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## **Boomer retirement: What does it mean to bricks and mortar**

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Baby boomers have had a lot of press this past week, as the first wave of soon to be 65 year olds begins a retirement boom. Not to be trifled with, baby boomers, about 75 million people who were born between 1946 and 1964, mark the biggest population bulge in the country's history. They started to emerge shortly after the return of World War II veterans, and soon became the proverbial pig moving through the python to the present day.

Starting now, every day for the next 19 years, about 10,000 boomers will turn 65 years old. In 2030, 18% of the population will be 65 or older, compared to today's 13%. All told there will be about 70,000 to 80,000 million of them. As in the past, they will demand a lot, or a little, depending upon their needs, but in any case, it would be foolish not to consider their impact.

With this in mind, what can we say about the fact that the boom is starting to retire. While none of this is completely predictable, there is plenty of evidence as to what could happen in real estate. First, retirement is by definition leaving the workforce or the office. However, with boomer retirement just beginning, it is not as if the retirement boom will have an immediate impact the workplace. There are 20± years (although declining) of other late comers who can fill in the spaces, that is, workers 45 years and older. Thus, there should be no immediate impact at the beginning of the retirement boom on the office workplace, at least with regard to demographics.

This story is different for industrial workers, many of whom are older, with older skills, often in older industries. Already the U.S. has 5.5 million manufacturing jobs (about 32%) and closed over 40,000 factories since 2000. As U.S. industrial worker boomers retire, there are few younger people willing or able to enter these positions, and fewer positions in the U.S. That is not true for younger, less expensive workers overseas, where U.S. companies continue to expand. It seems clear that the need for industrial space is decreasing in this country for a number of reasons.

Retail may be the largest, most predictable arena, in my opinion. As boomers retire, they typically want to down size and simplify. That means less consumption. They need less "stuff". Combine this factor with the recent "great recession", where there no longer exist home equity lines of credit, other credit is hard to come by, and more depend on a lower fixed income, and the result is there is less money to spend. Despite strong recent holiday sales numbers, all of these factors seem to portend less spending, and thus less need for stores (not to mention impact from online sales). Again, the further end of the boom are 45 year olds who are still in their earning and spending years, and thus will counteract some of the consumer effect for now. However, as the bulge moves on, there will be a tipping point where more older people will be spending less.

As written about abundantly, boomers will be also looking for smaller homes or condominiums. This clearly has ramifications in residential growth, which is already at a crisis in the country. In many parts of the country, they will be trying to sell their bigger houses in the suburbs to move into smaller urban condos, where transportation needs are met without cars, cultural facilities and health

organizations are nearby, and life is generally "greener". On the other hand, there may well be a growing demand for second homes, or first homes in vacation areas. Boomers will look for special resort oriented areas in order to attract their children and grandchildren for vacations and holidays. Coupled closely to potential growth in vacation homes, there should more growth in travel and related tourism and hotel industries. Boomers will have time, and some disposal income not spent on "stuff", and will want to take trips by themselves (the "bucket list") as well as family vacations with children and grandchildren. Assuming the recent troubles in travel (highly evident over the holidays), do not constrain this area, expect to see growth in resorts and hotels during the boomer retirement years.

This is a brief summary of many studies and articles available on this subject. It is significant enough area that many universities in the nation have devoted entire departmental programs to the study of impacts of retiring baby boomers. Boomers are not the only demographic in the population, but they are a force, and will continue to make an impact, until their footprint inevitably gets smaller.

Daniel Calano, CRE, is the managing partner and principal of Prospectus, LLC, Cambridge, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540