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Boomer housing downsizing a given? Not so fast

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There has been a lot of literature about the coming tsunami of baby boomers who will need to downsize their housing requirements. Born between 1946-1964, boomers have been projected to empty their nests of kids and dogs, retire, clean out their basements and move from their large suburban single family homes to urban multi-family residences. And, it is commonly projected that this will be an accelerated transition, since households consisting of couples with children 18 years or younger has already dropped by half between 2006-2012.

Many authors are backing up this notion, and as I leaf through a related book "Life Changing Magic of Tidying Up" by Marie Kondo, it all made sense to me. An organizational consultant, she takes tidying up to a new level, promising that de-cluttering will change your life. It goes hand in hand with downsizing as I see it.

From a more data driven perspective, a 2014 Harvard-AARP study agrees with this trend. They concluded that even if boomers don't want to move, their homes lack features that will be required in their futures, and they may have to. Many developers in the Boston area are betting on the downsizing move, welcoming with open arms the wave of boomers from the suburbs into their approximately 8,000 brand new multi-family, urban area units.

But not so fast! Several new studies show this trend not to be obviously true, with some arguing that aging baby boomers will actually upsize, not downsize, if they move at all. A recent survey by the Demand Institute, a non-profit think tank, suggests that baby boomers will not behave as predicted. This non-profit group polled approximately 4,000 baby boomer households, ages 50-69, and found that the majority of boomers don't plan to move, and if they do, don't necessarily want to downsize. The poll found that most plan to age in place; that renovations for age appropriate features are not a top priority; and half of baby boomers who would move, don't want to downsize. In fact, only 37% indicated they want to move at all, and of that 58% said they want at least the same size home as they have now.

A Trulia economic study suggests similar findings. It found that of the boomers who would be interested in moving, 26% wanted larger homes whereas 21% only wanted smaller homes. A 2014 study by Fannie Mae concurred. In their housing insights newsletter, they stated that "Boomers do not appear to be altering their housing consumption by abandoning their detached single family homes." Their data shows that the proportion of boomers who are residing in single family detached homes actually increased slightly between 2006 and 2012.

So, what do we real estate professionals do now? Stop building urban apartments and condos and build more age appropriate single family housing in the suburbs. Probably not. There are some variables to consider in the recent data and analyses. First, the size of house currently occupied is a consideration. The data show that people in houses larger than 3,500 square feet are more likely to trade down, whereas people in houses at 2,500± square feet may be more interested in upsizing

to the house "they always wanted". Health of boomers has an impact, and as boomers now only in their 60s age further, they are more likely to be required to downsize, no longer able to maintain single family suburban living. Other factors suggest that the quality of their nearby urban life is a major determinant in the decision of whether to move in. Finally, some of the older data collected is reflecting the recent real estate recession, whereby boomers were not able to sell their houses, properties were less valuable than before, and boomers lost large amount of wealth in both equities and real estate markets, thereby limiting their mobility to move. That could change.

Will the new trends stick? Or, are boomers just biding their time until a later moment to downsize. With both an improving real estate market and stronger stock market, new post 2015 data may show more boomers moving as predicted. However, the data has certainly shown that not all boomers are of the same mind. My take is that downsizing and the move to urban units will continue, but not at the pace as previously contemplated. Absorption will be slower, people will be more reticent or unable to move, and mobility may be constricted by costs in both selling and buying. Stay tuned.

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