

# Recipe for a Housing Boom: Market + Senior Demographics = Stand Back!

By Valerie Lafferty

## One Part Grim Stuff

Mortgage delinquencies continue to rise. Despite the small, well-published bright spots in the economy, fundamental negative forces remain at work. Whether chicken or egg, employment remains stubbornly high and housing values are off an arguable one-third<sup>1</sup> since their peak five years ago. The Census Bureau reports the housing industry is in the most severe downturn since tracking new construction began shortly after WWII.<sup>2</sup>

Therefore it should not be surprising that foreclosures in 2011 are likely to exceed the record set in 2010, which was 14% more than 2009. According to RealtyTrac,<sup>3</sup> which started reporting foreclosures in 2005, banks seized the highest number of homes in 2010—1 million. About 3 million have been repossessed since the housing boom ended in 2006, and that “number could balloon to about 6 million by 2013, when the housing market may absorb the bulk of distressed properties. . . .”<sup>4</sup> Plus some banks will remove their moratoriums on foreclosures (because of questionable paperwork/procedures) so any way you look at it 2011 promises to be trouble still.

## One Part Demographics

Close to one-fifth of all homebuyers are 55+.<sup>5</sup> The enormous ripple effect of the baby boomers pushing through the economy is staggering. For instance, the leading edge of this age group is now Medicare ready (meaning age 65) with projections of 10,000 boomers added per day to the federal health-care plan over the next 18 years.

## Mix-in 2009 American Housing Survey<sup>6</sup>

The National Association of Home Builders (NAHB) and MetLife Mature Market Institute published a report on Housing Trends for the 55+ Community based on a HUD and U.S. Census Bureau survey measuring trends in housing from 2001 to 2009. In comparing trends from 2001 to 2009, the following may be instructive on where things are headed:

- Proximity to family has been the strongest reason for seniors to relocate in recent years. In fact the desire to be near family and friends is the overwhelming motivation of the over 55 crowd.
- Down payments used to come from the proceeds of prior home sales, but now they come increasingly from savings: 55% (2009), 92% (2007), and 100% (2005).
- There is gradual and sustained growth in age restricted or 55+ neighborhoods.
- Seniors recognize and make choices based on quality.
- In more affluent retirement communities, prices have held up well.
- In 2009, 10% of the 55–64 age group moves were job related.
- In 2009, 15% of seniors worked from home vs. 8.4% in 2003—a 44% increase in six years.
- Proximity to work grew in importance: 12% in 2009 vs. 2% in 2001.
- NAHB indicates a steady rise in reverse mortgages, generally used by lower income women who have spent a long time in their homes.
- The median value of homes (whether with a reverse mortgage or with no mortgage) is roughly \$225,000.

## Add Heat

As we all know from the media, seniors are living longer, working longer, and medical advances portend increasing quality of life advances, if not lifespan as well.

## Stand Back?

For a small bright spot, Fannie Mae (largest buyer of U.S. mortgages) says home values may rise 0.6% in 2011,<sup>7</sup> the first annual increase since 2006. But more importantly, sometime soon the balance of divergent economic forces finally must shift enough to cause a chain reaction of buying and selling. One person's buy is another's sell. If the activity reaches a critical mass threshold, why wouldn't it be of chain-reaction proportions? People have been putting their lives on hold “until the market gets better” for too many years.

When these ingredients come together, the effect on the real estate market will surely be explosive—senior housing included!

## Endnotes

1. S&P/Case-Shiller Index of 20 cities.
2. Philip Moeller, The Graying of American Housing Continues, U.S. NEWS & WORLD REP., Jan. 12, 2011, <http://money.usnews.com/money/blogs/the-best-life/2011/01/12/the-graying-of-american-housing-continues.html>.

3. RealtyTrac, [www.realtytrac.com/home](http://www.realtytrac.com/home).
4. Don Miller, Housing Crisis Could Peak in 2011 as Foreclosures Rise to Record, Money Morning, Jan. 13, 2011, <http://moneymorning.com/2011/01/13/housing-crisis-could-peak-2011-foreclosures-rise-to-record>.
5. Moeller, supra note 2.
6. See [www.nabb.org](http://www.nabb.org).
7. Miller, supra note 4.

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