

THE 2006 NATIONAL ASSOCIATION OF REALTORS® PROFILE OF SECOND-HOME OWNERS



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PROFILE OF
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OWNERS**

PREFACE

THE PAST DECADE HAS WITNESSED A ROBUST INCREASE IN OWNERSHIP OF RESIDENTIAL real estate. The U.S. homeownership rate is approaching 70 percent, up from 65 percent a decade ago, while the household wealth attributable to real estate ownership has increased by over 50 percent since mid-2001. An important component of this investment in real estate is ownership of second homes. Second-home owners, throughout this report, refer to people who own one or more residential properties, in addition to a primary residence, and who use these properties either for vacation or investment purposes. Although both types of properties share several attributes, vacation homes are properties owned primarily for recreational use by the owner or their family, while investment properties are owned primarily to rent to others.

Ownership of more than one home is increasingly common. A 2005 NATIONAL ASSOCIATION OF REALTORS® survey of homebuyers found that 15 percent of recent buyers owned two or more homes. In addition, approximately 40 percent of home sales in 2005, equivalent to more than 3.3 million new- and existing-home sales, were second homes.

The increase in ownership of second homes over the past several years is driven by a number of forces. First, baby boomers are in their peak earning years, many of whom have the financial wherewithal to invest in real estate. Second, real estate has provided superior returns in recent years compared with many other financial assets such as stocks and bonds. Between 2000 and 2005, existing-home prices rose by over 50 percent, while the Standard & Poor's 500 Index returned just over 2 percent over the same period. Finally, tax law changes that took effect in 1997 allowed home sellers to exclude up to \$500,000 from capital gains taxation. This change made it appealing for some buyers to purchase a smaller primary residence while using the tax-free gain to purchase a vacation home or other residential investment property.

The NATIONAL ASSOCIATION OF REALTORS® periodically surveys homeowners, as well as recent buyers and sellers, to gather detailed information about their preferences and experiences in the real estate market. These surveys provide information on demographics, housing characteristics and the role of real estate professionals in their recent or anticipated home sales transactions. *The 2006 NATIONAL ASSOCIATION OF REALTORS® Profile of Second-Home Owners* provides a detailed snapshot of households that own one or more second homes.

NATIONAL ASSOCIATION OF REALTORS®

Paul C. Bishop, Ph.D.

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This report provides REALTORS® with insights into the characteristics and needs of future clients and enables them to improve their service. Others benefit from the findings of this research by better understanding the housing market and the unique role of second homes as the housing market evolves.

NOTES

In January 2006, the NATIONAL ASSOCIATION OF REALTORS® mailed an 8-page questionnaire to a sample of households who owned more than one residential property. Consumer names and addresses were obtained from Experian, a firm that maintains an extensive database of recent household characteristics derived from a number of public sources. NAR received 415 responses of vacation home owners and 619 responses from investment property owners.

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

Chapter 1: Characteristics of Second-Home Owners

Chapter 2: Vacation Homes: Characteristics and Motivation for Ownership

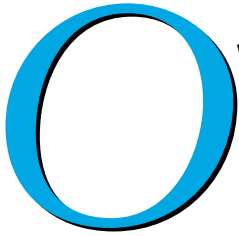
Chapter 3: Investment Properties: Characteristics and Motivation for Ownership

Chapter 4: Acquiring a Second Home

Chapter 5: Looking Ahead: Buying and Selling a Second Home

All information in this report is characteristic of second-home owners as of early 2006, with the exception of income data, which are reported for 2005. Some results are presented for the four U.S. Census regions: Northeast, Midwest, South and West. Data are also shown for second-home owners who purchased their property in 2002 or earlier and since 2003 to highlight recent differences in characteristics or motivation for ownership. The median is the primary statistical measure used throughout this report. Due to rounding and omissions for space, percentage distributions may not add to 100 percent.

REPORT HIGHLIGHTS



OWNERSHIP OF SECOND HOMES IS DRIVEN BY SEVERAL FACTORS. WHILE THE POTENTIAL

investment returns from owning residential real estate are one of the motivations for buying and owning a second-home, there are additional factors that vary with the intended use of the home. For vacation-home owners, lifestyle considerations such as proximity to recreation areas or to a favorite vacation spot are often the most important motivations. With the oldest baby boomers just now reaching 60 years of age and the youngest boomers in their early 40's, the lifestyle preferences of boomers will figure prominently into the future demand for vacation homes.

In contrast, ownership of investment properties hinges on the financial gains owners expect from rental income or from appreciation in the value of their property. Thus, mortgage rates, the strength of the local economy and access to rental markets, whether in a downtown location or near major employers, are more important factors for investment property owners than vacation home owners. Also, investment property owners, more so than vacation-home owners, choose properties near their primary residence.

The 2006 NATIONAL ASSOCIATION OF REALTORS® Profile of Second-Home Owners describes the characteristic and motivations of second-home owners and in so doing will help real estate professionals and those in related sectors track the changes occurring in this segment of the real estate market.

CHARACTERISTICS OF SECOND-HOME OWNERS

- The typical vacation-home owner is 59 years old, while the median age of investment property owners is 55.
- Vacation-home owners reported a median income of \$120,600 in 2005. The median income of investment property owners was \$98,600.
- Over three-quarters of second-home owners are married.
- For nearly half of all second-home owners, their primary residence is in the suburbs.

VACATION-HOME OWNERS

- While three-quarters of vacation-home owners purchased their home to use for vacations, one-third of owners reported that it was a good investment opportunity as well.
- Over half of vacation home owners noted that their interest in water sports was one of the motivations for purchasing their home.
- The typical vacation home is located 220 miles from the owner's primary residence.
- Nearly half of vacation homes are in resort or recreation areas.
- Vacation-home owners spend a median of 39 nights in their home each year.

INVESTMENT PROPERTY OWNERS

- Nearly two-thirds of investment property owners purchased their property for the purpose of generating rental income. Half also viewed their property as a way to diversify their investments.
- Owners reported that their investment property was a median of 10 miles from their primary residence.
- Thirty-five percent of investment properties are located in a suburb, while over one-quarter are in a central city or urban area.
- Half of investment properties are detached single-family homes.
- The typical investment property is 1,520 square feet in size.

ACQUIRING A SECOND HOME

- Among second-home owners who purchased their homes since 2003, nearly two-thirds used a real estate agent to buy their property.
- Sixteen percent of vacation-home owners and 13 percent of investment property buyers who purchased their property since 2003 first learned it was for sale on the Internet.
- The typical vacation-home owner with a mortgage financed 73 percent of the purchase price, while the typical investment property owner financed 77 percent.

BUYING AND SELLING A SECOND HOME

- Thirty-five percent of investment property owners plan to buy one or more investment properties in the next two years.
- One in ten vacation-home owners plan to sell a vacation home in the next two years.
- Among investment property owners planning to sell a property in the next two years, 43 percent expect to sell one property.
- The task with which second-home owners most want a real estate agent's assistance is to determine comparable prices when selling their property.

CHAPTER 1: CHARACTERISTICS OF SECOND-HOME OWNERS

S

SECOND-HOME OWNERS ARE TYPICALLY OLDER AND HAVE HIGHER INCOMES THAN HOUSEHOLDS

that own only a primary residence. Over half of vacation-home and investment property owners are baby boomers, a segment of the housing market that will continue to drive second-homes purchases for the foreseeable future. In addition, second-home owners are becoming more ethnically diverse, with ownership by minorities increasing in recent years.

*More singles and unmarried couples
are investment-property owners
than vacation-home owners.*

AGE

Baby boomers are an important segment of the second-home market. Nearly 60 percent of vacation-home owners and a similar share of investment property owners are between 45 and 64 years old. The median age for investment-home owners is 55 years compared with 59 years for vacation-home owners.

INCOME

The typical vacation-home owner had a household income of \$120,600, compared with \$98,600 for the median investment-property owner. More than a quarter of vacation-home owners have an annual income greater than \$200,000 compared with 15 percent of investment property owners.

Still, nearly one-third of investment property owners reported an annual income of less than \$75,000, compared with one-quarter of vacation home owners.

EXHIBIT 1-1

AGE OF SECOND-HOME OWNERS

(Percentage Distribution)

	Vacation-Home Owners	Investment Property Owners
Less than 25 years	*	*
25 – 34 years	2%	4%
35 – 44 years	9	14
45 – 54 years	27	31
55 – 64 years	32	26
65 – 74 years	20	16
75 years or older	9	8
Median age (years)	59 years	55 years

* Less than one percent

EXHIBIT 1-2

HOUSEHOLD INCOME OF SECOND-HOME OWNERS, 2005

(Percentage Distribution)

	Vacation Home Owners	Investment Property Owners
Less than \$25,000	2%	4%
\$25,000 – \$34,999	3	3
\$35,000 – \$44,999	3	4
\$45,000 – \$54,999	4	7
\$55,000 – \$64,999	6	5
\$65,000 – \$74,999	7	9
\$75,000 – \$84,999	6	9
\$85,000 – \$94,999	6	6
\$95,000 – \$104,999	5	6
\$105,000 – \$114,999	5	6
\$115,000 – \$124,999	5	6
\$125,000 – \$134,999	4	4
\$135,000 – \$149,999	7	6
\$150,000 – \$174,999	6	6
\$175,000 – \$199,999	3	3
\$200,000 or more	27	15
Median income	\$120,600	\$98,600

HOUSEHOLD COMPOSITION

Second-home owners are most often married couples. Eighty-three percent of vacation-home owners are married compared with 75 percent of investment-property owners. More singles and unmarried couples are investment-property owners than vacation-home owners.

The share of married couples among second-home owners has been increasing since 2003. This increase has been offset by a modest decline in the share of single households that have become second-home owners since 2003.

EXHIBIT 1-3

ADULT COMPOSITION OF SECOND-HOME OWNER HOUSEHOLDS (Percentage Distribution)

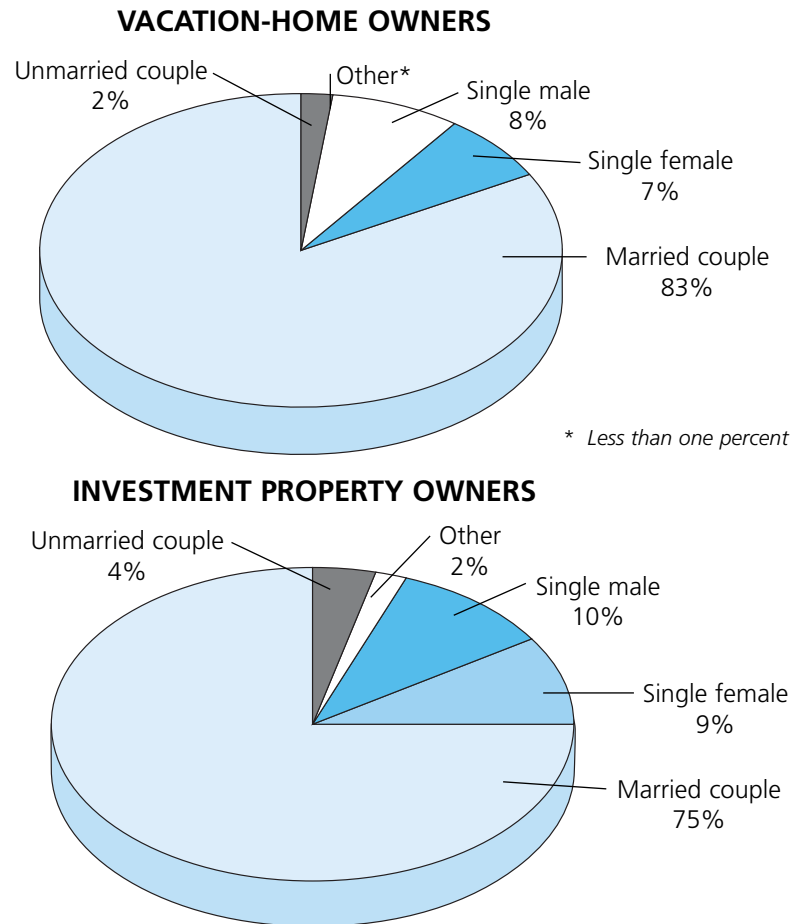


EXHIBIT 1-4

ADULT COMPOSITION OF SECOND-HOME OWNER HOUSEHOLDS, BY LENGTH OF TENURE

(Percentage Distribution)

	Vacation-Home Owners			Investment Property Owners		
	All Owners	Purchased home in:		All Owners	Purchased home in:	
		2002 or earlier	2003–2005		2002 or earlier	2003–2005
Single male	8%	9%	7%	10%	12%	9%
Single female	7	8	4	9	10	8
Married couple	82	81	86	75	71	76
Unmarried couple	2	2	2	4	3	6
Other	*	*	1	2	4	*

* Less than one percent

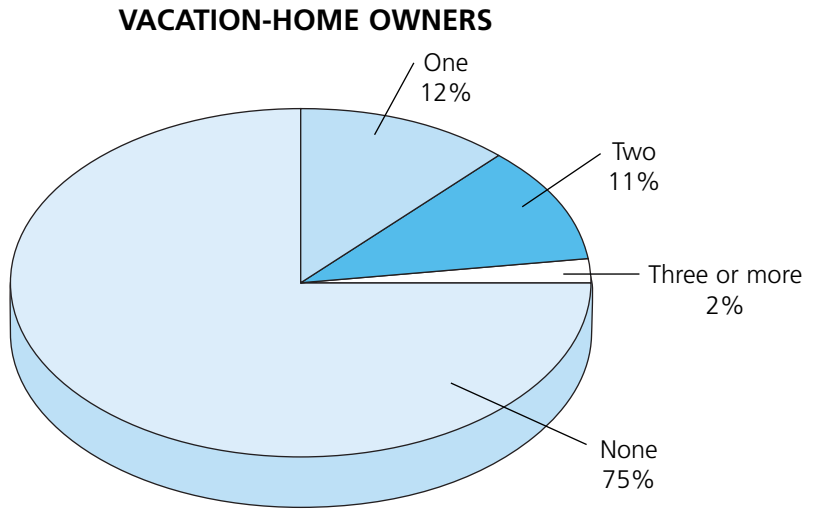
CHILDREN

Three-quarters of vacation-home owners have no children under the age of 18 living at home compared with 70 percent of investment-property owners. Some of this difference reflects the younger age distribution among investment property owners.

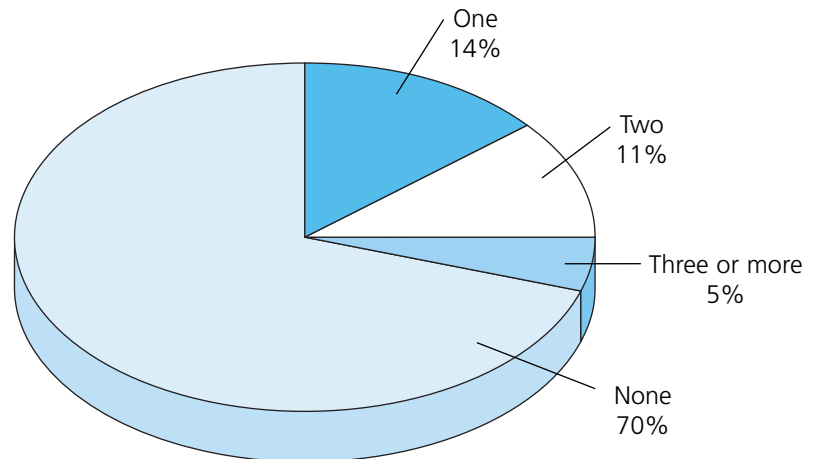
EXHIBIT 1-5

NUMBER OF CHILDREN UNDER THE AGE OF 18 RESIDING IN SECOND-HOME OWNER HOUSEHOLD

(Percentage Distribution)



INVESTMENT PROPERTY OWNERS



RACE AND ETHNICITY

The majority of second-home owners are white. The share of minority second-home owners has increased, however. In recent years, Hispanic vacation home ownership has risen from two percent among those who purchased a property prior to 2003 to seven percent among those who purchased a property since 2003.

EXHIBIT 1-6

RACE/ETHNICITY OF SECOND-HOME OWNERS, BY LENGTH OF TENURE

(Percent of Respondents)

	Vacation-Home Owners			Investment Property Owners		
	All Owners	Purchased home in:		All Owners	Purchased home in:	
		2002 or earlier	2003–2005		2002 or earlier	2003–2005
White/Caucasian	93%	94%	89%	87%	89%	83%
Black/African-American	2	2	2	5	4	7
Asian/Pacific Islander	2	2	3	3	3	4
Hispanic/Latino	3	2	7	5	3	8
Other	1	1	1	2	3	*

Note: Respondents were permitted to select as many races and ethnicities as they felt applicable. The percentage distribution may therefore sum to more than 100 percent.

In recent years, Hispanic vacation home ownership has risen from two percent among those who purchased a property prior to 2003 to seven percent among those who purchased a property since 2003.

LOCATION OF PRIMARY RESIDENCE

Forty-seven percent of vacation-home owners and 46 percent of investment-property owners have primary residences located in the suburbs. Interestingly, over the last four years, the percentage of vacation-home owners residing in small towns has dropped from 22 percent to 8 percent.

EXHIBIT 1-7

LOCATION OF PRIMARY RESIDENCE, BY LENGTH OF TENURE

(Percentage Distribution)

	Vacation-Home Owners			Investment Property Owners		
	All Owners	Purchased home in:		All Owners	Purchased home in:	
		2002 or earlier	2003–2005		2002 or earlier	2003–2005
Suburb/Subdivision	47%	43%	55%	46%	45%	48%
Small town	18	22	8	17	18	16
Urban/Central city	18	19	17	18	17	20
Rural area	14	13	16	16	17	14
Resort/Recreation area	3	3	4	2	2	2

Forty-seven percent of vacation-home owners and 46 percent of investment-property owners have primary residences in the suburbs.

CHAPTER 2: CHARACTERISTICS AND MOTIVATION FOR OWNERSHIP — VACATION HOMES

W

WHETHER THE SECOND-HOME OWNER RECENTLY PURCHASED A VACATION HOME

or has owned it for a while, the characteristics of the home and the main reason for buying it remain relatively consistent. The primary motivation for a vacation-home purchase is just as the name implies – for vacations or family retreats. Secondly, vacation-home buyers have been increasingly motivated by the need to further diversify their investments and believe their purchase is a good opportunity to do that.

Buyers who purchased their vacation homes after 2003 were more interested in diversifying their investments.

MOTIVATION FOR PURCHASING VACATION HOME

There are many factors that influence the decision to purchase a vacation home. Often these motivations are associated with the location of the home. For example, homes located in the Midwest are less likely to be primary residences in retirement than vacation homes located in the other regions. Homes located in the Northeast are more likely to be purchased for vacations or family retreats. Furthermore, second-home owners with homes located in the South are more likely than owners with homes located in the Midwest to use their home as a way to diversify their investments.

While buyers of vacation homes have always been primarily motivated by the desire to have a place to get away, there has been a slight shift in sentiment among recent buyers. Buyers who purchased their vacation homes after 2003 were more interested in diversifying their investments and somewhat more concerned about the tax benefits of vacation-home ownership.

EXHIBIT 2-1

REASONS FOR BUYING A VACATION HOME, BY REGION

(Percent of Respondents)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Use for vacations or family retreat	74%	85%	66%	72%	71%
Diversify investments/Good investment opportunity	34	37	25	39	32
Home will be primary residence in retirement	18	18	4	24	20
Provide rental income	13	18	8	12	11
Tax benefits	12	14	*	15	16
Had extra money to spend	5	1	4	10	4
Son or daughter can occupy while in school	4	1	*	6	10
Other	8	5	12	7	10

* Less than one percent

EXHIBIT 2-2

REASONS FOR BUYING A VACATION HOME, BY LENGTH OF TENURE

(Percent of Respondents)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Use for vacations or family retreat	74%	77%	67%
Diversify investments/Good investment opportunity	34	27	48
Home will be primary residence in retirement	18	16	20
Provide rental income	13	14	9
Tax benefits	12	10	15
Had extra money to spend	5	5	7
Son or daughter can occupy while in school	4	5	4
Other	8	7	11

VACATION HOME PREFERENCES

Overall, most vacation-home owners want to be near an ocean, a river or a lake. Owners with homes located in the West prefer a home closer to the mountains, while owners whose homes are located in the South and West value proximity to downtown.

The majority of vacation-home owners enjoy outdoor activities, with nearly 60 percent enjoying the lake, the beach, water sports or water-related activities. Thirty-eight percent of owners enjoy boating and 32 percent are interested in hunting or fishing activities. Twenty-one percent of owners enjoy golf and only four percent of vacation-home owners are interested in gambling.

EXHIBIT 2-3

ATTRIBUTES DESIRED IN A VACATION HOME, BY REGION

(Percent of Respondents)

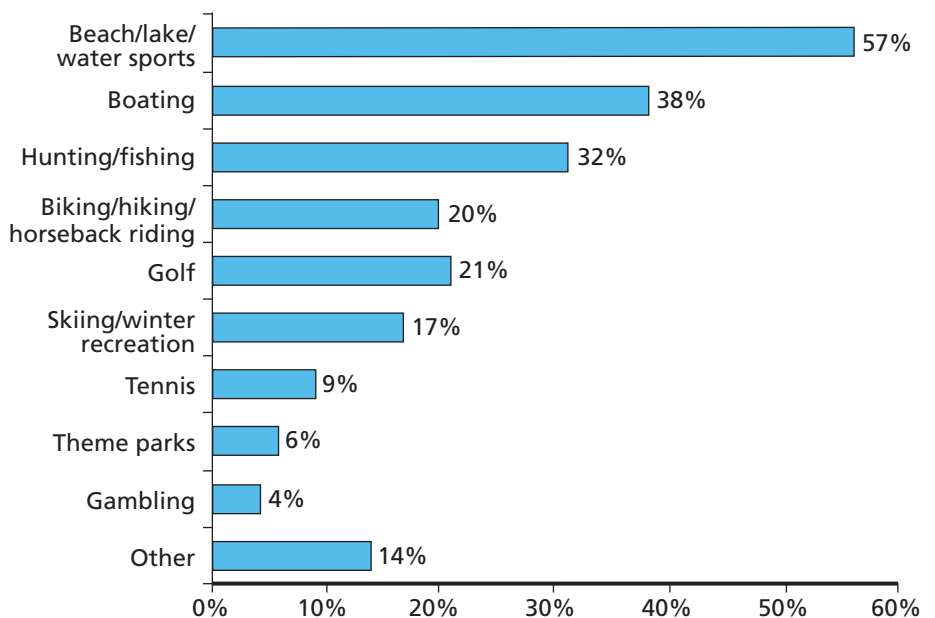
	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Close to ocean/river/lake	67%	75%	87%	67%	41%
Close to recreational/sporting activities	39	47	37	33	46
Close to vacation or resort areas	38	38	37	35	45
Close to mountains or other natural attractions	31	38	9	23	57
Close to family members	19	20	18	18	19
Close to primary residence	13	23	4	12	13
Close to downtown	11	7	4	14	18
Close to job or school	6	10	*	6	6
In safer area than primary residence	4	3	*	8	3
Other	8	1	8	13	7

* Less than one percent

EXHIBIT 2-4

LEISURE ACTIVITIES OF INTEREST TO VACATION-HOME OWNERS

(Percent of Respondents)



PROXIMITY

The median distance owners travel between their primary residence and vacation home is 220 miles. Second-home owners whose vacation home is located in the South travel the greatest distance (a median of 330 miles) compared with vacation-home owners in other regions. Only 15 percent of owners with homes in the Northeast are willing to travel 300 miles or more compared with nearly half of vacation home owners with homes located in the West.

Nearly half of owners live in the same state as their vacation home. A quarter of vacation home owners live in the same region and just slightly more (26 percent) live in a different region from their primary residence. Recent owners of vacation homes are more likely to purchase a home in a region different from where their primary residence is located.

EXHIBIT 2-5

DISTANCE BETWEEN PRIMARY RESIDENCE AND VACATION HOME, BY REGION

(Percentage Distribution)

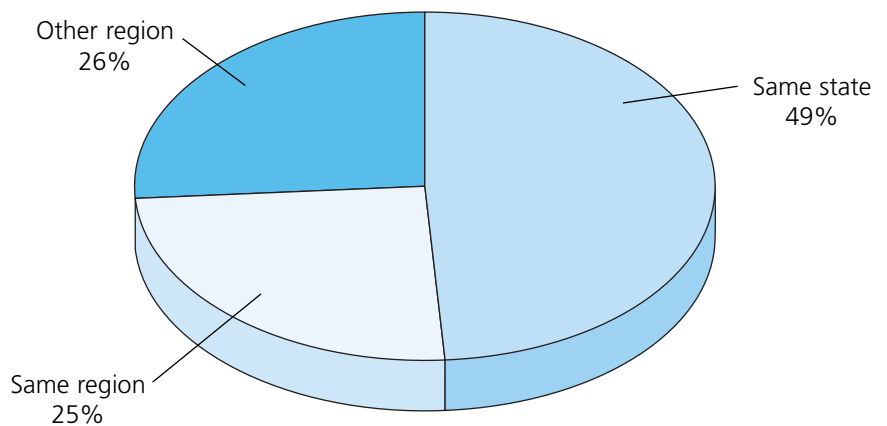
	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
10 miles or less	3%	5%	*	5%	1%
11 to 24 miles	4	2	12	3	1
25 to 49 miles	8	12	4	8	7
50 to 99 miles	19	27	26	12	17
100 to 299 miles	26	37	21	23	23
300 to 499 miles	5	1	9	5	8
500 to 999 miles	9	2	9	17	5
1,000 to 1,499 miles	13	8	9	21	12
1,500 miles or more	12	4	12	8	25
Median (miles)	220	110	180	330	310

* Less than one percent

EXHIBIT 2-6

PROXIMITY OF VACATION HOME TO PRIMARY RESIDENCE

(Percentage Distribution)



LOCATION

Vacation homes in the Midwest tend to be concentrated in resort areas, while vacation homes in urban areas are more common in the South and West.

Whether owners recently purchased their home or have been owners for several years, they continue to prefer a resort or recreation area locations. However, ownership of vacation homes in suburbs or urban areas is more popular among recent buyers.

EXHIBIT 2-7

PROXIMITY OF VACATION HOME TO PRIMARY RESIDENCE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Same state	49%	49%	48%
Same region	25	27	20
Other region	26	24	32

EXHIBIT 2-8

LOCATION OF VACATION HOME, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Resort/Recreation area	49%	49%	67%	44%	40%
Small town	18	23	21	13	17
Rural area	16	23	4	21	13
Suburb/Subdivision	11	5	9	12	17
Urban/Central city	7	1	*	10	12

* Less than one percent

EXHIBIT 2-9

LOCATION OF VACATION HOME, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Resort/Recreation area	49%	51%	44%
Small town	18	17	19
Rural area	16	16	16
Suburb/Subdivision	11	10	13
Urban/Central city	7	5	10

TRAVEL TO VACATION HOMES

Eighty-two percent of all second-home owners drive to their vacation home. Owners with homes located in the West and South are more likely to travel by airplane to their vacation home than owners in other regions, reflecting the greater distance between owner's primary residence and their vacation home.

CHARACTERISTICS OF VACATION HOMES

Among all vacation-home owners, 41 percent own a detached single-family home. Compared to owners with homes located in other regions, vacation-home owners in the Midwest are more likely to own a cabin or cottage, and owners in the South and West are more likely to own an apartment or condo.

EXHIBIT 2-10

MEANS OF TRANSPORTATION TO VACATION HOME, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Car	82%	89%	88%	81%	69%
Commercial airline	16	6	12	17	27
Walk	1	2	*	1	*
Private/chartered plane	*	*	*	*	2
Train	*	*	*	*	*
Other	1	2	*	1	1

* Less than one percent

EXHIBIT 2-11

VACATION HOME STRUCTURE, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Detached single family home	41%	49%	34%	40%	38%
Cabin/cottage	22	25	42	13	16
Apartment/condo in building with 5 or more units	21	12	20	26	24
Townhouse/row house	7	6	4	4	16
Mobile/manufactured home	5	4	*	7	5
Duplex/apartment in 2 to 4 unit structure	3	3	*	6	*
Other	1	*	*	3	1

* Less than one percent

The recent expansion of the condo market has been reflected in the type of structure purchased by owners who bought a vacation home since 2003. Sixteen percent of owners purchased an apartment or condo as their vacation home prior to 2003. However, the percent of owners who purchased apartments or condos since 2003 has doubled to 32 percent.

SIZE OF VACATION HOME

The typical vacation home is 1,480 square feet in size. Homes in the South are the largest with a median of 1,520 square feet. Homes in the Northeast and Midwest tend to be smaller than homes in other regions.

EXHIBIT 2-12

VACATION HOME STRUCTURE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Detached single family home	41%	43%	35%
Cabin/cottage	22	24	19
Apartment/condo in building with 5 or more units	21	16	32
Townhouse/row house	7	6	9
Mobile/manufactured home	5	6	1
Duplex/apartment in 2 to 4 unit structure	3	3	3
Other	1	1	1

EXHIBIT 2-13

SIZE OF VACATION HOME, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
500 sq. ft. or less	3%	2%	*	6%	4%
501 to 1,000 sq. ft.	19	20	26	15	19
1,001 to 1,500 sq. ft.	29	30	29	28	28
1,501 to 2,000 sq. ft.	23	24	9	27	31
2,001 to 2,500 sq. ft.	12	7	17	11	12
2,501 to 3,000 sq. ft.	5	8	4	6	4
3,001 to 3,500 sq. ft.	5	4	9	6	1
3,501 to 4,000 sq. ft.	2	4	4	1	*
4,001 sq. ft. or more	2	1	4	1	1
Median (sq. ft.)	1,480	1,460	1,420	1,520	1,490

* Less than one percent

VACATION HOME VALUE

The median value of all vacation homes in the survey was \$300,000. Homes in the Northeast are valued at a median \$350,000. In the West, the percentage of vacation homes valued at \$1 million or higher is twice that of any other region.

For 68 percent of vacation-home owners, their second home is valued at less than their primary residence.

EXHIBIT 2-14

VALUE OF VACATION HOME, BY REGION

(Percentage Distribution)

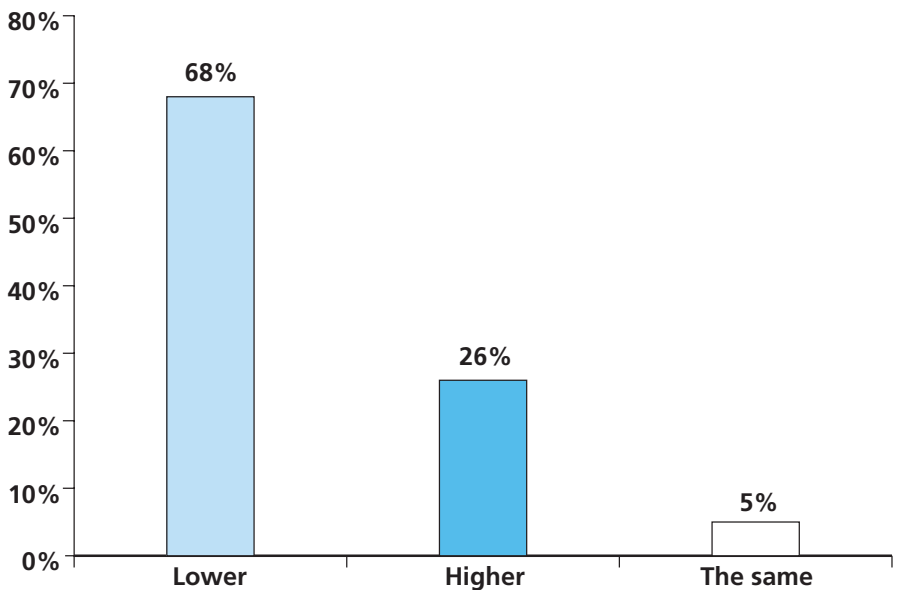
	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
Less than \$50,000	7%	4%	4%	10%	6%
\$50,000 – \$99,999	8	13	*	9	6
\$100,000 – \$149,999	11	8	19	9	9
\$150,000 – \$199,999	9	5	14	11	8
\$200,000 – \$299,999	15	10	14	17	18
\$300,000 – \$399,999	15	19	14	11	17
\$400,000 – \$499,999	14	8	14	18	12
\$500,000 – \$999,999	18	29	19	11	17
\$1,000,000 or more	4	4	4	3	8
Median	\$300,000	\$350,000	\$287,500	\$250,000	\$300,000

* Less than one percent

EXHIBIT 2-15

VALUE OF VACATION HOME COMPARED TO PRIMARY RESIDENCE

(Percentage Distribution)



TYPE OF VACATION HOME

Seventy-one percent of all vacation homes are previously owned homes. Buyers of vacation homes in the South and West are more likely to purchase a new home than buyers elsewhere. Overall, recent vacation-home buyers are somewhat more likely to purchase a new home than buyers who purchased prior to 2003.

EXHIBIT 2-16

NEW VS. PREVIOUSLY-OWNED HOME WHEN PURCHASED, BY REGION

(Percentage Distribution)

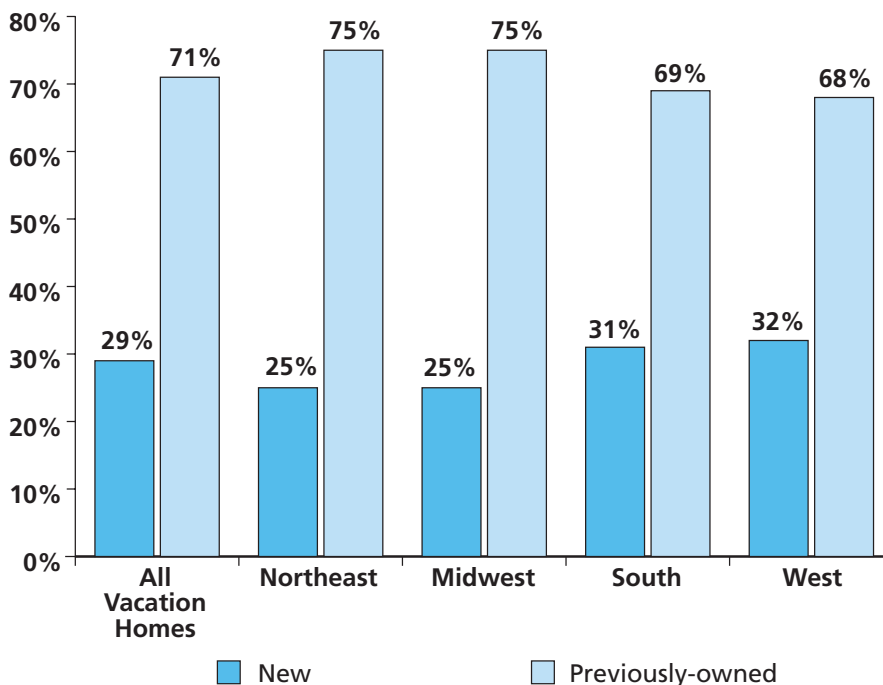


EXHIBIT 2-17

NEW VS. PREVIOUSLY-OWNED HOME WHEN PURCHASED, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
New	29%	27%	30%
Previously-owned	71	73	70

TIMESHARE VACATION HOMES

Six percent of vacation-home owners in the survey own a timeshare. Timeshare ownership is more common in the South and West. Timeshares were less common among recent buyers of vacation homes, declining from seven percent among purchases prior to 2003 to four percent among the most recent sales.

EXHIBIT 2-18

TIMESHARE VACATION HOMES, BY REGION

(Percentage Distribution)

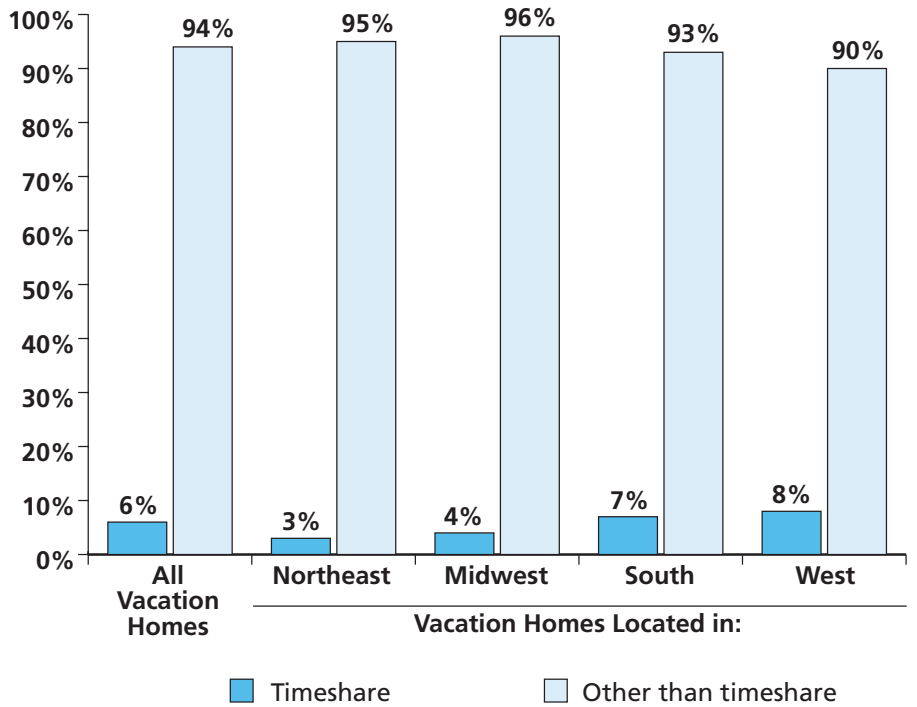


EXHIBIT 2-19

TIMESHARE VACATION HOME, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Timeshare	6%	7%	4%
Other than timeshare	94	92	96

TIME IN VACATION HOME

The typical owner spends 39 nights per year in their vacation home. Owners with homes located in the Northeast and Midwest spend the greatest number of nights in their vacation home, which is partially attributable to the shorter distance they typically travel from their primary residences. Eighteen percent of vacation-home owners spend 15 to 30 nights in their home.

RENTING THE VACATION HOME

Most vacation-home owners (75 percent) do not rent out their homes. Vacation-home owners purchase their property almost exclusively for their own personal use.

EXHIBIT 2-20

TIME SPENT IN VACATION HOME, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
0 nights	6%	5%	4%	5%	10%
1 to 7 nights	10	7	9	13	8
8 to 14 nights	12	8	12	15	10
15 to 30 nights	18	18	12	20	22
31 to 60 nights	17	16	17	17	18
61 to 90 nights	16	18	34	8	11
91 to 120 nights	7	14	*	5	10
121 to 180 nights	8	10	9	10	5
181 or more nights	6	3	4	8	7
Median (nights)	39	53	55	27	32

* Less than one percent

EXHIBIT 2-21

TIME VACATION HOME IS RENTED, BY REGION

(Percentage Distribution)

	All Vacation Homes	Vacation Homes Located in:			
		Northeast	Midwest	South	West
0 nights	75%	72%	77%	74%	78%
1 to 7 nights	2	1	4	1	2
8 to 14 nights	1	2	*	1	1
15 to 30 nights	3	6	*	1	5
31 to 60 nights	7	6	12	6	2
61 to 90 nights	2	4	*	3	1
91 to 120 nights	2	1	*	3	1
121 to 180 nights	3	1	4	4	1
181 or more nights	6	5	4	6	7
Median (nights)	0	0	0	0	0

* Less than one percent

VACATION HOME RENTERS

Among vacation-home owners that do rent out their home, the median length of stay is 12 nights. Four in 10 renters spend a week or less.

GOOD INVESTMENT

Sixty-five percent of vacation-home owners say their investment is better than investing in the stock market and another 12 percent say it's about as good as the stock market.

EXHIBIT 2-22

TIME RENTERS SPEND IN VACATION HOME

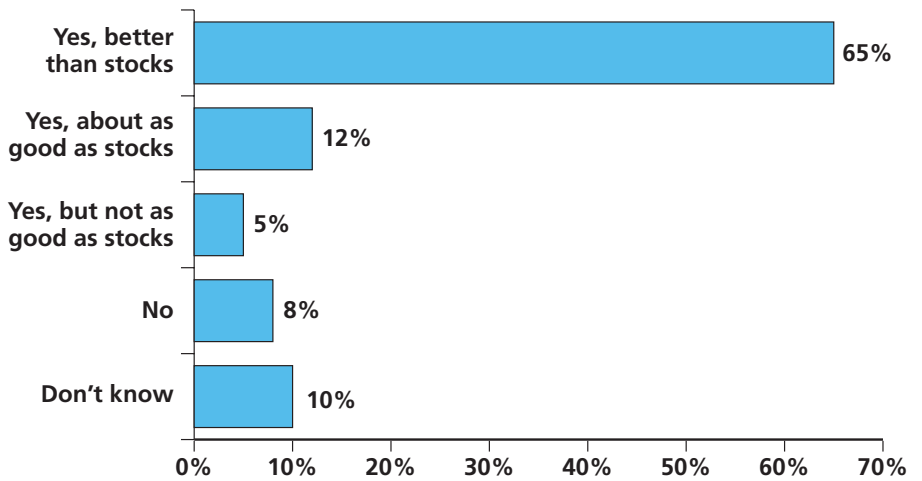
(Percentage Distribution)

1 to 7 nights	43%
8 to 14 nights	9
15 to 30 nights	15
31 to 60 nights	4
61 to 90 nights	3
91 to 120 nights	2
121 to 180 nights	3
181 or more nights	21
Median (nights)	12

EXHIBIT 2-23

VACATION HOME IS A GOOD FINANCIAL INVESTMENT

(Percentage Distribution)



CHAPTER 3: CHARACTERISTICS AND MOTIVATION FOR OWNERSHIP — INVESTMENT PROPERTY

UNLIKE VACATION-HOME OWNERS, INVESTMENT-PROPERTY OWNERS ARE FAR LESS LIKELY

to use their property for personal use. Instead, the primary motivation for ownership is to provide rental income. Investment property owners also tend to purchase near their primary residence to minimize travel, monitor local rental market conditions and more easily manage the property.

The role of real estate as a way to diversify investments has become more important for current buyers than for those who purchased property prior to 2003.

MOTIVATION FOR PURCHASING INVESTMENT PROPERTY

Sixty-three percent of all investment property owners indicated that they purchased their property to generate rental income. Owners with properties located in the Northeast were much more likely to purchase to provide rental income. In contrast, owners of properties located in the Midwest, South and West were more likely to view the investment opportunity and tax benefits as important factors.

The role of real estate as a way to diversify investments has become more important for recent buyers than for those who purchased property prior to 2003. While providing rental income is still one of the primary reasons buyers purchase investment property, the opportunity to diversify investment holdings is a stronger motivation among recent buyers.

EXHIBIT 3-1

REASONS FOR BUYING AN INVESTMENT PROPERTY, BY REGION

(Percent of Respondents)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Provide rental income	63%	73%	61%	58%	64%
Diversify investments/Good investment opportunity	49	36	52	53	51
Tax benefits	26	17	29	25	31
Son or daughter can occupy while in school	8	5	7	8	10
Home will be primary residence in retirement	8	7	5	9	9
Use for vacations or family retreat	6	7	3	7	5
Had extra money to spend	5	1	3	6	9
Other	14	16	15	12	12

EXHIBIT 3-2

REASONS FOR BUYING AN INVESTMENT PROPERTY, BY LENGTH OF TENURE

(Percent of Respondents)

	All Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Provide rental income	63%	66%	57%
Diversify investments/Good investment opportunity	49	42	59
Tax benefits	26	25	29
Son or daughter can occupy while in school	8	9	7
Home will be primary residence in retirement	8	9	6
Use for vacations or family retreat	6	8	4
Had extra money to spend	5	4	7
Other	14	15	13

INVESTMENT PROPERTY PREFERENCES

Among all investment property owners, half noted that their property was close to their primary residence. Location amenities such as being close to the ocean, near recreational activities or natural attractions were more important regionally, especially in the West.

Thirty-eight percent of owners in the South found it desirable that their investment property was close to downtown. Several other factors, such as close proximity to jobs or schools, or to major employers are important because these characteristics make the property more attractive to prospective renters.

DISTANCE TO INVESTMENT PROPERTY

Owners prefer investment properties that are close to their primary residences. In fact, the median distance between their primary residence and investment property is 10 miles.

EXHIBIT 3-3

ATTRIBUTES DESIRED IN AN INVESTMENT PROPERTY, BY REGION

(Percent of Respondents)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Close to primary residence	50%	53%	58%	49%	42%
Close to downtown	34	34	32	38	29
Close to job or school	24	17	24	29	24
Close to major employers	23	22	24	27	18
Close to ocean/river/lake	23	23	18	23	29
Close to a university or college	20	8	20	25	24
Close to family members	20	25	14	19	22
Close to recreational/sporting activities	13	10	6	15	17
Close to mountains or other natural attractions	8	5	2	6	18
Close to vacation or resort areas	8	7	4	11	8
Close to a military installation	6	*	4	10	8
Other	14	4	26	14	14

* Less than one percent

EXHIBIT 3-4

DISTANCE BETWEEN PRIMARY RESIDENCE AND INVESTMENT PROPERTY, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
10 miles or less	52%	58%	54%	51%	45%
11 to 24 miles	17	19	20	14	15
25 to 49 miles	6	2	7	8	8
50 to 99 miles	5	5	5	5	6
100 to 299 miles	6	6	5	6	7
300 to 499 miles	2	1	*	4	4
500 to 999 miles	3	2	2	3	4
1,000 to 1,499 miles	5	5	6	5	4
1,500 miles or more	4	3	2	4	8
Median (miles)	10	9	9	10	16

* Less than one percent

PROXIMITY

Eighty-four percent of investment property owners purchased their property in the same state as their primary residences. Proximity is important for investment property owners regardless of when they purchased the property.

EXHIBIT 3-5

PROXIMITY OF INVESTMENT PROPERTY TO PRIMARY RESIDENCE

(Percentage Distribution)

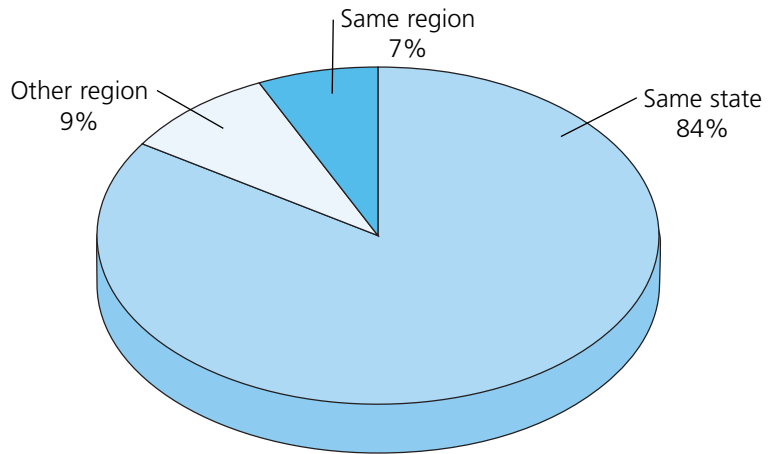


EXHIBIT 3-6

PROXIMITY OF INVESTMENT PROPERTY TO PRIMARY RESIDENCE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Same state	84%	84%	84%
Same region	7	6	7
Other region	9	10	8

LOCATION

Investment properties are mostly located in the suburbs in the South and West. Owners of properties in the Midwest are equally likely to own property in a suburb or an urban area. Investment properties in the Northeast are most often located in a small town.

Investment properties purchased after 2003 are somewhat more likely to be located in a suburb or urban area.

EXHIBIT 3-7

LOCATION OF INVESTMENT PROPERTY, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Suburb/Subdivision	35%	24%	36%	38%	39%
Urban/Central city	27	22	35	24	29
Small town	21	33	14	19	21
Rural area	11	12	9	13	7
Resort/Recreation area	7	10	6	6	5

EXHIBIT 3-8

LOCATION OF INVESTMENT PROPERTY, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Suburb/Subdivision	35%	34%	37%
Urban/Central city	27	26	29
Small town	21	22	17
Rural area	11	10	13
Resort/Recreation area	7	8	5

TRAVEL TO INVESTMENT PROPERTY

Overwhelmingly, owners travel by car to their property. Since the median distance between the owner's primary residence and investment property is greatest in the West, air travel is more frequent than in other regions.

EXHIBIT 3-9

MEANS OF TRANSPORTATION TO INVESTMENT PROPERTY, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Car	86%	84%	89%	87%	83%
Commercial airline	8	7	7	8	11
Walk	5	8	3	4	4
Private/chartered plane	*	*	*	*	1
Train	*	*	*	*	*
Other	1	1	*	1	*

* Less than one percent

CHARACTERISTICS OF INVESTMENT PROPERTY

Consistent with recent homebuyers and vacation-home owners the most frequently purchased type of investment property is a detached single-family home. Owners with properties located in the Northeast and Midwest purchased a duplex or apartment with two to four units.

Investors who purchased their property prior to 2003 were more likely to purchase a duplex or apartment with two to four units than owners who purchased since 2003. However, a growing number of buyers are investing in apartments or condos in buildings with five or more units.

EXHIBIT 3-10

INVESTMENT PROPERTY STRUCTURE, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Detached single family home	50%	35%	50%	56%	55%
Duplex/apartment in 2 to 4 unit structure	21	26	25	16	20
Apartment/condo in building with 5 or more units	13	15	12	11	13
Townhouse/row house	8	10	9	8	5
Mobile/manufactured home	3	4	2	3	2
Cabin/cottage	2	2	*	2	1
Other	4	8	2	4	3

* Less than one percent

EXHIBIT 3-11

INVESTMENT PROPERTY STRUCTURE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Detached single family home	50%	50%	53%
Duplex/apartment in 2 to 4 unit structure	21	22	15
Apartment/condo in building with 5 or more units	13	11	16
Townhouse/row house	8	6	10
Mobile/manufactured home	3	3	2
Cabin/cottage	2	1	2
Other	4	6	2

SIZE OF INVESTMENT PROPERTY

The median investment property is 1,520 square feet in size. Investment properties in the Northeast were larger at a median of 1,780 square feet. Ten percent of properties in the Northeast were 4,001 square feet or more.

INVESTMENT PROPERTY VALUE

The typical investment property is valued at \$200,000. Properties in the West tend to be the highest priced with 12 percent valued at \$1 million or more. The median value of investment properties located in the West is \$350,000 compared with a median value of \$229,200 for those located in the Northeast.

EXHIBIT 3-12**SIZE OF INVESTMENT PROPERTY, BY REGION***(Percentage Distribution)*

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
500 sq. ft. or less	2%	3%	2%	1%	4%
501 to 1,000 sq. ft.	11	5	8	14	14
1,001 to 1,500 sq. ft.	36	31	39	36	38
1,501 to 2,000 sq. ft.	27	21	33	29	25
2,001 to 2,500 sq. ft.	10	11	11	9	9
2,501 to 3,000 sq. ft.	5	12	2	5	4
3,001 to 3,500 sq. ft.	2	4	*	2	2
3,501 to 4,000 sq. ft.	1	3	2	*	*
4,001 sq. ft. or more	5	10	3	2	6
Median (sq. ft.)	1,520	1,780	1,520	1,480	1,430

* Less than one percent

EXHIBIT 3-13**VALUE OF INVESTMENT PROPERTY, BY REGION***(Percentage Distribution)*

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
Less than \$50,000	3%	2%	2%	6%	2%
\$50,000 – \$99,999	20	22	27	26	2
\$100,000 – \$149,999	15	11	16	24	6
\$150,000 – \$199,999	10	11	12	9	10
\$200,000 – \$299,999	15	9	21	13	18
\$300,000 – \$399,999	13	18	12	10	17
\$400,000 – \$499,999	7	10	*	7	10
\$500,000 – \$999,999	10	11	5	4	22
\$1,000,000 or more	6	7	5	3	12
Median	\$200,000	\$229,200	\$155,000	\$130,000	\$350,000

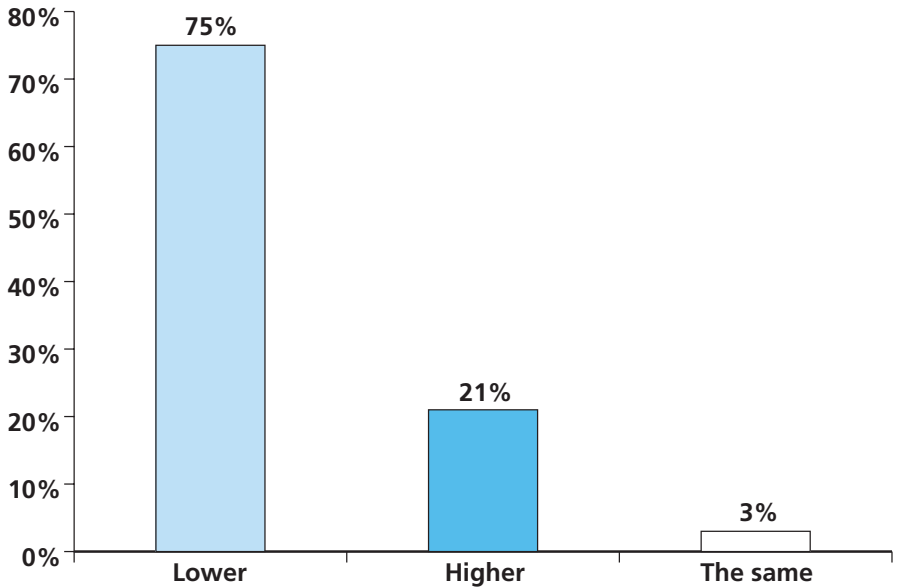
* Less than one percent

Three-quarters of owners indicated that their primary residence was valued higher than their investment property.

EXHIBIT 3-14

VALUE OF INVESTMENT PROPERTY COMPARED TO PRIMARY RESIDENCE

(Percentage Distribution)



TYPE OF INVESTMENT PROPERTY

Eighty-five percent of all investment properties were previously-owned. Investment properties located in the Northeast were more likely to be new construction than those in other regions. There was a little difference in the purchase of previously-owned investment homes among recent purchasers compared with buyers in previous years.

EXHIBIT 3-15

NEW VS. PREVIOUSLY-OWNED PROPERTY WHEN PURCHASED, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
New	15%	18%	13%	16%	13%
Previously-owned	85	82	87	84	87

EXHIBIT 3-16

NEW VS. PREVIOUSLY-OWNED PROPERTY WHEN PURCHASED, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
New	15%	15%	14%
Previously-owned	85	85	86

TIME IN INVESTMENT PROPERTY

Most owners spend no time in their investment properties. One in 10 owners in the Midwest and nearly as many in the Northeast report spending six months or more in their investment property.

RENTING THE INVESTMENT PROPERTY

Over 70 percent of investment properties are rented for at least six months each year.

EXHIBIT 3-17

TIME SPENT IN INVESTMENT PROPERTY, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
0 nights	80%	76%	82%	77%	86%
1 to 7 nights	5	4	3	8	4
8 to 14 nights	2	2	2	4	1
15 to 30 nights	1	*	*	2	1
31 to 60 nights	1	2	2	1	1
61 to 90 nights	1	3	*	1	1
91 to 120 nights	*	*	*	*	*
121 to 180 nights	2	4	2	1	1
181 or more nights	6	8	10	4	4
Median (nights)	0	0	0	0	0

* Less than one percent

EXHIBIT 3-18

TIME INVESTMENT PROPERTY IS RENTED, BY REGION

(Percentage Distribution)

	All Investment Properties	Investment Properties Located in:			
		Northeast	Midwest	South	West
0 nights	20%	19%	22%	23%	12%
1 to 7 nights	*	*	*	*	*
8 to 14 nights	1	2	*	1	1
15 to 30 nights	*	1	*	*	1
31 to 60 nights	1	1	*	*	1
61 to 90 nights	1	1	2	1	1
91 to 120 nights	*	*	*	1	*
121 to 180 nights	4	5	5	4	3
181 or more nights	73	72	72	68	81

* Less than one percent

INVESTMENT-PROPERTY RENTERS

Ninety-five percent of investment properties which are rented are occupied by renters for periods of six months or more.

GOOD INVESTMENT

Seventy percent of investment property owners indicated that their real estate investment was better than owning stocks and another 14 percent indicated that it was about the same as owning stocks.

EXHIBIT 3-19

TIME RENTERS SPEND IN INVESTMENT PROPERTY

(Percentage Distribution)

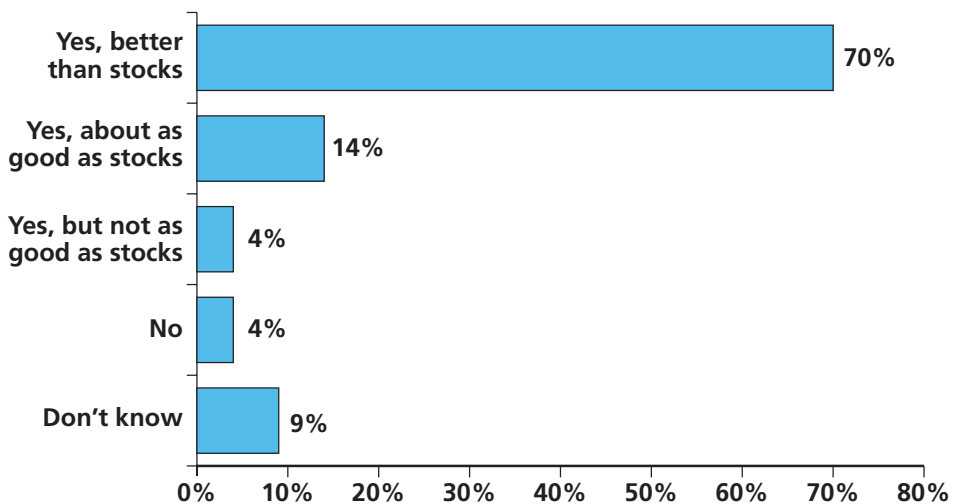
1 to 7 nights	2%
8 to 14 nights	*
15 to 30 nights	1
31 to 60 nights	1
61 to 90 nights	*
91 to 120 nights	*
121 to 180 nights	1
181 or more nights	95

* Less than one percent

EXHIBIT 3-20

INVESTMENT PROPERTY IS A GOOD FINANCIAL INVESTMENT

(Percentage Distribution)



CHAPTER 4: ACQUIRING A SECOND HOME

R

REAL ESTATE PROFESSIONALS HAVE BECOME INCREASINGLY IMPORTANT IN THE SECOND-HOME

sales transaction. While less than half of vacation-home buyers purchased their home with the assistance of a real estate agent prior to 2003, 64 percent of vacation-home buyers have purchased their homes through a real estate agent since 2003. Similarly, while 53 percent of investment property purchasers employed a real estate agent prior to 2003, this increased to 65 percent since then.

Unassisted second-home sales between 2003 and 2005, including direct purchases from the previous owner, commonly known as “For Sale By Owner” (or “FSBO”), accounted for 18 percent of vacation home and 17 percent of investment property sales. The increase in the use of real estate professionals after 2003 corresponded in most cases with a decrease in purchases made directly from the previous owners.

The use of a mortgage to finance a vacation home increased slightly from 67 percent among homes purchased prior to 2003 to 72 percent among homes purchased after 2003.

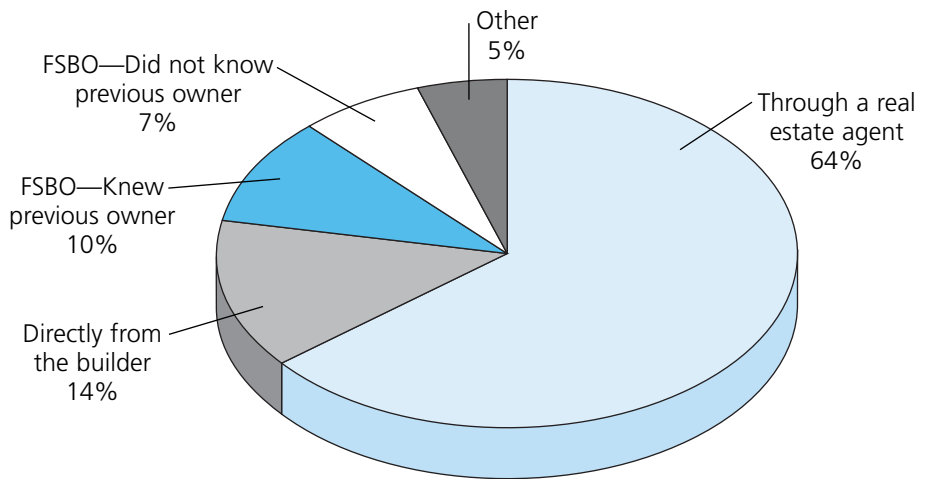
METHOD OF PURCHASING A VACATION HOME

Sixty-four percent of vacation-home buyers who purchased their vacation homes since 2003 used a real estate professional. This was a significant increase compared with vacation-home purchases made prior to 2003 when only 47 percent of sales were transacted with the assistance of a real estate agent. The percentage of buyers who purchased their vacation home directly from a builder increased slightly from 11 percent prior to 2003 to 14 percent since then. At the same time, there was a significant decline among those who purchased their vacation home directly from the previous owner, from 31 percent before 2003 to 18 percent after.

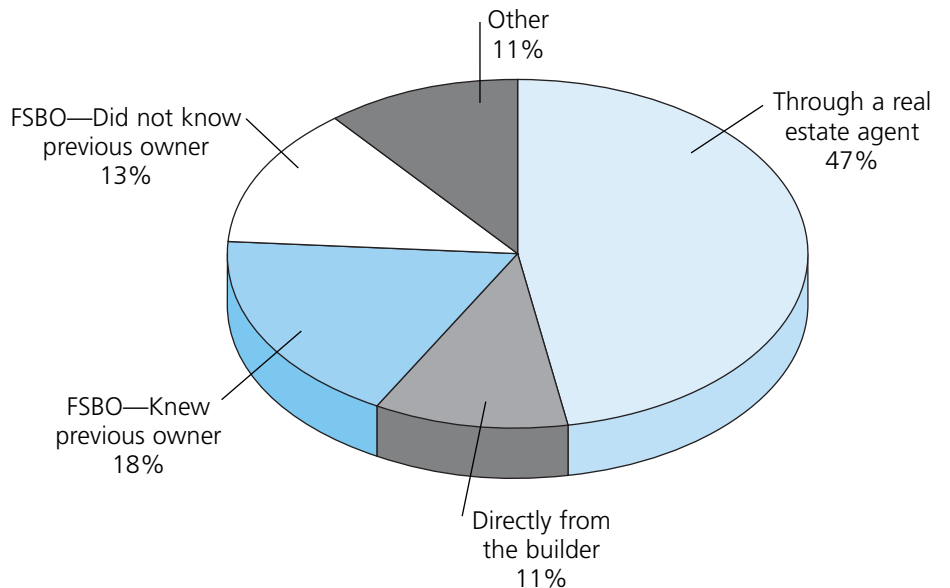
EXHIBIT 4-1

METHOD OF VACATION HOME PURCHASE, BY LENGTH OF TENURE
(Percentage Distribution)

**METHOD OF VACATION HOME PURCHASE
(Purchased in 2003–2005)**
(Percentage Distribution)



**METHOD OF VACATION HOME PURCHASE
(Purchased in 2002 or earlier)**
(Percentage Distribution)



PURCHASING NEW AND PREVIOUSLY-OWNED VACATION HOMES

When purchasing a previously-owned vacation home most buyers used a real estate agent. Almost three-quarters of vacation-home owners (74 percent) who purchased a previously-owned home between 2003 and 2005 used a real estate professional compared to 53 percent prior to 2003. Simultaneously, the percentage of buyers who purchased a vacation home directly from the previous owner decreased from 37 percent to 24 percent.

Among those vacation-home buyers who purchased a new home, 34 percent used a real estate agent, and 41 percent purchased directly from the builder.

EXHIBIT 4-2

METHOD OF VACATION HOME PURCHASE, NEW AND PREVIOUSLY-OWNED HOMES, BY LENGTH OF TENURE

(Percentage Distribution)

PURCHASED NEW VACATION HOME

	All New Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Through a real estate agent	34%	31%	38%
Directly from the builder	41	39	45
FSBO—Knew previous owner	6	9	*
FSBO—Did not know previous owner	7	8	5
Other	12	12	13

* Less than one percent

PURCHASED PREVIOUSLY-OWNED VACATION HOME

	All Previously-Owned Vacation Homes	Vacation Homes Purchased in:	
		2002 or earlier	2003–2005
Through a real estate agent	60%	53%	74%
Directly from the builder	*	*	1
FSBO—Knew previous owner	19	22	15
FSBO—Did not know previous owner	13	15	9
Other	7	10	1

* Less than one percent

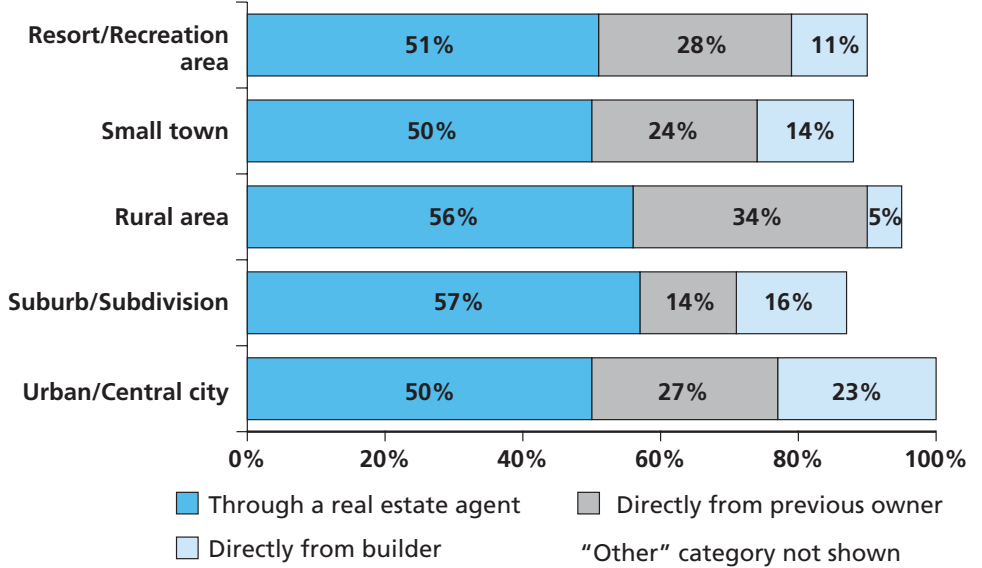
METHOD OF PURCHASE BY LOCATION

Use of a real estate professional in vacation home purchases varies depending on the location of the home. Those who purchased a vacation home located in a suburb/subdivision or a rural area used a real estate agent somewhat more frequently (56 and 57 percent, respectively) than buyers of homes in other locations. Buyers of vacation homes in urban/central city areas more frequently purchased their homes from a builder (23 percent) than those who purchased a vacation home in other locations. Buyers of vacation homes in rural areas more frequently purchased their homes directly from the previous owner (34 percent).

EXHIBIT 4-3

METHOD OF VACATION HOME PURCHASE, BY LOCATION

(Percentage Distribution)



Almost three-quarters of vacation-home owners (74 percent) who purchased a previously-owned home between 2003 and 2005 used a real estate professional.

METHOD OF PURCHASING AN INVESTMENT PROPERTY

Sixty-five percent of buyers who purchased a home as an investment property since 2003 used a real estate professional – up 12 percentage points from 53 percent prior to 2003. This trend corresponded with a significant decline in investment home purchases directly from the previous owner, which was 31 percent prior to 2003, falling to 17 percent after 2003. The percentage of investment property purchases directly from a builder remained stable at six to seven percent in the periods before and after 2003.

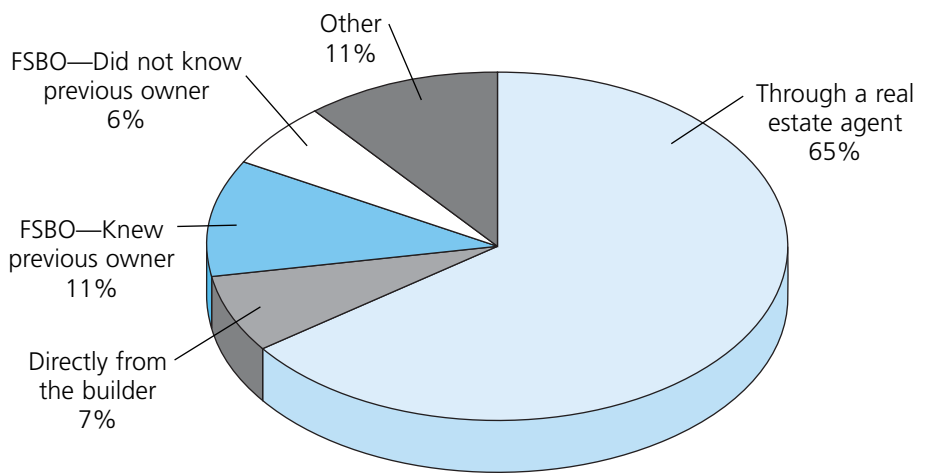
EXHIBIT 4-4

METHOD OF INVESTMENT PROPERTY HOME PURCHASE, BY LENGTH OF TENURE

(Percentage Distribution)

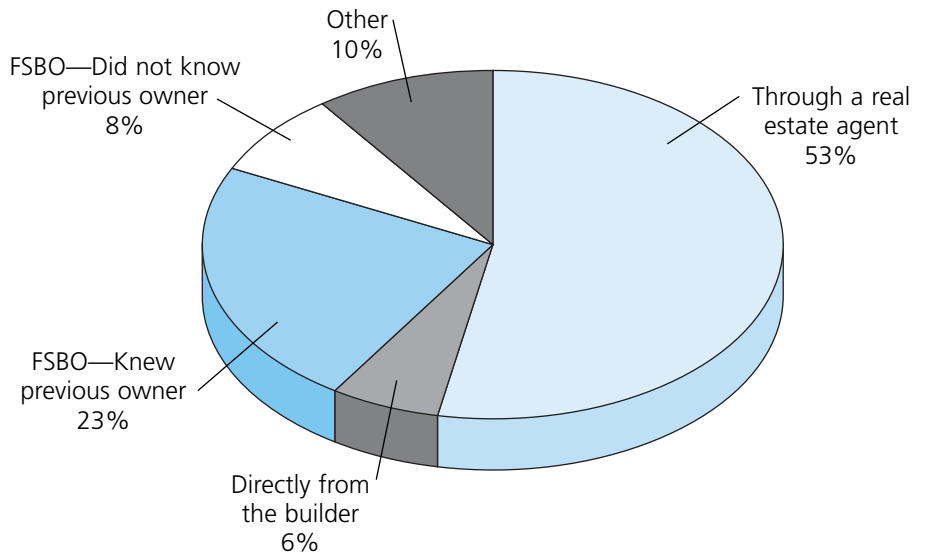
METHOD OF INVESTMENT PROPERTY PURCHASE (Purchased in 2003-2005)

(Percentage Distribution)



METHOD OF INVESTMENT PROPERTY PURCHASE (Purchased in 2002 or earlier)

(Percentage Distribution)



PURCHASING A NEW OR PREVIOUSLY-OWNED INVESTMENT PROPERTY

Overall, real estate agents have been used in 62 percent of transactions involving purchases of previously-owned homes for investment purposes. A look at this percentage over time shows that it has moved from 58 percent prior to 2003 to 68 percent since that time. The percentage of buyers who purchased their investment property directly from the previous owner decreased from 32 percent to 19 percent.

Among those second-home owners who purchased a new home as an investment, 36 percent used a real estate agent and 36 percent purchased their homes directly from the builder.

EXHIBIT 4-5

METHOD OF INVESTMENT PROPERTY PURCHASE, NEW AND PREVIOUSLY-OWNED HOMES, BY LENGTH OF TENURE

(Percentage Distribution)

PURCHASED NEW INVESTMENT PROPERTY

	All New Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Through a real estate agent	36%	24%	47%
Directly from the builder	36	33	50
FSBO—Knew previous owner	12	18	*
FSBO—Did not know previous owner	2	4	*
Other	14	20	3

* Less than one percent

PURCHASED PREVIOUSLY-OWNED INVESTMENT PROPERTY

	All Previously-Owned Investment Properties	Investment Properties Purchased in:	
		2002 or earlier	2003–2005
Through a real estate agent	62%	58%	68%
Directly from the builder	1	2	1
FSBO—Knew previous owner	19	24	12
FSBO—Did not know previous owner	8	8	7
Other	10	8	12

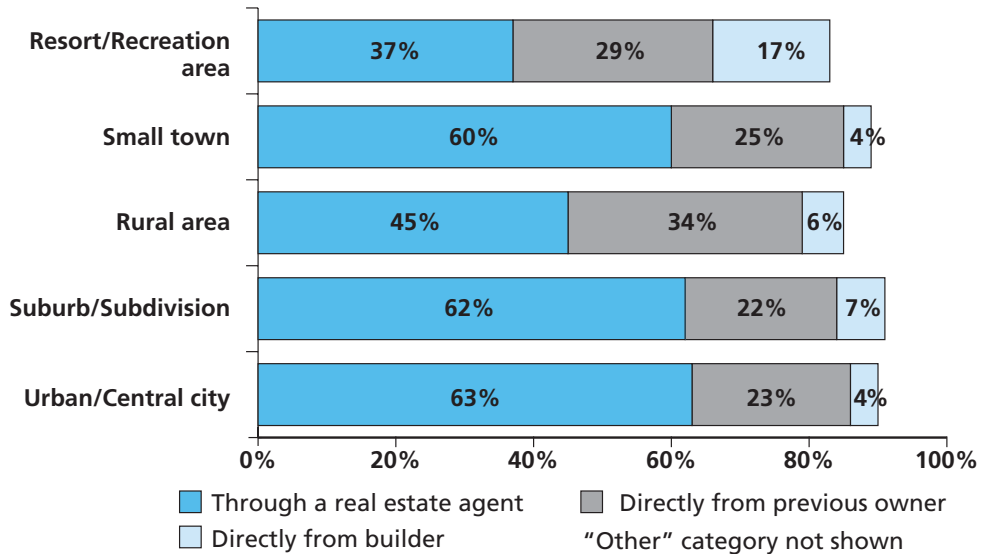
METHOD OF PURCHASE BY LOCATION

Nearly two-thirds of homebuyers who purchased a property for investment in an urban/central city area or in a suburb/subdivision used a real estate agent. Buyers of investment properties located in a rural area more frequently purchased directly from the previous owner (34 percent) while those who purchased an investment property in a resort/recreation area more frequently purchased directly from the builder (17 percent).

EXHIBIT 4-6

METHOD OF INVESTMENT PROPERTY PURCHASE, BY LOCATION

(Percentage Distribution)



While only five percent of the vacation-home buyers who purchased their homes prior to 2003 reported they first found their home on the Internet, this share increased to 16 percent among those who purchased their vacation home after 2003.

SEARCHING FOR A VACATION HOME

Overall, the most frequently reported way that vacation-home buyers first learned about the home they purchased was through a real estate agent (28 percent). This percentage has moved up from 26 percent for those buying prior to 2003 to 32 percent for those buying after 2003. The next most frequently cited sources included a friend, relative, or neighbor (23 percent), a yard sign (16 percent), knowing the seller (9 percent), the Internet (8 percent), and print newspaper advertisements (7 percent). The only sources of information for vacation-home buyers that increased in importance in recent years were real estate agents, yard signs and the Internet. While only five percent of the vacation-home buyers who purchased their homes prior to 2003 reported they first found their home on the Internet, this share increased to 16 percent among those who purchased their vacation home after 2003. The Internet sites most frequently mentioned by recent vacation-home buyers were real estate agents' web sites, REALTOR.com®, and newspaper web sites.

EXHIBIT 4-7

WHERE VACATION HOME BUYERS FIRST LEARNED ABOUT THE HOME PURCHASED, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Home Owners	Purchased Vacation Home in:	
		2002 or earlier	2003–2005
Real estate agent	28%	26%	32%
Friend/relative/neighbor	23	26	19
Yard sign	16	13	22
Knew the sellers	9	13	3
Internet	8	5	16
Real estate agent Web site	4	2	6
Multiple Listing Service (MLS) Web site	1	1	2
REALTOR.com®	1	*	3
Newspaper Web site	1	*	3
Other Web site	1	*	2
Real estate magazine Web site	*	*	*
Real estate company Web site	*	*	1
Print newspaper advertisement	7	8	5
Home builder or their agent	3	3	2
Home book or magazine	1	2	*
Don't remember	3	4	1

* Less than one percent

SEARCHING FOR AN INVESTMENT PROPERTY

Slightly over one-third (34 percent) of the second-home buyers that purchased a home for investment reported they first learned about that home through a real estate agent. The next most frequently cited information sources were yard signs (17 percent), learning through a friend, relative, or neighbor (16 percent), knowing the seller (12 percent), the Internet (9 percent), and print newspaper advertisement (6 percent). The share of buyers first learning about the investment property they ultimately purchased through the Internet increased from just six percent prior to 2003 to 13 percent since then.

EXHIBIT 4-8

WHERE INVESTMENT PROPERTY BUYERS FIRST LEARNED ABOUT THE HOME PURCHASED, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Property Owners	Purchased Investment Properties in:	
		2002 or earlier	2003-2005
Real estate agent	34%	33%	36%
Yard sign	17	17	18
Friend/relative/neighbor	16	18	13
Knew the sellers	12	13	8
Internet	9	6	13
Multiple Listing Service (MLS) Web site	4	3	5
Real estate agent Web site	1	1	2
Other Web site	1	*	2
Newspaper Web site	1	*	1
Real estate magazine Web site	1	1	*
Real estate company Web site	1	*	1
REALTOR.com®	1	1	*
Print newspaper advertisement	6	7	5
Home builder or their agent	3	2	5
Home book or magazine	1	*	1
Don't remember	3	3	1

* Less than one percent

MORTGAGE FINANCING

Second-home buyers are less likely to obtain a mortgage to finance their purchase than primary home buyers; 68 percent of vacation home owners and 76 percent of investment property owners financed their purchase with a mortgage compared with more than 90 percent of recent homebuyers. The use of a mortgage to finance a vacation home increased slightly from 67 percent among homes purchased prior to 2003 to 72 percent among homes purchased after 2003. Just over three-quarters of investment property owners financed their purchase with a mortgage before and after 2003.

Financing a vacation home purchase with a mortgage was more common among those who owned more than one vacation home (75 percent) than those with only one vacation home (67 percent). Among vacation home owners, one-quarter reported that their mortgage was paid off while nearly one third reported that they purchased their vacation home without a mortgage.

EXHIBIT 4-9

USE OF MORTGAGE IN PURCHASING SECOND HOME, BY TYPE OF SECOND HOME AND LENGTH OF TENURE

(Percentage Distribution)

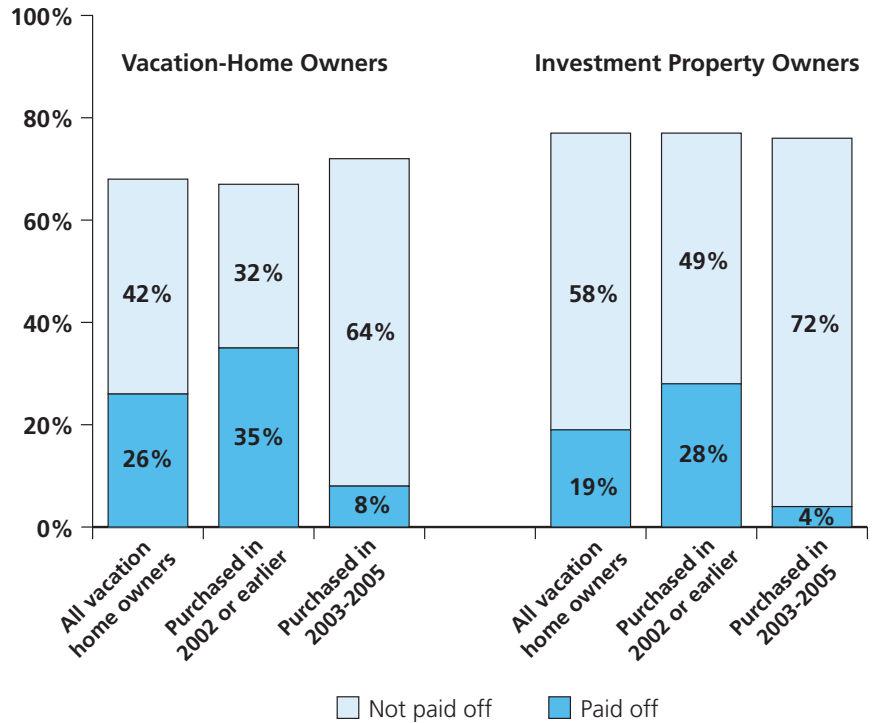


EXHIBIT 4-10

USE OF MORTGAGE IN PURCHASING VACATION HOME, BY THE NUMBER OF VACATION HOMES OWNED

(Percentage Distribution)

	All Vacation Homes Owners	Number of Vacation Homes Owned:	
		One	Two or More
Yes, but mortgage is paid off	26%	25%	30%
Yes, but mortgage is NOT paid off	42	42	45
No	32	33	25

	All Investment Property Owners	Number of Investment Properties Owned:	
		One	Two or More
Yes, but mortgage is paid off	19%	21%	16%
Yes, but mortgage is NOT paid off	58	56	60
No	24	23	24

PERCENT FINANCED

Among vacation-home owners who financed their home with a mortgage, the share of the purchase price financed increased from a median of 71 percent prior to 2003 to 75 percent after 2003. One in five vacation home owners who financed their purchase with a mortgage made a downpayment of at least 50 percent of the purchase price.

Investment property buyers also financed about three-quarters of the purchase price with a mortgage. This percentage was relatively stable at 76 percent among purchases made prior to 2003 and at 78 percent among those made after 2003. About one in seven investment properties were financed with a mortgage of less than 50 percent of the purchase price.

EXHIBIT 4-11

PERCENT OF VACATION HOME PURCHASE FINANCED WITH A MORTGAGE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Vacation Home Owners	Purchased Vacation Home in:	
		2002 or earlier	2003–2005
50% or less	22%	24%	19%
51% to 60%	9	11	5
61% to 70%	13	13	13
71% to 80%	33	32	34
81% to 90%	13	13	13
91% to 95%	7	4	9
96% to 99%	*	*	*
100% (no downpayment)	4	1	7
Median	73	71	75

* Less than one percent

EXHIBIT 4-12

PERCENT OF INVESTMENT PROPERTY PURCHASE FINANCED WITH A MORTGAGE, BY LENGTH OF TENURE

(Percentage Distribution)

	All Investment Property Owners	Purchased Investment Property in:	
		2002 or earlier	2003–2005
50% or less	14%	15%	13%
51% to 60%	4	5	2
61% to 70%	12	15	9
71% to 80%	32	32	34
81% to 90%	20	16	26
91% to 95%	6	7	5
96% to 99%	5	8	2
100% (no downpayment)	6	4	7
Median	77	76	78

VACATION HOME DOWNPAYMENT

Second-home buyers use many sources for their downpayments, ranging from savings, to proceeds from the sale of other real estate, to inheritance and gifts, to the sale of stocks or bonds. Savings were the largest component of down payments (60 percent) for the purchase of both vacation homes and investment properties. However, the share of savings in downpayments of vacation-home purchases decreased significantly from 66 percent prior to 2003 to 50 percent since 2003. The importance of home equity as a source of downpayment doubled from eight percent prior to 2003 to 17 percent after 2003.

EXHIBIT 4-13

SOURCES OF DOWNPAYMENT FOR VACATION HOMES, BY LENGTH OF TENURE

(Percent of Respondents)

	VACATION-HOME OWNERS		
	All Vacation-Home Owners	Purchased Vacation Home in:	
		2002 or earlier	2003–2005
Savings	60%	66%	50%
Proceeds from sale of real estate other than primary residence	16	13	23
Equity from primary residence	11	8	17
Inheritance	9	9	9
Sale of stocks or bonds	7	10	3
Gift from relative/friend	4	6	1
Life insurance	1	*	4
Investment property sales (1031 exchange)	1	2	1
Sale of personal property	1	1	2
Loan from relative/friend	1	1	*
Proceeds from sale of primary residence	1	1	2
Loan from financial institution other than a mortgage	1	1	*
Loan from 401k/pension fund	1	*	1
Loan from Individual Retirement Account (IRA)	*	*	*
Other	4	4	5

* *Less than one percent*

One in five vacation-home owners who financed their purchase with a mortgage made a downpayment of at least 50 percent of the purchase price.

INVESTMENT PROPERTY DOWNPAYMENT

In place of savings, investment property buyers, like vacation home buyers, turned increasingly to proceeds from the sale of real estate other than a primary residence and to equity withdrawn from their primary residence. The share of savings in downpayments decreased from 66 percent prior to 2003 to 50 percent since then. Using the proceeds from the sale of real estate other than a primary residence toward a downpayment increased from 11 percent prior to 2003 to 18 percent after 2003. For investment property owners, the importance of home equity as a downpayment source doubled to 25 percent after 2003.

EXHIBIT 4-14

SOURCES OF DOWNPAYMENT FOR INVESTMENT PROPERTIES, BY LENGTH OF TENURE

(Percent of Respondents)

	INVESTMENT PROPERTY OWNERS		
	All Investment Property Owners	Purchased Investment Property in:	
		2002 or earlier	2003–2005
Savings	60%	66%	50%
Proceeds from sale of real estate other than primary residence	14	11	18
Equity from primary residence	18	12	25
Inheritance	4	5	2
Sale of stocks or bonds	6	6	5
Gift from relative/friend	3	4	1
Life insurance	1	1	*
Investment property sales (1031 exchange)	4	3	6
Sale of personal property	2	2	1
Loan from relative/friend	2	2	2
Proceeds from sale of primary residence	3	3	3
Loan from financial institution other than a mortgage	1	1	1
Loan from 401k/pension fund	*	*	*
Loan from Individual Retirement Account (IRA)	*	*	*
Other	7	6	9

* Less than one percent

CHAPTER 5 : LOOKING FORWARD: BUYING AND SELLING A SECOND-HOME

S ECOND-HOME OWNERS FREQUENTLY OWN MORE THAN ONE HOME AND ARE OFTEN

planning to buy additional properties. In fact, 35 percent of investment property owners and 11 percent of vacation-home owners are planning to buy another home in the next two years. Furthermore, 28 percent of investment property owners and 10 percent of vacation-home owners are planning to sell a home in the next two years.

When purchasing an additional home, 79 percent of vacation-home owners and 73 percent of investment property owners expressed a strong interest in using a real estate professional. Additionally, 65 percent of vacation home owners and 64 percent of investment property owners reported they will definitely or probably use a real estate professional when selling a home.

When selling a property, 59 percent of vacation-home owners and 41 percent of investment property owners want their real estate agent to determine the selling prices of comparable homes.

PLAN TO BUY A VACATION HOME

Ten percent of second-home owners are planning to buy additional vacation homes in the next two years. The percentage of those planning to buy an additional vacation home is higher among those vacation home owners who own more than one vacation home (15 percent) than the ones who own one vacation home (10 percent).

PLAN TO SELL A VACATION HOME

Ten percent of vacation home owners plan to sell a vacation home in the next two years. The percentage of those planning to sell a home is higher among those vacation home owners who own more than one vacation home (17 percent) compared to those who own one vacation home (8 percent).

EXHIBIT 5-1

PLAN TO BUY A VACATION HOME IN THE NEXT TWO YEARS

(Percentage Distribution)

	All Second-Home Owners	Number of Second-Homes Owned:			
		One	Two	Three	Four or more
Yes	10%	6%	5%	19%	14%
No	76	82	79	66	63
Don't know	14	11	15	14	23

	All Vacation Home Owners	Number of Vacation Homes Owned:	
		One	Two or more
Yes	11%	10%	15%
No	76	79	64
Don't know	13	11	21

EXHIBIT 5-2

PLAN TO SELL A VACATION HOME IN THE NEXT TWO YEARS

(Percentage Distribution)

	All Vacation Home Owners	Number of Vacation Homes Owned:	
		One	Two or more
Yes	10%	8%	17%
No	76	78	68
Don't know	15	14	15

PLAN TO BUY AN INVESTMENT PROPERTY

Twenty-nine percent of second-home owners, and among this group, 35 percent of investment property owners are planning to buy additional investment properties in the next two years. Like vacation-home owners, the percentage of investment property owners planning to buy an additional property increases as the number of properties owned increases, rising from 20 percent among those who own one investment property to 64 percent among those who own four or more investment properties.

The number of properties investors plan to purchase also increases with the number of properties owned. The median number of additional investment properties owners plan to purchase in the next two years is one among those who own one investment property and three among those who own four or more investment properties.

EXHIBIT 5-3

PLAN TO BUY AN INVESTMENT PROPERTY IN THE NEXT TWO YEARS
(Percentage Distribution)

	All Second-Home Owners	Number of Second-Homes Owned:			
		One	Two	Three	Four or more
Yes	29%	15%	23%	43%	63%
No	47	61	49	34	19
Don't know	24	24	28	23	18

	All Investment Property Owners	Number of Investment Properties Owned:			
		One	Two	Three	Four or more
Yes	35%	20%	36%	43%	64%
No	40	54	36	29	19
Don't know	25	27	27	28	17

EXHIBIT 5-4

NUMBER OF PROPERTIES INVESTMENT PROPERTY OWNERS PLAN TO PURCHASE IN THE NEXT TWO YEARS
(Percentage Distribution among those Planning a Purchase)

	All Investment Property Owners	Number of Investment Properties Owned:			
		One	Two	Three	Four or more
One	31%	57%	32%	30%	13%
Two	20	11	26	24	23
Three	6	2	11	3	7
Four	12	9	13	6	14
Five or more	10	2	3	18	17
Don't know	21	20	16	18	25
Median	2	1	2	2	3

PLAN TO SELL AN INVESTMENT PROPERTY

Twenty-eight percent of investment-property owners plan to sell an investment property in the next two years. The percentage of those planning to sell a property increases as the number of properties owned increases, rising from 22 percent among those who own one investment property to 40 percent among those who own four or more investment properties.

The median number of properties an investment property owner plans to sell in the next two years is two. Forty-three percent plan to sell one property while 28 percent plan to sell two properties.

EXHIBIT 5-5

PLAN TO SELL AN INVESTMENT PROPERTY IN THE NEXT TWO YEARS

(Percentage Distribution)

	All Investment Property Owners	Number of Investment Properties Owned:			
		One	Two	Three	Four or more
Yes	28%	22%	30%	31%	40%
No	48	53	43	50	38
Don't know	24	25	28	19	22

EXHIBIT 5-6

NUMBER OF PROPERTIES INVESTMENT PROPERTY OWNERS PLAN TO SELL IN THE NEXT TWO YEARS

(Percentage Distribution among those Planning a Sale)

All Investment-Property Owners	
One	43%
Two	28
Three	6
Four	6
Five or more	7
Don't know	9
Median	2

Twenty-eight percent of investment property owners plan to sell an investment property in the next two years.

BUYER EXPECTATIONS

Second-home owners planning to buy additional homes have specific expectations of real estate professionals. About half of second-home owners planning to buy an investment property and 55 percent of second-home owners planning to buy a vacation home want their real estate agent to help them find the right home to purchase. Additionally, about a third of second-home owners (34 percent of those planning to buy a vacation home and 31 percent of those planning to buy an investment property) want their agent to help determine the selling price of comparable homes.

SELLER EXPECTATIONS

When selling a property, 59 percent of vacation-home owners and 41 percent of investment property owners want their real estate agent to determine the selling prices of comparable homes. Help with paperwork was ranked as the second most important expectation of real estate agents by 15 percent of second-home owners. Additionally, smaller percentages of second-home owners planning to sell a home wanted help with price negotiations.

EXHIBIT 5-7

WHAT SECOND-HOME OWNERS PLANNING TO BUY A HOME WANT MOST FROM REAL ESTATE PROFESSIONALS

(Percentage Distribution)

	SECOND-HOME OWNERS PLANNING TO BUY A:	
	Vacation Home	Investment Property
Help finding the right property to purchase	55%	49%
Determine what comparable homes are selling for	34	31
Help with paperwork	7	7
Help with price negotiations	1	8
Help find renters for buyer's property	*	1
Help find and arrange financing	*	2
Help determining how much buyer can afford to spend on a home	1	*
Other	3	3

* Less than one percent

EXHIBIT 5-8

WHAT SECOND-HOME OWNERS PLANNING TO SELL A HOME WANT MOST FROM REAL ESTATE PROFESSIONALS

(Percentage Distribution)

	Vacation-Home Owner's Planning to Sell a Vacation Home	Investment-Property Owner's Planning to Sell an Investment Property
Determine what comparable homes are selling for	59%	41%
Help with paperwork	15	15
Help with price negotiations	8	13
Help find and arrange financing	3	4
Help determining how much buyer can afford to spend on a home	*	*
Help finding renters for buyer's property	*	*
Help finding the right property to purchase	*	6
Other	14	21

* Less than one percent

USING AN AGENT

Thirty-five percent of vacation-home owners and 38 percent of investment-property owners reported they will definitely use a real estate professional to assist them in finding and purchasing additional properties. An additional 44 percent of vacation-home owners and 34 percent of investment property owners reported they will probably use an agent when purchasing additional homes. Only four percent of second-home owners reported that they would definitely not use a real estate agent when buying their next home.

When selling a home, 38 percent of vacation-home owners and 32 percent of investment property owners reported that they will definitely use a real estate professional to assist them in selling a home. An additional 27 percent of vacation-home owners and 32 percent of investment property owners also reported they will probably use an agent when selling a home. Twelve percent of vacation-home owners and seven percent of investment property owners reported they will definitely not use an agent.

EXHIBIT 5-9

WILLINGNESS OF SECOND-HOME OWNERS TO USE A REAL ESTATE PROFESSIONAL WHEN BUYING A HOME

(Percentage Distribution)

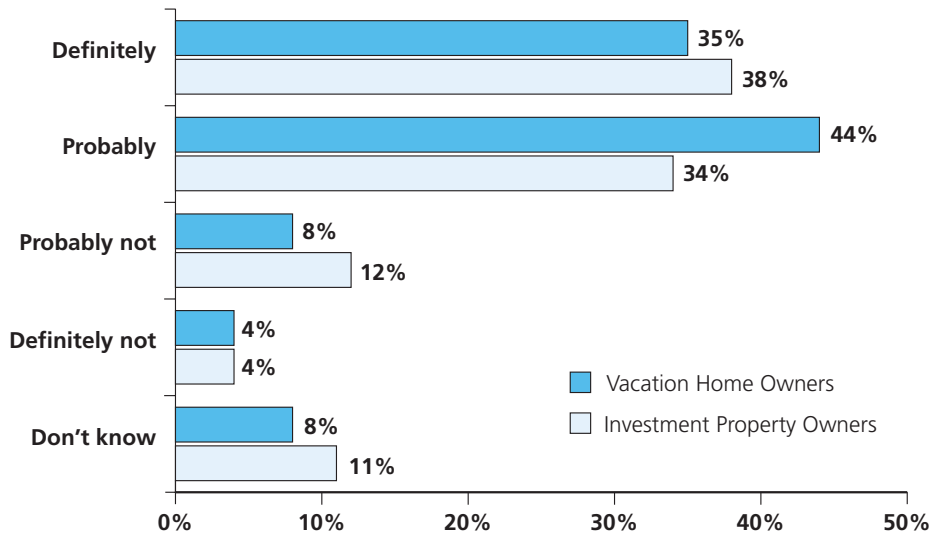
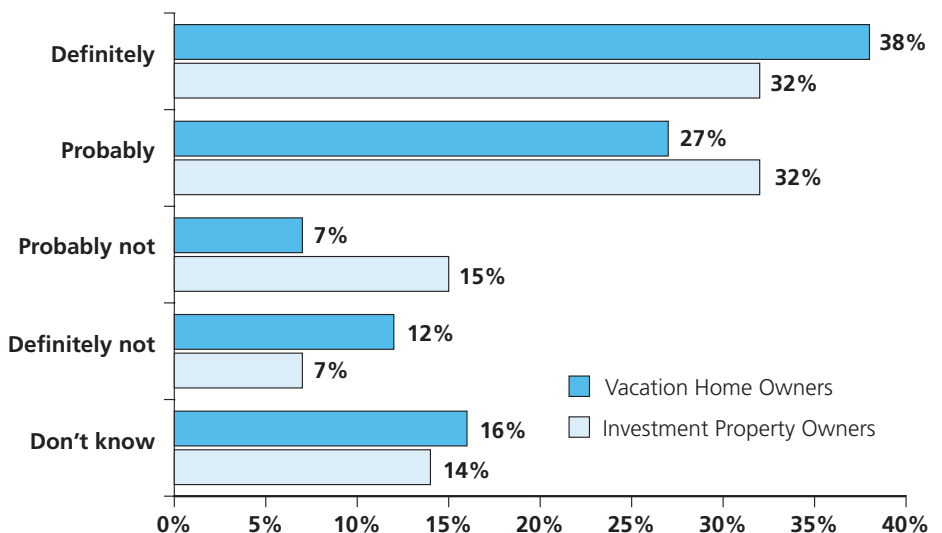


EXHIBIT 5-10

WILLINGNESS OF SECOND-HOME OWNERS TO USE A REAL ESTATE PROFESSIONAL WHEN SELLING A HOME

(Percentage Distribution)



CONCLUSION

T

HE AMERICAN DREAM, LIKE MANY OTHER THINGS IN THIS COUNTRY, IS BEING "SUPERSIZED."

It's not just about owning a home – it's often about owning two or three homes. Second-home purchases accounted for nearly 40 percent of all home sales in 2005 – up from 36 percent last year. Whether it's a log cabin in the mountains, a time-share condo at the beach or a rental home in the suburbs to generate income, a growing number of consumers are choosing real estate to diversify their financial portfolio.

Leading the charge are baby boomers, the first of whom are turning 60 this year and are at the optimum point in life for real estate investing. They are in their peak earning years, interest rates remain historically low and they are looking for alternatives to the stock market. This presents a wealth of opportunities for the real estate professionals who serve today's dynamic market.

As real estate professionals cultivate clients for life, they are finding that promoting real estate as a second-home purchase is rewarding and productive. The joy of facilitating a family's first vacation-home purchase is almost as satisfying as helping them open their first door to homeownership. The dream just keeps getting bigger and better.

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LIST OF EXHIBITS

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