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Thirty years ago former President of the California Association of REALTORS®, John Seymour, coined the catchy phrase: “Where will your children live?” He was concerned by the increasing lack of affordable and available housing for our children.

Today, an equally important yet totally different question must be asked: “Where will millions of baby boomers live?”

If you are a “baby boomer” (born between 1946 and 1964), this article will help you prepare to plan for your housing needs. Baby boomers reach the age of 65 beginning 2011 and will continue until 2029. During this time the senior-to-young- ratio will create a new “order” thereby affecting the needs of our citizens, businesses, medical delivery and government. And the needs of seniors and the young could not be more different.

If you are not one of the 80 some odd million baby boomer population you too will be affected by the across-the-board sale of higher-priced homes to a smaller socio-economic population.

We are at the cusp of change for housing baby boomers and should be prepared for this rapid, increasing and relentless tsunami. At the federal level, government recognizes the demand government services will have on Medicare and Social Security because of a change in worker-to-retiree ratio. Unfortunately, there is little discussion about housing needs of that same population. At the state and local levels, little if anything is being done to focus on this all too important issue.

The focal points of this article are:

- Will there be more single-family homes for sale than the market can absorb?
- What will the financial impact be for those in the housing market?
- Where will seniors and the young reside?

Unquestionably, baby boomers accounted for more than half of America’s population growth over the past fifty years. During the 1960’s the largest adult growth was between the ages of 55 and 64. Since the 1970’s the largest growth of adults 25 and older was twice the 1960’s rate of growth. The formation of new households drove housing market trends:

- New apartment and single-family construction.
- Location of the baby boomers.
- Housing price increases.
- Move-up housing.
- Higher amenity housing.
- Gentrification.

Beginning 2011 baby boomers will begin to turn 65, and growth among the elderly and seniors will exceed that of younger adults.

The imbalance will increase the number of older home sellers to younger buyers and there will be a further disparity in trends in homeownership and affordability. This “sea change” will affect every state and will be more perverse in some states than others. According to the U.S. Census, the ratio of seniors to the working-age adults from 2000 to 2030 is quite revealing: In California the change will be 66.4%, Florida will change 76.8%, and New York will be quite substantial, 121.9%.

The “sea change” will have a more profound effect in higher cost states such as California, Hawaii, and New York. When one analyzes the ratio of homeownership sales by seniors between 2011 and 2029, who paid extraordinarily higher percentages of their income to purchase their home, and the monthly mortgage payment paid balanced against the numbers of seniors entering retirement who want or need to make a change in the type and location of their housing, they should find that they will be in for a rude awakening.

Statistics of who buys and sells homes by age group are fairly well established. The highest home purchase rate occurs between 30 and 34. For those that are 50 and younger purchasing is at a higher rate than selling. Between late 50’s and early 60’s, the buying to selling ratio is fairly well in balance. From the mid 60’s selling begins to outnumber buying, and that ratio steadily increases as the persons in the household age. These statistics generally hold true in most states, but not all. Factors such as higher cost states, warmer versus colder states, highly populated states, in and out migration, and amenities are key factors for the behavior of baby boomers on their decision to sell.

Another important element to consider is the socio-economic population that could absorb the homes seniors want to sell. A statistical nightmare could occur if the seniors are ready to sell early, and the home buying public is either too young or the home buying public is at an imbalance to the number of sellers. There are a handful of states that are already showing a shortage of buyers, and there are a similar number of states

Where Will the Baby Boomers Live?



that will soon experience the same phenomenon. For the remaining states, the buyer to seller imbalance should not start until the early 2020's.

For those areas where there is a buyer to seller imbalance prices must adjust. And when that happens, there is a substantial question if the baby boomers in high cost states (or any other state for that matter) are able to ride out the adverse financial impact.

As home listings grow, a buyer's market develops. There will be winners and losers during the market correction. The young could simply wait it out choosing to continue to reside in rental housing. Seniors could decide after a period of time the loan-to-value ratio is in such a "state" that they may need to weigh their financial options, because they will see shrinking equity and savings. Governmental bodies reliant upon property tax revenue could see a new round of budget shortfalls.

Planning for new housing needs and decisions concerning the usability of existing single-family housing stock should be an imperative for all concerned.

In the not-to distant future we will see:

- A resurgence of interest and need in rental housing among seniors and the young.
- Rental housing and higher density ownership located near city centers and/or amenity rich areas prosper.
- Re-pricing of housing stock occur.
- Government to start acknowledging, planning and implementing public policies for change in housing supply and need.
- Property tax pricing to change. Accordingly, property tax revenue will adjust.
- The financial and business sectors should become part of a discussion and decision making process that will affect our housing needs. Financial sectors pricing loan products and loan availability in unconventional ways. Essential business services that complement each other and to the evolving needs of our socio-economic base will out perform similar or identical business. The key to success: get ready for vast changes in housing needs and supply.

The California Political Consulting Group provides lobbying, legal and consulting services for business and trade associations.

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