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Burgeoning Market

The Nester Factor



By Steve H. Murdock

Baby-boomers (those born between 1946 and 1964) moving rapidly into middle age draw increasing interest as markets for new and expanding real estate products. Substantial attention focuses on a group called “empty-nesters,” that is, middle-aged couples whose children are now independent adults. These households are likely to have substantial resources because they no longer are supporting children.

Another phenomenon—the “no-nester”—also will influence real estate trends. No-nesters have had no children in the home. No-nester households also represent a growing (but much smaller) segment with substantial resources.

Large and Growing Segments

The 1990 census indicates more than 774,000 empty-nester households—about 12.8 percent of the Texas total. Empty-nesters represented about 76 percent of all middle-aged, married-couple households. Another 17 percent still had children in the home. About 7 percent were no-nester households.

Between now and the year 2010, empty-nester and no-nester households are projected to grow more rapidly than all households except those with children (see Table 1). After 2010, empty- and no-nester household growth will slow substantially.

The middle-aged population of Texas is expected to increase through 2010 and then decrease as the baby-boomers enter elderly ages and the much smaller baby-bust generation dominates middle-aged groups. The faster growth in households with children results from the rapid growth expected in minority populations, which are more likely to have children and children living with the parent into older ages.

Although empty-nester households will not be the fastest growing household type in the future, they will nevertheless increase substantially. They increase to 975,000 in 2000 and to 1.7 million in 2030. Especially rapid growth will occur between 2000 and 2010 when their numbers increase by more than 400,000, or more than 41 percent. By 2030, more than

twice as many empty-nester and no-nester households may exist compared to 1990.

Human and Financial Resources

Census data (Table 2) suggest both demographic and socioeconomic distinctions between empty-nesters and no-nesters. Both contain proportionately more Anglos and more well educated persons than other households. Empty-nester households are nearly as likely as all households to have a head with a bachelor's degree and to have larger proportions with graduate degrees. Like other mid-life households, empty-nesters and no-nesters are characterized by relative residential stability. Less than 30 percent migrated from either outside the county or the state during the late 1980s.

Empty-nesters, and particularly no-nesters, are likely to be employed in executive and managerial and professional positions. In fact, one-third of the no-nesters are so employed. Both groups are less likely to be in administrative support and services occupations.

Median household incomes for empty-nesters and no-nesters also are higher than those for all households or households with children. Median household income was \$27,016 for all households in 1990, but for empty-nester households, it was \$35,256—more than 30 percent higher. No-nesters' median income of \$37,563 was more than 39 percent higher.

Data for both empty-nesters and no-nesters suggest many of them have chosen to use their additional resources to pursue early retirement. These householders are nearly twice as likely to have no member active in the labor force.

Owners of Large Single-Family Homes

Both empty-nesters and no-nesters strongly prefer homeownership, particularly larger single-family units of higher value but with limited monthly housing costs. Nearly 90 percent of empty-nester and 87 percent of no-nester households are owners, compared to about 61 percent of all households.

Nearly 41 percent of empty-nester and 39 percent of no-nester households own their home free and clear. Empty-nester



homes had a 1990 average value of \$67,500—17.4 percent higher than households overall. No-nester homes had an average value of \$72,500—\$15,000 higher than other households. Those owned units are likely to be one-family detached dwellings (more than 83 percent for both empty-nesters and no-nesters). Homes also are larger—30 percent of nester homes contain seven or more rooms. This is true in only 21 percent of other households.

Because many empty-nesters and no-nesters own their homes outright and have owned them for some time (nearly 54 percent of empty-nesters and half of no-nesters moved into their homes before 1970), their mortgage costs are lower than for other households.

Real Estate Implications

Characteristics of nester households in 1990 and their projected numbers suggest attractive, growing market segments for many real estate products. They are relatively well educated, earn relatively high incomes, work disproportionately in professional and executive careers, tend

to live in their areas of residence for several years and own relatively large, expensive single-family units. They represent potential markets for more expensive, upscale real estate products.

Their levels of education and professional backgrounds suggest that they are likely to be discerning buyers, however. Because many choose to keep monthly housing costs relatively low and some have chosen early retirement, they may want to buy homes that do not require financial over-extension.

Finally, residential stability and employment data suggest two alternative markets among empty-nesters and no-nesters. For a majority who are still employed and residentially stable, it will likely be necessary to create such products in close proximity to their current areas of residence and work. For a second group who are no longer working, products in aesthetically pleasing locations may be attractive. □

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Table 1. Household Projections to 2030

Household Type	1990	2000	2010	2020	2030	Percent Change				
						1990-2000	2000-2010	2010-2020	2020-2030	1990-2030
Empty-Nester	774,048	975,151	1,378,692	1,566,663	1,696,595	26.0	41.4	13.6	8.3	119.2
Household with Children	174,883	322,836	517,097	671,296	820,242	84.6	60.2	29.8	22.2	369.0
No-Nester	70,613	88,959	125,772	142,920	154,773	26.0	41.4	13.6	8.3	119.2
All Households	6,070,937	7,447,602	9,095,671	11,095,172	13,349,766	22.7	22.1	22.0	20.3	119.9

Sources: Derived from 1990 Census Public Use Microdata Sample Information and Projections from the Texas State Population Estimates and Projections Program, Department of Rural Sociology, The Texas A&M University System, 1996.

No-nester households also represent a growing home-buying market with substantial resources.

Behind the Number Scene

Data to verify the size and characteristics of the empty-nester market are not readily available. The standard source for the analysis of households, the U.S. Census of Population and Housing and related sources, examines household composition during the census. Households are not specifically identified that may have once had children but which had none in the household at the time of the census.

By compiling data on married-couple households of the appropriate age in which the wife has had one or more children and the household no longer has children present, it is possible to approximate the empty-nester household. Using the 1990 Public Use Microdata Sample, one can define empty-nester households as married-couple households in which the householder (head) was 45 to 64 years old, the wife had had one or more children and no children resided in the household when the census was taken.

This, of course, assumes that most persons will not have reached the empty-nest stage until age 45 or older. Clearly, some will have done so earlier, but using the 45-to-64-year-old group allows researchers to assess patterns among the majority of empty-nesters without either overly inflating numbers or including those in retirement ages whose financial picture involves substantially different considerations.

The anticipated growth in empty-nester, no-nester and related households can be determined by using data from the Texas State Population Estimates and Projections Program. The program in the Department of Rural Sociology at Texas A&M University projects households by type to the year 2030. Projections assume that married-couple-without-children households will be divided between empty-nester and no-nester households in the same proportion as in 1990. As a result, empty-nester and no-nester households show identical growth rates during the projection period.

Table 2. Householder Characteristics, 1990

Demographic-Socioeconomic Characteristics	All Households	Empty-Nesters	Households with Children	No-Nesters
Ethnicity				
Anglo	68.3	78.5	55.0	76.7
Black	11.1	6.5	8.0	9.9
Hispanic	18.7	13.9	33.7	12.1
Other	1.9	1.1	3.3	1.3
Education				
Some High School	27.0	29.2	34.6	24.6
High School	23.6	24.4	18.8	23.3
Some College	27.2	23.9	20.2	23.3
Bachelor's Degree	14.8	14.0	13.8	16.1
Graduate Degree	7.4	8.5	12.6	12.7
Migration Status				
Nonmigrant	49.7	76.2	70.4	73.7
Moved within Texas	41.1	19.4	23.4	20.5
Moved to Texas	9.2	4.4	6.2	5.8
Occupation				
Executive and Manager	13.8	17.2	15.9	18.4
Professional	13.2	11.9	8.0	14.6
Technical	4.2	3.0	3.0	3.2
Sales	11.8	13.1	11.1	13.5
Administrative Support	11.1	6.9	6.2	6.7
Services	11.5	7.6	8.5	8.3
Production, Craft and Repair	15.9	19.5	20.5	16.9
Operators	5.9	4.7	6.8	4.9
Transportation	5.6	7.7	8.4	5.8
Laborers	3.8	3.2	5.1	3.4
All Others	3.2	5.2	6.5	4.3
Median Household Income	\$27,016	\$35,256	\$33,530	\$37,563
Number of Employed Persons in Household				
0	10.0	20.6	9.5	20.1
1	44.5	40.0	41.0	38.3
2	45.5	39.4	49.5	41.6

Source: 1990 Census Public Use Microdata Sample (5%) for Texas.

Texas Nesters Compared

Description	Empty-Nesters	No-Nesters
	Middle age. No grown children living at home	Middle age. Never had children
Born in years:	1946-64	1946-64
Total 1990 households	774,000	70,600
Estimated 2030 households	1.7 million	154,800
Median income	\$35,300	\$37,600
Bachelor's degree	14 percent	16 percent
Native Texans	76 percent	74 percent
Executive-management careers	17 percent	18 percent
Ethnicity	79 percent Anglo	77 percent Anglo
Own home free and clear	41 percent	39 percent
Homes with seven rooms or more	17 percent	16 percent

Luxury, Leisure in Demand

By David S. Jones

The buyers were just what the builder had in mind—a middle-aged couple who often work at home, entertain clients and whose grown children no longer live with them. The New American Home '97 was designed with the empty-nester in mind.

The home was built in conjunction with the National Association of Home Builders' (NAHB) 53rd Annual Convention and Exposition held in Houston earlier this year. The 3,587-square-foot house is located in The Woodlands, one of the region's premier planned communities. The home sold for about \$420,000—a bargain because suppliers donated much of the material and many of the cutting-edge accoutrements.

The New American Home '97 was designed to appeal to homebuyers interested in low-maintenance products and with a floor plan for "aging in place." The single-story structure includes wider doorways and halls and maneuvering room for a wheelchair.

A Great Room

This year's home was the fourteenth in a series of NAHB show homes. The house incorporates many design, construction and product innovations specifically for the empty-nest market. A great room for casual entertaining is the focal point. A covered rear terrace with grill and outdoor fireplace allows year-round entertaining. The flexibility to work at home also is a highlight. A third garage bay designed as a home office becomes an apartment or media room, as dictated by the owners' lifestyle.

This home facilitates comfortable use by the able-bodied or the physically

challenged. Low-maintenance materials and easy-care products, such as synthetic stucco and stone, attract leisure-minded homebuyers.

The Woodlands site insures protection of the natural vegetation and helps create a strong indoor-outdoor look. Extensive window walls blend the wooded surroundings with the interior decor.

The New American Home '97 is sponsored by the National Council of the Housing Industry, *Builder Magazine* and *Ladies' Home Journal*. The New American Home program was established to showcase residential design trends, new building products and construction technology at the annual NAHB convention.

Facts of Empty-Nester Life

Empty-nesters are getting considerable press these days. Here is some of what is being said about them. These are from *Professional Builder* magazine's 22nd Annual Consumer Survey; *American Demographics* magazine; and a survey by the Kemper Funds.

- **Home size.** Few empty-nesters are willing to trade in their home for a smaller version after their children leave home. Only 11.8 percent of respondents reported moving to a smaller home. One explanation as to why empty-nesters are reluctant to move to a smaller home is that they may not be convinced that those kids are gone for good. In fact, 33.7 percent of empty-nesters surveyed have experienced boomerang children—those who leave the parents' home for a brief time but return at some point.
- **Bedrooms.** While 43 percent of move-up buyers say they want three

bedrooms, 73.2 percent of empty-nesters want that many. The master bedroom should be on the first floor say 56.6 percent of first-time buyers. However, 97.6 percent of empty-nesters want the master bedroom downstairs—even more than retirees (94.1 percent).

- **Kitchen.** Of all homeowners, 8.8 percent say they dislike the kitchen in their present home, but 14.9 percent of empty-nesters say they are unhappy with their kitchen.
- **Bathrooms.** Old bathrooms in present homes are disliked by 4.7 percent of all home shoppers, but 10.8 percent of empty-nest buyers are dissatisfied.
- **Vacation homes.** The fastest growth market for vacation homes and timesharing condominiums is among married couples aged 35-54 with no children at home.
- **Income and spending.** Although these categories fall among older couples, the average income for empty-nesters aged 55 to 64 is still 22 percent more than the average for all households, and their spending is 12 percent higher than average.
- **Elderly relatives.** Most empty-nesters have not yet felt the crunch of the "sandwich," in which they are simultaneously responsible for the well-being of both their children and their parents. Less than one quarter (22.2 percent) reported they were caregivers for elderly relatives.

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