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Where have all the boomers gone?

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There are troubling signs on the horizon regarding the development of age-restricted housing in Mass. There appears to be a significant oversupply of units under construction and those in the permitting pipeline. How have we come to this?

A little background is important. Between 2005 and 2020, it is estimated approximately 1.8 million Mass. residents of the baby boom generation will turn 55. As we know, the boomer demographic bubble continues to move through our population with significant economic effects. This would seem to provide a large pool of demand for specialized age-restricted housing.

The Citizens' Housing and Planning Association (CHAPA), in their landmark study (2005), reported that some 24,000 units were either under construction or in the development approval pipeline in 2005. This provides some perspective in terms of a pending oversupply which may, in fact, have occurred.

The question is asked why haven't age-restricted developments been able to sustain the early success of the first wave of such projects? Several things should be noted from the CHAPA study. They report that only 10-12% of age 55+ buyers choose to locate in age-restricted projects. As we have seen in the past, the development community may have again overreacted with the help of local permitting authorities. The result may be a significant excess supply.

Furthermore, a number of these developments may not have paid sufficient attention to fundamentals. Such issues as location, proximity to amenities and services and unit designs have wandered from the basic formula of success. Location should be convenient and within walking distance of amenities, shopping and services. Unit designs must respond to the unique requirements of this buyer group. And, finally, the general market slump in housing certainly has had an impact.

Solutions are currently being proposed, including several good possibilities. The solution receiving the most publicity is to lift the age restrictions on these developments. There are many sides to this approach, as detailed in the Boston Globe Article of March 30, 2008. Other alternatives include slowing of development where possible, in particular, if phasing is an economic alternative. Finally, the creation of mixed-use developments with portions that are age-restricted and portions that are not.

This is clearly one of the significant current challenges in our real estate market. It will be interesting to see how developers, lenders and purchasers respond.

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