

Baby boomers housing demands - naivety in terms of retirement and housing for life?"

By

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“Too soon Old, too late smart” – the most secure prisons are those we construct for ourselves” Dr. Gordon Livingston

WHO ARE THE BABY BOOMERS?

– There is no uniform entity – baby boomer.

What we don't know is where baby boomers will want to live and how they will want to live.

Research indicates a strong focus on quality of life and an importance of place in this quality of life.

Research also indicates baby boomers do differ from the previous generation- less conforming, less accepting, less trusting, socially moderate and economically conservative.

They are culturally distinctive from current seniors, and the differences do not relate to wealth and income, but lifestyles and values.

But in effect there is no substantial body of research that provides answers these questions as yet.

FACTORS THAT WILL IMPACT ON BABY BOOMER HOUSING CHOICES

The psychologist Erik Erikson talked about 8 stages of life that unfold like a rosebud – each petal opening in a set order and time sequence over the course of a lifetime.

He theorized that when enmeshed in one stage, it is very hard to foresee the next – This is especially true when trying to predict ones own long term future life style, housing financial and frailty.

I therefore point to some drivers that will impact on housing decisions

- **Retirement** is conceived as less of a life cut off point than previous generations, - A DOWNSHIFT -with expectations (and need) for part time work to a supplement to retirement income for the **long** retirement.
- Approx 30% are singles (divorced, widowed or never married). **One assumes** capacity for social interaction will be important.
- In the BB age group in Perth there is approximately 90% home ownership (with mortgages) and 10% rental.
- 37% have lived in more than 10 houses – and therefore one assumes not averse to mobility.
- 43% state that owning a home is **very** important with another 43% describing home ownership as important. – 86% a close parallel to actual home ownership (Kelly Johnson)

Other factors based on various research –

- Research shows there is a widely held belief BBs feel younger than their chronological years. They also do not identify with or try to ignore the fact that they too will grow old and frail.- hence a tendency for denial/ignorance of the problems long term two storey housing without bedrooms and toilets on ground floors etc will result in later life.
- 73% have health insurance with expectations of individualized and customized care. Yet, designers of new homes and renovators are not considering design features that will be necessary for in home care to be effective – let alone ergonomic.
- There is a strong intention that retirement will involve outdoor recreation, travel and holidays – the quality of life dimension. (People over 50 years are the purchasers of 80% of long cruise trips.)
- There are obvious housing security implications here.
- 2000 ABS data revealed the age group 50 – 64yrs had far greater wealth per household than those 65 and over – with more than half this wealth in super. The other high wealth component was in the family home.
- Regardless it is clear that compulsory super has been introduced too late to be sufficient for many to maintain high living standards for long retirements.

Home downsizing intention thus becomes an important consideration to generate income.

- There are a high number of single households – many females in particular who will not have sufficient superannuation. They will be single female households with limited resources, but an independence of spirit.

A 65 yr old woman in 2020 will have had lower income whilst working, thus lower super attained over fewer years of working full time. It can be expected that many women in this age group will have little to supplement the age pension.

High levels of divorce will also mean that the income and asset splitting will have resulted in a proportion of men and women, under-resourced for retirement.

One may expect that a significant proportion of this group will be seeking suitable rental accommodation.

- The rational choice, and one which many will be forced into, will be to remain or to re-enter the workforce in some form. That is if they can. Access to employment opportunities will impact on housing choices. In sea change communities this will become a real issue where there is scant employment for older people.
- A high usage of financial planners to assist planning retirement options – may encourage thinking about cashing out or conversely consequences of this for pension entitlement.

These factors will be important drivers regarding housing decisions and the choices and options considered to assist with cashing up to support retirement.

Given these drivers are BABY BOOMERS – NAÏVE PURCHASERS OR NOT?

If one looks at the current housing market, one can conclude that for many in this age cohort who are considering retirement housing change, they will do so whilst still employed and able to negotiate loans.

If they buy what is currently offered in the main-stream new housing market, models of suitable houses for life – houses to age in are not readily available.

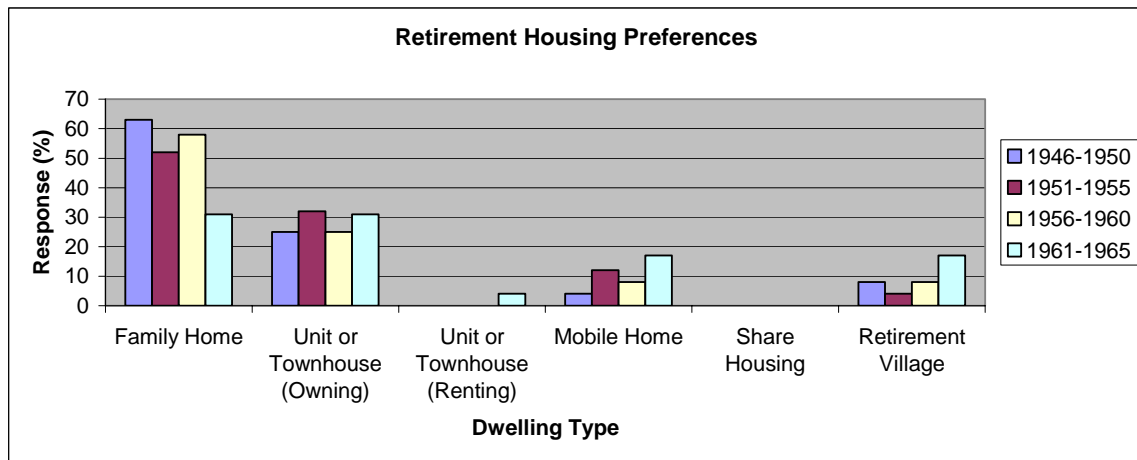
The reality of ageing, with its decline in mobility, the high likelihood of needing support with caring at home, and reduced spending capacity, is not compatible with two storey 4-5 bedroom homes. The reality of this is still not paramount – it is a long way off.

In housing it seems that consumers continue to respond to the advertising that bigger is better. Separate housing designs that are designed for the 90% of purchasers who are families with kids. Apartments for trendy professionals with capacity to service large mortgages.

Market research regarding baby boomers seems to contradict this somewhat –they say “baby boomers are never sold to – they buy because they have seen it and heard it before”. (Heartbeat trends)

Regrettably there does not seem to be active marketing by industry to the potential approx 10% market segment of BBs currently, and growing, who need more thoughtful and diverse choices in housing configurations.

So what will be the housing options for baby boomers – comparing to the predominant choices of current seniors?



Ref' Kelly Johnson Thesis Population Ageing and Baby Boomers

Sea change

There is a familiar trend for current seniors to have moved to the coast for the dream retirement.

The changing house price relativities in retirement areas have and will limit these choices for BBs.

The differential in house prices between coastal areas and the city has diminished – thus eliminating opportunity to harvest capital from the family home.

It may also have left many trapped in situations where they cannot afford to move back to the metropolitan areas to access services and employment.

Downsize in the local community

Research indicates also that whilst BBs are mobile, the dream home for baby boomers is not thought of as being on the new areas peripheral to cities.

The availability of smaller houses in 10 km from central Perth has also diminished. Gentrification continues to replace these homes with large and unaffordable replacements. Again affordability will limit options.

Research indicates preference is to move within 5-7 km to maintain community familiarity.

A recent study for the Town of Vincent revealed that safety, security and access to transport access were the valued features of housing choice for the age group.

Caravan and mobile home parks

There has been a trend for older retirees to move into caravan and mobile home parks for lifestyle reasons.

Secomb (2002) found high levels of resident satisfaction. Opposed to common thinking, these people were middle class retirees attracted by the lifestyle, sense of community, shared activities and facilities.

Other researchers (Stimson, McGovern and Earl) found park living gave independence, affordability, location, lack of crime, supportive neighbours and proximity to relatives.

However the demise of long term caravan parks or conversion for short stay for economic reasons in prime spots is likely to reduce this option as the boomers age. Many seniors who are there already, may well become homeless with this trend.

Granny flats/cabins

Intergenerational households are not common – and not likely to be a selected option for the baby boomers – even if they have the money for substantial re-locatable cabins. The size of housing blocks in much of Perth, and planning regulations often precludes this option anyway.

Retirement incomes through home equity

An AHURI study “Ageing in Place” by Dr Olsberg in 2004 found that 35% of those aged 50-59 expected to use up all their assets whilst alive (as compared to 11% aged over 80 years).

Home equity loans will preclude moving away from home ownership.

Retirement villages – obviously a popular option for the older age cohort. A Uni of Queensland study found 94% had owned their own homes and this financed the move to RVs.

The push factors for entry into RVs for current occupants were health reasons, death of partner, previous home too large; want a change of lifestyle or to be closer to family or friends.

However, there is little indication that the baby boomers will continue this trend – at least not when they are making retirement housing choices.

How many baby boomers have you heard say they want to move to an RV?

Perhaps it will be a later life -choice as other existing housing options become untenable.

Renting may well be a choice for a significant BB group– to cash out on their capital. However it is well understood that renting on a pension without additional income is an affordability stress.

There has been a significant loss of lower cost forms of private rental in Perth and certainly sea change areas.

People with special needs, ill health, frailty and retired households who don't own their own home will experience affordability stress as they age.

The retired baby boomers may not be able to sustain market rents after a long retirement – especially as they become less employable with higher health costs and mobility issues.

Stay in the Family Home

Most will choose to remain in the family home, inappropriate for their needs and in increasingly poor condition without the cash out option unless they opt for equity loans – hopefully loans that will not erode their equity before the long retirement ends.

Older existing 3 bed room houses that may suit on size and mobility criteria will require however continuing repair and maintenance – presenting issues of financial affordability. Unless there is a huge injection of funds to renovate and retro-fit for life time mobility.

Importantly the renovations in established areas to enable staying in place, will need to be adaptable for the ageing baby boomer market – housing for life – universal design. Current housing renovations are too frequently not geared around efficiency nor sustainability.

(END GRAPH SLIDE)

Current thinking in ageing revolves around life course. Let's apply this to housing -

New Houses require maintenance after 7-10 years minimum;
In 10 years replacement program required
In 20 years a major peak in maintenance is required
and thereafter every 15 years or so.

As we all know – replacement and rejuvenations and retro fits are costly.

Renovation of homes or new purchases by baby boomers at say around 58 years, will likely then whilst family members are still in employment and pre-retirement.

They will need a further capital injection by the time the owners are late 60 years, and major capital when they 70 years of age, 80 plus years etc.

This is at the time health expenditure can be expected to increase, and mobility becomes more of an issue. Proximity to grandchildren is important.

This will be when the choices are made by the baby boomers in their 50's, are tested. When the reality of sufficiency of retirement income, and significance of housing cost efficiency and sustainability will be important?

On average there is still 15 years of retirement ahead, and well before the prospect of institutional care or significant levels of care at home, loss of a partner, loom on the horizon.

At this stage the young baby boomers will be making retirement housing decisions, whilst the older cohort are reviewing theirs.

It is unlikely the housing market will provide the choices either seek.

Important market parameters are obviously diversity (choice) affordability, opportunity, security, sustainability and inclusion.
Yet universal design and sustainable housing concepts are not broadly understood in the consumer market place. Smart houses are also not widely appreciated.

Logically a significant proportion of new housing stock should provide housing for life options for baby boomers as an important market segment. One can readily see from the weekend West, that what is marketed, seen and therefore available will not meet this need.

I have heard from people in the Hills, in Mandurah and in the western suburbs – all areas of baby boomer populations – concerned that the opportunities for BB singles and couples to down size cost effectively are limited.
One hopes planned changes to the R Codes will assist here.

The approach of Wellard as an affordable urban village and community is terrific. The siting of this as a source of baby boomer housing is not, apart from the excellent show case of planning and transport access.

Opportunities for community size developments come up rarely, but sites like Hollywood school, ECU at Churchlands, and others could be important models of diverse urban precincts.

Subi Centro with virtually all multi-storey has priced itself out of a down sizing option for other than the very well heeled boomers

There needs to be government and industry support to educate the baby boomer population – to show case attractive, viable and most importantly cost effective, housing for life smart housing in suitable urban configurations.

I suggest

A fundamental platform for public policy regarding seniors housing should be to :

1. encourage informed market choice through more showcasing choices that will suit the diversity of baby boomers – singles, households, income groups, lifestyle groups, and drive market demand for suitable housing
2. sustainable communities that have a mix of housing types and tenures are needed for the moderate income component of baby boomers that our not on the periphery of Perth.
3. Active support for the existing seniors in maintaining and rejuvenating their own homes to be suitable for their life tenure – and a suitable housing pool for the following generations.

I suggest such support would be assistance in providing support for home audits (subsidized for low income home owners) that incorporate Safety, and principles of universal design that enable homes to be a home for life. This will also maintain and encourage a further stock of housing in all suburbs that will meet the needs of baby boomers in 15 years time.

4. changes in the R codes to enable opportunities for diversity of housing communities.

In essence to promote choices.

There remain questions that will be answered in the future –

The fresh retirement villages of today, will no longer be fresh – they will have much more the appearance of the isolated aged communities – with residents in their 80's. I speculate that retirement villages will not be the preferred choice of the first baby boomer cohort.

Will this be the era of apartments?

The questions then will then be one of affordability, and location, access to services and transport. Certainly security needs will be met.

And what of the pets? For many of the baby boomer generation, the dogs are the only regular community activity and socialization. This may preclude apartments.

Can apartments meet the desire the community participation? Not unless they are in the desired location. Studies show with increasing age that loneliness and social isolation are more prevalent – dispersed families, loss of spouse. Social relationships have powerful effects on physical and mental health.

Will technology do this for the baby boomers?– those who have lived with email and internet bridge etc interactive TV etc and whatever it offers in 20 years – and use it actively as a communication means. Will participation be via the net with whatever dramatic advances have occurred by then? The over 50's are the highest group buying mobile phones.

No doubt apartment living will provide for the apartment/home safety need (highest in Town of Vincent).

Will renting be the preferred option, to cash out and improve lifestyle.

Will there be suitable rental options in the local community?

It is unlikely that people will want to move out of their familiar neighbourhood, local services, local gp etc and rent.

Selling may also have negative consequences on pension eligibility at this time of life.