

## Open House: Baby boomers important for housing market

by *Jim\_Woodard*

Changing family structures are impacting home buying preferences. Many baby boomers are now empty-nesters and are seeing their parents aging. Such factors influence decisions on the type and location of housing they now need and want.

"Boomers will drive housing for at least the next 20 years," said Tim Sullivan, president of Sullivan Group Real Estate Advisors.

Housing units sold to or occupied by 55-plus households will account for more than 370,000 housing starts this year, according to a report from the National Association of Home Builders.

Households headed by someone age 55 or older account for 21 percent of new homes sales and 18 percent of the total new home buying market. Senior-oriented communities, including both age-qualified and non-age-qualified, account for about 6 percent of the total home buying market.

"There are more elderly people everywhere on earth," said Andrew Zolli, a consultant for NAHB. "People are living longer and having fewer children. The United States now has the largest number of older and younger people in its history, creating an 'hourglass' that will affect the work force, health care and culture."

Increased longevity means that many people will have to work more years than they planned, and that companies will see a rise in older, yet healthy and energetic employees. Boomers will take advantage of this longevity bonus by creating a whole new life stage that is neither all work nor all leisure, Sullivan said.

Changing boomer lifestyles will present new opportunities for industries that cater to the new home market. In particular, the health care needs of the aging population will create a huge co-branding opportunity for health care providers to partner with home builders to embed health care services into their new homes, according to a NAHB report. And real estate brokers are taking note of the trend when marketing their listed resale homes.

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Q: Is it possible that the government will lower the maximum amount for conforming mortgages?

A: Federal legislation has been proposed that could indeed lower the loan limit for conforming mortgage loans. These are loans that can be sold to Fannie Mae or Freddie Mac, the government-sponsored enterprise organizations that buy existing home mortgages, thus generating funds for additional loans.

These secondary buyers have a major impact on the availability of mortgage funds. The new legislation is strongly opposed by leading housing groups.

"It is our concerned view that the proposed law would be detrimental to the national economy, home buyers, current homeowners, the industries that serve homeownership, and to the success of the housing missions of Fannie Mae, Freddie Mac, the FHA and the Veterans Administration," it was stated in a letter to the House and Senate from the National Association of Realtors, the National Association of Home Builders and the Mortgage Bankers Association.

"Not only is the proposal bad public policy, it does not appear to be authorized under current law, which only permits increases, not decreases, in the loan limit," the letter noted.

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Q: When will home prices start rising at a normal rate again?

A: Home prices are expected to increase next year, but at a very modest rate. That's the latest forecast from economists at the National Association of Realtors.

Both new and existing home prices are expected to show about a 1 percent gain during the second quarter of next year. That's less than was previously forecasted by NAR.

"Buyers now have an overwhelming advantage given the wide selection of homes available in most markets," said Lawrence Yun, NAR's senior economist. "But with profit margins coming under pressure, home builders will limit new construction well into 2008. This should help the overall inventory level to move steadily into a more balanced state."

Existing home sales are expected to total about 6.1 million units this year and 6.37 million next year - down from 6.48 million last year.

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Q: Will FHA soon offer a no-down payment mortgage?

A: It may be a while yet. The plan for FHA (the Federal Housing Administration) to introduce a zero-down payment mortgage is being questioned by the Government Accountability Office. In a report to Congress, they warn that introducing zero-down loan products at a time of stagnant or declining home prices could increase the risk of default. They believe an initial pilot zero-down program would be advisable.

"Because of the risks and uncertainties, we continue to believe a prudent way to introduce a zero-down product would be to limit its initial availability such as through a pilot program," a GAO spokesman said.

However, the U.S. Department of Housing and Urban Development disagrees.

"The FHA is well prepared to offer a zero-down program and a pilot program in unwarranted," said Brian Montgomery, HUD's assistant secretary.

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Q: How rapidly is the number of foreclosures rising?

A: The number of foreclosure filings in June dropped about 7 percent from the previous month, according to RealtyTrac, a real estate research firm. However, that reduced rate is still up 87 percent from June of last year.

The report shows there is now one foreclosure filing for every 704 households nationwide. However, in Nevada it's a different story, with one foreclosure filing for every 175 households in June. That's four times the national average and highest among the states for the sixth month in a row, but that state's foreclosure rate in June dropped by 10 percent from the previous month.

California registered the nation's second highest foreclosure rate in June with one foreclosure filing for every

315 households - up from third highest during the previous month. This state reported 38,801 filings in June, the most of any state for the sixth consecutive month. That's three times the number of filings reported in June 2006.

Following California, Florida and Ohio registered the nation's highest state foreclosure filings totals in June.

Send inquiries to Jim Woodard, P.O. Box 120190, San Diego, CA 92112-0190. Questions may be used in future columns; personal responses should not be expected.

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