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Baby Boomers & Home Builders: A Unique Real Estate Market

When Baby Boomers Michael Cox and Aimee Norwood decided to sell their home, they had every intention of downsizing. But just as they were about to sign on a smaller house, they changed their minds and bought a larger one instead.

The reason? They wanted to live closer to Cox's elderly mother, who was living alone and ready to downsize herself. The couple opted for a newly built home with an optional suite of rooms designed for multigenerational families.

Cox and Norwood aren't the only Boomers who are shifting away from expectations. Chained to their current homes by the Great Recession, which slashed their median net worth by 30 percent, they were supposed to be the generation that opted to "age in place"—in other words, to remodel their empty nests for senior living rather than buying retirement condos.

making this generation the second-largest group of home buyers ([after Millennials](#)). Baby Boomers, who account for 31 percent of the housing market, are in many cases "still seeking their dream home," says Nielsen.


With approximately 32 million Boomers—half of whom may be shopping within the next few years—this shrinking, but still considerable generation, represents a largely untapped market for home builders. These homeowners, who on average purchased their homes 35 years ago, tend to have homes worth 3.7 times what they paid. As a result, Baby Boomers hold about two-thirds of the nation's home equity, or around \$8 trillion, much of which will be unlocked as these homeowners begin their search for the ideal place to retire.

"These influential buyers want a fresh start in a vital, connected, accessible new-home environment," says John McManus, editorial director of Hanley Wood's Residential Group. "And, as millions of Baby Boomers across the country begin the next phase of their lives, buying the right home is top of mind for them."

Yet few home builders are capitalizing on the Boomer market by building the types of homes aging buyers are looking for. "There's very little new construction focused on what Baby Boomers really want," says real estate professional Howard Hanna.

NEARLY

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Now that the economy has rebounded, many Boomers are once again rethinking where they want to spend their retirement. Nearly 40 percent of adults between 50 and 70 years old plan on moving from their current homes,

Here's what builders need to know to capture this ready market of seasoned buyers:

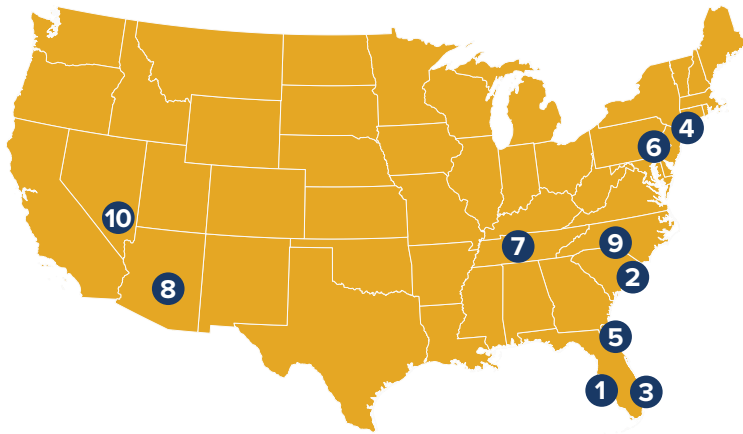
Boomers Are Staying Close to Home

Although sunny retirement communities are still a big draw for retirees, an increasing number are foregoing eternal sunshine to stay close to their families. Many Boomers who are thinking about moving are motivated by a desire to settle near their children and grandchildren.

“Wanting to be closer to family is as common a reason for Boomers to move as seeking a change of climate,” says Nielsen.

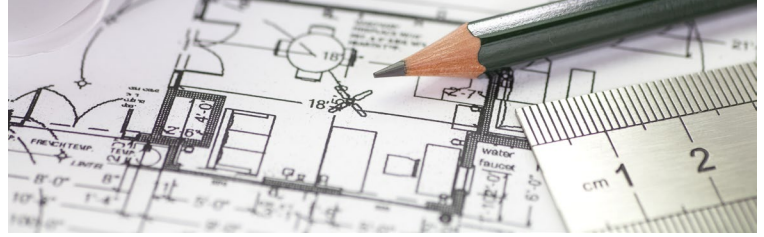
Half of Baby Boomers who are planning a move cite area and location as their biggest motivator—but most aren’t going far. Nearly seven in 10 will stay in-state, and more than half will remain within 30 miles of their current home.

The most popular new-home markets for Baby Boomers include the metro areas of:



1	Sarasota, Florida	27%
2	Myrtle Beach, South Carolina	26.2%
3	Miami, Florida	19.8%
4	New York, New York	19.5%
5	Jacksonville, Florida	19.4%
6	Philadelphia, Pennsylvania	18.8%
7	Nashville, Tennessee	18%
8	Phoenix, Arizona	17.4%
9	Charlotte, North Carolina	16.8%
10	Las Vegas, Nevada	16.2%

They’re as Likely to Upsize as Downsize



Conventional wisdom says Americans tend to downsize as their kids leave the nest. But that isn’t necessarily true for Baby Boomers, 46 percent of whom want nicer homes and more space.

“Baby boomers are just as likely to buy a bigger home, and take out a mortgage in retirement to do so, as they are to downsize to a condo in Florida,” says Curbed.

More than half are currently living in homes between 1,400 and 2,600 square feet, and only 54 percent plan on downsizing. Of those who want to upsize, some are looking for more space while many simply want to invest their extra money into a smaller but nicer home that’s loaded with amenities.

“Think marble floors, granite countertops, commercial-grade appliances, vegetable sinks, bidets, bathroom refrigerators, built-in vacuums, separate showers, steam rooms and Jacuzzis, eyebrow windows, French doors, interior gardens and water features, renewable flooring surfaces, in-home recycling centers, media rooms with built-in screens and projection systems, dual master suites with walk-in closets—all rendered on a smaller scale in a 2,000 square foot floor plan,” says Laurel Kennedy, president of a Boomer consulting firm.

Builders who want to entice Baby Boomer home buyers should consider focusing on:

Homes under \$200,000. Boomers who want to downsize are generally looking in the below-\$200,000 range. “Few developers are building homes to meet those criteria, there’s a huge demand for smaller properties, and they tend to sell within days of being listed,” says journalist Tiffany Esshaki.

Amenity-rich homes. Boomer upsizers whose longing for their dream home conflicts with the realities of aging in place are likely to be seduced by full-amenity homes built on a smaller, single-story scale—known as “jewel box” housing. “In the Boomer world, downsizing is proving to be a decidedly upscale activity, a matter of designing the best of everything into a smaller footprint,” Kennedy says.

They Want Multi-Generational Options

One of the reasons many Baby Boomers aren't downsizing is that even though their children are grown, their nests aren't empty. Because the tight job market has made it difficult for college grads to find work, nearly a third of their adult children are still living with them.

Younger members of this generation, like Cox and Norwood, may also be serving as caregivers for an elderly parent. Of Americans whose parents are still living, some 28 percent are helping to support them. In many cases, that means sharing a home.

Some Boomers are even living with both their parents and their children. One in three belong to the "sandwich generation," those with both a dependent child and a parent age 65 or older.



This has fueled the demand for multigenerational homes with add-on suites that can comfortably accommodate an aging parent or adult child. Multigenerational households more than doubled in the U.S. from 1980 to 2012 and were responsible for 13 percent of all home purchases in 2014. One in five multigenerational buyers are younger boomers, and 37 percent cite adult children moving back home as the main reason for their purchase.

They Need Age-Friendly Features

Three out of every four Boomer households are already dealing with a chronic health condition or have suffered a major health incident. Many are looking for homes that can accommodate their needs as their health begins to decline. Age-friendly features they're likely to want include:

First-floor living. Whether they're upsizing or downsizing, 75 percent of Boomers plan to choose a single-story floor plan for their next home. The demand for single-story living is so high in places that some builders are focusing solely on ranch-style homes. For buyers who want multilevel homes, "a first-floor master suite is gold to an aging buyer who knows they may have trouble climbing stairs in the next few years," Esshaki says.

Low maintenance. Homes requiring little maintenance are also popular among older homeowners, but fewer than half of Baby Boomers are living in low-maintenance homes. Many will be looking for siding, decking, floors and windows with minimal upkeep requirements.

Accessibility features. Just 27 percent of Boomer homeowners have homes outfitted for accessibility. Homes with wider doorways, open floor plans, and universal design features such as slip-resistant flooring or lever-style handles will prove alluring to these buyers.

Warranty protection. Homeowners living on a retirement income often don't have room in their budgets for an unexpected home repair, so the prospect of a structural home warranty makes buying new [an attractive option for older buyers](#). Structural warranties for new homes ensure that Boomers won't have to foot the bill for any defects in the home's construction. The home warranty professionals at Professional Warranty Service Corporation can recommend the best home warranty solutions both for this generation of buyers and the builders constructing their homes.

Home builders who understand the unique needs of this still-influential generation will have the best chance of attracting Baby Boomers as they search for new homes. But it's important to do your research—this generation is full of surprises.



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