

National Association of REALTORS®

# Investment and Vacation Home Buyers Survey 2015



# **2015 NAR Investment And Vacation Home Buyers Survey**

**NATIONAL ASSOCIATION OF REALTORS®**

**Research Division**

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# 2015 NAR Investment and Vacation Home Buyers Survey

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## Introduction

Traditionally, the majority of home buyers make a primary residence their purchase. However, some buyers purchase a vacation home to use for a family retreat or to purchase for a principal residence in the future, and some investors purchase a home to rent to others or to diversify their investments. By surveying nearly 2,000 adults online who purchased a home in the last year, the *NAR Investment and Vacation Home Buyers Survey* breaks down the share of home sales by primary residences, vacation homes, or investment properties, and presents several characteristics of the non-primary residence transaction.

## Market Environment

In many areas of the country, home sales in 2014 were dampened by low housing inventory. As inventory tightened, home prices rose. While this growth in home prices was good for many owners and potential sellers, it shut out many first-time home buyers. The first-time home buyer share among primary residence buyers dipped to lows not seen since 1987. In some areas of the country, however, as investors and vacation buyers report, there are still real estate deals to be found.

## The Composition of Residential Sales

In 2014, the share of buyers who purchased a primary residence dropped from 67 percent to 60 percent. The share of vacation home buyers continued rising to 21 percent from 13 percent. This is a percent change of 57.4 percent since 2013 and the highest share of vacation buyers recorded in this data set. The share of investment buyers continued declining slightly to 19 percent from 20 percent.

While buyers of primary residences typically purchase homes because of the desire to be a home owner or due to a job relocation, buyers of vacation and investment homes are motivated by other factors. One-third of vacation home buyers plan to use their property for vacations or as a family retreat, 19 percent plan to convert their vacation home into their primary residence in the future, 13 percent bought for potential price appreciation and 13 percent purchased because of low real estate prices and the buyer found a good deal. Thirty-seven percent of investment property buyers purchased the home to rent to others, 17 percent purchased because of low real estate prices and the buyer found a good deal, and 15 percent for potential price appreciation.

## Property Characteristics

The median price of primary residences continued climbing—as it has since 2011. In 2014 the price increased 5.8 percent to \$199,900 from the 2013 median price of \$189,000. The share of primary buyers who used a mortgage has remained nearly flat, at nearly three-quarters of buyers.

Forty-five percent of vacation buyers and 44 percent of investors purchased a distressed property (a foreclosure or a short sale). The median vacation and investor home purchase price was lower in 2014 than in 2013. The typical price was \$150,000 for vacation buyers and \$125,000 for investors. The share of vacation buyers who paid all cash fell slightly to 30 percent from 38 percent. The share of investors who paid all cash also dipped to 41 percent from 46 percent. However, when both vacation buyers and investors are financing their home purchase, more than four in ten are financing less than 70 percent.

Among vacation buyers, 22 percent purchased in a resort area and 19 percent purchased in a small town—higher than other buyer types. Forty percent of vacation buyers purchased in a beach area, 19 percent

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purchased in the country, and 17 percent purchased a vacation home in the mountains. The typical vacation property was 200 miles from the buyers' primary residence, while the typical investor property was 24 miles from their primary residence. The typical investment buyer plans to own their investment home for five years.

### **Optimism and the Future**

Buyers of primary residences, vacation homes, and investment properties were active in the market despite hurdles they may face with low inventory and tight financing. More than 80 percent of vacation buyers and investment buyers reported that now is a good time to purchase real estate. Sixty-eight percent of investment buyers are likely to buy another investment property, and 49 percent of investment buyers are likely to purchase a vacation property in the next two years. Similarly, 66 percent of vacation buyers are likely to purchase an investment property and 58 percent are likely to purchase another vacation property in the next two years. Among primary residence buyers, 41 percent are likely to buy an investment property and 45 percent are likely to buy a vacation property in the next two years.

### **Methodology**

In March 2015, a sample of households that had purchased any type of residential real estate during 2014 was surveyed. The survey sample was drawn from a representative panel of U.S. adults monitored and maintained by an established survey research firm. A total of 1,971 qualified adults responded to the survey. Respondents were sampled to meet age and income quotas representative of all home buyers drawn from the *2014 NAR Profile of Home Buyers and Sellers*. The share of primary residence buyers was 60 percent, the share of vacation buyers was 21 percent, and the share of investment buyers was 19 percent.

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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
2010	73	10	17
2011	61	11	27
2012	65	11	24
2013	67	13	20
2014	60	21	19
<b>New and Existing Home Sales (000)*</b>			
2003	4,844	850	1,572
2004	5,106	872	2,003
2005	5,023	1,019	2,317
2006	4,817	1,067	1,646
2007	3,925	670	1,221
2008	3,207	436	951
2009	3,441	471	801
2010	3,294	469	749
2011	2,785	502	1,233
2012	3,268	553	1,207
2013	3,698	717	1,104
2014	3,226	1,129	1,022
<i>Pct change 2013-2014</i>	-12.8	57.4	-7.4
<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
2010	\$176,700	\$150,000	\$94,000
2011	\$167,700	\$121,300	\$100,000
2012	\$170,000	\$150,000	\$115,000
2013	\$189,000	\$168,700	\$130,000
2014	\$199,900	\$150,000	\$125,000
<i>Pct change 2013-2014</i>	5.8	-11.1	-3.8

\*Home sales were calculated based on a proportion of buyers who bought each respective home type—vacation, investment, and primary residence. The number of purchases for each housing type were calculated using the total number of existing home sales and new homes in 2014.

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Exhibit 2: Property Characteristics

	Primary Residences	Vacation Properties	Investment Properties
<b>Location of Property</b>			
Small town	14%	19%	16%
Rural area	13	16	21
Suburb/Subdivision	45	22	32
Urban area/Central city	26	21	26
Resort area	2	22	5
<b>Type of Location</b>			
Beach	-	40%	-
Country	-	19	-
Mountain	-	17	-
Lake Front	-	15	-
Ranch	-	4	-
Other	-	5	-
<b>Region of Home Purchase</b>			
Northeast	19%	15%	17%
Midwest	20	14	20
South	37	46	37
West	25	25	26
<b>Type of Property</b>			
Detached single-family	74%	54%	61%
Townhouse or row house	6	18	12
Condo/duplex in building with 2 to 4 units	8	10	9
Condo/apartment in building with 5 or more units	10	17	13
Other	2	1	5
<b>Size of Property</b>			
500 sq ft or less	8%	15%	11%
501 sq ft to 1,000 sq ft	9	15	16
1,001 sq ft to 1,500 sq ft	21	23	25
1,501 sq ft to 2,000 sq ft	22	17	16
2,001 sq ft to 2,500 sq ft	15	10	9
2,501 sq ft to 3,000 sq ft	9	4	7
3,001 sq ft or larger	15	17	16
<i>Median (square feet)</i>	<i>1850</i>	<i>1500</i>	<i>1500</i>
<b>Distressed Sale</b>			
Home in foreclosure	21%	27%	23%
Short sale	13	18	21
Not a distressed sale	66	55	56
<b>Distance from Primary Residence</b>			
5 miles or less	-	5%	22%
6 to 10 miles	-	4	14
11 to 15 miles	-	4	8
16 to 20 miles	-	2	6
21 to 50 miles	-	10	17
51 to 100 miles	-	13	6
101 to 250 miles	-	16	7
251 to 500 miles	-	11	4
501 to 1,000 miles	-	11	5
1,001 miles or more	-	24	12
<i>Median (miles)</i>		<i>200</i>	<i>24</i>

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**Exhibit 3: Method of Purchase and Financing**

	Primary Residences	Vacation Properties	Investment Properties
<b>Household Income (2014)</b>			
Less than \$45,000	19%	11%	14%
\$45,000 to \$74,999	27	21	23
\$75,000 to \$99,999	19	22	21
\$100,000 or more	35	46	41
<i>Median</i>	<i>\$79,650</i>	<i>\$94,380</i>	<i>\$87,680</i>
<b>Number of Household Income Earners</b>			
None	7%	3%	5%
One	39	36	36
Two	51	58	55
Three or more	3	3	4
<b>Purchase Method</b>			
Through a real estate agent or broker	58%	45%	50%
Directly from owner whom the buyer knew	9	15	17
Directly from owner whom the buyer didn't know	11	15	14
Directly from builder or builder's agent	16	13	8
Other	7	12	11
<b>First Step Taken in the Home Buying Process</b>			
Looked online for properties for sale	24%	20%	21%
Contacted a real estate agent	19	16	22
Visited open houses	8	7	5
Contacted a bank or mortgage lender	8	5	7
Drove-by homes/neighborhoods	7	9	8
Contacted a home seller directly	6	9	8
Looked up information about different neighborhoods and areas	6	7	5
Looked online for information about the home buying process	5	7	5
Talked with a friend or relative about the home buying process	4	5	7
Contacted builder/visited builder models	4	5	1
Other	9	10	11
<b>Where Buyer Found the Home They Purchased</b>			
Online	48%	48%	43%
Real estate agent	22	15	18
Friend, relative or neighbor	8	13	15
Yard sign/open house sign	6	5	8
Home builder or their agent	6	6	3
Directly from sellers/Knew the sellers	5	7	8
Print newspaper advertisement	3	5	3
Home book or magazine	2	1	2
<b>Mortgage Financing</b>			
Used a mortgage	73%	70%	59%
Did not use a mortgage	26	29	39
Don't know	1	1	2
<b>Percent of Purchase Price Financed</b>			
Less than 70%	36%	48%	41%
70% to 79%	17	23	22
80% to 89%	21	17	21
90% to 94%	10	6	7
95% to 99%	7	3	4
100% –Entire purchase price	9	3	5
<b>Difficulty of Mortgage Application and Approval Process</b>			
Much more difficult than expected	14%	18%	12%
Somewhat more difficult than expected	27	32	30
Not difficult/just what expected	44	42	42
Less difficult than expected	15	8	16

\* Less than 1 percent

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Exhibit 4: Buyer Motivation and Expectations

	Primary Residences	Vacation Properties	Investment Properties
<b>Reasons for Purchasing Home</b>			
To use for vacations or as a personal/family retreat	-	33%	8%
For future retirement	-	19	10
Potential for price appreciation	-	13	15
Low real estate prices/good deal	-	13	17
To generate income through renting property	-	11	37
Low mortgage rates	-	9	7
Other	-	2	6
<b>Length of Time Buyer Plans to Own Property</b>			
Have already sold this property	2%	4%	2%
Less than 1 year	7	9	10
1 to 2 years	10	15	15
3 to 5 years	19	16	20
6 to 10 years	17	15	16
11 or more years	31	26	17
Don't know	15	15	19
<i>Median (years)</i>	7	6	5
<b>Likelihood of Buying an Investment Property in Next 2 Years</b>			
Very likely	17%	31%	24%
Somewhat likely	24	35	44
Somewhat unlikely	13	12	12
Very unlikely	40	18	12
Don't know	6	4	8
<b>Likelihood of Buying a Vacation Property in Next 2 Years</b>			
Very likely	19%	28%	21%
Somewhat likely	26	30	28
Somewhat unlikely	11	16	13
Very unlikely	37	23	20
Don't know	6	5	8
<b>Now is a Good Time to Purchase Real Estate</b>			
Good time to purchase	78%	85%	86%
Not a good time to purchase	9	10	6
Don't know	13	5	8