

Coming Surge in Housing Needs of the Older Elderly

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“Between 2020 and 2040, the population 75 years old and over is projected to account for 40 percent of growth in the adult population, up from a 15 percent share this decade.”

Introduction

With millions of Baby Boomers on the doorstep of retirement, policy makers, practitioners, and researchers are assessing the challenges associated with meeting the nation’s elderly housing needs. These challenges include providing home modifications and supportive services that allow seniors to age in place; financing varied types of residential developments – from independent living facilities to skilled nursing homes – that meet the full spectrum of elderly needs; creating affordable housing/service packages for low-income and low-net-worth seniors; and enabling older homeowners to tap accumulated home equity.¹

Given the predictable progression of Baby Boomers into their golden years, population projections by age provide a valuable starting point for assessing future elderly housing needs. Such population projections, when coupled with historical data on housing consumption and disability rates by age, provide an analytic foundation for understanding the prospective housing needs of the nation’s aging population.

This Data Note taps these information sources to gain insights into the size, disability characteristics, and housing consumption of the elderly population, with a particular focus on the population 75 years old and over. This “older elderly” population is of particular interest because it is projected to grow very rapidly and has disability and housing consumption rates that differ from those of younger seniors.²

The Data Note begins by using decennial census data to show that the older elderly population experienced a marked shift toward living in housing units, as opposed to group quarters such as nursing homes, between 2000 and 2010. Rising headship rates (i.e., the proportion of the population in a given age group that is a householder - the person, or one of the persons, in whose name a housing unit is owned, being bought, or rented) and rapid household growth also point to increasing housing consumption of the population 75 years old and over. The Data Note also presents data showing substantially higher disability rates among the older elderly when compared with younger seniors. In addition, it analyzes population projections that indicate the growth of the older elderly population will accelerate rapidly before the end of this decade and will considerably outpace overall population growth for decades to come. Finally, the Data Note briefly discusses the implications of the expanding older elderly population for the housing industry.

¹ See, for example, Lipman, Barbara, Jeffrey Lubell, and Emily Salomon, *Housing an Aging Population: Are We Prepared?* 2012, Washington, DC, Center for Housing Policy; Schafer, Robert, *Housing America’s Seniors*, Joint Center for Housing Studies of Harvard University, 2000; and Smith, Stanley K., Stefan Rayer, and Eleanor A. Smith, “Aging and Disability: Implications for the Housing Industry and Housing Policy in the United States,” *Journal of the American Planning Association*, Summer 2008 (74, 3): 289-306.

² In addition to using “older elderly” to refer to the population aged 75 and over, this Data Note will use “seniors” and “the elderly” to refer to the population 65 years old and over and “younger seniors” to identify people aged 65 to 74. It is important to note that disability characteristics and housing needs vary substantially even within the older elderly population. This Data Note adopts 75 years as a cutoff for the older elderly population in part because it uses American Community Survey disability status summary tables, which have a top age category of 75 years and over.

Older Elderly Increasingly Live in Housing Units Rather Than Group Quarters

In government surveys such as the American Community Survey and the decennial census, any place where someone lives – whether it be a house, an apartment, a dorm room, a nursing facility, or even a nontraditional structure such as a tent or boat – is considered living quarters.³ Living quarters are further classified as either housing units or group quarters.

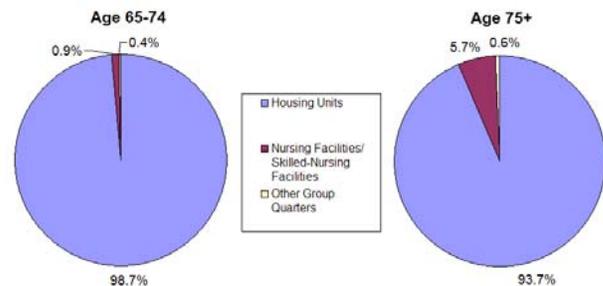
Housing units are living quarters in which the occupant or occupants live separately from any other individuals in the building and have direct access to their quarters from outside the building or through a common hall. Housing units are typically houses, apartments, or mobile homes. For the older population, quarters in residential facilities such as senior apartments; active adult communities; continuing care retirement communities; and congregate care, independent living, board and care, or assisted living facilities are classified as housing units so long as they meet the criterion of direct access.

Group quarters, on the other hand, are places where people live or stay in a group living arrangement and that are owned or managed by an entity or organization providing housing and/or services for the residents. Residency is often restricted to those receiving services, which may include custodial or medical care as well as other types of assistance. Group quarters include college residence halls, group homes, military barracks, and correctional facilities. For the elderly, the most common form of group quarters is the nursing home, which is a facility licensed to provide medical services with 7-day, 24-hour coverage for people requiring long-term, non-acute care.

The vast majority of the elderly population resides in housing units as opposed to group quarters (Exhibit 1). This is true even for the older elderly, 94 percent of whom reside in housing units. However, the proportion of the population residing in nursing facilities does increase from less than one percent at

age 65 to 74 to almost six percent for those aged 75 and over.

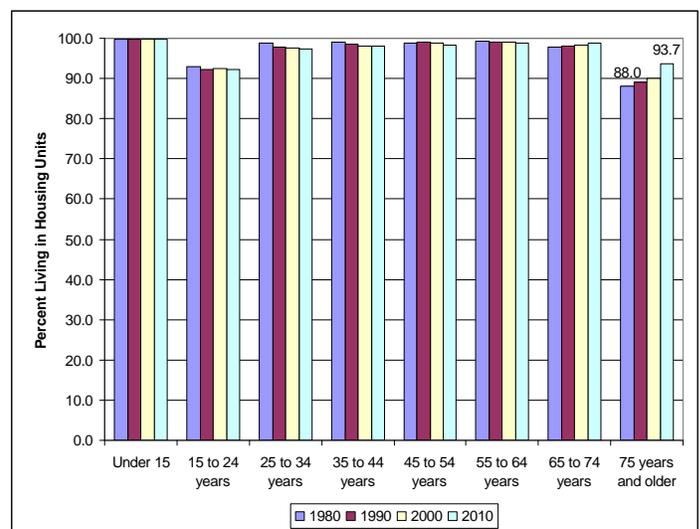
Exhibit 1. Even at 75 years old and over, most people live in housing units and few reside in nursing homes (Percent distribution of the population in 2010)



Sources: U.S. Census Bureau, 2010 Census Summary File 1.

The proportion of older elderly residing in housing units is not only very large, but it also is increasing (Exhibit 2). The share of the population aged 75 and over living in housing units increased from 88 percent in 1980 to 93.7 percent in 2010, with most of the gain occurring last decade. In comparison, the proportion of the population residing in housing units has changed little for every other age group, including younger seniors.

Exhibit 2. An increasing share of the older elderly are living in housing units



Sources: U.S. Census Bureau, decennial census.

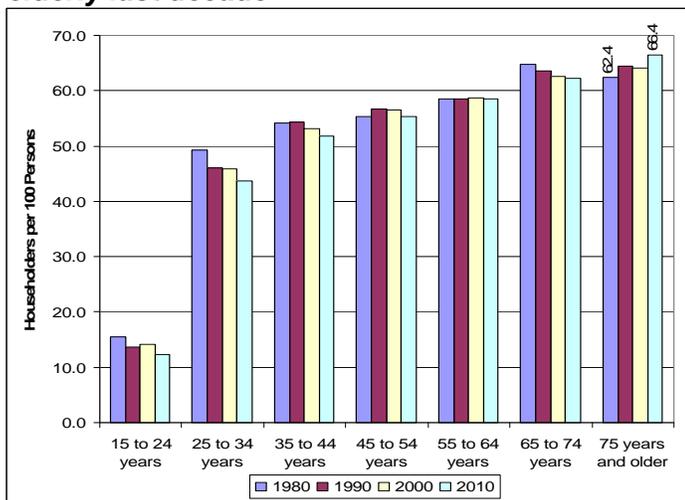
³ The definitions of living quarters, housing units, and group quarters are from U.S. Census Bureau, 2010 Census Summary File 1 Technical Documentation, SF1/10-2 (RV), issued June 2011.

Housing Consumption Increasing Among Older Elderly

The proportion of the population residing in housing units is one indicator of housing consumption. Another housing consumption metric is the headship rate, which is the proportion of the population in a given age group that is a householder.⁴

Among the age groups, only the older elderly have experienced rising headship rates in recent decades (Exhibit 3). Between 2000 and 2010, headship rates fell or held steady for every age group except those aged 75 and over (who experienced an increase of more than 2 householders per 100 persons). In contrast, the headship rate for younger seniors declined slightly during the same period.

Exhibit 3. Headship rates rose only for the older elderly last decade



Sources: U.S. Census Bureau, decennial census.

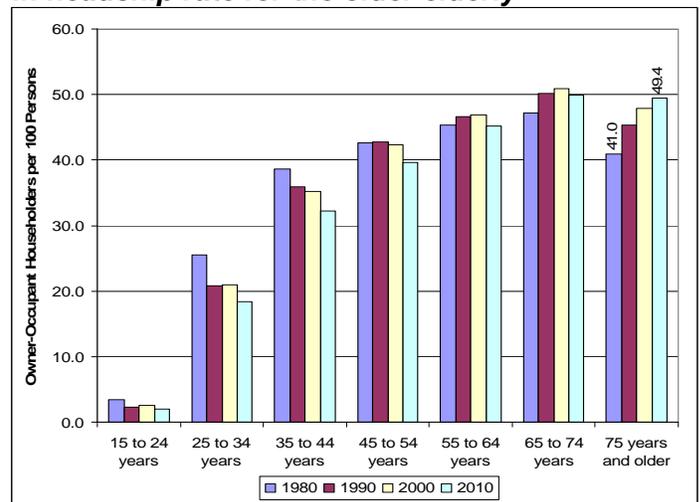
Much of the increase in housing consumption of the 75-and-older age group was driven by an increase in owner-occupancy. Within the older elderly group, the number of owner householders per 100 people increased from 41 in 1980 to nearly 50 in 2010 (Exhibit 4).⁵ On a per capita basis, owner householders are now nearly as prevalent in the

⁴ A householder is typically the person, or one of the persons, in whose name a housing unit is owned, being bought, or rented. By definition, there is only one householder per household and therefore the number of householders equals the number of households.

⁵ The decades-long increase in owner-occupancy among the older elderly also is evident in the homeownership rate, which is the proportion of households that own their homes. Between 1980 and 2010, the overall homeownership rate increased by less than a percentage point, but the rate for householders age 75 years and older increased by nearly 9 percentage points.

population age 75 and over as in any other age group. In contrast to the substantial rise in owned housing consumption, the renter headship rate for the older elderly bounced only modestly between 2000 and 2010, and is still nearly 5 householders per 100 persons lower than in 1980.

Exhibit 4. Owner-occupants are driving increase in headship rate for the older elderly

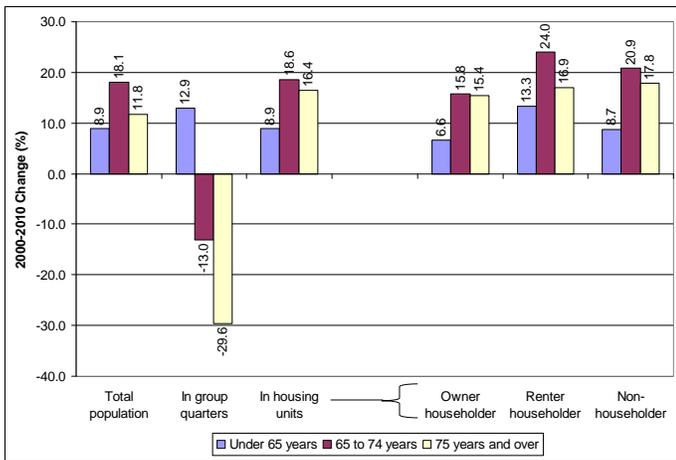


Sources: U.S. Census Bureau, decennial census.

Increasing headship rates among the older elderly have contributed to rapid growth in the number of households within this age group (Exhibit 5). Although the population growth rate for the older elderly only slightly exceeded that of the overall population between 2000 and 2010, the number of persons residing in housing units and the number of owner households in this age group grew substantially faster than for the nonelderly population (those under 65 years old). Indeed, the number of owner householders age 75 years and over grew more than twice as fast as the number of nonelderly owners. In 2010, 9.2 million owner-occupied housing units had an older elderly householder, an increase of 1.2 million, or 15 percent, from 2000.⁶ Older elderly renters increased at an even faster pace, expanding by 17 percent, or by nearly half a million renters, between 2000 and 2010.

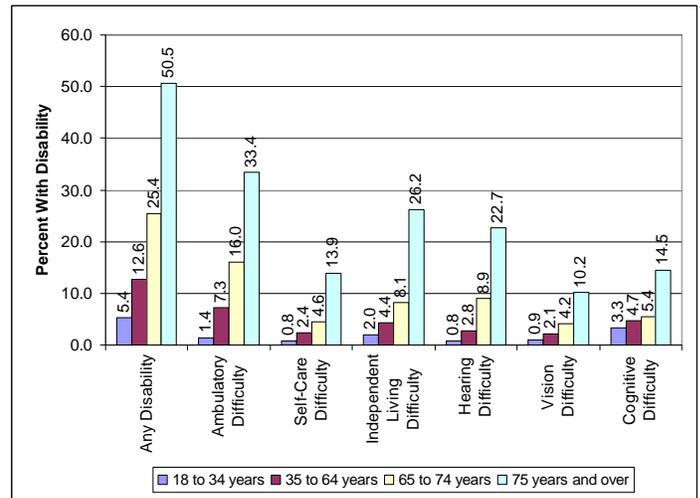
⁶ According to the 2010 American Community Survey, nearly 80 percent of these older elderly homeowners had no mortgage on their property.

Exhibit 5. Housing consumption expands rapidly for older elderly while group quarters living declines



Sources: U.S. Census Bureau, decennial census.

Exhibit 6. Disability rates are much higher for older elderly



Sources: U.S. Census Bureau, 2010 American Community Survey 1-Year Estimates.

Disability Rates Are High for Those Aged 75 and Over

One factor that will help to define future elderly housing needs is the incidence of disability, which rises with age and will determine the need for accessibility enhancing home modifications, service-enriched residential facilities, community-based service delivery systems, and skilled nursing homes. The incidence of every type of disability is substantially higher for the 75-and-older population than for younger seniors (Exhibit 6). Compared with those aged 65 to 74, the older elderly are twice as likely to have a disability (overall disability rates of 25.4 percent and 50.5 percent, respectively).⁷ The incidence of independent living disabilities – which are defined as physical, mental, or emotional conditions that lead to difficulties doing errands alone such as visiting a doctor’s office or shopping – is three times as great among the older elderly as among younger seniors.

⁷ In the Census Bureau’s American Community Survey, disability status is determined based on difficulties in six areas: hearing, vision, cognitive, ambulatory, self-care, and independent living. A person aged 15 years or older is considered to have a disability if he/she has difficulty in any one of these six areas. For definitions of the specific disabilities listed in Exhibit 6, see U.S. Census Bureau, *American Community Survey: 2010 Subject Definitions*.

Older Elderly Population Will Soon Mushroom

As previously noted, housing consumption of the 75-and-older population – as measured by the proportion residing in housing units, headship rates, and household growth – expanded strongly between 2000 and 2010. Housing consumption of the older elderly increased rapidly despite the fact that population growth for 75 to 84 year-olds was sluggish during the decade, as the small Depression-era birth cohort entered this age category.⁸

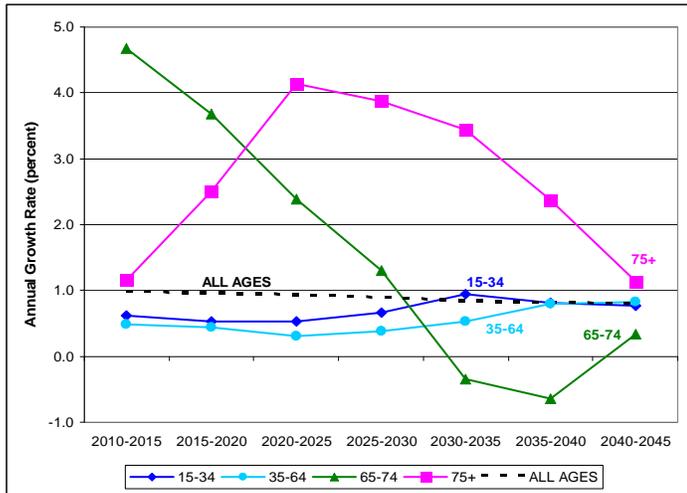
As the Depression-era birth cohort is replaced by more populous younger generations, the 75-and-older population will increase very rapidly (Exhibit 7). According to Census Bureau population projections, growth of the older elderly will begin to accelerate later this decade, reaching a pace more than twice that of the overall population between 2015 and 2020. By the first half of next decade, the older elderly population is projected to grow 4 times faster than the overall population.

The older elderly population is projected to grow substantially faster than the overall population for the next several decades and capture a large share of

⁸ The cohort born between 1926 and 1935 was 75 to 84 years old in 2010. At birth, this “Depression-era” cohort was approximately 13 percent less numerous than the preceding 10-year cohort, which was born between 1916 and 1925 and occupied the 75 to 84 year-old age category in 2000.

total population growth. Between 2020 and 2040, the population 75 years old and over is projected to account for 40 percent of growth in the adult population, up from a 15 percent share this decade.⁹

Exhibit 7. By the end of this decade, the 75-and-older population will begin to boom



Sources: U.S. Census Bureau, Population Projections Program (NP2008-T12).

The Census Bureau does not prepare household projections. However, household projections from the Joint Center for Housing Studies at Harvard University suggest a trend quite similar to the population growth trajectory shown above, with household growth for the older elderly accelerating rapidly toward the end of this decade and then far outpacing all other age groups by early next decade. The Joint Center projects that households headed by an older elderly person will account for approximately half of total household growth between 2020 and 2025.¹⁰

Implications for Housing the Older Elderly

For decades, the massive Baby Boom generation has shaped multiple aspects of American life,

⁹ The adult population is here defined as those 15 years of age and older. By Census Bureau definition, the youngest age that someone can be designated as a householder is 15 years old.

¹⁰ Masnick, George S., Daniel McCue, and Eric S. Belsky. 2010. *Updated 2010-2020 Household and New Home Demand Projections*. Joint Center for Housing Studies of Harvard University Working Paper W10-9, September 2010. Neither the Joint Center household projections nor the Census Bureau population projections discussed earlier reflect results from the 2010 Census. However, I believe it is unlikely that projections based on the 2010 Census would substantially diminish the growth rate differential between the older elderly population and other age groups.

including the housing market. During the 1950s and 1960s, Boomer babies helped to spur widespread decentralization as their parents sought a suburban lifestyle for their growing families. During the 1970s and 1980s, young adult Boomers entered the housing market en masse, inducing a surge of household growth and rental apartment construction. The prolonged homeownership and house price boom of the 1990s and early 2000s is at least partly attributable to Boomers progressing into life cycle stages when homeownership is common.

Now, the Boomers have begun to retire in large numbers, and once again will reshape U.S. housing markets by setting off a huge increase in elderly housing needs. Although Boomers have yet to enter the 75-and-older age group, change is already afoot as housing consumption, and particularly homeownership, has increased rapidly for this demographic in recent decades. Increased housing consumption among the older elderly is expected to be amplified many times over when the Baby Boomers begin to enter this age group early next decade.

The entrance of Baby Boomers into the older elderly age category will increase the need for a variety of specialized housing and supportive services. Because disability rates are substantially higher for the older elderly, solutions will often need to combine health and social services with physical design features that promote independent living and help mitigate frailties associated with aging. Given the desire of a large majority of adults to remain in their homes as they age, a significant component of the response is likely to include retrofitting much of the existing housing stock with accessibility enhancing features such as ramps, wider doorways, and bathroom grab bars.¹¹ Because of the impending surge in the older elderly population, solutions will also need to include new residential development in a variety of forms, from newly built traditional housing with accessible design features, to independent and assisted living facilities, to nursing homes. Paying for these solutions might entail creative combinations of public and private resources, including in some cases unlocking the

¹¹ A 2010 survey conducted by AARP found that nearly three-quarters of adults aged 45 years and older expressed a strong preference for remaining in their current residence as long as possible (Keenan, Teresa A. 2010. *Home and Community Preferences of the 45+ Population*. Washington, DC: AARP).

accumulated home equity of the large and rapidly growing number of older homeowners.¹²

Solutions to meet the housing needs of the older elderly should be informed by additional research. For example, a better understanding of how recent house price declines have affected the housing wealth of elderly homeowners will help to gauge the potential of home equity extraction.¹³ To aid in customizing housing and service options, additional research should also explore variations in disability rates and housing consumption patterns across detailed age groups within the older elderly population. Understanding how housing and disability characteristics of the older elderly vary across other demographic dimensions such as race, ethnicity, and income also will help the industry to tailor solutions to meet varied needs. Research on how the life cycle trajectories of housing consumption and disability for Baby Boomers have deviated from those of previous generations also should help to better anticipate the magnitude and characteristics of the coming increase in housing needs of the older elderly.

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¹² For a discussion of using reverse mortgages to finance health care needs for seniors who wish to age in place, see Gerace, Alyssa, "Are Reverse Mortgages the New Key to Long Term Care at Home?" *Reverse Mortgage Daily*, May 13, 2012.

¹³ Government survey data provide some insights into the initial impact of the house price bust on seniors' home equity. According to the Survey of Income and Program Participation, the median home equity (measured in 2010 dollars) of households with an elderly householder fell from \$156,359 to \$145,361 between 2005 and 2009, a drop of 7 percent. See Taylor, Paul, et. al., *The Rising Age Gap in Economic Well-being: The Old Prosper Relative to the Young*. Pew Research Center, November 7, 2011.