The number of new AARCs declined during the real estate “depression” of the early 1970s, but the few that did get built were quite large, with as many as 17,000 units. During the 1980s, as more companies entered the market, the number of AARC developments grew substantially. The average number of units was then 4,588, ranging from a low of 903 to a high of 26,000 (at On Top of the World, in Florida). Interest in AARCs reached new levels in the 1990s, when more than 50 communities were brought to market, mostly in the second half of the decade. Average community size declined to 2,363 units, and competition heated up as the number of developers in the market continued to increase.

Del Webb pioneered the AARC development business—and, as described in the feature box on the following page, has built more than 80,000 housing units in AARCs nationwide since opening the first Sun City in 1960. The company, known for conducting thorough research on all aspects of the market for its large-scale, all-inclusive, age-restricted developments and extensive amenity offerings, is widely considered the industry’s brand leader: Del Webb sets the pace for others to follow—or at least to watch very carefully.

While Del Webb sells the most homes, US Home has developed the largest number of AARCs and ranks second in number of home sales. US Home’s strategy has been to develop in many locations, with a comparatively low level of investment in each community and a low break-even point—50 sales per property per year. Del Webb’s strategy, in contrast, has been to develop in a few major retirement destinations, with a very high level of investment and a high break-even point—about 250 sales per community per year. Other major players include Hovnanian, Lennar Homes, Pulte Homes Corporation, Robson Communities, and UDC. A number of firms—especially family-run operations—have each developed only a single large AARC.

The strongest market is in Florida, where 38 percent of all AARC units are located. Arizona is next, with 21 percent, followed by California, with 16 percent. Nevada has 8 percent and New Jersey 4 percent. Today, many developers feel that despite significant inventory in places where older people can move to retire, even more opportunity may exist in the many other places where mature adults live now, such as Atlanta, Chicago, Los Angeles, New York, and other major cities.

Today, fueled by an expected surge in the number of potential buyers as the baby boomers reach retirement, AARC development is expanding. As outlined briefly in the accompanying feature box and discussed in detail in chapter 2, the increase in demand is likely to be significant, and retirement-community developers are gearing up to create a presence and a reputation in markets across the country.

Types of AARCs
The term active adult retirement community encompasses various types of communities, all of which compete for the older homebuyer. These communities can generally be differentiated on the basis of size, target market, and location.

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**Demographic Trends**

- The population of people age 55 to 69 will grow by more than six million between 2000 and 2005.
- 55.9 million Americans were 55 or older in 1997, and that number is expected to hit 74.7 million in 2010.
- The national annual market for new active adult retirement housing is now approximately 400,000 units, and demand is estimated to rise to 700,000 by 2002.
- 45 percent of baby boomers expect to move to another home in retirement, and 23 percent say they will move out of state.
- Most production of active adult retirement housing is anticipated in the $100,000 to $250,000 range.

*Source: Del Webb Corporation, Investor Fact Sheet, fall 1999.*
Size. AARCs can be categorized as large (more than 1,500 units), moderate-sized (300 to 1,500 units), or small (fewer than 300 units). Large communities feature more diverse offerings in their site plans, amenity packages, and choice of housing products, and they attract buyers from a larger market area. Large AARCs can be broken down further into age-restricted and non-age-restricted developments. Both types are typically amenity-rich, and are often centered around golf.

Moderate-sized communities may be age-restricted or not, and typically offer a clubhouse but no golf course within the development. Larger communities within this category may include an 18-hole “bundled” (included) golf course and country club. Small age-restricted and age-targeted communities generally offer a close-to-home product with more limited home choices (but choices, nonetheless!) and fewer, appropriately sized amenities within the gates.

One of the key issues for larger projects is the difficulty of finding sites of workable size, price, and location. For smaller projects, the key issue is often how to satisfy the increasing demand for amenities, given the number of units across which costs can be spread.

Other types of products that compete for the market of 55- to 74-year-olds include age-targeted country-club communities, second-home and preretirement communities, and resort communities. Often such communities evolve over time into age-targeted AARCs.

Because of the many players, product types, projects, and locations, it is difficult to offer an accurate statistical description of the AARC business. William Parks, of PDC, Parks Development Consulting, in Scottsdale, Arizona, recently tried to obtain some descriptive data by surveying as many AARCs as he could identify through a variety of sources. The feature box on page 10 summarizes the responses to that survey.

Source: Kenneth Plonski, director, public relations and customer communication, Del Webb Corporation.