



THE 2002 NATIONAL ASSOCIATION OF REALTORS® PROFILE OF SECOND-HOME OWNERS

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THE NATIONAL ASSOCIATION OF REALTORS®

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NATIONAL ASSOCIATION OF REALTORS®

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Preface

Throughout 2001 and most of 2002, the housing sector was one of the strongest sectors of the U.S. economy. Historically low mortgage rates and resilient consumer spending spurred housing markets to record levels. There was a record 6.2 million total single-family home sales in 2001; sales in 2002 are expected to exceed this record. Home price appreciation has also been healthy following the robust demand for housing, improving the equity position of many homeowners. Meanwhile, the lowest mortgage rates in decades have kept housing affordable for new buyers, helping push the U.S. homeownership rate up to 67.8 percent — an all time high.

The same favorable housing market conditions that inspired many American households to purchase their first home also enticed those who already owned a home to purchase second or third properties. Whether used as a vacation home, an investment vehicle, or both, second homes have become increasingly popular and have helped fuel the growth in the housing market. In 2001, nearly six percent of all homes purchased were second homes. According to the most recent data from the U.S. Bureau of the Census, there was a total 3.6 million seasonal homes in the third quarter of 2002 – up from 3.1 million in 1990 and an increase from 1.7 million in 1980. Other Census data show there are 9.2 million homes held by owners in addition to their primary residences.

Escapehomes.com, which collaborated with the NATIONAL ASSOCIATION OF REALTORS® in conducting this second-home owners survey, is a leading online company specializing in resort property and second homes.

While the path to owning one's first home is typically similar from one buyer to the next, second homes are acquired in many different ways. Some are inherited or shared with family members. Others were originally purchased as primary residences and later became "second" homes when the household purchased a new primary residence. A significant portion of second homes, however, are purchased for and used as vacation homes or investment properties.

The motivations for owning a second home vary from the desire for a vacation getaway to the need to diversify one's investment portfolio. But the demand for second homes is an important segment of the real estate market in the 21st Century. Understanding the similarities and differences between primary residences and second homes is crucial to those real estate professionals who assist their clients looking for a getaway home or investors looking for a worthwhile investment.

To address the need for information about second homes and second-home owners, the NATIONAL ASSOCIATION OF REALTORS® and Escapehomes.com collaborated on the development of a second-home owners survey. In October 2002, they conducted a joint mail and e-mail survey of consumers who owned a second property. The results of the survey – the largest ever undertaken by the NATIONAL ASSOCIATION OF REALTORS® – provided the Association with a profile of second-home owners, which allows REALTORS® and other real estate professionals to better determine who their clients are, what their clients want from real estate agents and what ways real estate professionals can improve their products and services for those consumers desiring a second home.

The 2002 NATIONAL ASSOCIATION OF REALTORS® Profile of Second Home Owners shows that second-home owners often rely on a real estate professional to assist them with the purchase transaction, and they value a real estate agent's help in negotiating the best possible deal. REALTORS® and other real estate professionals provide a wealth of experience and knowledge about this aspect of the housing market. Indeed, a specialty in resort areas is emerging due to the growth in this market segment. Real estate professionals must possess the full range of knowledge and experience about all aspects of the housing market. In addition, these professionals help their clients most by providing a sense of the investment potential and knowledge of recreational activities in the area that are available throughout the year.

Second homes have become increasingly popular and have helped fuel the growth in the housing market.

Notes to The 2002 NATIONAL ASSOCIATION OF REALTORS® Profile of Second-Home Owners

The mail and e-mail surveys were conducted among 93,000 consumers who owned a second property. The names and addresses were obtained from Affordable Samples, Inc., and the e-mail addresses came from Experian Marketing Solutions, Inc. These two firms maintain extensive databases of homeowners who reported that they currently own two or more homes. The mail survey provided 2,435 usable responses; the e-mail survey added 666 responses for a total of 3,101 responses. After accounting for incorrect addresses, the mail and e-mail versions of the survey had adjusted response rates of 5.3 percent and 1.9 percent, respectively. Of those 3,101 respondents, 2,547 had second homes at the time of the survey.

Unless otherwise noted, the median is the primary statistical measure used throughout this report. Due to rounding, percentage distributions may not add to 100 percent.

This report consists of 8 chapters that focus on specific areas of second-home ownership.

Chapter 1: Characteristics of Second-Home Owners

Chapter 2: Motivation for Second-Home Ownership

Chapter 3: Characteristics of Vacation Homes

Chapter 4: Characteristics of Investment Properties

Chapter 5: Acquiring a Second Home

Chapter 6: Role of Real Estate Professionals

Chapter 7. Other Ways to Buy

Chapter 8. Looking Forward: Future Buyers of Second and Third Homes

Please enjoy this report.

Ellen P. Roche

Thomas M. Beers

Report Highlights

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s they are for all residential property buying and selling transactions, real estate professionals are the leading information source used by recent buyers of second homes. More than 57 percent of recent second-home buyers (those who purchased a second home between 2000 and 2002) first found the home that they ultimately purchased through the services of a real estate agent. Nearly half of all recent second-home buyers used a real estate agent as an information source.

Second-Home Owners

- The typical second-home owner is 61 years old and has a household income of \$76,900.
- The vast majority of second-home owners consider their second home to be a good investment.
- The majority of recent second-home buyers who have thought about purchasing a third home report that the recent stock market slump has made them more likely to buy that third property.

Second Homes

- Nearly 78 percent of second homes are vacation homes as opposed to investment homes or land.
- Over half of all second-home owners think of their second home as a family retreat.
- Second-home owners typically live farther from vacation homes than from investment homes.

Motivations for Ownership

- Most vacation-home owners never rent the home; most investment-home owners never use their homes.
- Fifteen (15) percent of second-home owners cited income as a factor for buying or keeping their second home; 16 percent responded that they wanted to “diversify investments.”
- One in six second-home owners over 55 plans to make their second home their primary residence after retirement.

Real estate professionals and their clients both can benefit from understanding the motivations behind purchasing second homes. Consumers who are interested in buying an additional home can learn from the experiences of other second-home owners. Real estate agents can use the information to tailor products and services to attract and better serve potential second-home buyers and sellers.

***The 2002 NATIONAL
ASSOCIATION
OF REALTORS®
Profile of
Second-Home Owners***

To purchase a copy of the complete **2002 NATIONAL ASSOCIATION OF REALTORS® Profile of Second-Home Owners**, call NAR's Customer Service at 1-800-874-6500. Ask for Item #186-55-02. Cost is \$50 for NAR Members; \$75 for nonmembers.

The NATIONAL ASSOCIATION OF REALTORS®, "The Voice for Real Estate," is the nation's largest professional association, representing more than 860,000 members involved in all aspects of the real estate industry.

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For more information about the NATIONAL ASSOCIATION OF REALTORS® and its network of strategic partners, visit NAR's web site at <http://www.REALTOR.org>.

About NAR's Research Division

The Research Division of the NATIONAL ASSOCIATION OF REALTORS® produces the premiere measurement of residential real estate activity – the existing home sales series – and analyzes how changes in the economy can impact the real estate business. It also examines trends in real estate practices, and how NAR members are adapting technology in their business operations. NAR Research looks at recent regulatory and legislative policy proposals and how those policies could affect REALTORS® and their clients, America's property owners. To find out about other products from NAR's Research Division, visit our web site at <http://www.realtor.org/research>.

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