Builder Confidence in the 55+ Housing Market Ends Year on a Positive Note

February 7, 2013 - Builder confidence in the 55+ housing market for single-family homes showed continued improvement in the fourth 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 increased 10 points to a level of 28, the fifth consecutive quarter of year over year improvements.

"We continue to see increased optimism from builders and developers in the 55+ housing segment," said Bob Karen, chairman of NAHB's 50+ Housing Council and managing member of the Symphony Development Group. "Those customers who had been on the sidelines waiting for more stability in their local markets are starting to make their move toward either purchasing a home or renting an apartment that is designed to more specifically suit their lifestyle."

There are separate 55+ HMIs for two segments of the 55+ housing market: single-family homes and multifamily condominiums. Each 55+ HMI 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 have improved significantly from a year ago: present sales climbed 10 points to 27, expected sales for the next six months increased 12 points to 38 and traffic of prospective buyers rose nine points to 24.

The 55+ multifamily condo HMI still remains the weakest segment of the 55+ housing marketing, but did post an increase of six points to 19. All 55+ multifamily HMI components increased compared to a year ago as present sales rose five points to 17, expected sales for the next six months climbed eight points to 25 and traffic of prospective buyers rose six points to 21.

Meanwhile, the 55+ multifamily rental indices, which had already recovered substantially in 2011, remained relatively stable in the fourth quarter, although there was a slight pullback due to uncertainty about the low-income housing tax credit—the financial driver behind a significant portion of apartments built for this segment of the market. Present production dropped three points to 31, expected future production dipped one point to 34, current demand for existing units dropped four points to 38 and expected future demand fell five points to 39.

"Like the overall housing market, the 55+ segment of the market is undergoing a slow but steady recovery," said NAHB Chief Economist David Crowe. "That said, there are serious obstacles to a continued and stronger recovery. While problems with tight credit conditions for buyers and obtaining accurate appraisals are still lingering, new problems like spot shortages and rising costs for labor, materials and lots are beginning to emerge."