

# Myths and Reality About Seniors Housing

Michael Carliner

People aged 65 and older account for 13 percent of the population, 21 percent of the heads of households, and 26 percent of the home owners in the U.S. Their substantial share of housing consumption, along with anticipations of disproportionate growth in the older population, plus the fact that all of us are getting older ourselves, have focused attention on the market opportunities for providing housing to the senior population. The perceptions of the general public and of many journalists about the senior population and their housing needs and demands are, however, frequently incorrect. Often, perceptions and expectations are based on past trends or on trends that are likely to occur in the next century, but that are not present in the 1990s. In other cases, the currently accepted wisdom wasn't true, isn't true, and probably won't be true, either.

Some of the key, perhaps surprising, facts are:

- People do not generally move when they reach retirement age. Mobility rates among people 65 and older are much lower than those of middle-aged or young adults. The annual share of the population moving to a different home declines from more than 25 percent among people younger than 35 to about 7 percent for people 55 to 64, about 6 percent for those 65 to 74, and about 5 percent for those 75 or older.<sup>1</sup>
- The proportion of seniors that move in with their children or other relatives is small and declining. Where seniors share homes with their adult children, it is much more common for the parent to be the household head, rather than the child.<sup>2</sup>

- The share of senior households that live in mobile homes is not higher than the share for households headed by people younger than 65. The share in condos and co-ops is only modestly higher.<sup>3</sup>
- Although most people stop working by age 65, a dramatic trend after World War II toward earlier retirement essentially ended around 1985. As Table 1 shows, since 1985 labor force participation rates for older age groups have increased.<sup>4</sup>
- Home owning seniors that move generally do not become renters. Among households that were owners before moving, the share that buy another home is similar for seniors and for younger households.<sup>5</sup>
- Even though women live longer than men, older women are much more likely than men of the same age to suffer from disabling health problems.<sup>6</sup>
- Over the next five years, the population aged 65 and older is not expected to grow at a rate significantly above the growth rate for the

population younger than 65. Rapid growth in the number of people 75 and older will be offset by a decline in the population aged 65 to 74.<sup>7</sup>

- Most men 75 or older live in married-couple households. But the number of women 75 and older is nearly twice the number of men, and most women in that age group live alone or in institutions.<sup>8</sup>

In addition to these candidates for Trivial Pursuit questions, there are a number of characteristics of seniors and their housing that are more logical, or intuitive, or widely known. Home ownership among seniors is very high—more than 75 percent among all elderly households and about 90 percent among elderly married-couple households. Few elderly home owners, whether long-time owners or recent buyers, have mortgages on their homes. Moreover, seniors depend on interest payments for a significant portion of their incomes, so a decline in interest rates does not have the positive effect on housing demand from seniors that it has on other segments of housing demand. The income and wealth of

**Table 1 Labor Force Participation Rates By Age**

	1960	1965	1970	1975	1980	1985	1990	1995
<b>Male</b>								
25-54	96.3%	96.2%	95.5%	94.3%	94.2%	93.8%	93.6%	91.5%
55-59	91.6%	90.2%	89.5%	84.4%	81.7%	79.6%	79.9%	77.4%
60-64	81.1%	78.0%	75.0%	65.5%	60.8%	55.5%	55.5%	53.2%
65-69	46.8%	49.0%	41.6%	31.7%	26.5%	24.5%	26.0%	27.0%
70+	24.3%	19.1%	17.6%	15.0%	13.0%	10.9%	10.7%	11.6%
<b>Female</b>								
25-54	42.7%	45.1%	49.9%	55.1%	64.0%	69.7%	74.1%	75.7%
55-59	42.2%	47.2%	49.0%	47.9%	48.5%	50.3%	55.3%	59.5%
60-64	31.4%	34.0%	36.1%	33.2%	33.2%	33.4%	35.5%	36.0%
65-69	17.6%	17.4%	17.3%	14.5%	15.1%	13.5%	17.0%	17.5%
70+	6.9%	6.1%	5.7%	4.8%	4.5%	4.3%	4.7%	5.3%

Source: U.S. Bureau of Labor Statistics.

seniors relative to younger households have increased substantially over recent decades, and the poverty rate among people 65 and older is lower than for the overall population (but higher than for adults 35 to 64).

Grouping people 65 and older into a single category obscures some large differences among and within the older age groups. Indeed, the differences between people of age 65 and those at age 85 are greater, in many respects, than the differences between those at ages 30 and 50 or 15 and 35. While 61 percent of the people 65 to 74 years old in 1990 lived in married couples, only 16 percent of those 85 and older did. Despite the fact that the primary source of income for the elderly is social security, which has a leveling effect, the income distribution among seniors is even more unequal than among younger households.<sup>9</sup> Among those older than 85, a large share have serious health problems or are institutionalized, or both, but most have no serious physical limitations and live in standard housing units.

## Types of Seniors Housing

There are no universally accepted definitions or descriptions for the various types of seniors housing, but living quarters specifically designed for seniors generally fall into these categories:

**Active adult communities** are restricted or targeted to seniors. They often consist of owner-occupied units. Community facilities and services, such as golf courses or grass cutting, are usually provided.

**Congregate housing** consists of apartment units in specially designed buildings, where residents are usually provided meals, housekeeping, transportation, social activities, or some combination of these services.

**Assisted living or board and care** facilities provide fairly intensive services for people with significant disabilities, but stop short of professional medical care. The term *board and care*, which is used by the federal government, is generally associated with smaller facilities that serve a lower income population. *Assisted living* is associated with both greater independence and a more upscale clientele in newer structures. Services include meals and help with personal needs, including help with medications that are intended to be self-administered. In general, these facilities are not eligible for Medicare or Medicaid reimbursement.

**Nursing homes** are licensed and regulated by states to provide even more intense levels of care for disabled seniors, particularly nursing care by registered nurses or licensed practical nurses. Their costs are paid primarily by Medicare and Medicaid.

**Continuing care retirement communities or life care communities** have facilities that consist primarily of individual housing units for independent living, but offer additional services when needed or desired, including meals, transportation, housekeeping, and medical care. Generally, residents of these facilities must make substantial up-front payments, as well as continuing fees based on services used. Residents with serious health problems move from housing units to assisted or nursing-home facilities, which are generally part of the community.

Many types of housing designed for seniors do not fall neatly into one of these categories, and creative new names are constantly developed to describe housing products and confuse analysts.

## How Many?

In government statistics, a housing unit is defined as a house, apartment, or other space, with direct access from the outside or from a common hallway, where the occupants live and eat separately from other people.<sup>10</sup> A household is a person or group (with no more than nine unrelated people) that occupies such a unit. Living quarters that do not meet the definition of a housing unit, including institutions such as nursing homes or prisons, are considered to be group quarters.

The vast majority of seniors live in standard housing units alongside younger households in communities with no age restrictions. As Table 2 shows, of the 31.2 million people 65 and older in 1990, more than 94 percent lived in households and 64 percent were household heads (or *householders* in Census Bureau terminology).

Among older people living in households that were not household heads, most are the spouse, but some are the parent or other relative, of the head of the household. Only about 1.4 percent lived in a household where the head was not a relative. The 5.7 percent of the senior population that were not members of households lived in nursing homes or other institutions or in group quarters.

Comparing the living arrangements of younger seniors with those 85 and older, the oldest group has a dramatically larger share that live alone, in nursing homes, or in households maintained by a child or other relative. This oldest group, nearly three-fourths of whom are females, is small but growing by more than 4 percent per year—even faster than the middle-age brackets being invaded by baby boomers.

**Table 2 Living Arrangements By Age, 1990**

	Thousands						Percent					
	Total	25-64	Age 65 and Older				Total	25-64	Age 65 and Older			
			Total	65-74	75-84	85+			Total	65-74	75-84	85+
<b>Total population</b>	<b>248,710</b>	<b>127,126</b>	<b>31,242</b>	<b>18,107</b>	<b>10,055</b>	<b>3,080</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Female	127,470	64,652	18,677	10,165	6,289	2,222	51.3	50.9	59.8	56.1	62.5	72.2
<b>Living in households</b>	<b>242,012</b>	<b>125,221</b>	<b>29,461</b>	<b>17,770</b>	<b>9,384</b>	<b>2,306</b>	<b>97.3</b>	<b>98.5</b>	<b>94.3</b>	<b>98.1</b>	<b>93.3</b>	<b>74.9</b>
Householder	91,947	68,925	19,973	11,517	6,787	1,669	37.0	52.6	63.9	63.6	67.5	54.2
Family	64,518	51,086	10,801	7,180	3,085	537	25.9	40.2	34.6	39.7	30.7	17.4
Married couple	50,708	40,328	8,796	6,010	2,441	345	20.4	31.7	28.2	33.2	24.3	11.2
Nonfamily	27,429	15,839	9,171	4,336	3,702	1,133	11.0	12.5	29.4	23.9	36.8	36.8
Living alone	22,580	12,559	8,825	4,131	3,595	1,098	9.1	9.9	28.2	22.8	35.8	35.7
Nonhouseholder	150,065	58,296	9,488	6,254	2,597	637	60.3	45.9	30.4	34.5	25.8	20.7
Spouse	50,708	41,176	6,927	5,095	1,669	163	20.4	32.4	22.2	28.1	16.6	5.3
Child	76,728	7,433	51	47	3	0	30.9	5.8	0.2	0.3	0.0	0.0
Parent	1,748	591	1,157	445	446	266	0.7	0.5	3.7	2.5	4.4	8.6
Other relative	10,203	2,972	925	412	351	162	4.1	2.3	3.0	2.3	3.5	5.3
Nonrelative	10,677	6,124	429	256	127	46	4.3	4.8	1.4	1.4	1.3	1.5
<b>Not living in households</b>	<b>6,698</b>	<b>1,905</b>	<b>1,781</b>	<b>336</b>	<b>671</b>	<b>774</b>	<b>2.7</b>	<b>1.5</b>	<b>5.7</b>	<b>1.9</b>	<b>6.7</b>	<b>25.1</b>
In institutions	3,334	1,169	1,676	284	636	756	1.3	0.9	5.4	1.6	6.3	24.5
Nursing homes	1,772	177	1,591	245	607	739	0.7	0.1	5.1	1.4	6.0	24.0
Other group quarters	3,364	715	105	52	35	18	1.4	0.6	0.3	0.3	0.3	0.6

Source: U.S. Bureau of the Census, 1990 Census of Population.

Of the 20.5 million households headed by people 65 and older, 75 percent were owners, and since there were more people on average in each owner household, seniors in owner-occupied homes represented about 80 percent of seniors living in households and about 75 percent of all seniors.

Active adult housing is included in counts of the total number of housing units, and there is no easy way to measure, or even to define, the number of homes in active adult communities. Some living quarters intended to address the needs of seniors straddle the line between housing units and group quarters. In particular, congregate housing, where residents maintain a high degree of independence in individual apartments, may not strictly qualify as housing units based on the standard that people eat separately. Most congregate housing is, however, apparently counted as housing units.

In the 1990 census, renters were asked whether there were meals included in their rent, in an attempt to quantify the prevalence of congregate housing. Of the 5.1 million renter households headed by someone 65 or older, 178,000 (3.5 percent) reported having meals included in their rent. While this is not a large share of elderly renters, the share with meals was higher among renters that moved, and almost 11 percent of the renter households headed by someone 85 or older had meals included in the rent.

Table 3 provides additional information about seniors' households and their housing. Overall, the home ownership rate for seniors is higher than for younger households, but home ownership rates are higher for young seniors than the oldest groups. While some of that is caused by widows or others moving to rental apartments (including to congregate housing) as they get older, it is also partly a "co-

hort effect." The people aged 85 and older in 1990 were born before 1906 and came of age during the Great Depression. They often were unable to buy homes as young adults and many never became owners. The group aged 65 to 74 in 1990, born around 1920, were the people that married, had children, and bought homes in droves after World War II. As they age, they will push up the home ownership rate in the oldest age brackets somewhat.

Because of the low mobility rates of the older population, seniors account for much smaller shares of home buyers and of new tenants of rental housing than they do of the total number of households. Although seniors represented 26 percent of home owners in 1990, they accounted for only 9 percent of home purchases. And although 16 percent of renters 1990 were 65 and older, only 6 percent of households that moved into rental units were in that age group. Among

elderly renter households that did move, however, the proportion that moved into newly built units was greater than for younger households. Renters age 65 and older are more likely to live in high-rise apartments than younger renters.

### Institutions and Other Group Quarters

The 1990 census counted 1.78 million people 65 and older (5.7 percent of the total) as living outside households in group quarters, including 1.59 million in nursing homes, 85,000 in other institutions, and 105,000 in noninstitutional group quarters.

The count of nursing home residents overstated the population in facilities providing nursing care. In the 1980 census, the same types of institutions were described as *homes*

*for the aged*, but a decade later that terminology was considered politically incorrect. Many of the people counted in nursing homes in 1990 were in assisted-living facilities, rather than true nursing homes. Because of the way housing units and households are defined, however, an assisted living or board and care facility with nine or fewer residents would be counted as a household.

A separate 1991 study by the Department of Health and Human Services found a similar number of residents in nursing and related care facilities. Of a total of 33,006 facilities with 1.92 million beds (of which 90 percent were occupied), there were 14,744 properties with 1.56 million beds and 1.43 million residents (1.32 million 65 and older) classified as nursing homes. These generally qualify for Medicare and Medicaid reimbursement. There

were 18,262 facilities with 362,000 beds and 303,000 residents (207,000 of whom were 65 and older) counted as board and care homes.<sup>11</sup>

### Subsidized Housing

As of 1989, about 30 percent of renter households headed by someone 65 or older benefitted from Department of Housing and Urban Development (HUD) housing subsidies, including those in Section 8 housing and public housing and those that receive vouchers. This subsidized share was much higher than for renters that were not elderly, only 9 percent of whom benefitted from HUD subsidy programs.<sup>12</sup>

While seniors received a disproportionate share of rental subsidies, most seniors that met the income requirements for subsidized rental housing did not get benefits. Fully

**Table 3 Households and Housing By Age, 1990**

	Thousands					Percent				
	Under Age 65	Age 65 and Older				Under Age 65	Age 65 and Older			
		Total	65-74	75-84	85+		Total	65-74	75-84	85+
<b>All Households</b>										
Total	71,462	20,485	11,776	6,997	1,713	100.0	100.0	100.0	100.0	100.0
Condo	2,990	1,022	545	389	89	4.2	5.0	4.6	5.6	5.2
Mobile homes	4,710	1,353	806	460	87	6.6	6.6	6.8	6.6	5.1
Moved 1/89-4/90	17,971	1,237	772	379	85	25.1	6.0	6.6	5.4	5.0
To newly built units	1,529	161	108	44	9	2.1	0.8	0.9	0.6	0.5
<b>Home Owners</b>										
Total	43,866	15,366	9,255	5,025	1,086	100.0	100.0	100.0	100.0	100.0
Homeownership rate	61.1%	75.0%	78.6%	71.8%	63.4%					
Condo	1,716	775	431	288	56	3.9	5.0	4.7	5.7	5.2
Mobile homes	3,652	1,233	740	417	76	8.4	8.0	8.0	8.3	7.0
Purchased 1/89-4/90	5,043	481	339	123	19	11.6	3.1	3.7	2.4	1.8
New homes	1,065	110	82	24	3	2.4	0.7	0.9	0.5	0.3
<b>Renters</b>										
Total	27,797	5,120	2,521	1,972	628	100.0	100.0	100.0	100.0	100.0
Meals included in rent	83	178	28	83	67	0.3	3.5	1.1	4.2	10.6
Condo	1,274	247	113	101	33	4.6	4.8	4.5	5.1	5.2
Mobile homes	1,058	120	67	42	11	3.8	2.3	2.6	2.1	1.8
Multifamily	17,578	3,849	1,834	1,521	494	63.2	75.2	72.7	77.1	78.9
50+ units in structure	2,164	1,173	473	503	197	7.8	22.9	18.7	25.5	31.4
Moved 1/89-4/90	12,928	756	433	256	66	46.5	14.8	17.2	13.0	10.6
To newly built units	464	52	26	20	6	1.7	1.0	1.0	1.0	0.9

Source: U.S. Bureau of the Census, 1990 Census of Population.

75 percent of seniors in rental housing met the income requirements for HUD subsidies but did not get benefits, so 45 percent were eligible but not subsidized. Among non-seniors in rental housing, 35 percent met the income requirements. Generally, to be eligible for HUD assistance, rental households with four people must have incomes below 50 percent of the local area median. The limit for single-person households is 70 percent of the limit for four-person households (i.e., 35 percent of the local area median). The large share of seniors that meet the income requirements for HUD subsidies is due, in part, to the fact that the adjustment for household size is relatively favorable for single-person households, and most older renters live alone. The median income for all single-person households in 1993 was \$16,065, only 36 percent of the median for four-person households.<sup>13</sup>

## Outlook

Housing for seniors is a limited, niche market. Based on the demographic changes anticipated in the

years ahead, demand for active adult housing is not likely to show much growth until after the turn of the century, but the market for housing providing services to the frail elderly is likely to expand and evolve. Not only will the oldest population grow rapidly, but the new forms of housing may displace nursing homes as residences for frail, but functional, seniors, especially if public policies (i.e., Medicare and Medicaid) treat these lower cost alternatives more favorably. Also, these new housing forms will continue to draw from the dwindling share of seniors living with their children.

<sup>1</sup>U.S. Bureau of the Census, *Geographic Mobility: March 1993 to March 1994* (Current Population Reports P20-485).

<sup>2</sup>In 1993, 2.6 million households headed by people 65 or older included one or more children of the household head, and only 0.4 million of those included children younger than 25 years old. There were 2.1 million people 65 or older living in households headed by a relative other than their spouse, including about 1.2 million in households headed by their children. See U.S. Bureau of the Census, *Current Population Reports*, P20-478, p. 10 and P20-477, p. 12. Also, 1990 Census, *General Population Characteristics* (CP-1-1), p. 50.

<sup>3</sup>See Table 3, also U.S. Bureau of the Census, *Current Housing Reports, American Housing Survey 1993* (H150-93), p. 38.

<sup>4</sup>U.S. Bureau of Labor Statistics, *Employment and Earnings*, various January issues.

<sup>5</sup>Based on NAHB tabulations from 1993 *American Housing Survey* microdata. For households headed by someone 65 or older, the share was 62.1 percent, while 61.4 percent of owners younger than 65 remained owners after moving. These shares include only people that were household heads in both their current and previous residences.

<sup>6</sup>Frank B. Hobb and Bonnie L. Damon, *65+ in the United States* (U.S. Bureau of the Census, Current Population Reports, P23-190, April 1996), p. 3-19.

<sup>7</sup>U.S. Bureau of the Census, *Statistical Abstract of the United States 1995*, p. 25.

<sup>8</sup>Hobb and Damon, p. vi.

<sup>9</sup>Hobb and Damon, p. 4-8.

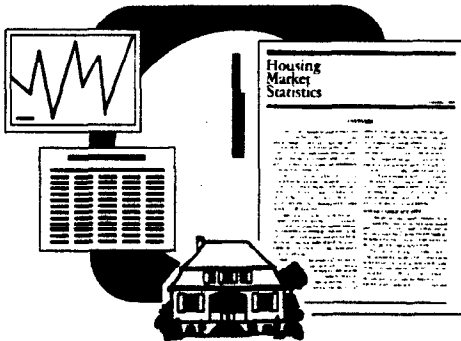
<sup>10</sup>U.S. Bureau of the Census, *1990 Census of Population and Housing, Summary Population and Housing Characteristics: United States* (CPH-1-1), p. B-14.

<sup>11</sup>*Statistical Abstract 1995*, Table 201, also U.S. National Center for Health Statistics, *Advance Data from Vital and Health Statistics*, No. 244, February 23, 1994.

<sup>12</sup>Based on data in U.S. Department of Housing and Urban Development, *Characteristics of HUD-Assisted Renters and Their Units in 1989* (HUD-1346-PDR, March 1992).

<sup>13</sup>*Statistical Abstract of the United States: 1995*, p. 470.

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