'Silver Tsunami' on horizon as aging baby boomers seek to downsize in greater numbers

A “Silver Tsunami” of aging baby boomers could soon heighten demand for smaller, more affordable housing, according to a report from the Oregon Office of Economic Analysis.

Millions of baby boomers — those men and women born between 1946 and 1964 — could seek to downsize en masse in the coming years as they approach their 60s and 70s, prompting a rush to build smaller and more affordable homes, according to Josh Lehner, a senior economist and author of the new report, released Friday.

“Turning to the data shows that it kinda, sorta does happen on a small scale,” writes Lehner, referring to families who downsize in their golden years, a phenomenon that has largely been accepted as conventional wisdom despite little rigorous investigation.

“However, the silver tsunami of aging baby boomer households means we should see an increase in the absolute number of downsizing households in the coming years, even if they do not represent a large share of the housing market overall.”

Changes in the tax code and longer life expectancy could further accelerate the shift to smaller homes while delaying an inevitable move to senior or assisted living facilities, according to Lehner, who cited a report from Jordan Rappaport, an economist with the Federal Reserve Bank of Kansas City.

An increase in the standard deduction, a cap to property taxes that can be deducted and a capital gains exclusion of up to $500,000 for joint filers — or $250,000 for single filers selling their primary home — may make today the best time to downsize.

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“Even with low moving rates, the absolute number of older households who are expected to move is larger today than in the past given the increasing number of older households in general,” Lehner writes. “We should see more downsizing overall due to the aging population, even if the share is not rising over time.

Seniors who do move are frequently downsizing significantly, according to the Oregon report. By the age of 45, movers average a loss of one room upon moving. By age 71, movers average a loss of approximately two rooms per home, and by age 82, movers are averaging a loss of 2.5 rooms, Lehner said.

If seniors begin to downsize with more frequency, the shift could create competition in the market for first-time homebuyers who are often looking for smaller starter homes.

“These are not two bedrooms necessarily, but two non-bathroom rooms,” Lehner writes. “Think about how many rooms are in your apartment or house. For the vast majority of us, taking away two rooms would represent real downsizing.”

Chris Suarez, the principal broker and CEO of the Portland-based PDX Property Group, said he meets a lot of baby boomers seeking downsize, but the change happens only infrequently because of how scarce single-level homes are and how popular they have become among millennials.

“Our issue right now is, in our market, there is just such little product for them to go to,” Suarez told Inman. “A one-level home comes on the market, and it’s gone.”

“It’s just ridiculously competitive for a product type that fits that age and demographic,” he added.

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