National Association of Home Builders

Builder Confidence in the 55+ Housing Market Continues to Improve in the Third Quarter

November 8, 2012 - Builder confidence in the 55+ housing market for single-family homes showed significant improvement in the third quarter of 2012 compared to the same period a year ago, according to the National Association of Home Builders' (NAHB) latest 55+ Housing Market Index (HMI) released today. The index more than tripled year over year from a level of 12 to 36, which is the highest third-quarter reading since the inception of the index in 2008.

"Many builders and developers in the 55+ housing segment are reporting an increase in demand from consumers," said NAHB 50+ Housing Council Chairman W. Don Whyte. "We are seeing improvement in certain parts of the country where people are moving off the fence and either purchasing a home or renting an apartment that is designed to more specifically suit their lifestyle."

There are separate 55+ HMIs for three segments of the 55+ housing market: single-family homes, multifamily condominiums and rental apartments. Each index measures builder sentiment based on a survey that asks if current sales, prospective buyer traffic and anticipated six-month sales for that market are good, fair or poor (high, average or low for traffic). An index number below 50 indicates that more builders view conditions as poor than good.

Although all components of the 55+ single-family HMI remain below 50, they at least doubled from a year ago: present sales climbed 25 points to 36, expected sales for the next six months increased 27 points to 42 and traffic of prospective buyers rose 20 points to 33.

The 55+ multifamily condo HMI had a significant increase of 13 points to 23, which is the highest third-quarter reading since the inception of the index in 2008; however, condos remain the weakest segment of the 55+ housing market. All 55+ multifamily HMI components increased considerably compared to a year ago as present sales rose 13 points to 22, expected sales for the next six months jumped 19 points to 29 and traffic of prospective buyers climbed 11 points to 22.

Meanwhile, the 55+ multifamily rental indices, which already recovered substantially last year, showed continued but more modest increases in the third quarter: present production climbed six points to 31, expected future production increased nine points to 35 and current demand for existing units and expected future demand improved two points to 42 and 44, respectively.

“Like other segments of the housing industry, the market for 55+ housing is continuing on a steady upward path, driven by improving conditions in additional markets around some parts of the country” said NAHB Chief Economist David Crowe “While we expect the upward trend to continue as the recovery broadens, the speed of the recovery is being constrained by factors as tight mortgage credit, making it difficult for potential 55+ customers to sell their current homes, and shortages of inputs to construction such as buildable lots that are beginning to emerge in some market areas.”