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The Next Boom

Every eight seconds a baby boomer turns 60 - and that will change your business. Their hair may be thinning and they may be growing a little thicker around the middle, but baby boomers still have to power to command the attention of the market – especially the housing market.

At every stage of their lives, from swinging singles to striving suburbanites, boomers have dictated the shape of the country's housing. Now that the oldest members of this 77-million-strong generation are hitting the big 6-0, builders are asking what's next? What shape will boomers want their houses to take and where and how will they want to live as they stand on the cusp of yet another turn in their lives?

Many in this generation entered adulthood with “All You Need is Love” playing in their heads. They eventually turned down the volume and spent the '80s and '90s charging hard through their careers. Now they're viewing retirement with fresh eyes: a time to explore ways to combine the idealism of their youth with the hard-won knowledge of middle age. For well-off boomers, the challenge of retirement will be in finding personal fulfillment. As the wealthiest and best educated of a very privileged generation, they expect to have too much energy and curiosity to simply retire to the golf course or the garden. With longer life expectancy and better health than previous generations, many of these boomers view a 20-30 year retirement built around leisure as a fine way to bore themselves to death. Once again, boomers are setting off in new directions, and it looks like they're about to give the whole idea of retirement a big overhaul.

One factor behind the change is the “60 is the new 40” syndrome. Even the oldest boomers don't see themselves as being anywhere close to over the hill. Rather, they see themselves as vital, important members of society who want to continue to have a big say in how the world is run. That doesn't mean they necessarily want the next stage of their lives to look like the last one; boomers see no reason why shouldn't reinvent themselves while they're also reinventing retirement. Former custom builder and remodeler Michael Muscardini, 55, is a case in point. After running his Oakland, Calif., building business for 27 years, Muscardini sold Creative Spaces to Dan Cohen, the company's longtime senior superintendent and followed his love for working the earth. His new enterprise, award-winning Muscardini Cellars in Sonoma, Calif., is

no less demanding than his building business. “I’m young enough and still have the energy to try something new,” Muscardini says. In fact, he is part of a generational trend. About eight to ten boomers plan to work even after Social Security kicks in, according to an AARP survey, while a recent study by the Ewing Marion Kauffman Foundation found that people between 55 and 64 years old are the likely to start new businesses.

By many accounts, even boomers who opt out of the workforce envision a more active, adventurous retirement than that of previous generations. A June 2006 survey of baby boomers on the front lines of age and income – homeowners aged 50 to 60 with an annual income of \$100,000 or more – by DYG Inc. for Hanley Wood Marketing (a division of Hanley Wood LLC, the publisher of Custom Home) found that more than three-fourths of them counted travel and new experiences among their top priorities for life after 60. The Web site iExplore, which markets adventure travel tours, asked its baby boomer clients to list their once-in-a-lifetime dream trips. The top 10 included paddling a sea kayak through the Panama Canal, living with a Mongolian family in the Gobi Desert and walking across the tree canopy of the Amazon rainforest.

So much for retiring to the front-porch rocking chair. The Hanley Wood survey found that most well-heeled boomers are looking forward to life after 60 with great enthusiasm. Two-thirds of this group (compared with just a little over half of average-income baby boomers) say they have invested considerable thought and planning in the next stage of their lives and are ready to take it on.

Where Next?

Boomers are comfortable with change. About half of leading-edge boomers have lived in their present homes for fewer than 10 years, according to the Hanley Wood study. The most common reason for their last move was for a job, followed by a better neighborhood and a more luxurious home. What will compel their next move? When asked why they might move in the next 10 years, 52% of respondents answered that it would be a change in lifestyle due to retirement. Only one in five boomers surveyed said they wanted to stay in their current home after they retire.

But will they remain in the suburbs, where three-quarters of them currently live? Obviously, when a group is as massive and individualistic as the tribe born between 1946 and 1954, it’s difficult to generalize. Still, for boomers who have the inclination to move and the luxury to choose where they’ll head to for their golden years, there are several options that promise to be especially enticing. But only a few of those destinations will overlook the ninth tee. A 2006 National Association of Realtors (NAR) survey of 2,000 boomers reports that 38% say their ideal retirement location would have access to quality health care, while only 4% say it would be on a golf course.

About half of boomers in the NAR survey said they’d consider living in an age-restricted community, but they won’t be flocking to big, highly organized retirement communities the way their parents did, either. Boomers are much less likely than previous generations to buy a home

that is part of a prepackaged retirement lifestyle. Most of those polled in the Hanley Wood survey say they are not interested in age-segregated retirement housing. The boomers' style is to seek alternatives tailored to their unique interests – like a house in Davis, Calif., for biking enthusiasts, a pied-a-terre in Manhattan for theater buffs, or a lake side cottage near the town where they attended college.

While shunning their parents' and grandparents' retirement lifestyles, boomers echo those generations' regional choices for a retirement home. One-third of the Hanley Wood respondents said they would like to live in one of the South Atlantic states, like Florida, compared with 19% who already live there. (Forty-five percent of those who want to build a second home in retirement indicated interest in the South Atlantic.) That was followed by 14% who would buy in one of the mountain states, versus 6% who currently reside there.

Some already know where their place is – baby boomers now own 57% of vacation and seasonal houses in the U.S., according to the NAR survey. And about four in 10 of these second-home owners say they intend to make it their primary residence someday. “Some boomers will take advantage of generous capital gains exclusions from their taxes when they sell their primary residence, and then place themselves in the position of being able to convert a vacation home to their primary residence,” says NAR chief economist David Lereah.

Media coverage of hot second-home communities usually focuses on exclusive, pricey enclaves that offer stunning scenery, like Telluride, Colo., or Nantucket Island, off the coast of Massachusetts. The economics of this are easy to understand: “There is only so much pretty land,” says Kenneth Johnson, a demographer at Loyola University in Chicago. But, he adds, the geographic distribution of second homes is not what you might expect. While ski and beach towns grab the headlines, there may be more action in places like Walworth County, Wis.

Walworth County is best known for Lake Geneva, a spot of pretty land near the Illinois state line that is 72 miles from downtown Chicago and 40 miles from Milwaukee. It has been a retreat for wealthy urbanites for more than 100 years, but recently its population has grown rapidly due to affluent boomers migrating from Chicago. When Johnson asked people who own a second home in Walworth County why they bought there, three-quarters of them said that proximity to Chicago and Milwaukee was an “extremely important” reason for the purchase.

Johnson has identified 314 U.S. counties like Walworth where recreation is a major factor in the local economy. The population in these counties grew more than 20% during the 1990s, and immigration accounted for almost all of the growth. Since 2000, population growth has been faster in recreation-oriented counties that are adjacent to metropolitan areas than it has been in more remote places.

Custom builder Ted Visnic of Visnic Custom Homes in Rockville, Md., hopes to ride that trend. He plans to build custom homes on twelve 2-acre lots on an island off the eastern shore of the Chesapeake Bay. The site is a two-hour drive to Baltimore/Washington International airport and within easy reach of suburban Philadelphia, Washington, D.C., and New York City. The lots alone will cost close to \$1 million. Visnic's buyer profile fits the leading-edge boomer mold – “businesspeople who have been workaholics, and now they've either sold their business or part of their business,” he says. “They are still busy, but not as busy as they once were. Now they want a place to get away from it all.”

Urban Renewal

While many want to get away from it all to a lake or the slopes, a significant number of soon-to-be retirees have a different vision. Many boomers, especially those who stay professionally active to some degree, want a place in city where they can keep up with business associates, cultural interests, and old friends. Or maybe the lure is walking to a coffee shop, chucking the lawn mower, and having easy access to the best health care.

Sixteen percent of boomers responding to the Hanley Wood survey say they want to retire in an urban environment, and many cities are experiencing a boomlet of demand from retirees and empty nesters who want to keep at least one foot in the city. Manhattan, for example, has seen the number of second homes mushroom from 21,640 in 2000 to 31,000 in 2004. Real estate brokers from Nashville to Seattle who participated in a Coldwell Banker teleconference last year reported that retirees and almost-retirees are trading their suburban spreads for convenience and stimulation of downtown.

Some experts, however, think small town America will be the real Mecca for retiring boomers. The NAR boomer survey reported that 60% of respondents thought the perfect retirement location would be a rural area or small town. In the Hanley Wood survey, 14% of respondents said they want to live in a rural community, nearly twice the number of those who already live in the country.

Ken Dychtwald, a gerontologist who wrote *The Power Years: A User's Guide to the Rest of Your Life* with Daniel J. Kadlec, predicts that college towns will be especially attractive to boomer retirees. Blending a little bit of country with a little bit of city, places like Eugene, Ore., South Oxford, Miss., Ames, Iowa; and Brunswick, Maine, seem like places where boomers might have it all: a low crime rate, good health care, natural beauty, intellectual stimulation, and (if they've gone to the local college) a built-in community of common interest. Many colleges and universities are encouraging this “homecoming” by sponsoring nearby active adult developments and offering inexpensive classes and use of facilities such as pools and gyms to local alums.

What Next?

Whether a custom builder works in the city, the suburbs, a resort, or on the wild edges of America's national parks, he or she is likely to cross paths with boomer clients making or about

to make the transition to some degree of retirement. According to a 2005 survey by Pulte Homes, 20% of boomer households with annual incomes of at least \$125,000 plan to spend \$500,000 or more on a retirement house.

According to the Hanley Wood results, 34% of those earning more than \$250,000 a year say they are likely to build a new custom home designed just for them. And they really mean just for them; 79% of these leading-edge boomers want a house that is about them and not their kids. While six in 10 say they want their retirement to be a place their grand kids enjoy visiting, eight in 10 agree that house should “reflect my needs and wants, not those of my children or parents.”

That may be one reason why 58% said they wanted to downsize to a smaller house. That brings up a difference between those who would buy an existing house and those who would build one: size. While only 12% of leading-edge boomers expect to live in a large house in retirement, this group is twice as likely as the average to want to build a retirement home as opposed to buying one.

Build or buy, a state-of-the-art kitchen and space for entertaining are both attributes these boomers place in the top 10 features of their ideal retirement home (see bottom left). Not so different from their parents, you might say. But they also want these homes to be energy efficient, space efficient, and green. Add in cutting-edge features like broadband wiring or wireless capability and you have an almost ideal home for retirement.

A custom retirement home is also a negotiation between the buyer’s dreams and the realities of life in the golden years. The percentage of U.S. adults who have a disability serious enough to limit daily activities increases from 12% among Americans aged 21 to 64 to 29% for those

The Wish List

Top ten retirement home features identified by participants in Hanley Wood’s “Every 8 Seconds” survey of leading-edge baby boomers.

	% who want in future home
1. Deck or patio/porch	98
2. Master bedroom suite	96
3. Laundry room on same floor as bedrooms	91
4. State-of-the-art kitchen	89
5. Home office/library	88
6. Bathroom with double sinks, large bathtub	87
7. More than one walk-in closet	87
8. Bathroom with universal design features	84
9. Great room for entertaining	84
10. Outdoor garden	75

between 65 and 74 years of age and 52% for those 75 and older, according to the U.S. Census Bureau.

Affluent boomers say they want to live independently for as long as possible, according to a 2004 survey by AARP. Universal design advocates say that home features that allow people to live independent lives longer can overlap well with luxury home features. “A custom home builder can add age-friendly features to a place even if the occupants don’t need them, as long as they’re beautiful,” says Richard Duncan, senior project manager at the Center for Universal Design at North Carolina State University. “If the features are incorporated well, they become invisible.”

There’s plenty of room for affluent boomers to get their next home right. The Hanley Wood survey included a gap analysis of features that boomers want in their dream retirement homes and how they compared with their current homes. The biggest gap was for homes that are low maintenance and have low upkeep costs. Only 30% said they currently lived in such a home, but 82% said they want these in the next one. Just 32% said they had universal design features in their current homes, yet 66% admit to wanting them. Only 25% said their present home was green, which is what 61% would like their retirement home to be.

At the high end of the housing market, the shape of retirement and retirement homes may take some surprising twists. Well-off boomers will step into the next stage of their lives – what used to be called retirement – on, as always, their own terms. Expect to see them splitting time between town and country or between town, country, and a foreign country; perhaps founding co-housing projects; or maybe even joining a daily foursome at the golf course in their active adult community. The one thing you can count on as they find a way – and a place – for the next stage in their lives is that boomers will reinvent what it means to be retired.

Text reprinted from Custom Home magazine, Mid-August 2006

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