Despite Q1 dip, optimism in 55+ market expected to stay strong

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Dive Brief:

- Builder confidence in business conditions in the 55+ housing market fell 12 points in Q1 2017 to a mark of 55 on the National Association of Home Builders 55+ Housing Market Index. Despite the drop from Q4 2016, levels stayed in positive territory for the 12th-consecutive quarter.
- On the single-family side, sentiment around current sales declined 12 points to 62 for the period; expected six-month sales fell seven points to 68; and prospective-buyer traffic dropped 15 points to 34. For multifamily condos, the current sales outlook held at the breakeven mark of 50 from Q4 2016; expected sales fell five points to 47; and prospective-buyer traffic increased two points to 37.
- Such a dramatic quarter-to-quarter drop can be attributed to the unusually high 55+ HMI score in Q4 2016, which rode a wave of post-election optimism. NAHB Chief Economist Robert Dietz said he expects “solid growth” in the sector moving forward.
Dive Insight:

Despite the decline in confidence during the quarter, new construction and remodeling activity in the 55+ market is expected to remain strong over the next decade.

The 75 million baby boomers account for 70% of the country’s wealth and spending, Builder reported, so it’s hardly surprising that the past few years have seen an influx of new active-adult development. In March, William Lyon Homes launched its Ovation line of small- and mid-size active-adult communities in markets that are already popular with that group, such as Phoenix. Meanwhile, Minto Communities announced plans to build Jimmy Buffet-themed residential developments, starting in Daytona Beach, FL.

Research by Builder and Taylor Morrison found that buyers in the 55+ cohort want to live in communities located near shopping, dining, medical services and entertainment. And they prefer amenities including clubhouses, pools and walking trails, as well as homes with open floor plans, high ceilings, natural light, integrated indoor–outdoor space and energy efficiency.

Even with their wealth, this generation of U.S. residents is growing concerned about affordability. A recent study by the NHP Foundation found that 42% of people 55 and older worry every day about being able to afford where they live and 30% worry at least once a month.