

Aging gracefully

In a stagnant housing market, builders say adult communities are a bright spot, and one that will grow in the future.

Posted by the [Asbury Park Press](#) on 09/16/07

BY [DAVID P. WILLIS](#)
BUSINESS WRITER

STORYCHAT: [Post Comment](#)

In the midst of what is a troublesome housing market for builders, Hovnanian Enterprises Inc. is set to unveil its Jockey Club development in Oceanport this weekend.

But even before the public grand opening, nine potential buyers have already signed contracts, giving an early boost for the community of 44 age-restricted single-family homes next to Monmouth Park.

"With this location, in particular being in eastern Monmouth County, there isn't a product like this in this area," said Robert Hofmann, area vice president at Red Bank-based K. Hovnanian Homes. "We studied the demographics and realized there was a pent-up demand for people that wanted to stay in that eastern Monmouth area."

The builder says the new development shows the home builder's confidence in the new housing market for what builders call active adults, a term for those age 55 and over. In Monmouth and Ocean counties, Hovnanian is seeing "fairly decent strength" in its Four Seasons developments, which are age-restricted communities.

At Hovnanian's three Four Seasons developments in Monmouth and Ocean counties, the company is averaging about one or two contracts per week per community, Hofmann said.

"It's not like people aren't buying homes," Hofmann said. "We are doing quite well, considering the market, at those communities."

Rocky market

The housing market is rather rocky these days.

In the resale market, homes are coming on faster than they can be sold. Tighter credit restrictions are making it harder for potential buyers to obtain mortgages, making it difficult to afford a house.

That's rippling through the new home market as well, hurting builders.

Earlier this month, Hovnanian reported its fourth consecutive quarterly loss as buyers canceled contracts and the company walked away from options to buy land.

Hovnanian has started offering deep discounts on homes in every community, in some cases more than 20 percent off, in a sale that began Friday morning and ends today at 9 p.m.

"The market across the board is in very severe contraction and no segment is immune to that pullback," said Patrick J. O'Keefe, chief executive officer of the New Jersey Builders Association. "The overall condition of the residential sector is as weak as anything we have seen since the severe pullback in 1990 and 1991."

The age-restricted housing market has been hit hard as well, said Jeffrey Otteau, president of The Otteau Valuation Group, an East Brunswick real estate consulting firm. Those who want to buy such homes still need to sell their current houses, he said.

"Because the housing market has slowed, the food chain has been disrupted," Otteau said.

Still, sales of new age-restricted single-family houses, while still down, are a brighter spot in a picture that's still mostly dark.

Builders have seen sales of age-restricted houses drop about 40 percent in the last two years, a better pace than the 50 percent decline in all single-family new home sales, Otteau said.

They are being cautious, O'Keefe said. "They are not getting ahead of their firm contracts," O'Keefe said. "The active adult has slowed down as has the rest of the residential sector."

Strongest segment

William Smith, director of sales and marketing at Lennar Corp. in Freehold, said the senior market looks better than the rest of the market. "The active adult market, in my opinion, is probably the strongest segment right now of any of the segments," he said.

Still, the company, like other builders, is managing its inventory. "We want to make sure that what we put on the market we can actually sell," Smith said.

Sales are down during the past year at The Kokes Organization, a Manchester builder that specializes in age-restricted homes, said Jan Kokes, president.

"Our buyers must sell their homes," Kokes said. The company now includes home-sale contingency clauses in contracts, allowing people to back out and get their deposits back if they don't sell their old houses in six months, he said.

"We are still selling homes," Kokes said. "It is just not at the pace it was last year or the year before."

Kokes also is providing incentives, such as \$20,000 in free upgrades, to help sell homes that are in its inventory, he said.

Like other builders, Kokes believes the senior housing market is faring better than the overall new home market. "The all-age market is dead," Kokes said.

More people are retiring and moving into age-restricted communities, he said. "There is more acceptance today to move into an active adult community because their friends are moving there," Kokes said.

The senior-housing market is nothing new at the Jersey Shore. Senior citizens represent a large percentage of the population here, 20.7 percent in Ocean County and 12.6 percent in Monmouth County, according to a 2006 U.S. Census estimate. Builders, such as Kokes, have marketed communities for more than 40 years.

Aging boomers

And the senior market is set to become much stronger. Why? Just the sheer size of the aging population, Otteau said.

More people "are going through the aging process, generating an increasing number of older homeowners wanting the lifestyle change," Otteau said.

The lifestyle of an age-restricted community, which comes with less property maintenance and amenities such as a clubhouse, pool, fitness center and tennis courts, are what draws buyers.

"This market is just getting started and will shift into high gear beginning in 2009," Otteau said. "The number of baby boomers who are older than 60 years old is increasing every year. By 2009, that number will reach critical mass."

At that time, many of these seniors will retire and see their incomes decline for the first time in their lives, Otteau said. With their children out of the house, they will choose to make the move to an age-restricted community, he added.

They'll have a lot of equity in their houses, so they can price them to sell, in turn, boosting new home sales.

"Even as of today, when there is a blip in the market, if you take a look back, it is still probably one of the best investments they have made during their adult life," said Marc J. Siegel, president of the Shore Builders Association of Central New Jersey.

More often than not, the senior citizen is buying a new house that costs less than the home they are selling, Otteau said.

"This tends to be a trade-down buyer," he said. "It makes it a little bit easier, whereas the rest of the housing market tends to be in a trade-up cycle (and) they need every dollar that they can get to make that affordable."

David P. Willis: (732) 643-4039, or at dwillis@app.com. Staff writer Jason Method contributed to this report.

STORYCHAT 

 [Post a Comment](#)

This article does not have any comments associated with it

Copyright © 2007 Asbury Park Press. All rights reserved.

Users of this site agree to the [Terms of Service](#) and [Privacy Policy/Your California Privacy Rights](#) (Terms updated March 2007) Site design by [Asbury Park Press](#) / [Contact us](#)