



National Association of REALTORS®
**Investment and Vacation
Home Buyers Survey
2014**

2014 NAR Investment And Vacation Home Buyers Survey

NATIONAL ASSOCIATION OF REALTORS®

Research Division

April 2014

2014 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. 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

Home sales the first half of 2013 saw a stronger recovery in many local markets. Low mortgage interest rates and housing affordability encouraged buyers to enter the market. However, the recovery slowed the second half of 2013 in many areas as low housing inventory dampened the recovery.

The Composition of Residential Sales

In 2013, the share of buyers who purchased a primary residence rose from 65 percent to 67 percent. The share of vacation home buyers rose slightly, to an overall share of 13 percent. The share of investment buyers declined slightly to 20 percent from 24 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. Eighty-seven percent of vacation home buyers plan to use their property for vacations or as a family retreat, 31 percent plan to convert their vacation home into their primary residence in the future, and 28 percent bought to diversify their investments and because it was a good investment opportunity. Fifty percent of investment property buyers purchased the home to rent to others, and 34 percent bought to diversify investments and because it was a good investment opportunity, while 29 percent bought to use the home for vacations or as a family retreat.

Characteristics of Buyers and Their Homes

The median price of primary residences increased in 2013 to \$189,000 from the 2012 median price of \$170,000. The share of primary buyers who used a mortgage has remained nearly flat, at three-quarters of buyers.

The median vacation home purchase price was higher in 2013 than in 2012--\$168,700. The share of vacation buyers who did not use a mortgage fell slightly to 38 percent. The share of vacation buyers who purchased a distressed property (foreclosure or short sale) was 42 percent. Among vacation buyers, 17 percent purchased in a rural area and 14 percent in a resort area—higher than other buyer types. The typical vacation property was 180 miles from the buyers' primary residence.

The sales price for investment properties rose for the third consecutive year to \$130,000. The share of investment buyers who paid all cash for their home purchase remained nearly steady from 2012 at 46 percent. Investors in 2013 remained active in buying distressed properties that were on the market. Twenty-nine percent of investment property buyers purchased a home in foreclosure, and 18 percent purchased a short sale property. The typical investment buyer plans to own their investment home for five years.

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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 percent of investment buyers are likely to buy another investment property, and 55 percent of investment buyers are likely to purchase a vacation property in the next two years. Similarly, 51 percent of vacation buyers are likely to purchase an investment property and 52 percent are likely to purchase another vacation property in the next two years. Among primary residence buyers, 37 percent are likely to buy an investment property and 40 percent are likely to buy a vacation property in the next two years.

Methodology

In March 2014, a sample of households that had purchased any type of residential real estate during 2013 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 2,008 qualified households responded to the survey, accounting for 2,203 home purchases during 2013. Households were sampled to meet age and income quotas representative of all home buyers drawn from the *2013 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
Share of Home Sales by Intended Use			
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
New and Existing Home Sales (000)			
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	3,697	717	1,104
<i>Pct change 2012-2013</i>	13.1	29.7	-8.5
Median Sales Price			
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
<i>Pct change 2012-2013</i>	11.2	12.5	13.0

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Exhibit 2: Buyer Characteristics

	Primary Residences	Vacation Properties	Investment Properties
Buyer Age			
Under 35	35%	27%	28%
35 to 44	26	28	31
45 to 54	12	16	14
55 or older	28	30	27
<i>Median (years)</i>	40	43	42
Household Income (2013)			
Less than \$45,000	18%	5%	4%
\$45,000 to \$75,000	27	11	13
\$75,000 to \$100,000	20	45	36
More than \$100,000	35	39	47
<i>Median</i>	\$81,400	\$95,500	\$94,900
Number of Household Income Earners			
None	6%	4%	5%
One	37	29	30
Two	54	61	59
Three or more	3	6	6
Racial/Ethnic Background			
White/Caucasian	81%	75%	77%
Hispanic/Latino	8	8	7
Asian/Pacific Islander	7	10	10
Black/African American	7	8	8
Other	2	4	2

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Exhibit 3: Property Characteristics

	Primary Residences	Vacation Properties	Investment Properties
Location of Property			
Small town	15%	15%	20%
Rural area	13	17	10
Suburb/Urban	72	54	63
Resort area	1	14	7
Region of Home Purchase			
Northeast	13%	18%	18%
Midwest	22	14	19
South	41	41	38
West	24	28	25
Type of Property			
Detached single-family	81%	66%	62%
Townhouse or row house	7	9	8
Condo/duplex in building with 2 to 4 units	5	12	16
Condo/apartment in building with 5 or more units	5	11	11
Other	2	2	4
Size of Property			
500 sq ft or less	1%	2%	2%
501 sq ft to 1,000 sq ft	6	11	10
1,001 sq ft to 1,500 sq ft	18	27	26
1,501 sq ft to 2,000 sq ft	30	23	31
2,001 sq ft to 2,500 sq ft	22	20	16
2,501 sq ft to 3,000 sq ft	13	8	8
3,001 sq ft or larger	10	9	6
<i>Median (square feet)</i>	<i>1910</i>	<i>1720</i>	<i>1690</i>
Distressed Sale			
Home in foreclosure	20%	29%	29%
Short sale	11	13	18
Not a distressed sale	69	58	54
Distance from Primary Residence			
5 miles or less	-	2%	15%
6 to 10 miles	-	4	15
11 to 15 miles	-	6	10
16 to 20 miles	-	6	10
21 to 50 miles	-	13	12
51 to 100 miles	-	15	9
101 to 500 miles	-	20	10
501 to 1,000 miles	-	12	8
1,001 miles or more	-	22	12
<i>Median (miles)</i>		<i>180</i>	<i>20</i>

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Exhibit 4: Method of Purchase and Financing

	Primary Residences	Vacation Properties	Investment Properties
Purchase Method			
Through a real estate agent or broker	72%	62%	52%
Foreclosure or trustee sale	2	4	6
Directly from owner whom the buyer knew	9	19	20
Directly from owner whom the buyer didn't know	5	7	7
Directly from builder or builder's agent	10	5	6
Other	2	3	9
First Step Taken in the Home Buying Process			
Looked online for properties for sale	28%	20%	20%
Looked online for information about the home buying process	16	18	15
Contacted a real estate agent	12	8	14
Visited open houses	10	11	11
Talked with a friend or relative about the home buying process	7	14	11
Drove-by homes/neighborhoods	6	8	9
Contacted a bank or mortgage lender	5	3	3
Contacted a home seller directly	4	5	5
Contacted builder/visited builder models	4	3	3
Looked up information about different neighborhoods and areas	2	3	3
Other	6	7	6
Where Buyer Found the Home They Purchased			
Online	30%	24%	22%
Real estate agent	26	20	19
Yard sign/open house sign	11	12	15
Friend, relative or neighbor	10	15	15
Home builder or their agent	10	9	9
Directly from sellers/Knew the sellers	5	5	6
Print newspaper advertisement	5	10	8
Home book or magazine	3	5	6
Mortgage Financing			
Used a mortgage	75%	62%	53%
Did not use a mortgage	25	38	46
Don't know	*	*	1
Percent of Purchase Price Financed			
Less than 70%	34%	51%	39%
70% to 79%	18	20	29
80% to 89%	19	16	16
90% to 94%	9	7	6
95% to 99%	10	3	5
100% –Entire purchase price	10	3	5
Difficulty of Mortgage Application and Approval Process			
Much more difficult than expected	14%	17%	27%
Somewhat more difficult than expected	26	24	17
Not difficult/just what expected	45	44	44
Less difficult than expected	16	15	12

* Less than 1 percent

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Exhibit 5: Buyer Motivation and Expectations

	Primary Residences	Vacation Properties	Investment Properties
Reasons for Purchasing Home			
To use for vacations or as a family retreat	-	87%	29%
To use as principal residence in the future	-	31	9
To diversify investments/Good investment opportunity	-	28	34
To rent to others	-	23	50
For a family member, friend or relative	-	22	22
Because the buyer had extra money to spend	-	13	8
For the tax benefits	-	13	17
Other	-	2	1
Length of Time Buyer Plans to Own Property			
Have already sold this property	2%	5%	7%
Less than 1 year	6	9	10
1 to less than 3 years	9	12	14
3 to less than 6 years	17	13	14
6 to less than 11 years	19	14	16
11 or more years	30	24	15
Don't know	17	23	24
<i>Median</i>	8	6	5
Likelihood of Buying an Investment Property in Next 2 Years			
Very likely	18%	31%	37%
Somewhat likely	19	20	23
Somewhat unlikely	11	12	11
Very unlikely	40	23	15
Don't know	13	15	14
Likelihood of Buying a Vacation Property in Next 2 Years			
Very likely	20%	33%	36%
Somewhat likely	20	19	19
Somewhat unlikely	9	9	9
Very unlikely	41	24	21
Don't know	11	15	15
Now is Good Time to Purchase Real Estate			
Good time to purchase	67%	82%	84%
Not a good time to purchase	12	10	10
Don't know	21	8	7