

National Association of REALTORS®

# Investment and Vacation Home Buyers Survey 2013



*The Voice for Real Estate®*



NATIONAL  
ASSOCIATION of  
REALTORS®

# **2013 NAR Investment And Vacation Home Buyers Survey**

**NATIONAL ASSOCIATION OF REALTORS®**

**Research Division**

**April 2013**

# 2013 NAR Investment and Vacation Home Buyers Survey

## Contents

Introduction ..... 3

Market Environment..... 3

The Composition of Residential Sales ..... 3

Characteristics of Buyers and Their Homes ..... 3

The Market in 2013..... 4

Methodology ..... 4

Exhibit 1: Investment and Vacation Home Sales and Prices..... 5

Exhibit 2: Buyer Characteristics ..... 6

Exhibit 3: Property Characteristics..... 7

Exhibit 4: Method of Purchase and Financing ..... 8

Exhibit 5: Buyer Motivations and Expectations ..... 9

# 2013 NAR Investment and Vacation Home Buyers Survey

## Introduction

Traditionally, the majority of home buyers make a primary residence their purchase. However, many recent home buyers have taken advantage of record home affordability and have also purchased a vacation home or investment property. 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 in 2012 started to see a stronger recovery in many local markets. Low mortgage interest rates and housing affordability encouraged buyers to enter the market. However, in many areas low housing inventory has slowed the recovery and even buyers with a strong financial history are facing challenges navigating the tight mortgage market.

## The Composition of Residential Sales

In 2012, the share of buyers who purchased a primary residence rose from 61 percent to 65 percent. The share of vacation home buyers rose slightly, to an overall share of 11 percent. The share of investment buyers remained at the second highest level since 2005, at 24 percent of the overall share.

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 percent of vacation home buyers plan to use their property for vacations or as a family retreat, and 27 percent plan to convert their vacation home into their primary residence in the future. Fifty-five percent of investment property buyers purchased the home to rent to others, and 30 percent bought to diversify investments and because it was a good investment opportunity.

## Characteristics of Buyers and Their Homes

Among primary residence buyers, first-time buyers continued to decline; the percentage of first-time buyers of primary residences fell to 46 percent from 48 percent in 2011 and 55 percent in 2010. While there was a drop-off of new buyers in the marketplace, the median price of primary residences increased in 2012 to \$170,000 from the 2011 median price of \$167,700. The share of primary buyers who used a mortgage has remained nearly flat, at three-quarters of buyers. Twenty-four percent of buyers purchased a distressed property, a decline from 29 percent in 2011.

The median vacation home purchase price was higher in 2012 than in 2011--\$150,000. The share of vacation buyers who did not use a mortgage rose slightly to 46 percent from 42 percent in 2011. Since there were fewer distressed properties on the market in 2012, there were fewer that could be purchased. The share of vacation buyers who purchased a vacation property dropped to 35 percent from 39 percent in 2011. However, the share does remain high—20 percent of vacation buyers purchased a home in foreclosure, while 15 percent purchased a short sale. Vacation buyers expect to own their vacation home for 10 years.

The sales price for investment properties rose for the second consecutive year to \$115,000. The share of investment buyers who paid all cash for their home purchase remained steady from 2011 at 49 percent. Investors in 2012 remained active in buying distressed properties that were on the market. Twenty-four percent of investment property buyers purchased a home in foreclosure, and 23 percent purchased a short

## 2013 NAR Investment and Vacation Home Buyers Survey

sale property. Similar to vacation property buyers, this is a slight decline, which is reflective of fewer distressed homes on the market available for purchase. The typical investment buyer plans to own their investment home for eight years.

### **The Market in 2013**

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. Seventy-eight percent of vacation buyers and investment buyers reported that now is a good time to purchase real estate. Forty-seven percent of investment buyers are likely to buy another investment property, and 31 percent of investment buyers are likely to purchase a vacation property in the next two years. Similarly, 37 percent of vacation buyers are likely to purchase an investment property and 30 percent are likely to purchase another vacation property in the next two years. Among primary residence buyers, 22 percent are likely to buy an investment property and 21 percent are likely to buy a vacation property in the next two years.

### **Methodology**

In March 2013, a sample of households that had purchased any type of residential real estate during 2012 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 2,326 qualified households responded to the survey, accounting for 2,751 home purchases during 2012. Households were sampled to meet age and income quotas representative of all home buyers drawn from the *2012 NAR Profile of Home Buyers and Sellers*.

# 2013 Investment and Vacation Home Buyers Survey

## 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
<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
<i>Pct change 2011-2012</i>	<i>17.4</i>	<i>10.1</i>	<i>-2.1</i>
<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
<i>Pct change 2010-2011</i>	<i>1.4</i>	<i>23.7</i>	<i>15.0</i>

## 2013 Investment and Vacation Home Buyers Survey

### Exhibit 2: Buyer Characteristics

	Primary Residences	Vacation Properties	Investment Properties
<b>Buyer Age</b>			
Under 45	58%	46%	50%
45 to 54	18	23	24
55 or older	25	31	26
<i>Median (years)</i>	<i>40</i>	<i>47</i>	<i>45</i>
<b>Household Income (2012)</b>			
Less than \$45,000	19%	8%	13%
\$45,000 to \$75,000	31	23	25
\$75,000 to \$100,000	19	18	18
More than \$100,000	31	50	43
<i>Median</i>	<i>\$76,600</i>	<i>\$92,100</i>	<i>\$85,700</i>
<b>Number of Household Income Earners</b>			
None	7%	10%	7%
One	40	35	36
Two	49	48	48
Three or more	4	8	8
<b>First-time and Repeat Buyer Household</b>			
First-time home buyer	46%	-	-
Repeat home buyer	54	-	-
<b>Racial/Ethnic Background</b>			
White/Caucasian	84%	78%	75%
Asian/Pacific Islander	7	10	14
Black/African American	6	10	8
Hispanic/Latino	4	4	4
Other	3	2	2

2013 Investment and Vacation Home Buyers Survey

**Exhibit 3: Property Characteristics**

	Primary Residences	Vacation Properties	Investment Properties
<b>Location of Property</b>			
Small town	18%	21%	25%
Rural area	18	17	20
Suburb/Subdivision	45	21	28
Urban area/Central City	18	21	20
Resort area	1	19	7
<b>Region of Home Purchase</b>			
Northeast	18%	17%	20%
Midwest	25	12	16
South	36	45	36
West	20	25	28
<b>Type of Property</b>			
Detached single-family	82%	60%	58%
Townhouse or row house	5	10	12
Condo/duplex in building with 2 to 4 units	5	12	12
Condo/apartment in building with 5 or more units	5	12	10
Other	3	7	8
<b>Size of Property</b>			
500 sq ft or less	2%	6%	6%
501 sq ft to 1,000 sq ft	6	12	19
1,001 sq ft to 1,500 sq ft	19	30	29
1,501 sq ft to 2,000 sq ft	28	19	24
2,001 sq ft to 2,500 sq ft	20	17	13
2,501 sq ft to 3,000 sq ft	13	9	2
3,001 sq ft or larger	11	8	8
<i>Median (square feet)</i>	<i>1900</i>	<i>1560</i>	<i>1440</i>
<b>Distressed Sale</b>			
Home in foreclosure	13%	20%	24%
Short sale	11	15	23
Not a distressed sale	76	65	53
<b>Distance from Primary Residence</b>			
5 miles or less	-	7%	24%
6 to 10 miles	-	4	13
11 to 15 miles	-	2	6
16 to 20 miles	-	5	7
21 to 50 miles	-	6	15
51 to 100 miles	-	10	6
101 to 500 miles	-	20	10
501 to 1,000 miles	-	15	8
1,001 miles or more	-	31	11
<i>Median (miles)</i>		<i>435</i>	<i>21</i>



## 2013 Investment and Vacation Home Buyers Survey

### 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%	59%	47%
Foreclosure or trustee sale	2	10	12
Directly from owner whom the buyer knew	7	12	17
Directly from owner whom the buyer didn't know	6	6	5
Directly from builder or builder's agent	8	3	3
Other	6	9	16
<b>First Step Taken in the Home Buying Process</b>			
Looked online for properties for sale	30%	26%	21%
Looked online for information about the home buying process	14	18	10
Contacted a real estate agent	13	15	15
Talked with a friend or relative about the home buying process	8	7	13
Drove-by homes/neighborhoods	7	6	10
Contacted a bank or mortgage lender	6	2	4
Visited open houses	6	8	7
Contacted builder/visited builder models	4	4	1
Contacted a home seller directly	4	6	6
Looked up information about different neighborhoods and areas	3	2	3
Other	6	8	11
<b>Where Buyer Found the Home They Purchased</b>			
Online	34%	30%	28%
Real estate agent	26	25	19
Friend, relative or neighbor	11	13	18
Yard sign/open house sign	10	8	12
Home builder or their agent	7	4	5
Directly from sellers/Knew the sellers	6	6	9
Print newspaper advertisement	4	8	5
Home book or magazine	2	6	3
<b>Mortgage Financing</b>			
Used a mortgage	75%	53%	49%
Did not use a mortgage	24	46	49
Don't know	1	1	3
<b>Percent of Purchase Price Financed</b>			
Less than 70%	25%	44%	43%
70% to 79%	15	23	24
80% to 89%	19	19	18
90% to 94%	13	7	3
95% to 99%	15	3	5
100% –Entire purchase price	13	5	8
<b>Difficulty of Mortgage Application and Approval Process</b>			
Much more difficult than expected	14%	19%	21%
Somewhat more difficult than expected	23	23	25
Not difficult/just what expected	42	39	38
Less difficult than expected	21	20	16

2013 Investment and Vacation Home Buyers Survey

**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	-	80%	20%
To use as principal residence in the future	-	27	8
To diversify investments/Good investment opportunity	-	23	30
To rent to others	-	23	55
For a family member, friend or relative	-	11	16
Because the buyer had extra money to spend	-	11	7
For the tax benefits	-	10	15
Other	-	3	4
<b>Length of Time Buyer Plans to Own Property</b>			
Have already sold this property	2%	3%	6%
Less than 1 year	3	6	8
1 to less than 3 years	6	6	8
3 to less than 6 years	14	8	10
6 to less than 11 years	14	16	13
11 or more years	40	30	29
Don't know	20	31	26
<i>Median</i>	<i>11</i>	<i>10</i>	<i>8</i>
<b>Likelihood of Buying an Investment Property in Next 2 Years</b>			
Very likely	10%	21%	30%
Somewhat likely	12	16	17
Somewhat unlikely	12	10	15
Very unlikely	53	34	20
Don't know	13	19	19
<b>Likelihood of Buying a Vacation Property in Next 2 Years</b>			
Very likely	8%	19%	16%
Somewhat likely	13	10	15
Somewhat unlikely	10	15	15
Very unlikely	55	37	32
Don't know	14	19	22
<b>Now is Good Time to Purchase Real Estate</b>			
Good time to purchase	68%	78%	78%
Not a good time to purchase	13	10	13
Don't know	19	12	10