

Are Aging Baby Boomers Abandoning the Single-Family Nest?

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“So far, Baby Boomers show little inclination to leave behind their single-family detached homes.”

Introduction

Popular perception holds that Baby Boomers, members of the massive generation born between 1946 and 1964, have begun to alter their housing consumption as they exit their childrearing years and approach retirement. For example, multiple media accounts point to an emerging trend of Boomers “downsizing” from suburban single-family homes to urban multifamily residences as they become “empty nesters.”¹

Baby Boomers certainly are experiencing major life changes that could have significant implications for their housing choices. For instance, the proportion of Boomer households consisting of a married couple with children under 18 years of age dropped by half between 2006 and 2012. In addition, some 10,000 Baby Boomers reach retirement age each day.²

Despite these life transitions, one key metric of Boomer housing consumption – the proportion of the population residing in a single-family detached home – has yet to decline.³ In fact, contrary to the downsizing perception, the percent of Baby Boomers residing in single-family detached homes was at least as high in 2012 as at any time since the onset of the housing crisis. Even the oldest members of the Boomer generation, who have largely exited the childrearing stage and begun to retire in large numbers, show no major shift away from single-family residency.

This *Housing Insights* begins by examining family and labor market changes that might lead Baby Boomers to alter their housing consumption. It then analyzes trends in single-family-detached housing occupancy rates for Boomers. Finally, the paper discusses recent housing market changes – such as declining home values and reduced residential mobility – that might have delayed Boomers’ shift away from the traditional single-family home.

Bye, Bye Boomers’ Babies, Hello Retirement

One factor frequently cited as a cause of changed housing consumption among Baby Boomers is the departure of children from the home. A recent *CNBC Realty Check* blog posting is illustrative:

Bobbi and Jack Segel have adored their enormous Victorian home in Highland Park, Ill. for nearly two decades, but it seems so quiet there now. Too quiet....“This is a huge house. I don’t have kids running out any more. The dogs are gone,” said Bobbi with a nostalgic laugh....Classic empty-nesters, the Segels are heading to Chicago, opting for more action rather than so-called “active adult” communities that builders have created out in many

¹ See, for example, Diana Olick, “Boomers a Boon to Urban Home Builders”, *CNBC Realty Check*, April 12, 2013; Ben Leubsdorf, “Aging Boomers to Boost Demand for Apartments, Condos and Townhouses”, *The Wall Street Journal*, January 7, 2014; Tara Bahrapour, “With the kids gone, aging Baby Boomers opt for city life,” *The Washington Post*, August 9, 2013; Tim Blackwell, “Downsizing Baby Boomers Means Big Boon for Multifamily,” *Property Management Insider*, February 6, 2014.

² D’Vera Cohn and Paul Taylor, *Baby Boomers Approach 65 – Glumly*, Pew Research Center, December 20, 2010.

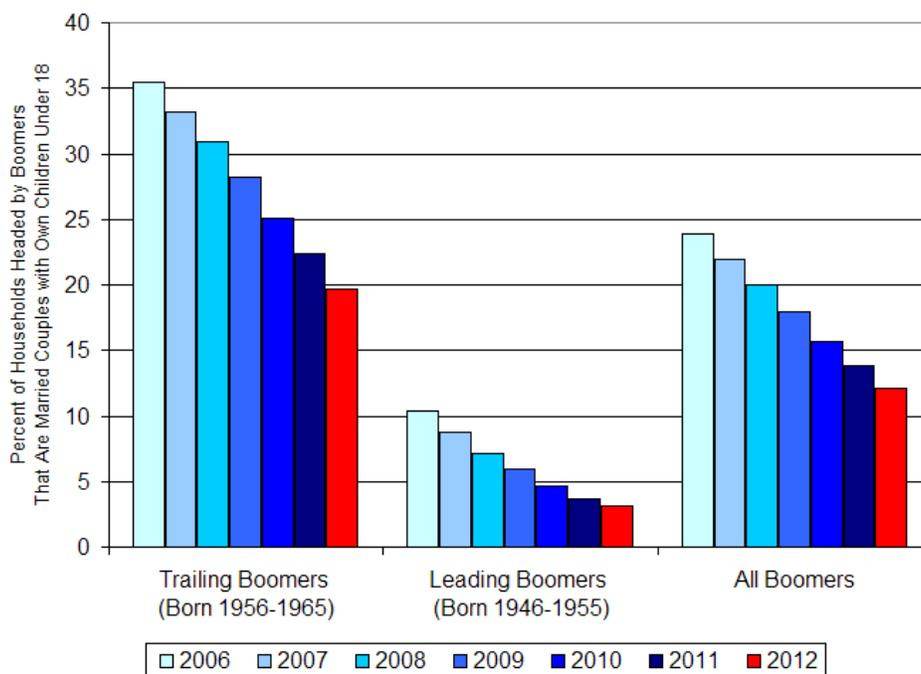
³ Of course, Boomers could reduce their housing consumption by moving to smaller single-family detached homes, rather than by switching to a different housing type. Boomers might also alter their housing situation by changing tenure, location, or other housing characteristics. Examining changes in these additional indicators of Boomer housing consumption is beyond the scope of this *Housing Insights*.

suburbs... It is a growing trend among Baby Boomers... Many of them are putting their big suburban homes on the market again, after waiting out the housing crash.⁴

As the empty-nester theory goes, once children leave the family home, Boomers will no longer have a need for the abundant living space, quality schools, and other amenities typically associated with single-family suburban residency.

Indeed, Baby Boomers are becoming empty-nesters in droves (see Exhibit 1).⁵ Between 2006 and 2012, the proportion of leading-edge Boomer households consisting of a married couple with at least one child under age 18 declined from 10 percent to just 3 percent.⁶ Younger Boomers have also begun to experience this life cycle transition en masse, with the share of nuclear families among this group falling from 35 percent to 20 percent. For all Boomers, the number of traditional family households dropped by more than 5 million between 2006 and 2012.⁷

Exhibit 1. The Nuclear Family Household Has Become Much Less Common Among Boomers



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample

In addition to experiencing changes in household composition, leading-edge Baby Boomers are reaching retirement age in large numbers. Exiting the labor force for retirement could lead to a downshift in housing

⁴ Olick, *op. cit.*

⁵ To facilitate the empirical analysis, hereafter the Baby Boomer generation is defined as those born between 1946 and 1965. “Leading-edge” or “older” Boomers are those born between 1946 and 1955, whereas “trailing-edge” or “younger” Boomers are those born between 1956 and 1965. Although the Baby Boom generation is commonly defined as those born between 1946 and 1964, extension of the Boomer cohort to include those born in 1965 enables direct comparison of selected microdata tabulations presented here with summary data tabulations published by the Census Bureau. Other analyses that have defined Baby Boomers to comprise those born between 1946 and 1965 include William H. Frey, *The Uneven Aging and “Younging” of America: State and Metropolitan Trends in the 2010 Census*, Brookings Institution Metropolitan Policy Program, June 2011, and Rolf Pendall, Lesley Freiman, Dowell Myers, and Selma Hepp, *Demographic Challenges and Opportunities for U.S. Housing Markets*, Bipartisan Policy Center, March 2012.

⁶ Unless otherwise noted, all differences or changes noted in the text are statistically significant at the 90 percent confidence level.

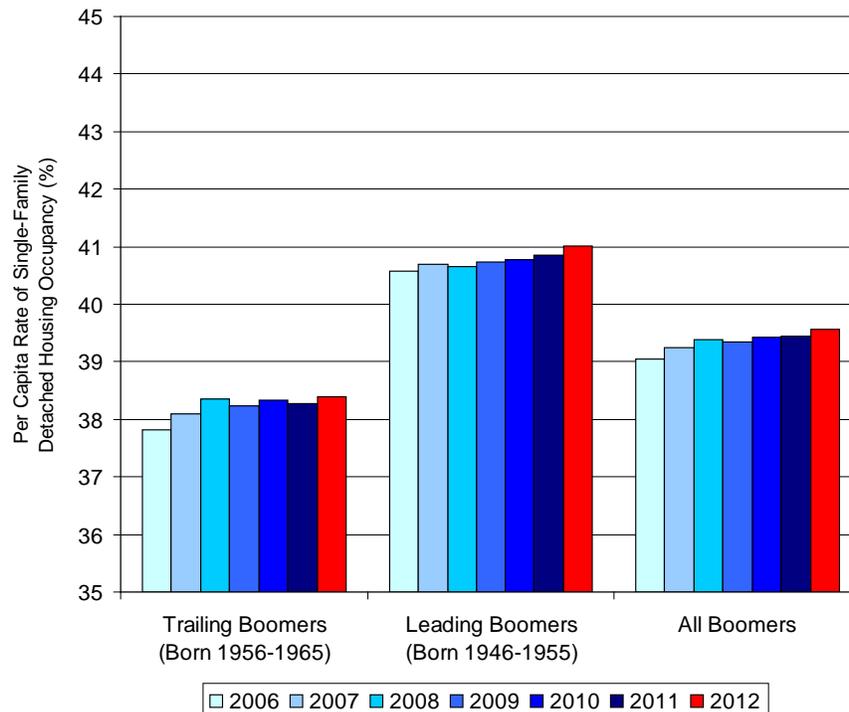
⁷ Boomer households consisting of married couples with children under age 25 have also declined substantially in recent years. According to the Census Bureau’s Current Population Survey (Annual Social and Economic Supplement), the proportion of Boomers with own children under age 25 living at home dropped from 43.5 percent in 2000 to 24.1 percent in 2010. Never-married college students residing in college dormitories are counted as living in the parental home.

consumption if Boomers adjust their housing costs⁸ to match the reduced earnings of retirement or if they decide to relocate once proximity to work is no longer a consideration. Whether due to the Great Recession's widespread job dislocations or voluntary retirement, labor force participation among Baby Boomers has fallen notably in recent years, particularly among the oldest Boomers. Between 2006 and 2012, the proportion of all Boomers who were not in the labor force increased by 9 percentage points, but the rate of non-participation among leading-edge Boomers jumped by 16 points.⁹

Are Boomers Beginning to Bolt from Their Single-Family Detached Homes?

Despite their shrinking households and declining labor force participation, Boomers do not appear to be altering their housing consumption by abandoning their detached single-family homes. As shown in the right set of bars of Exhibit 2, the proportion of all Boomers who are householders¹⁰ residing in a single-family detached home actually increased slightly between 2006 and 2012.¹¹ Even leading-edge Boomers, who have experienced the largest changes in household makeup and labor force participation, experienced a slight uptick in the per capita rate of single-family housing occupancy.

Exhibit 2. So Far, Boomers Are Staying in Single-Family Detached Homes



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample

Another way to study the housing consumption of Baby Boomers is to examine the proportion of Boomer householders – as opposed to the proportion of the total Boomer population – who occupy single-family detached homes. As with the per-capita metric presented above, this household-based measure shows no

⁸ About 37 percent of leading-edge Boomer homeowners who reside in single-family detached homes do not have mortgages, therefore making housing costs less of an issue. However, even for Boomers without mortgage payments, reducing housing costs such as property taxes, utilities, and homeowner association fees still might provide an inducement to downsize.

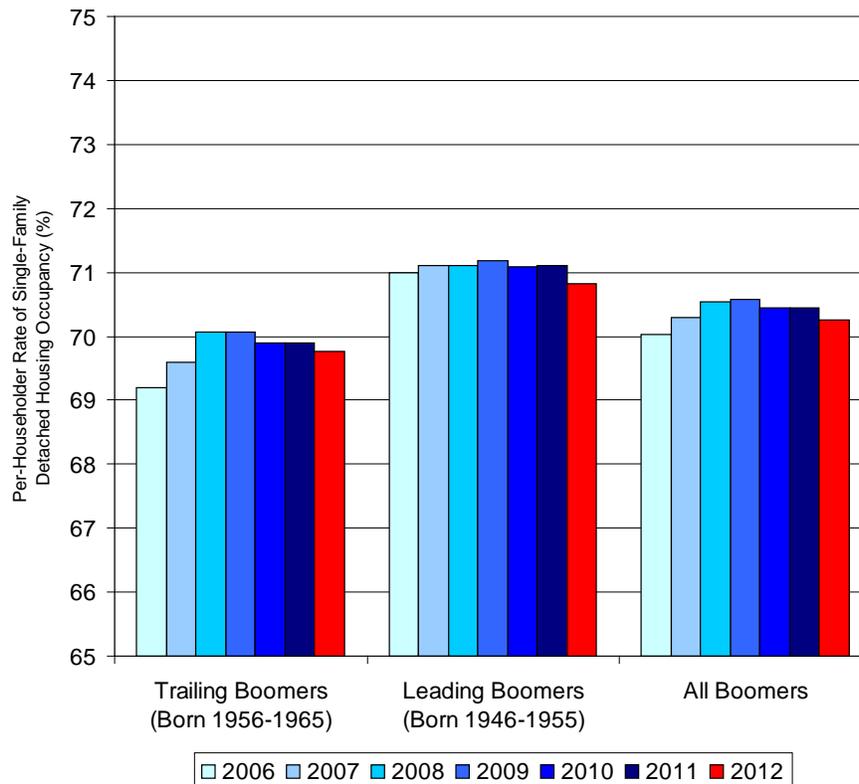
⁹ Author's calculations using the Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS). Unlike the labor force participation data from the Bureau of Labor Statistics, the ACS labor force participation statistics include members of the Armed Forces living in the United States.

¹⁰ A householder is typically the person, or one of the persons, in whose name the housing unit is owned, being bought, or rented.

¹¹ Although the Census Bureau began publishing data from the ACS in 2005, this *Housing Insights* uses 2006 as the starting point for analysis because it is the first year that the survey included the group quarters population. Using 2006 as the starting point permits consistent calculation of per capita consumption rates that are based on the entire resident population.

major change in rates of single-family occupancy among Boomers (Exhibit 3). For all Boomers, per-householder rates of single-family detached occupancy have declined by only 0.3 percentage points from peak levels, and for both all Boomers and younger Boomers rates remain at or above their pre-bust levels.¹²

Exhibit 3. Boomer Single-Family Occupancy Has Also Remained Fairly Stable When Measured on a Per Household Basis



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample

Are Boomers Staying Put for the Long-Haul, Or Are They Just Biding Their Time?

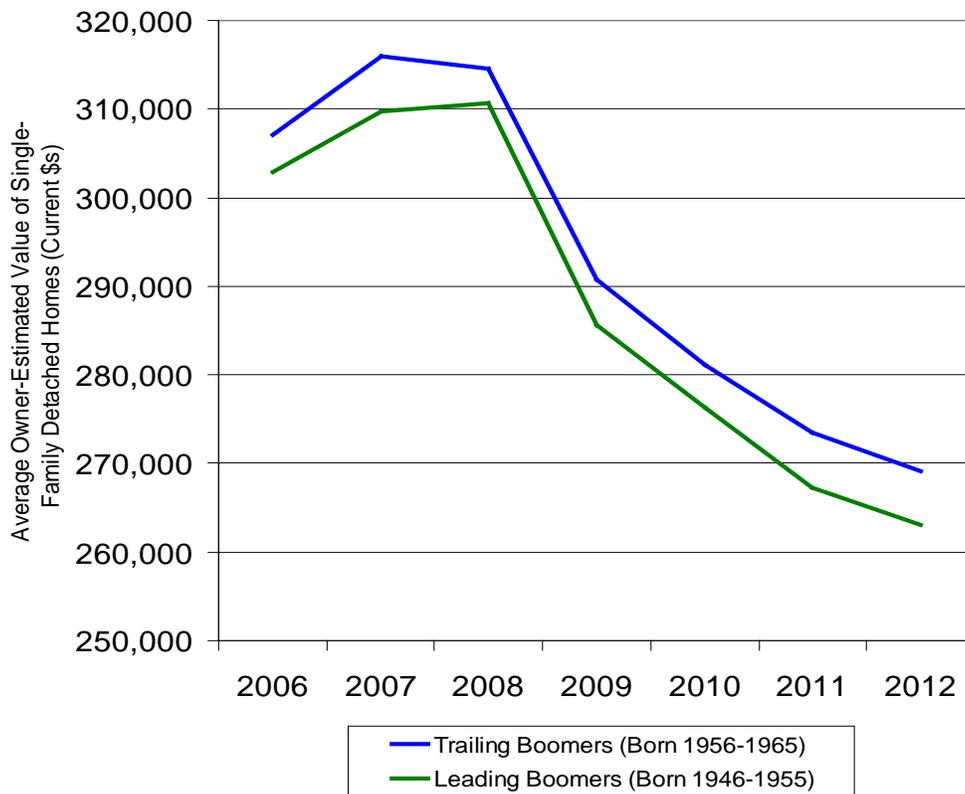
Given the substantial life changes experienced by Boomers, why are they not leaving their single-family homes? One explanation is that they simply prefer to remain in their current homes, despite their changing life circumstances. Supporting this hypothesis, a 2010 survey by AARP found that nearly nine in ten Baby Boomers prefer to remain in their current residences for as long as possible.¹³

¹² It is worth noting that the housing consumption rates presented here – whether measured on a per capita or per householder basis – do not reflect preferences alone. For example, differences in mortality rates between Boomers living in different housing types could contribute to observed changes in occupancy rates by structure type. Furthermore, observed changes in occupancy rates reflect the net effects of multiple underlying gross flows, and as a result do not reveal the full dynamics of Baby Boomer housing consumption.

¹³ Specifically, 84 percent of 45-to-64 year-old respondents (a group that corresponds to Baby Boomers, as defined for this *Housing Insights*) strongly or somewhat agreed with the statement: “What I’d really like to do is stay in my current residence for as long as possible.” Seventy percent of Boomer respondents strongly agreed with the statement. (Teresa A. Keenan, *Home and Community Preferences of the 45+ Population*, AARP, November 2010.) Research and practice are exploring new approaches to home and community adaptation that might enable Boomers to remain in their current homes as they age (“Aging in Place: Facilitating Choice and Independence”, *Evidence Matters* (Fall 2013), U.S Department of Housing and Urban Development). However, when compared to the preceding generation, Boomers have a slightly higher incidence of health issues and disabilities that could eventually present obstacles to aging in place (Paola Scommegna, “Aging U.S. Baby Boomers Face More Disability,” Population Reference Bureau, March 2013).

Another possible explanation is that economic and housing market conditions have forced – or at least encouraged – Baby Boomers to remain put even if they would prefer to move and change their housing situation. One likely mobility constraint is the substantial decline in Boomers’ home values during the housing bust. Between 2006 and 2012, the average value of an owner-occupied single-family detached home with a Boomer householder declined by 13 percent, and was still falling as of the latter year (Exhibit 4). For some Boomers, the decline in home value means that they are in a negative equity position on their mortgage, thereby making it difficult to sell the home and move. Even if the home isn’t underwater, Boomers who have experienced a substantial decline in home equity might prefer to postpone moving until they have recouped more of their home’s former value. Furthermore, should Boomer homeowners wish to sell, they might have a hard time finding buyers for their existing homes or they might face an inadequate supply of homes to purchase should they want to remain owner-occupants.

Exhibit 4. Value of Boomers’ Single-Family Homes Fell During the Housing Bust



Source: U.S. Census Bureau, American Community Survey Public Use Microdata Sample

Declining home values and the recession-scarred economy have suppressed Boomers’ residential mobility, thus slowing the rate at which they can adjust their housing consumption. Between 2006 and 2012, the percent of Boomer householders who moved during the preceding year dropped from 10.2 percent to 7.9 percent. Most of this decline occurred during the first half of the period when the housing market and economy were deteriorating rapidly, suggesting that at least part of Boomers’ recently reduced mobility is attributable to temporary market conditions, and is not simply a reflection of the mobility declines that typically accompany aging.

Merely a Delay of the Inevitable?

The stability in single-family detached occupancy among Baby Boomers will eventually come to an end, if not by Boomers' choice, then as a consequence of advancing age or mortality that would make it difficult or impossible to maintain a single-family home. Indeed, because the data examined in this *Housing Insights* are available only through 2012, the trends depicted here might miss more recent changes in Boomer housing behavior in response to the continued recovery of the housing market and economy. And, given the enormous size of the Boomer generation, even small changes in Boomer housing tendencies could have significant market impacts.

As others have noted, coming changes in the housing consumption of the Baby Boom generation have potentially far-reaching implications for the U.S. housing market.¹⁴ The housing situation of Boomers bears continued close monitoring, even if some indicators have yet to reveal major signs of change.

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¹⁴ See, for example, Dowell Myers and SungHo Ryu, "Aging Baby Boomers and the Generational Housing Bubble," *Journal of the American Planning Association*, Winter 2008 (74, 1): 17-33.