

Baby Boomer Study Shows Changing Housing Needs

Thursday, October 19, 2006 –

WASHINGTON, D.C. - Baby boomers have a wide variety of housing needs in the future, depending on their retirement plans -- or lack thereof -- according to a study by the National Association of Realtors®.

Most of the 78 million baby boomers are far from retirement, with diverse plans and timelines, resulting in different housing requirements and significant shifts from patterns established by earlier generations. The comprehensive study is based on a survey of nearly 2,000 American baby boomers born between 1946 and 1964 -- the largest generation in U.S. history; the survey was conducted for NAR by Harris Interactive®.

David Lereah, NAR's chief economist, said baby boomers are living longer and are different from previous generations because they have no set path for retirement and have more varied circumstances in life. "The differences from past generations -- and between baby boomers themselves -- will have a significant impact on housing needs over the next 10 to 20 years that is very different from the World War II generation, and many boomers simply don't know how they'll retire," he said.

"A significant portion of baby boomers married later in life and had children at a later age, which means many will continue to work beyond the traditional retirement age. Older boomers are thinking about retirement, but one-third expect to go back and forth between periods of work and periods of leisure, and another 35 percent want to work at least part-time or start a business -- all of this will have an impact on the kind of homes they buy as well as where they buy them." The median age at which baby boomers expect to stop working is 70, but 27 percent say they never intend to stop working.

He said most baby boomers are currently in the workforce, a good portion of them have children living at home, and boomers remain a driving force in the housing market. "Just over a quarter of the boomer generation is aged 55 to 60, which is when many people traditionally begin to focus on their retirement plans, but analysis of the survey suggests they are more likely to stay in the workforce longer and will be less likely to downsize than previous generations -- the leading edge of the boomer generation is the key to future housing impact."

"Because they will be in the workforce longer, boomers will postpone purchase of retirement property and won't be making those moves as early as assumed," Lereah said.

Forty-two percent of survey respondents would like to retire in the South, 32 percent in the West, 15 percent in the Midwest and 12 percent in the Northeast. "This tells us that the Sunbelt will remain a traditional draw for retirees," Lereah said.

Most boomers live in two-income households, with a median income in 2005 of \$64,700, which is 31 percent higher than the median for all households. This generation makes up 37.5 percent of U.S. households, but receives nearly half of all aggregate household income. "This translates into a lot of purchasing power, and helps to explain why 8 out of 10 boomers are homeowners," Lereah said.

For baby boomers earning \$100,000 or more, the study shows that more than 9 in 10 are homeowners. Among middle-income boomer homeowners, home equity accounts for fully half of their net worth. Even so, 19 percent of respondents are renters, 37 percent say they have just enough to make ends meet and 17 percent say they are having financial difficulty.

A quarter of baby boomers own one or more other kinds of real estate in addition to a primary residence: 13 percent own land, 8 percent own rental property, 7 percent a vacation home or seasonally occupied property, 2 percent commercial real estate and 3 percent some other kind of real estate.

Four out of 10 respondents intend to convert their vacation home into a primary residence in retirement. Analysis by NAR shows baby boomers are proportionately more active in the second home market, owning 57 percent of all vacation/seasonal homes and 58 percent of rental property.

Ten percent of boomers indicate they plan to buy some form of real estate within the next year, which corresponds with U.S. Census Bureau data that shows 3.5 million boomer households moved during the last year. Two-thirds are considering a primary residence, but the rest are thinking about land, second homes or commercial property

NAR President Thomas M. Stevens from Vienna, Va., said the survey shows most boomers want professional services when they buy real estate. "Baby boomers expect professional service and guidance from real estate agents, and they value those services," said Stevens, senior vice president of NRT Inc. "When buying a home, they want agents to represent their interests in the complex transaction process, and when selling they want help to establish the right asking price. Regardless of whether they're buying or selling, boomers want agents to explain all of the complicated contracts, forms and agreements, to manage the closing process from start to finish, and to negotiate on their behalf."

Most survey respondents were unsure of their financial future, with three-quarters saying they are not financially prepared for retirement and many expressing anxiety about their ability to retire. Some boomers said they might withdraw retirement funds for housing or real estate expenses.

Peter Francese, an independent demographic trends analyst and founder of American Demographics magazine, consulted on the findings. "For the vast majority of baby boomers, retirement is somewhere off in the future," he said. "Considering that boomers are healthier than their predecessors, and are more likely to work in an office setting, many of them may work five or 10 years beyond the traditional retirement age of 65," he said.

Half of boomers who live in an urban area would like to retire in a small town or rural area. Their ideal retirement location characteristics include a lower cost of living, being near family, quality health care, better climate and being near a body of water.

More than a third of all baby boomers want to retire in an urban or suburban setting, motivated by quality health care and cultural activities. Half of boomers said they would consider living in an age-restricted community.

Given a longer tenure in the work force baby boomers may choose a larger home than earlier generations, speculates Francese. "Boomers may want or need a somewhat larger dwelling that includes one or two home offices, and a low-maintenance home on a single level would have broad appeal to this group," Francese said.

Almost one in four boomer households have a high net worth of \$500,000 or more, and this ratio is expected to increase in the future as the generation ages. Virtually all high-net-worth households are homeowners (97 percent), and 47 percent are likely to also own other real estate in addition to their primary residence. More than a third expect to help children or grandchildren with a downpayment on a home. Wealthier boomers want amenities where they retire, including

cultural activities such as museums and art galleries. As a result, they are more likely to retire in an urban area or city.

Although most boomers are married couples and 27 percent have children under the age of 18, nearly two out of five baby boom households are nontraditional households, most of which are headed by women.

Non-traditional households may have different needs and desires about where they want to live. For boomers with children, neighborhood schools are of obvious concern, but for those without children, security may be a bigger issue.

Twenty percent of boomer households are headed by women, but because women aged 60 to 69 account for a quarter of homeowners in that age group, the number of women boomer homeowners is likely to increase much faster than average as they age.

Francese said there's little doubt that the vast majority of baby boomers will delay retirement. "Some will put off retirement because they have to, but many because they want to," he said. "Many will have a larger income stream to purchase possibly two homes, which they may use to move back and forth between their retirement life and their working life."

"However, some caution should be exercised here regarding retirement preferences," Francese said. "Surveys of future intentions often include a dose of wishful thinking, and attitudes can be influenced by the media and other outside pressures. For example, many are probably not going to be able to, or even want to, retire in a small rural town far from their current home, even if they may dream about it currently."

Preliminary study results were released May 18 at NAR's Midyear Legislative Meetings & Trade Expo, with a focus on the real estate and second-home appetite of boomers. The more extensive analysis released today is also supplemented with context and data from the Census Bureau's mid-2006 estimates of population characteristics; it offers an abundance of information helpful for planning to Realtors(R), builders, mortgage lenders and others connected to the housing industry.

<http://nationalrealtynews.com/content/templates/standard.aspx?a=283&z=2&page=4>