Baby Boomers & Their Homes: On Their Own Terms

The generation born following World War II has had a major impact on the U.S. economy and housing market over the past several decades, and the next decade will be no different as Baby Boomers enter their golden years. True, many Boomers have had to adapt their retirement and housing plans to new financial realities after the financial crisis and housing crash, but they will still account for nearly $1 out of every $4 spent on home purchases and rent in the next five years.

But don’t expect this generation to stick to the script when it comes to retirement and housing decisions. Our research reveals that not all Boomers are looking to downsize to a condo in Florida and spend their days golfing. Most plan to age in place, but many will move into larger homes and take out new mortgages to do so.

The Demand Institute surveyed more than 4,000 Baby Boomer households (50- to 69-year-olds) about their current living situation, moving intentions, and housing preferences, as a part of a broader initiative to understand where future home and community demand is headed.

Are all Boomers making the most prudent housing decisions as they approach retirement? Not necessarily. Regardless, their decisions will have important implications as this generation, once again, does it their way.

Please click the arrow on the right to view our findings.
Prospects Altered

Baby Boomers have been on a wild ride financially. Their wealth grew tremendously throughout the 1990s and early 2000s, before falling dramatically during the financial crisis. Had growth in net worth continued its pre-2008 trajectory, the typical Boomer household would have a net worth roughly 2.5 times what it is today. Although many have delayed or modified their plans, post-crisis, they have not abandoned them entirely, and Boomers will spend $1.9 trillion on new home purchases and $500 billion on rent in the next five years.

Note: All figures are median values in 2013 dollars; Baby Boomers are defined as those aged 50-69 in 2013; net worth is defined as financial and housing assets minus all outstanding debt.
Source: 2013 Survey of Consumer Finances (Federal Reserve Board)
Despite the decrease in wealth and the fact that more Americans are working past age 65, Baby Boomers are still retiring or planning to retire when they reach their mid-sixties. Fewer than half of Boomer households are retired today, but a majority will be retired five years from now. Are they ready? With median assets of $240,000 – more than half of which is tied up in their homes – many Boomers still have a ways to go.

Retirement Plans

- All Baby Boomers (50-69): 47% currently retired, 58% will be retired in five years
- Younger Baby Boomers (50-59): 23% currently retired, 34% will be retired in five years
- Older Baby Boomers (60-69): 69% currently retired, 80% will be retired in five years

Note: ‘Retired’ defined as household head or spouse being retired; “assets” include financial and housing assets. Source: 2013 Demand Institute Housing & Community Survey; 2013 Survey of Consumer Finances (Federal Reserve Board)
Most Baby Boomers plan to retire exactly where they are— that is, they will “age in place.” True, some Boomers have already moved in the past several years—and may not seek to move again—but the majority are staying in homes that they have lived in for a decade or longer. For most, the decision to stay put is a matter of choice, but a subset of Boomers is unable to move due to financial or other circumstances. This is a particularly vulnerable group with extremely limited financial resources.

Source: 2013 Demand Institute Housing & Community Survey
Not only do Baby Boomers prefer to age in place, they also feel their homes are places they can stay as they get older. This sentiment exists despite the fact that many of these homes lack aging-friendly features such as a single story, low maintenance, and accessibility features. Three-quarters of Boomer households surveyed have already suffered a major health incident or have a chronic health condition*, further calling into question just how suitable these homes are for aging.

Aging-Friendly Features Present in Home
(Aging in Place)

- a home I can stay in as I get older  | 75%
- single-story home                    | 58%
- low maintenance/upkeep              | 47%
- accessible for special needs/disabilities | 27%

Note: Respondents rated their current home on each characteristic using a 10 point scale, with ‘10’ describing their current home completely and ‘1’ not describing their current home at all; the percent shown represents those selecting 8, 9, or 10.

*Primarily high blood pressure, cardiovascular disease, arthritis, diabetes, obesity, emphysema and cancer.
Source: 2013 Demand Institute Housing & Community Survey
If many Baby Boomers are planning to stay in homes that lack aging-friendly features, then perhaps they will renovate their homes to make them more suitable for aging? While many Boomers are planning major home improvements in the next three years, a significant number will make style and value a priority over aging-friendly features. In fact, the top Boomer reasons to renovate are similar to those of younger generations.

39% plan for major home improvement in next 3 years

**Top Reasons**

- 78% increase home value
- 78% make repairs
- 66% energy efficiency
- 65% update home style

**Aging-Related Reasons**

- 58% easier to maintain
- 44% easier for aging
- 23% health needs

Note: Major home improvement is defined as spending $2,000 or more on the job; not all reasons for home improvement shown here. Source: 2013 Demand Institute Housing & Community Survey
Ups and Downs in Home Size

While most Baby Boomers plan to stay where they are, a significant portion (37%) do have plans to move from their current home. The common wisdom is that Boomers will invariably downsize when they move, but, in actuality, many (46%) are looking for nicer homes and more space, not less. A significant number even plans to increase spending on housing.

Size & Cost of Next Home

Cost of Next Home

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<th>Square Feet in Next Home</th>
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<th>less</th>
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<td>26%</td>
<td>6%</td>
</tr>
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<td>12%</td>
</tr>
<tr>
<td>less</td>
<td>8%</td>
<td>34%</td>
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Note: For next home spend, those moving from renting to owning were counted as increasing their spend, while those moving from owning to renting were counted as decreasing their spend; in all other instances, a direct comparison was made between current and future home value or monthly rent. Source: 2013 Demand Institute Housing & Community Survey
Dream Home Delayed: Upsizing

“Upsizers” are those looking for a larger home or looking to spend more for a home the same size as they have currently. They are less affluent overall, and many delayed their housing plans due to the recent economic downturn. But not any longer - Upsizers are finally looking to purchase their dream home. Many in this group will move from renting to owning, but they are not necessarily looking to spend lavishly - the median price of their next home will be $180,000, less than the $200,000 of the more affluent “Downsizers.”

46% of movers will upsize

“Upsizers”

Median net worth (in thousands)

- $40
- $150 (all Boomers)

Median square feet in current home

- 1,200
- 1,600 (all Boomers)

Source: 2013 Demand Institute Housing & Community Survey
Post-Dream Home: Downsizing

“Downsizers” are those either looking for a smaller home or to spend less for a home the same size as they have currently. These Baby Boomers are more affluent, on average, and many are currently living in larger, more expensive homes that will be difficult to maintain as they age. But just because they are looking for smaller homes, it doesn’t mean they are necessarily looking to settle. Many will seek homes with high-end finishes and nearby services and amenities.

54% of movers will downsize

“Downsizers”

Median net worth (in thousands)

$322

$150 (all Boomers)

Median square feet in current home

2,000

1,600 (all Boomers)

Source: 2013 Demand Institute Housing & Community Survey
Staying Close to Home

When Baby Boomers do move, they don’t intend to go very far. Only one-third will move out of state, with the lure of “wanting to be closer to family” being just as strong as a “change of climate.” Indeed, more than half of Boomers will move within 30 miles of their current home. Further, only one in five Boomer movers wants to relocate to senior-related housing or active adult communities. For many Boomers, maintaining a connection to their communities and families is an important consideration as they decide where to live.

Location of Next Home

- 67% will stay in-state

Distance from Current Home

- 24% <10 miles
- 27% 10-29 miles
- 49% 30+ miles

Source: 2013 Demand Institute Housing & Community Survey
Single-Family & Single-Story

While some Baby Boomers will downsize to multifamily homes or rentals, most movers will seek out single-family homes – similar to what they have now. But one important difference is that Boomers – whether they are upsizing or downsizing – overwhelmingly want single-story homes. That said, despite a desire for homes that are easy to maintain, more than two-thirds (69%) of Boomer movers want a yard or garden.

Source: 2013 Demand Institute Housing & Community Survey
Not Afraid of Debt

Baby Boomers are carrying much more mortgage debt than earlier generations did at this life stage. The median outstanding mortgage balance for a 50- to 69- year-old household has grown 142% since 1992. But this fact has not discouraged many Boomers. When they purchase their next homes, more than half will seek mortgage financing to do so. And most are confident in their ability to qualify for financing.

Median Outstanding Mortgage Balance
(50- to 69-year-old households with a mortgage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance</th>
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<tr>
<td>1992</td>
<td>$48,743</td>
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<tr>
<td>2013</td>
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Baby Boomer Home Purchases

- 56% will need a mortgage
- 77% confident they will qualify

Source: 2013 Survey of Consumer Finances (Federal Reserve Board); Mortgage debt figures in 2013 dollars; 2013 Demand Institute Housing & Community Survey
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The implications of these findings are important for a range of consumer-facing industries and policies. Below are just a few examples.

Not Ready to Settle
Many Baby Boomers are looking to upgrade their housing. “Upsizers” will seek more expensive or larger homes, and even many “downsizers” will look for upgrades to their homes. Many non-movers have plans to remodel kitchens and bathrooms or make other significant improvements. Boomers will weigh both practical and aspirational considerations when moving or renovating.

Evolving the Housing Stock
The population is aging, but Boomers are not necessarily looking for “senior” products and solutions. While there is limited interest in aging- and health-specific home improvements, those that make the home easier and less costly to maintain do resonate with Boomers. Among those moving, the majority will seek single-story homes, and subtle touches that make aging in the home easier without sacrificing style, like smaller yards and universal design elements, will appeal to Boomers.

Lending Opportunity
Of those Boomers planning to purchase homes, most plan to use mortgage financing. Further, most Boomers who currently own carry mortgage debt, creating an opportunity for mortgage products and services geared toward this demographic.

Help Wanted
The opportunity and need extend beyond the home and into the surrounding community, particularly as Boomers enter their later years. Communities that once comprised mostly young families will have ever more senior citizens, many living on their own and with mobility limitations or special health needs. As a result, there will be an increased need for public and private programs that help the elderly stay in their homes, whether it be transportation services, home health care, nutrition assistance, or community centers.

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