exhibits 1 and 2**.

THE SURVEY

The survey results described in this paper stem from research completed in 2004² of 400 telephone surveys conducted with participants in Phoenix, Arizona; Montgomery County, Maryland; and Middlesex and Ocean Counties in New Jersey. These areas were selected specifically because they

¹Marketing and Public Relations Society of Seniors Housing and Service Professionals, Annual Membership Meeting and Program, “Choices, Choices...Active Adults Redefining Housing and Services,” November 18, 2005

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Exhibit 1. Similarities between AACs and CCRCs

- May be on either a campus or in-fill site
- May include apartments, townhomes, and single-family homes
- May include custom upgrades and features
- May include wellness centers (fitness, pool, etc.)
- Usually offer outdoor amenities such as walking trails
- May include clubhouse for social functions
- Usually offer organized social and recreational activities
- Usually services include lawn care, snow removal, trash removal, and exterior maintenance

that the survey sample was purposive rather than scientific, and was targeted to specific providers and regions, thus findings may not be generalizable.

RESULTS

How Residents/Buyers View Themselves and the Products

Data from the survey indicate residents of AACs view themselves and their community of choice as being quite different from CCRCs and the people they attract. Only 11% of the telephone survey respondents had considered both an AAC and a CCRC when they made the decision ultimately to move to the AAC. By contrast, 30% of respondents who lived in CCRCs had also considered AACs when making the decision to move (see **Exhibit 3**).

When asked why they had decided to move to an AAC rather than a CCRC, the survey participants responded in equal proportion saying they were too young, wanted to remain independent, or didn't want to pay for services they didn't use. **Exhibit 4** summarizes these responses. It should be noted that the

contained both AACs and CCRCs. An additional 97 mail-based surveys were completed by residents of two CCRCs located in Middlesex and Ocean Counties, New Jersey. Sixty-five percent (N=324) of total respondents were AAC residents and 20% (N=99) were CCRC residents. It should be noted

Exhibit 2. Differences between AACs and CCRCs

AACs	CCRCs
Positioning for Active Lifestyle	Positioning for Lifetime Care
Open to 55+	Open to 62+
Targets Age 55+	Targets Age 70/75+
Typical Age 60-75	Typical Age 75+
Does Not Include Health Care	Always Includes Health Care
Almost Always For-Sale Product	Rarely For-Sale Product Equity Plans Becoming More Popular
More Outdoor Activity Amenities	Outdoor Amenities Typically Less Active
Attracts Mostly Couples	Attracts Fewer Couples
For-Profit Developers	Mix of For-Profit/Non-Profit (mostly)
Many Public Companies	Almost No Public Companies
Resident Pays Property Tax	Usually No Property Tax
Tax Deduction for Property Tax	Tax Deduction for Health Care Component (lifecare)
Hospitality Services are Not Provided	Availability of Hospitality Services (meals, housekeeping, etc.)
Resident Pays Utilities	Utilities Usually Included in Fee

Exhibit 3. Choices considered when moving

AAC residents who considered CCRCs	11%
CCRC residents who considered AACs	30%

Exhibit 4. Reasons why AAC residents chose AAC as opposed to CCRCs

Too young for a CCRC	17%
Don't want to pay for services I don't use	17%
Want to be independent	17%
Too active to live in a CCRC	14%
Don't want to live with all of those old people	11%

Exhibit 5. Impressions of AACs among their residents

AACs for much more active people	33%
AACs offer totally independent lifestyle	33%
AACs are not for people who are sick/frail	8%
AACs are not regimented	8%
AACs are not institutional	3%

respondents were permitted to select all descriptions that they felt applied to them, so the percentages will not add to 100.

Participants' impressions of the differences between residents of the two types of communities are confirmed when one-third indicated that AACs were for more active people and offered a totally

independent lifestyle (see **Exhibit 5**)³.

Real estate features ranked highest when survey respondents living in AACs commented on what they liked about their current community. The three top factors included community location, homeownership opportunities, and the type and size of the home. Of less importance were social factors such as having friends live there or the social activities offered at the community. The single most important factor influencing the decision to move to an AAC was the desire to downsize, although when the top three factors were considered, the most frequently mentioned was the desire for a maintenance-free lifestyle. **Exhibit 6** illustrates the top reasons residents chose to live at an AAC, and **Exhibit 7** shows top reasons residents chose to live at a CCRC.⁴

Exhibit 8 shows a sizeable proportion of AAC residents would consider a future move to a senior housing community offering support services to its residents.

DISCUSSION

An Overlapping Market

After examining all these considerations, there appears to be some overlap between the market for both the AAC and the CCRC. Notably, factors such as location, the desire to downsize, and a maintenance-free lifestyle are common to both types of products and decision-drivers. Arguably, with the upgrades and enhancements available in new and remodeled CCRCs, the importance of the type and size of the home also may be a component in making a decision for both types of communities.

Until recently, one of the most significant differences between AAC buyers and those who choose CCRCs has been the desire to continue to own, a

³ Respondents were permitted to select all comments that apply and therefore, the percentages will not add to 100.

⁴ Respondents to questions presented in Exhibits 6 and 7 were asked to rank each feature in order of importance from 1 (most important) to 4 (least important). Exhibits 6 and 7 reflect rankings including the Top (percent who ranked item 1), Top 2 (percent who ranked item 1 or 2) and Top 3 (percent who ranked item 1, 2, or 3).

Exhibit 6. Factors influencing decision to move to AAC			
Top Mentions	Top	Top 2	Top 3
Wanted to downsize	33%	49%	62%
Wanted maintenance-free lifestyle	30%	55%	67%
Wanted to be closer to kids	13%	26%	36%
Friends live there	9%	26%	41%

Exhibit 7. Factors influencing decision to move to CCRC			
Top Mentions	Top	Top 2	Top 3
Maintenance-free	32%	47%	68%
Security/on-site health care	29%	50%	71%
Meals/housekeeping, etc.	16%	37%	55%
Loss of spouse	13%	13%	16%
Downsizing	5%	26%	42%
Financial value	3%	5%	5%
Social environment*	0%	5%	10%

* Interestingly, although survey participants ranked the social environment low in comparison to most other factors, the results of American Seniors Housing Association's (ASHA, 2003) *The Benefits of Independent Living Communities: A Comparative Analysis of Residents and Non-Residents* concluded that "social programs and opportunities to facilitate getting 'out' from the communities as well as paving the way for making and getting together with new friends are likely to increase satisfaction among independent living Residents" and that the "most striking difference between (Non-Residents) and Residents is that Residents are significantly more likely to want to be with other people than Non-Residents."

benefit offered by most AACs and very few CCRCs. Recognizing the continued value in homeownership, some CCRCs, even those owned and operated by not-for-profit organizations, are now beginning to offer equity or equity-like arrangements to residents. Condominium and cooperative structures are emerging across the country, as are financial structures offering shared appreciation when a resident leaves the community, even if the other benefits of actual ownership are not made available.

The difference in the age of those attracted to AACs versus CCRCs is of interest as well. Although the minimum age differs legally (55+ for AACs versus 62+ for most CCRCs), the experience

of AACs varies. Many new AACs report attracting younger residents, particularly those targeting a luxury market. In addition, we believe new AACs in the Sunbelt draw buyers an average age of four to five years younger than new AACs outside the Sunbelt. Yet, we have observed through visits and discussions with developers that a fairly significant number of communities are attracting those in their mid- to late-60s and early 70s—where the crossover begins to occur with CCRCs. Some of the larger CCRCs, such as those being developed by Erickson Retirement Communities (Boston, Detroit, and Chicago metro areas, for example) and Shannondell of Valley Forge in the Philadelphia area, are success-

Exhibit 8. Making a future move from an AAC			
Where would you move next?	CCRCs	Independent Living w/ Support Services	Assisted Living
Yes	31.5%	51.9%	37.7%
No	39.5%	29.6%	33.0%
Depends on circumstances	21.0%	13.0%	25.6%
Don't know	7.1%	5.6%	3.4%

fully attracting people in their early to mid-70s with their substantial amenity and activity programs, and promise of a 100% refund on the entrance fee. In the survey discussed in this manuscript, 58% of the AAC respondents were aged 75 or below, in marked contrast to the 97% of CCRC survey participants who were 75+. In that same sample, 52% of AAC respondents were married in comparison to only 32% in CCRCs. Yet, in the future, it may be that age itself is less of a determinant than the health and wellness of the prospective resident. As noted above, the AAC residents perceived a significant difference in the capabilities of the AAC versus the CCRC resident.

Will CCRCs Be Part of the Future Continuum?

As greater numbers of the 55+ segment move to AAC communities, what will happen 10 to 15 years down the road? Are the challenges perceived by CCRCs today likely to accelerate or will they become communities of opportunity? As long as AACs continue to make no provisions for an aging population base, residents will eventually begin to need to look elsewhere, particularly for health-related services. A greater sense of "community" may occur within an AAC than in the community at large, fostering internal, informal support systems that will emerge naturally to help frailer residents stay in the community. But what will be the tipping point when the burden of communal and self-care

becomes too great? Will those in AACs continue to think ahead and make the move to a CCRC before it is a totally need-driven decision?

The data indicate those who would consider a move would do so before needing health care services. Nearly one-third could envision a future move to a CCRC (more than 50% would consider a move to independent living with support services), while in contrast, 38% thought they might move when they needed assisted living services. Survey results indicated that those who would consider moving to a CCRC tended to favor apartments over cottages. A change in health care status was the top reason people felt they would move to a CCRC in the future. Respondents cited a desire for more care services as the probable reason they would need to make such a move, indicating how real estate-related factors would no longer take precedence in their decision-making.

Several markets support the notion that AACs and CCRCs form a natural complement or continuum rather than being highly competitive. The New Jersey counties surveyed in the study (Ocean and Middlesex) are home not only to a large number of active adult units in both mature and new communities, but they also offer successful CCRCs. Respondents from these CCRCs revealed nearly 50% had moved from an AAC and 62% had lived in an AAC at some time previous to their move to the CCRC.

So what differentiates the AAC consumer from the

CCRC consumer? While age clearly still appears to be a determining factor, with the younger segment of the market gravitating toward the AAC, other factors seem to be more important. The AAC resident is influenced primarily by factors tied to real estate. They want to own their home, to diminish the burdens of home maintenance, and to downsize or have a home more suitable to their needs in its design. The CCRC resident is looking for long-term security, future health care services, the convenience of available services (such as meals and housekeeping under one roof), and they don't want to move again.

Limitations and Future Directions

For those in the seniors housing industry, the findings of the survey may help guide the marketing efforts of their sales teams in recruitment of new residents. While we are able to summarize the data, we are aware that the small sample size may not be truly representative of the current state of the seniors housing market. A further assessment of the AAC and CCRC housing climate with a larger, representative sample size of prospective residents is necessary to lend credence to the trends described here.

Will the age differential remain a key factor in the selection of an AAC versus a CCRC, or will functionality and lifestyle dictate the choice? Will AACs delay, or perhaps eliminate, the move to the CCRC? More research is needed in this important area, as residents of both types of communities now exceed one million people.

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Susan B. Brecht
President
Brecht Associates, Inc.
201 S. 25th Street, Suite 208
Philadelphia, PA 19103
Phone: (215) 545-2905
Fax: (215) 545-2905
email: susanb@brechtassociates.com
website: www.brechtassociates.com

Anthony J. Mullen C.P.A., M.S.
Research Director
National Investment Center for the Seniors Housing & Care Industry
222 S Manoa Rd.
Havertown, PA 19083
Phone: (610) 853-9801
Fax: (610) 853-9802
email: tmullen@nic.org