



Why Home Builders Can Find
New Opportunities in
55+ Communities

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Introduction

Why Home Builders Can Find New Opportunities in 55+ Communities

Timing is everything, right?

Economic conditions and changing demographics mean timing couldn't be better for U.S. home builders to begin looking at new opportunities.

As markets face uncertainty, savvy home builders are looking to new investment prospects that can leverage their development experience.

One such opportunity could be 55+ housing as Baby Boomers retire and downsize. Adding 55+ communities allows home builders to diversify their portfolios while using their land acquisition and development knowledge. With continued growth projected in 55+ housing¹, home builders have the opportunity to gain market share. A franchise offering communities with low maintenance, detached homes that are popular with 55+ home buyers can give builders a significantly lower barrier to entry in this real estate segment.



55+ Housing
is experiencing
growth

Chapter 1

Builder Confidence in the Single-Family 55+ Housing Market

55+ home buyers in the U.S. continue to be tremendously underserved. In fact, the housing market hasn't been able to keep up with buyer demand over the past decade.²

What This Means for You

The unique challenges presented to the world recently have had a substantial impact on real estate portfolios in the United States.

Timing is right for experienced home builders to explore other sectors to diversify their portfolios, and the 55+ housing market in particular is a sector that deserves a closer look.



Chapter 2

Ways to Leverage Development Experience for Residential Investments

Residential community building may represent an alternative strategy for experienced real estate professionals looking for their next opportunity. Experienced builders and developers may be positioned for growth in residential communities for several reasons:

The complexities of acquisition and development are well understood.

Home builders who are already well versed in these areas can quickly transition to new types of development. Builders may even be able to use land they were originally planning for another type of property that has slowed in growth to take advantage of growing residential sectors like 55+ housing.

Development of residential properties can be easier.

There tends to be more opportunities, down payment requirements for loans are typically lower and there can be fewer regulations to follow in the building process for residential properties. As banks tighten their lending standards in response to increased regulations, financing from Commercial Mortgage Backed Securities (CMBS) is becoming limited. The CMBS market has seen a 50 percent decline in overall issuance.⁴

Residential development can be less expensive than building commercial properties.

Less expensive properties may require developers to take on less debt. For example, demand for multifamily housing is highest in high-priced urban areas, and high-end amenities are expected, making apartments increasingly expensive to build.³

Building residential properties allows investors to diversify from annuity-style investments.

Once developers have built and sold a community, they can move on, pocketing any proceeds or using it to start another community. This allows investors to try a new type of development without having to collect and manage monthly income, which frees up capital quicker for future development. This type of development often has a shorter waiting period before the investment is recouped.



Chapter 3

Growth in 55+ Housing

When considering a transition to residential communities, one sector in particular could represent significant opportunity – **55+ housing**.

There are over 70 million Baby Boomers in the U.S. and every day, about 10,000 turn 65.⁵

The longevity economy, which includes the products and services purchased by Americans more than 50 years old and the further economic activity those purchases generate, is currently valued at more than \$7 trillion per year and is expected to reach more than \$13.5 trillion by 2032.⁶





Chapter 4

What Makes an Ideal 55+ Community

With an understanding of land acquisition and development, experienced home builders and developers can apply their knowledge to building single-family communities for people over 55 with attention to some key specifications.

This demographic focuses on lifestyle.

Baby Boomers enjoy entertaining, spending time with friends and other leisure activities while spending less time on housekeeping and home maintenance. For example, communities offering detached condominium or patio homes are popular with 55+ home buyer versus a multifamily condominium or apartment complex because they offer a greater sense of the traditional home.

71%

of adults from 50 to 64 years old want to be in close proximity to family and friends or age in their current community⁷



Ranch style homes that are open and emphasize functionality are preferred.

Successful 55+ home builders have used market research of the Baby Boomer demographic to create floorplans that meet this group's unique desires. Since lifestyle and entertaining is a focus, open concept living areas and outdoor patios are popular.

A survey of the 55+ age group found that buyers are looking for high ceilings, natural light and sufficient storage space.⁸ Flex rooms are also a plus because they allow homeowners to customize their space to accommodate guests, a home office or whatever else they need.

Doing less is more.

Many 55+ new construction home buyers are rightsizing and looking for less square footage, fewer bedrooms and less maintenance. In addition to offering the right floorplan options, 55+ communities must provide some outdoor home maintenance. This includes lawn care, snow removal and trash pickup.

Community is everything.

More important than just a smaller, low-maintenance home, 55+ buyers want to feel part of a community. Hanley Wood found that first impressions upon entering a neighborhood and amenities are two major factors that influence a home buyer's decision to purchase.⁹ Developers targeting this demographic should consider communities that include amenities like walking trails and clubhouses. Ideal benefits could include a swimming pool, fitness facilities and plenty of room to host social events, all of which facilitate the sort of lifestyle that appeals to the 55+ demographic.

55+ home buyers want to be near shopping, restaurants, medical services and grocery stores—not in remote areas⁸



They also want technologies that amplify purer air and water quality, room comfort, and sound, as well as connectivity to family, friends and adventure⁸

It's no surprise that warmer climates appeal to some 55+ home buyers as a place to relocate upon retirement



Chapter 5

Generation X: Anticipating the Needs of the Next Generation Entering the 55+ Market

Who is Generation X?

Generation X is quickly entering the 55+ market. This shift is just beginning, but will have significant implications for the future of 55+ housing. At Epcon, we work to stay ahead of trends, so you have a turnkey product that will continue to resonate as Gen X comes calling.

Generation X

Born in 1965-1981

39-55 years old

Signature Traits

Pragmatic

Self-Reliant

Results-Driven

Looking at the next decade

3 Key Insights into 55+ Housing from 2020 to 2030

Generation X will have a growing impact in the 55+ home building market over the next 10+ years. With unique insights into the buying habits of Gen X, Epcon is working to put the right strategies in place to maximize opportunity. Let's look at their preferences and the opportunities they create for home builders.¹⁰

1

Gen X Puts a Premium on Privacy

Gen X places a strong emphasis on private, dedicated spaces for them to enjoy, relax and entertain. According to our proprietary research, over 80% of 45-54 year olds say private outdoor space is absolutely essential. Ensuring that home designs appeal to the needs of this generation through ongoing product development will be key.

2

Gen X is Sensitive to Extra Fees

Since many Gen Xers haven't accumulated wealth quite like the Baby Boomer generation, added fees are being scrutinized. Lower and more transparent HOA fees will appeal to the pragmatic nature of Gen X home buyers.

3

As 55+ Demographics Shift Toward Gen X, Some Housing Preferences will Remain Steady.

While a new generation will bring its own unique opportunities and challenges, many of the early wave Gen X housing preferences, design priorities and demand for amenities will still be in-line with late wave Baby Boomers. This makes Epcon's market-tested floorplans and communities a turnkey home building opportunity for the foreseeable future.



Building for the next generation:

Breaking Down the Target Gen X Market

Epcon Franchising is dedicating significant resources to understand Gen X buyers to develop the next generation of 55+ homes and communities. We're looking at price sensitivity, as well as housing and amenity preferences, to keep Epcon Communities out ahead of the competition in this increasingly competitive housing segment.

As an Epcon Franchise Builder you will have access to this ongoing research as well as the targeted marketing and sales knowledge to capture the rising Gen X market.



Chapter 6

How to Tap into a Franchising Business Model to Enter the 55+ Real Estate Market

Franchising offers the opportunity for home builders to enter a new area of development without having to reinvent the wheel.

Franchise business models should also offer training and support. In the 55+ industry, this knowledge can prevent common mistakes that could be costly for a new business venture.



55+ communities are growing across of the country as individuals want to be in close proximity to where their family or friends live¹¹

Five Qualities to Look for In a 55+ Business Opportunity

A proven framework.

A 55+ business opportunity should provide core strategies and processes for developing communities, proven floorplans with CAD drawings and specifications and insider bookkeeping knowledge to help gauge costs and maintain margins.

Purchasing power.

A 55+ business opportunity should provide national account buying power on construction materials and services, decreasing overhead.

Tools and technology.

A 55+ business opportunity should also provide the tools and technology needed for marketing and selling homes quickly. For example, Epcon Communities' website includes virtual tours and architectural renderings of all models. These tools are critical when pre-selling homes, but are often cost prohibitive for an independent builder to create. The investment in marketing and technology can help increase a developer's sales velocity without lowering the profit margin.

Greater velocity.

If the home designs are tested and well-documented they will be easier to build and appeal to the 55+ buyer. This, combined with available tools, will help provide a fast turnover of homes. Plans should allow you to build a home efficiently. For example, Epcon allows you to build a home in as little as 110 days—faster than the industry average for developments with more than 20 units—according to the U.S. Census Bureau's 2019 Survey of Construction.¹² As investors close out communities, they can start new ones, providing long-term growth opportunities.

No long-term contracts.

A 55+ business opportunity should not require long-term contracts. This will allow you to avoid committing decades to a particular brand. For example, the Epcon homebuilding and community development franchise does not require its franchisees to sign a 10-, 15- or 20-year agreement. Franchisees simply commit to build their first community. If franchisees choose to build additional communities anywhere in the country, they may not need to pay another initial franchise fee. This gives active franchisees the ability to continue developing as many communities as they want or the option to move on to other business interests.

Conclusion

The growth in 55+ housing offers a great opportunity for any home builder, but those who have real estate development experience are particularly well positioned in this sector.

Adding 55+ housing communities to a portfolio makes use of land acquisition and development experience while diversifying a home builder's income strategy.

Home builders can take proceeds from one community and use that large amount of capital to start another real estate investment without having to wait to collect monthly income. Timing is everything for home builders who want to maximize their growth potential before large builders come into their market. By working with a company like Epcon Communities with proven expertise in the 55+ housing market, investors can enter the segment smarter and faster.

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About Epcon Franchising

Epcon Franchising is a production home building and land development franchise company.

We help our Franchise Builders accelerate their growth by providing proven floor plans and business management systems that enable them to build faster, sell faster, market homes more effectively and turn home buyers into brand ambassadors.

Learn more.

www.EpconFranchising.com

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