

# Builder

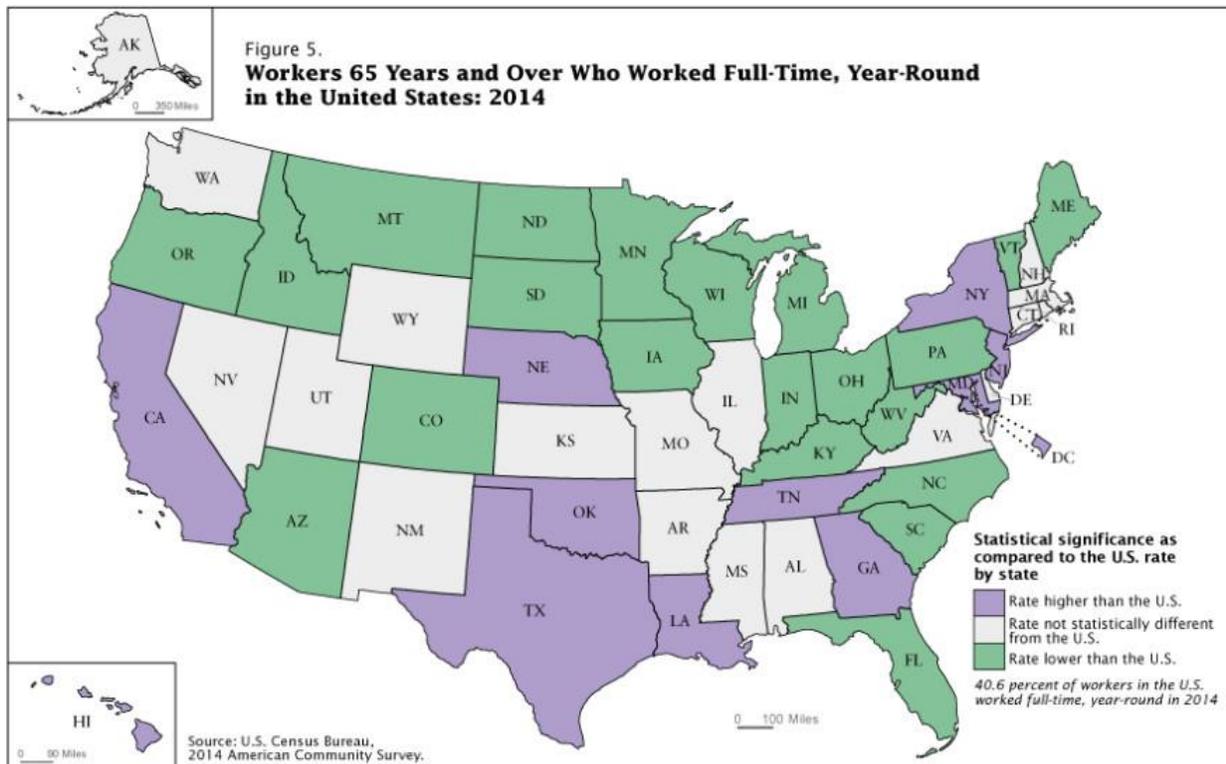
Consumer Trends

October 26, 2015

## 65-PLUS AND WORKING: HEAT-MAPPED

As health and economics reshape working and retirement plans, builders need new offerings for hybrid households of an aging Baby Boom

By John McManus



Remember absolutes. They imply bigger business opportunity than you may think.

You might shrug on hearing, for instance, that the Census Bureau tells us now that only 12.4% of people 70 and over continue to work.

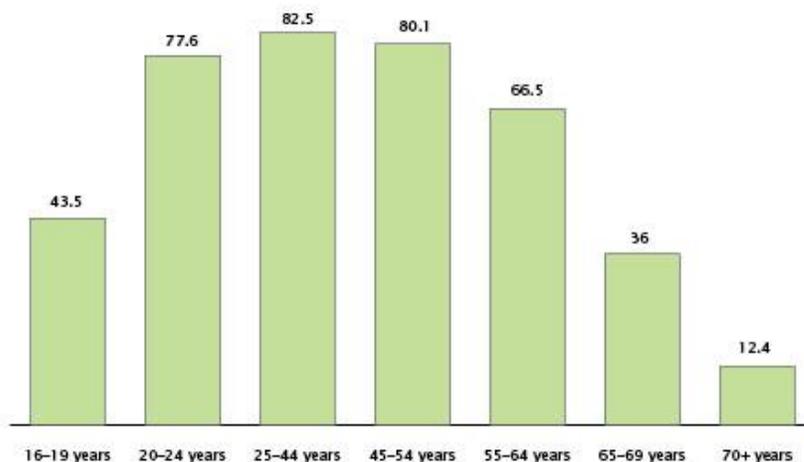
But, when we're looking at data in housing, an absolute sometimes can be more important to business strategy--and identifying an opportunity or challenge--than a percentage, especially when the raw numbers refer to the barbell demographic cohorts, the Baby Boom and the Millennials.

So, when you do the math and project the trend forward to apply to the vanguard of Baby Boomers who'll start turning 70 in 2016, that measly sounding 12.4% of the population 70 or older who's got a job turns into a pretty substantial number when you look at the decade ahead, a market size of 4 to 5 million.

Worth a look?

The math of averages tells us that the average age of retirement these days, for men is 64 years of age, and 62 for women; so, being an average, that accounts for about more than half of workers dropping out of the labor force by those ages. By the same token, the Census Bureau is now telling us that 36%, almost two out of five, of Americans ages 65 to 69 are working, and almost half of them are working full-time.

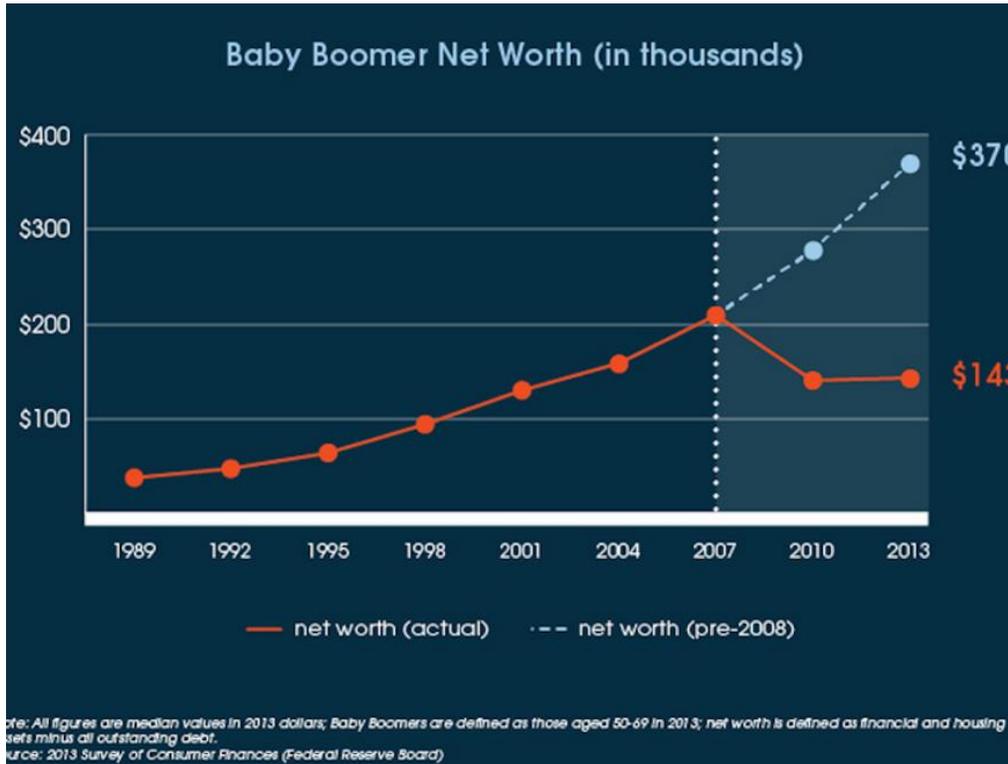
Figure 2.  
**Proportion of the Population That Worked in the Past 12 Months (Workers) by Age, United States: 2014**  
(In percent. Data based on sample. For more information on confidentiality protection, sampling error, nonsampling error, and definitions, see [www.census.gov/programs-surveys/acs/](http://www.census.gov/programs-surveys/acs/))



Source: U.S. Census Bureau, 2014 1-year American Community Survey, Table B23027.

Plus, we know too, from Demand Institute data that Baby Boomers, also on average, took a mighty hit to their financial prospects during the Great Recession.

*"Had growth in net worth continued its pre-2008 trajectory, the typical Boomer household would have a net worth roughly 2.5 times what it is today."*



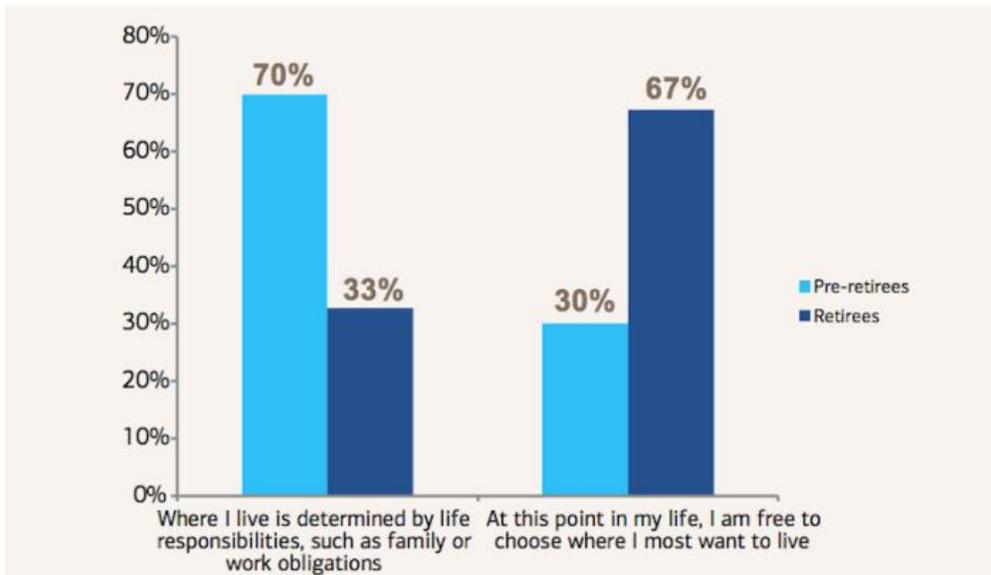
The question for home builders, particularly as regards trying to "size" market potential and demand for new homes for members of the 74.9 million Baby Boom cohort streaming into the early and stages of retirement, is who will need to continue to work, even as they opt to live in the "best house ever" in their adult lives.

The answer to that question has implications for both land acquisition strategy as well as product design and community connectivity issues. If the market could be as large as 9 million people on a run-rate basis over the next 10 years, it's worth it for residential developers, architects, and builders to take a new look at the location and programming of 50+ neighborhoods.

Clearly, it's an inflection point moment, look at demand for new 50+ neighborhoods in the next 10 to 15 years. A desire for, and a preference for, the "best home of their lives" needs to counterbalance off the good-news-bad-news implications of increased longevity. A Merrill Lynch/Age Wave analysis notes:

*Retirees today also face challenges, and must consider how their needs may change throughout a 20-, 30-, or even 40-year retirement.*

Figure 4: Percent who say where they live is determined by family or work obligations



Base: Age 50+

Imagine that: a 40-year retirement. That's enough time, given relatively sound health and well-being, to conceive that not one, not two, but possibly two-plus living situations in different types of retirement neighborhoods would be a good bet.

But one of the first challenges and opportunities for residential developers and home builders to solve for is the need among a good number of households in that 65+ age group for one of its key members to continue to hold a job.

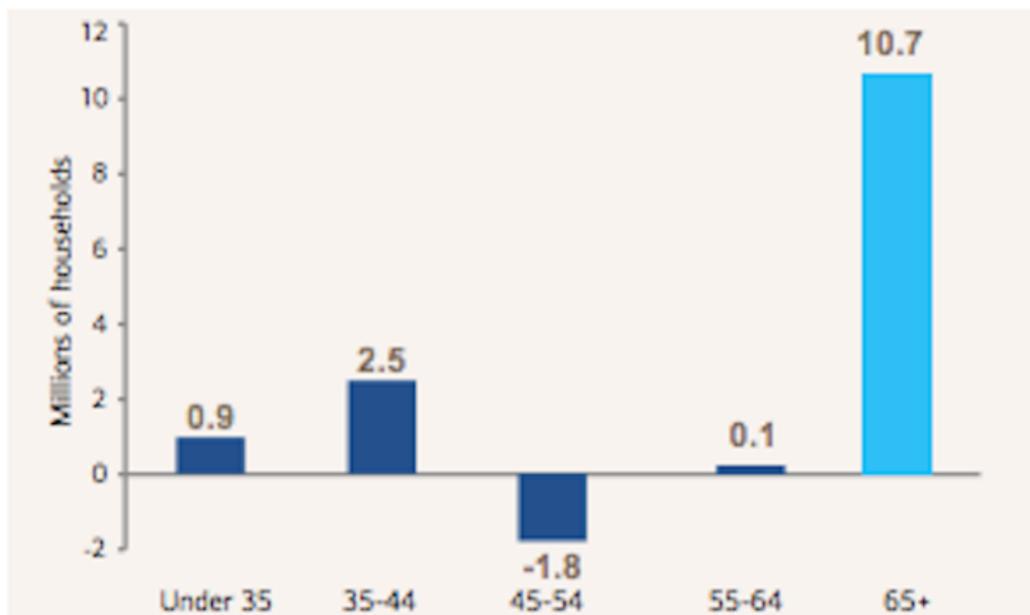
Are our designs, locations, and price-points currently meeting that challenge? That opportunity?

Absolutely, not yet.

Will the effort to address that challenge and opportunity be worth it?

The absolute numbers say "yes."

Figure 1: Projected household growth by age: 2015-2025



Source: Joint Center for Housing Studies of Harvard, 2014

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