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Older buyers downsizing- but not by much

WASHINGTON – Feb. 21, 2008 – With the 55-plus population expected to exceed 85 million by 2014, home builders say they're catering more to the needs and interests of mature homebuyers, according to a new study that was released last week by the National Association of Home Builders (NAHB) in conjunction with their International Builders' Show in Orlando.

According to the data compiled by NAHB's 50+ Housing Council, more than a quarter of a million people will buy new housing in communities specifically built for those ages 55 or older, and more than 100,000 units constructed in 2008 will be targeted to this growing niche market. The report, Profile of the 50+ Housing Market, also dispels some common perceptions about the older homebuyer: first, "downsizing" is a relative term and, second, the vast majority of these buyers won't be relocating to the Sun Belt.

"Our data shows that 55-plus homebuyers may be 'downsizing,' but not by much," says Paul Emrath, NAHB's lead researcher on the study. "The average home in an active adult community still includes more than two bedrooms and more than 2,000 square feet of living space."

The report found that homes in age-restricted active adult communities were only slightly smaller than other homes purchased by 55-plus homebuyers in both square footage and the total number of rooms, including bedrooms and bathrooms, but were less likely to have a specialty room such as a den or library. In addition, the majority of age-restricted housing buyers (59 percent) indicated they felt they were moving into a better home than their previous one, although fewer than half (41 percent) said their new home cost more than the old one.

"These boomer buyers may be scaling back in their home size, but they aren't willing to sacrifice quality," says Robert Tippets, immediate past chairman of the NAHB 50+ Housing Council. "They're still looking for new homes that are well-designed and have many of the latest bells and whistles," he says. "What they are 'downsizing' is the maintenance that comes with owning the typical home with the big yard."

According to the American Housing Survey data that NAHB's researchers analyzed, most buyers (77 percent) chose a new home in a particular age-restricted community because they liked the home's look and overall design, while the top reasons they chose the community was the design (49 percent) and to be close to friends and relatives (28 percent). More than half of all new buyers in 55+ communities move within the same county as they currently live.

The report also suggests that new homebuyers in this niche market are not as adversely affected by the current troubles in the mortgage market. Fewer than half of the customers who bought a new home in an age-qualified active adult community needed to take out a mortgage. Of those who did, the study found, the loan-to-value ratio was under 50 percent. Nearly all homebuyers in these communities who made a downpayment reported that the downpayment came from the sale of a previous home.

"These consumers have substantial equity in their existing homes and greater accumulated wealth," says Mark Stemen, senior vice president with K. Hovnanian's active adult division in the mid-Atlantic and a member of NAHB's 50+ Housing Council. "They are discretionary buyers and their purchases are very much driven by a desire for the lifestyle these types of communities offer," Stemen said, noting that they are also buyers who are more likely than other groups to buy a new or custom home.

How they might be affected by the slower housing market, he said, is in the selling of their existing homes. Despite that, however, Stemen remains bullish on the active adult segment of the housing industry. "Given the strong demographics of the baby boom generation, the active adult buyer will continue to be a very important housing consumer for a long time to come," he says.

NAHB is selling the full report at \$129 for non-members. More info: www.nahb.org/50plusresearch.

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