



THE ADVISORY

MARKETING TO BABY BOOMERS ONE MORE TIME

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RCLCO
REAL ESTATE ADVISORS

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May 30, 2019 | [Gregg Logan](#), Managing Director, and [Todd LaRue](#), Managing Director

Baby boomers are defined as people born between 1946 and 1964, which includes about 77 million Americans. The name “boomers” comes from the fact that generationally the group is significantly larger than the silent generation preceding them, and Generation X that followed. Baby boomers are significant for many reasons, including that they comprise 25% of U.S. population, control 70% of financial assets, have 50% of consumer discretionary spending power, and account for 32% of all home sales. It should come as no surprise that they remain among the best customers of builders and community developers. The youngest boomers are in their mid-50s, and the oldest are in their early 70s. Unlike millennials, they’ve had time to accumulate substantial equity to invest in a new home. Their incomes are typically higher, and on average so are their credit scores. For these and other reasons, the housing market’s recovery from the Great Recession has been largely focused on the move-up market, and active adult communities (AACs) are doing well. There are 45 million baby boomer households today, resulting in vastly more retirees than when Del Webb was creating the first Sun City AACs almost 60 years ago, which targeted an earlier generation of retirees. All boomers will have reached age 65 by 2030; the Census Bureau forecasts that by then one in five U.S. residents will be of traditional retirement age.

Boomers are a large and diverse group, and not all boomers are ready for retirement. An estimated 45% of boomers have little to no retirement savings (particularly among younger boomers). Many boomers will stay in the workforce longer for financial need or other reasons; about a third of boomers don’t plan to retire before age 70 or older. Boomers born in 1960 or later won’t get full Social Security benefits before age 67, and monthly payments are higher for those waiting to start collecting until reaching age 70. The home builder and community development industry is focused on the healthiest and most affluent quarter of the boomer population that are most actively seeking new housing. Some are value-seeking retirees, while others are continuing to work full-time or are launching encore careers as consultants or something else that they always wanted to do but couldn’t while focused primarily on their kids.

RCLCO recently surveyed 55+ households¹ that were seeking to move in the next two years to understand *why* they want to move, *where* they want to live in terms of community setting and/or concept, and *what* type of community concept and housing product they are seeking, answers to which suggest *how* boomers want to live. The *why* is typically driven by a change in life stage that in turn informs *where* they want to live, which often means finding a new-home community that better suits their stage of life and the lifestyle they’d like to pursue. Some are ditching the suburbs and moving in-town where the action is, though more are still focused on suburban locations, especially areas with a convenient mix of homes, shopping, and services. As they transition to a new life stage, they’re also thinking about *what* type of house will best suit their needs, which often means downsizing to a smaller single-family home, townhouse, condo, or apartment. Responses to the *where* and *what* provide insightful clues regarding how Boomers would like to live their best life.

WHY

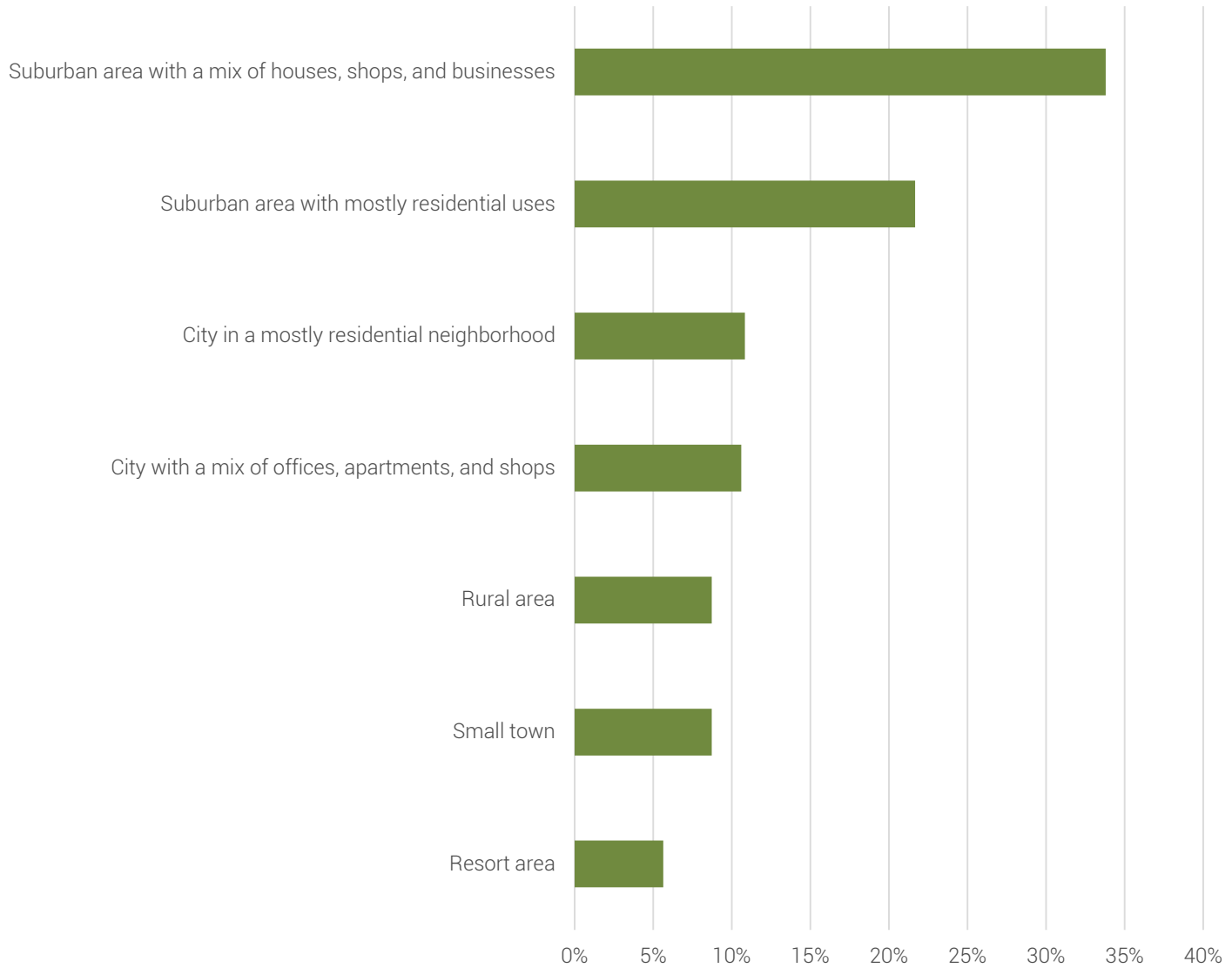
When asked about the life stage events that put them back in the housing market, those 55+ were most likely to respond “preparing for retirement,” “retired,” or “last child moved out (empty nest).” Boomer responses to NAHB’s 2016 survey indicated their motivations for moving include “greater piece of mind,” “a fuller life,” “more me time,” and “more money to spend on leisure/travel,” suggesting they intend to keep some of the equity from a sale rather than roll it into their next purchase. In addition, 55+ households in RCLCO’s survey cited their desire to “move closer to family” or “move closer to recreational amenities” as reasons to move, underscoring how they want to spend their time as they retire or consider/approach retirement.

WHERE

When asked about the type of setting they desire in their next home, nearly a third of 55+ respondents to RCLCO’s survey indicated that they prefer a “suburban area with a mix of homes, shops, and businesses,” while roughly equal shares of respondents desire a primarily residential suburban neighborhood, the city, or a small town/rural environment.

¹ RCLCO surveyed over 23,500 persons across the U.S., which resulted in 3,430 qualified survey participants who are age 18 or over, have incomes of \$50,000 or over, and have intentions to purchase a home in the next 12 to 24 months. About 36% of those surveyed were over age 55 at the time of the survey, and their responses are summarized in this Advisory.

Retirement Preferences of 55+ Close to 80% Prefer Suburbs or Outside a City



Source: RCLCO

Regarding the most important community considerations for their next home purchase, most respondents to RCLCO's survey, regardless of age, said they'd like a high-quality home in a peaceful and relaxing setting. Those 55+ were most likely to rank "facilitates living a healthy lifestyle by having walking trails, fitness center, etc." among their top three considerations. In terms of amenities, fitness centers, yoga studios, trainers, and fitness classes top their lists. Households of all ages ranked art and culture high on their lists of desirable amenities, but 55+ households ranked them the highest, suggesting concerts, food, wine and art events, and educational trips are all important activities to them. This is consistent with Shea Homes' recent survey of their Trilogy AAC consumers, which shows an uptick in interest in food and beverage programming such as cooking classes, food and wine pairings, etc. They report that 70% of their 55+ home shoppers say they'd like a chef-driven food and beverage program in their community. Ken Colen, developer of the successful On Top of the World (OTOTW) community near Ocala, Florida, which has experienced 30% sales growth year-over-year since 2014, says "we find that a wide range of ongoing social engagements are a big factor in creating and maintaining community desirability, particularly with opportunities for continuing education and lifelong learning."

Top Community Amenities

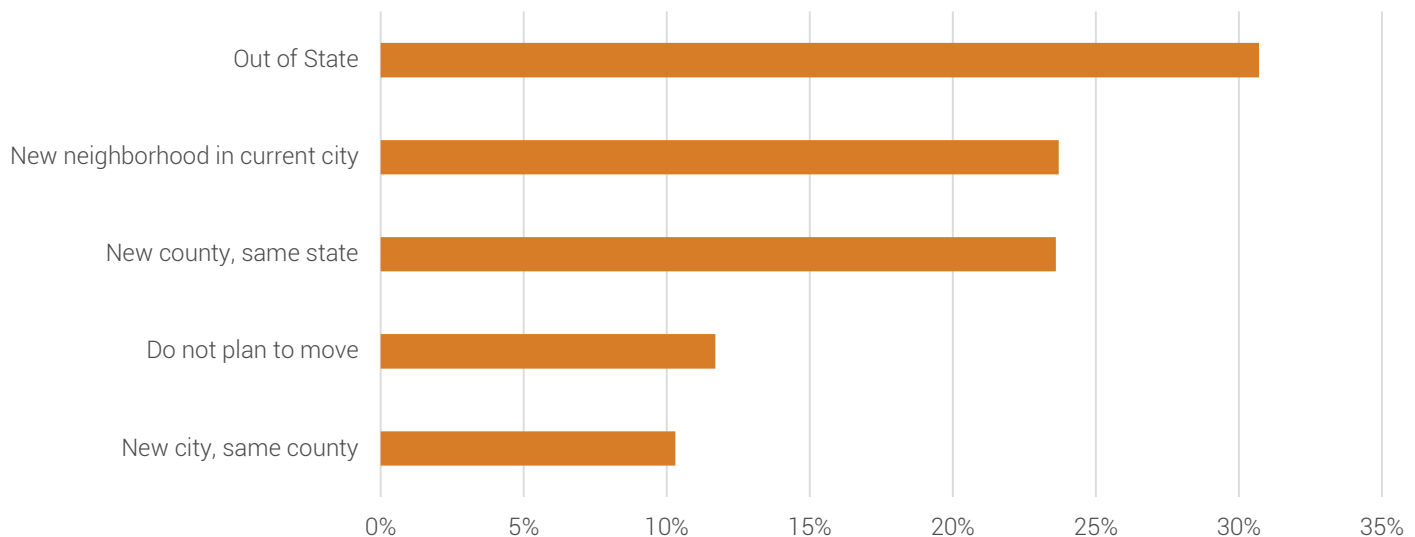
Art and Culture Grow in Importance for Older Market; Trails and Fitness Are Constants

RANK	UNDER 35	35-54	55+
1	Package receiving	Gated entry	Gated entry
2	Fitness centers, such as weights, yoga studio, trainers, and classes	Trails	Fitness centers, such as weights, yoga studio, trainers, and classes
3	Gated entry	Fitness centers, such as weights, yoga studio, trainers, and classes	Art and culture, such as concerts, food, wine, art, educational trips, etc.
4	Trails	Resort pool (lounge)	Trails
5	Resort pool (lounge)	Package receiving	Resort pool (lounge)
6	Art and culture, such as concerts, food, wine, art, educational trips, etc.	Art and culture, such as concerts, food, wine, art, educational trips, etc.	Package receiving
7	Farmers market	Farmers market	Virtual services, such as community intranet, virtual education, Amazon locker, etc.
8	Sports courts, such as pickleball, bocce, basketball, sports fields, tot lots, tennis courts, etc.	Dog park	Farmers market
9	Dog park	Sports courts, such as pickleball, bocce, basketball, sports fields, tot lots, tennis courts, etc.	Lap pool
10	Pocket park	Pocket park	Dog park

Source: RCLCO

RCLCO’s consumer survey indicates that a little over 30% of retiring boomers are considering relocating out of state, while others plan to move to a new neighborhood in their current city (about 24%).

Preference for Moving in Retirement Among 55+ Households



Source: RCLCO

Key purchase considerations for retiring boomers include affordability, home features, weather, taxes, and community features. Relative to affordability, a majority of boomers seeking new homes indicate concerns about the impact on their finances as one of their biggest potential obstacles. Compared with other home buyers, boomers are willing to consider a smaller home, or smaller lot, to make their new home more affordable.

Market Comprised of Multiple Segments

NAME	EARLY EMPTY NESTERS	LATE EMPTY NESTERS	EARLY SENIORS	LATE SENIORS
Age	55-59	60-64	65-69	70-74
Description	Young, NOT retired, but considering simplification	50% - 60% retiring; thinking about “the last best house”	Target for retirement communities	Retirement communities and Senior Housing
Household Makeup	Married, some may still have children under 18	Married; Children over 18	Married couples, adult children	Married and singles
Location	Mostly in suburbs where families were raised, access to work and activities	Many in suburbs, some relocated or seasonally living in warm weather states	Many retire to sunny locations; prefer bucolic setting but with services	Prefer warm climates, retirement community or senior housing
Activities	Most are still employed, physically active skiing, biking, exercising, active investors, sports enthusiasts	Physically active, active social life, travel, cruises, boating	Exercise, active social life, travel, pursue hobbies, avid readers, support charitable organizations	Least active of the segments, Avid readers, watch TV, sociable in clubs and organizations

Source: RCLCO

WHAT

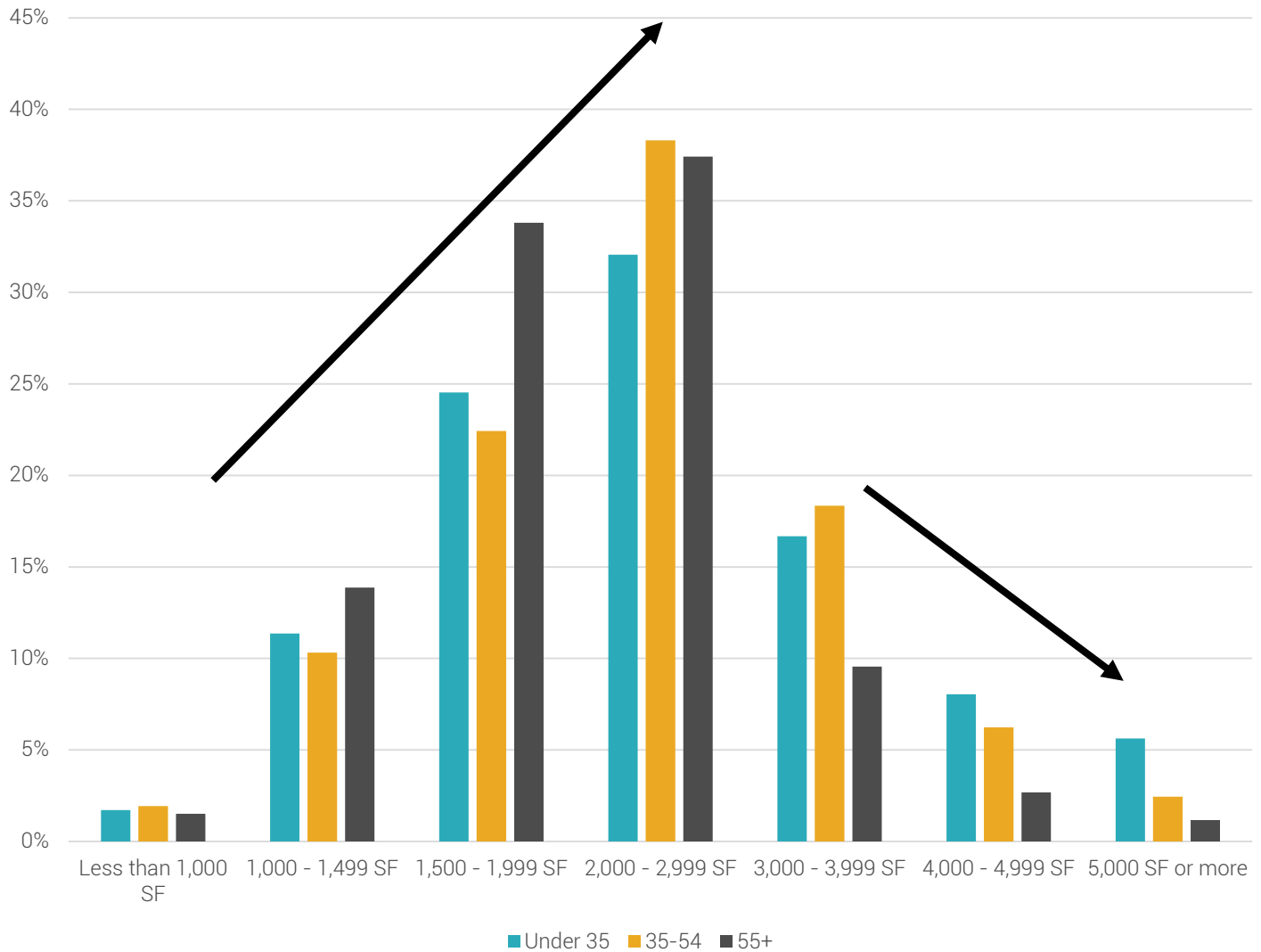
When asked what type of housing product they’re looking to purchase, most 55+ respondents to RCLCO’s consumer survey said they wanted a smaller, lower-maintenance, but higher-quality home than their current residence. The quality of construction, availability of financing, design of the home, and design and appearance of the community are all important factors for boomers considering a new-home purchase. While most 55+ respondents to RCLCO’s survey expressed a preference for a single-family detached home, over 21% said they would consider a single-family attached home—much higher than the 12% that currently reside in such a product. In terms of number of floors, overall about 90% said they would *consider* a one-story residence, though over one-third indicated they would consider two-story product. Most buyers in RCLCO’s survey (87%) say they prefer the master bedroom on the main floor. This is consistent with other recent surveys suggesting that boomer homebuyers prefer single-story homes.²

The chart below shows responses to RCLCO’s recent survey relative to desired home size by age of respondent.

² NAHB’s 2016 survey reported a 75% preference for single-story homes among baby boomers

Desired Home Size Depends On Age As Well

More Older Households Want Smaller-to-Medium Sized Homes, Fewer Want Larger Homes



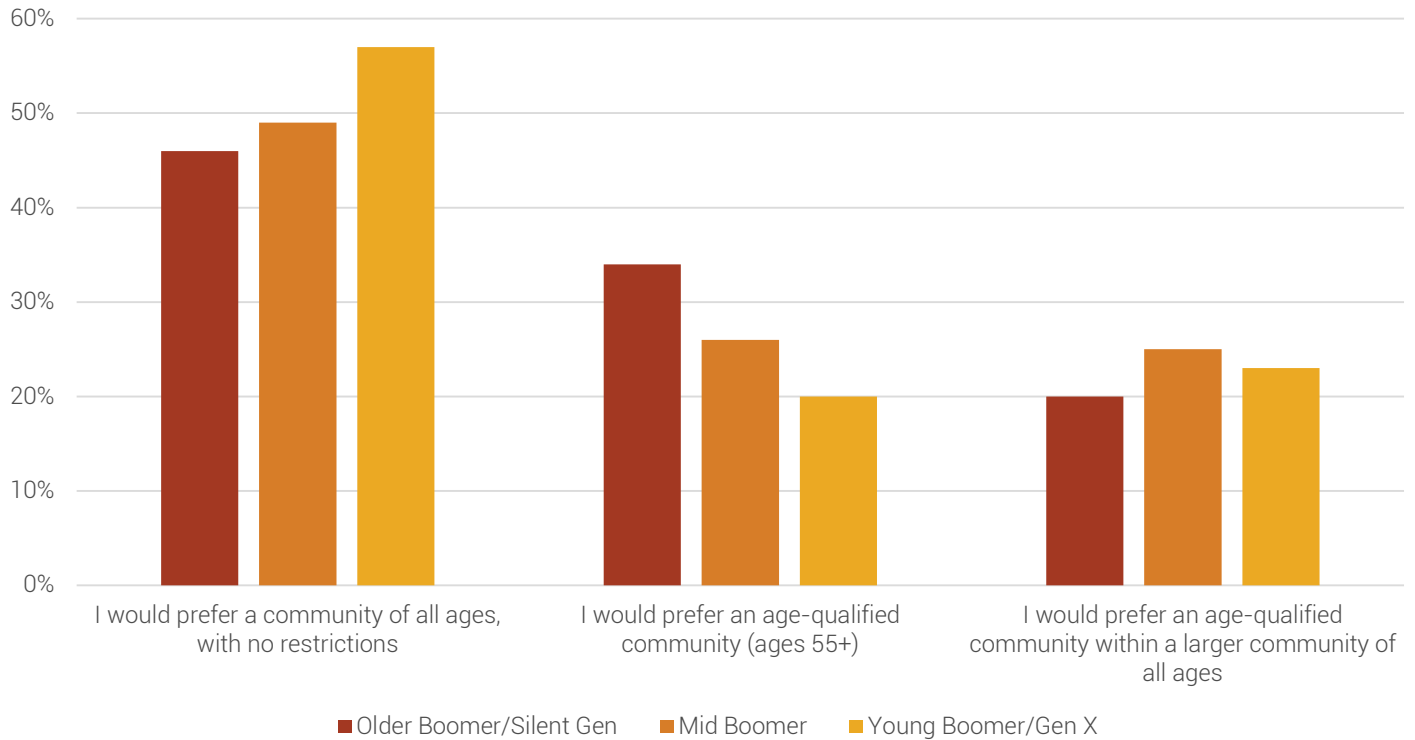
Source: RCLCO

As indicated by a desire to be closer to family, many boomers are not only still focused on their kids, but they’re also actively involved with their grandchildren. Not all are seeking out childless environments in their next home. Younger boomers are particularly interested in living in a community without age restrictions or purchasing in an age-qualified neighborhood within an all-ages community.

Among 55+ households seeking to purchase a home in the next two years, there is significant variation by price band in propensity to choose age-restricted living. Although over a third of 55+ households seeking homes below \$250,000 would prefer to live in an age-restricted community, the share of homebuyers interested in an AAC drops off at higher price points, with fewer than 20% of households looking for homes \$600,000 and over interested in age-qualified living.

The preference to live in an age-targeted versus age-restricted community varies by age as well. Propensities for age-restricted communities increase with age, as households seek opportunities to live a more social lifestyle with birds of a feather in new-home communities that facilitate meaningful connections. Younger buyers tend not to be as price sensitive and are likely to prefer larger, more expensive homes. Age-targeted communities are primarily designed for early empty nesters with likely support from late empty nesters/retirees.

Age-Restricted or Age-Qualified Preference



Source: RCLCO

The AAC market has increasingly become much more specialized and segmented to appeal to specific targeted buyer profiles that have varied preferences and market depth. In response, successful communities vary in terms of concept (destination AAC, age-restricted enclave within an all-ages MPC, etc.), location (urban, suburban, resort), product (value, luxury, attached, detached), type and scale of amenities, total number of homes being offered, and affluence level of the consumers they’re targeting. Some examples include:

Age-Qualified Development Types

CONCEPT	DESCRIPTION	GEOGRAPHIC CONTEXT	PROMINENT DEVELOPER EXAMPLES
Large Standalone AAC	Suburban single-family homes for sale in an entirely age-restricted community of 1,000+ units.	Large AACs require a lot of land—often over 500 acres; therefore, these communities are often located in suburban areas with abundant land availability.	Del Webb, Robson Ranch, Shea Homes
AAC Enclave within Larger MPC	Suburban single-family homes for sale in an age-restricted enclave within a larger MPC with no age restrictions, where the MPC as a whole consists of 1,000+ units.	Large MPC communities require a lot of land—often over 750 acres; therefore, these communities are often located in suburban areas with abundant land availability.	DMB, Shea Homes, Blenheim, Taylor Morrison
Small AACs	Single-family homes for sale in an entirely age-restricted AAC with less than 1,000 units in a suburban, urban, or small-town setting.	Small AACs require less land and can therefore be located close to small cities, historic downtowns, or traditional suburban areas. A closer-in location often serves as an amenity.	TIMU, Stephen Alexander Homes, Nathan Carlisle

CONCEPT	DESCRIPTION	GEOGRAPHIC CONTEXT	PROMINENT DEVELOPER EXAMPLES
Resort AACs	Destination-oriented single-family homes for sale in age-restricted AACs, with an emphasis on regional recreational assets.	Resort AACs are co-located with recreational assets, such as mountains, beaches, or large lakes to enhance the amenity offerings and project a certain lifestyle image. Typically not located in metro areas.	Del Webb, Shea Homes, Jones Homes
AAC Condominiums	Single-family attached units or multifamily units in an entirely age-restricted AAC of any size.	AAC condominiums can locate in both urban and suburban settings. Denser development makes land planning more flexible. Single-family attached units can also be owned fee simple.	Beazer, Verona Building Co, Bill Sears
Rental Multifamily AACs	Age-restricted multifamily rental apartments that are often in an urban or semi-urban setting.	The concept of multifamily rental AACs is dominated by Overture, which was an early mover; currently, they have over 20 communities in vibrant urban neighborhoods in major cities.	Overture

RCLCO is actively engaged with our builder and developer clients, helping to define specific development programs for new communities as well as assisting with repositioning or introducing new elements to existing communities. RCLCO helps identify specific opportunities in the 55+ space so our clients can create the optimal development, amenities, and housing programs for successful projects in locations throughout the U.S.

Reasonable efforts have been made to ensure that the data contained in this Advisory reflect accurate and timely information, and the data is believed to be reliable and comprehensive. The Advisory is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort and general knowledge of the industry. This Advisory contains opinions that represent our view of reasonable expectations at this particular time, but our opinions are not offered as predictions or assurances that particular events will occur.

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"I have engaged RCLCO many times over the past 20 years. Each assignment resulted in community lot sales pace and lot prices above my pro forma values. RCLCO is the GOLD standard for real estate consulting."

-- Jimmie Jenkins, Vice President, Toll Brothers, Inc.

Since 1967, RCLCO has been the "first call" for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development.

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