

# 2010 NAR Investment and Vacation Home Buyers Survey

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## Introduction

While most home buyers purchase a property to use as their primary residence, many also purchase a vacation home or a residential investment property. Because the purchase of each type of property is often influenced by different factors, it is important to understand how changes in the market environment affect each segment. The goal of the *NAR Investment and Vacation Home Buyers Survey* is to estimate the number of home sales that fall into each category and track how sales and prices in each vary over time.

## Market Environment

Although the U.S. economy is pulling out of the Great Recession, 2009 continued to be a turbulent economic year. Rising unemployment, a weak economy and job losses continued to weigh on consumer confidence. Existing home sales rose to 5.2 million from 4.9 million units due to a combination of factors—low mortgage interest rates, favorable affordability conditions, and the First-Time Home Buyer Tax Credit, which brought new buyers to the market. In contrast, new home sales fell to 374,000 units in 2009 from 485,000 in 2008.

## The Changing Composition of Residential Sales

In 2009, 73 percent of residential property buyers reported that they purchased a home to use as their primary residence, an increase from 70 percent in 2008 and up significantly from 60 percent in 2005. Most often, buyers purchase a primary residence based on job relocation needs, the formation of new households or changes in family circumstances necessitating a larger or smaller home or a home in a different location. While these factors are still present, the availability of the First-Time Buyer Home Buyer Tax Credit also contributed to an increase in sales of primary residences.

For the remaining 27 percent of buyers, the motivation to purchase an investment property or vacation home is influenced by a different set of factors. The purchase of a vacation home is largely a lifestyle choice, often with the expectation that the home will become the buyer's primary residence in the future. In 2009, the share of vacation home purchasers remained nearly steady compared with 2008—one in ten home buyers purchased a vacation home.



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For buyers of investment properties, even in a difficult economic environment, opportunities exist. Location, price and the local demand for rental units are among the most important factors influencing the transaction. The share of investment property sales fell to 17 percent in 2009, down from 21 percent in 2008 and continuing a declining trend following a peak of 28 percent in 2005.

## The Market in 2009

Seventy-three percent of residential property buyers purchased a primary residence, reflecting a 7.1 percent increase in sales (new and existing) compared to 2008. The 2009 survey asked those who purchased a primary residence if they were a first-time buyer. Among primary residence buyers, the first-time home buyer share was 54 percent. The median price of primary residences declined by 5.6 percent in 2009 to \$185,000 compared with 2008. However, the same share of primary residence home buyers as last year—15 percent—paid all cash for their home.

Sales of vacation homes were up 7.9 percent, to 553,000, from very low levels in 2008. In 2005 and 2006 more than 1 million sales occurred for vacation homes annually. The median vacation home price increased by 12.7 percent compared with 2008, possibly reflecting a shift in the composition of vacation home sales to higher priced markets. Across the four regions, the share of vacation homes purchased increased in the West, Midwest, and South and decreased in the Northeast. One in four vacation home purchases was directly from the previous owner. The 2009 median household income of vacation home buyers declined to \$87,500 from \$97,200, while the typical buyer was 46 years old.

In 2009, residential investment property sales fell 15.9 percent to 940,000. The median sales price of investment properties also declined by 2.8 percent to \$105,000. Forty-eight percent of investment property buyers paid all cash, up from 42 percent last year. Across the four regions, the share of investment properties purchased in the West increased to 25 percent from 18 percent last year. The median income of residential investment property buyers was \$87,200.



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## Methodology

In March 2010, a random sample of households that had purchased any type of residential real estate during 2009 was surveyed. The survey sample was drawn from a representative panel of U.S. households monitored and maintained by an established survey research firm. A total of 1,930 qualified households responded to the survey, accounting for 1,982 home purchases during 2009. Households were sampled to meet age and income quotas representative of all home buyers drawn from the *2009 NAR Profile of Home Buyers and Sellers*.



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**Exhibit 1: Vacation and Investment Property Sales and Prices**

	Primary Residences	Vacation Properties	Investment Properties
<b>Share of Home Sales by Intended Use</b>			
2003	67%	12%	22%
2004	64	11	25
2005	60	12	28
2006	64	14	22
2007	67	12	21
2008	70	9	21
2009	73	10	17
<b>New and Existing Home Sales (000)</b>			
2003	4,841	849	1,571
2004	5,106	872	2,003
2005	5,023	1,019	2,317
2006	4,816	1,067	1,646
2007	4,336	740	1,349
2008	3,768	513	1,117
2009	4,037	553	940
<i>Pct change 2008-2009</i>	7.1	7.9	-15.9
<b>Median Sales Price</b>			
2003	-	-	-
2004	-	\$190,000	\$148,000
2005	-	\$204,100	\$183,500
2006	-	\$200,000	\$150,000
2007	\$199,500	\$195,000	\$150,000
2008	\$196,000	\$150,000	\$108,000
2009	\$185,000	\$169,000	\$105,000
<i>Pct change 2008-2009</i>	-5.6	12.7	-2.8

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Exhibit 2: Buyer Characteristics

	Primary Residences	Vacation Properties	Investment Properties
<b>Buyer Age</b>			
Under 45	68%	47%	50%
45 to 55	16	26	22
Over 55	16	28	28
<i>Median (years)</i>	33	46	45
<b>Household Income (2009)</b>			
Less than \$45,000	21%	16%	14%
\$45,000 to \$75,000	33	26	29
\$75,000 to \$100,000	20	19	20
More than \$100,000	26	39	37
<i>Median</i>	\$72,900	\$87,500	\$87,200
<b>Number of Household Income Earners</b>			
None	3%	4%	3%
One	41	35	37
Two	53	51	54
Three or more	3	10	6
<b>First-time and Repeat Buyer Household</b>			
First-time home buyer	54%	-	-
Repeat home buyer	46	-	-
<b>Household Composition</b>			
Married couple	71%	73%	78%
Single female	11	8	7
Single male	7	13	9
Unmarried couple	9	4	5
Other	2	2	2
<b>Number of Children Under 18</b>			
None	50%	49%	46%
One	21	17	19
Two	20	23	25
Three or more	9	11	10
<b>Racial/Ethnic Background</b>			
White/Caucasian	84%	86%	85%
Black/African American	6	5	5
Hispanic/Latino	5	5	5
Asian/Pacific Islander	7	4	5
Other	1	3	2

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**Exhibit 3: Property Characteristics**

	Primary Residences	Vacation Properties	Investment Properties
<b>Location of Property</b>			
Small town	16%	25%	26%
Rural area	17	30	15
Suburb/Subdivision	50	23	35
Urban area/Central City	17	6	18
Resort area	*	17	5
<b>Region of Home Purchase</b>			
Northeast	16%	12%	16%
Midwest	23	17	24
South	38	50	35
West	23	21	25
<b>Type of Property</b>			
Detached single-family	85%	71%	63%
Condo/duplex in building with 2 to 4 units	5	10	17
Condo/apartment in building with 5 or more units	3	11	10
Townhouse or row house	5	5	5
Other	2	3	5
<b>New or Existing Home</b>			
New	28%	26%	16%
Existing	72	74	84
<b>Distance from Primary Residence</b>			
5 miles or less	-	2%	18%
6 to 10 miles	-	4	12
11 to 15 miles	-	1	9
16 to 20 miles	-	3	9
21 to 50 miles	-	8	11
51 to 100 miles	-	16	9
101 to 500 miles	-	27	11
501 to 1,000 miles	-	12	7
1,001 miles or more	-	28	14
<i>Median (miles)</i>		348	24

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Exhibit 4: Method of Purchase and Financing

	Primary Residences	Vacation Properties	Investment Properties
<b>Purchase Method</b>			
Through a real estate agent or broker	69%	54%	49%
Foreclosure or trustee sale	5	10	15
Directly from owner whom the buyer knew	9	17	19
Directly from owner whom the buyer didn't know	5	10	8
Directly from builder or builder's agent	9	4	1
Auction	*	3	4
1031 Exchange	*	*	*
Other	3	3	4
<b>First Step Taken in the Home Buying Process</b>			
Looked online for properties for sale	31%	32%	27%
Looked online for information about the home buying process	16	9	11
Contacted a real estate agent	11	12	14
Talked with a friend or relative about the home buying process	8	14	9
Contacted a bank or mortgage lender	7	4	7
Drove-by homes/neighborhoods	6	6	7
Visited open houses	6	4	6
Contacted builder/visited builder models	4	4	1
Contacted a home seller directly	3	5	8
Looked in newspapers, magazines, or home buying guides for properties for sale	2	4	3
Read books or guides about the home buying process	*	2	2
Attended a home buying seminar	1	1	2
Other	3	4	5
<b>Where Buyer Found the Home They Purchased</b>			
Internet	35%	26%	28%
Real estate agent	27	25	22
Yard sign/open house sign	11	9	13
Friend, relative or neighbor	9	19	17
Home builder or their agent	8	7	3
Directly from sellers/Knew the sellers	4	4	9
Print newspaper advertisement	5	6	6
Home book or magazine	2	3	2
<b>Mortgage Financing</b>			
Used a mortgage	84%	70%	51%
Did not use a mortgage	15	29	48
Don't know	1	1	1

\* Less than one percent

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Exhibit 5: Buyer Motivation and Expectations

	Primary Residences	Vacation Properties	Investment Properties
<b>Reasons for Purchasing Home</b>			
To use for vacations or as a family retreat	-	89%	19%
To diversify investments/Good investment opportunity	-	29	44
To use as principal residence in the future	-	26	8
To rent to others	-	25	59
For the tax benefits	-	14	14
For a family member, friend or relative	-	13	18
Because the buyer had extra money to spend	-	6	6
Other	-	4	4
<b>Length of Time Buyer Plans to Own Property</b>			
Have already sold this property	1%	1%	4%
Less than 1 year	3	4	6
1 to less than 3 years	4	5	10
3 to less than 6 years	22	11	16
6 to less than 11 years	19	15	10
11 or more years	35	41	26
Don't know	16	24	28
<i>Median</i>	<i>11</i>	<i>16</i>	<i>12</i>
<b>Likelihood of Buying Vacation or Investment Property in Next 2 Years</b>			
Very likely	8%	15%	25%
Somewhat likely	16	16	22
Somewhat unlikely	12	17	14
Very unlikely	55	38	27
Don't know	8	14	12
<b>Now is Good Time to Purchase Real Estate</b>			
Good time to purchase	75%	80%	83%
Not a good time to purchase	12	12	7
Don't know	13	8	11

\* Less than one percent