

2009 NATIONAL
ASSOCIATION OF
REALTORS[®]
INVESTMENT AND
VACATION HOME
BUYERS SURVEY



Produced by the NATIONAL ASSOCIATION OF REALTORS[®] Research Division

2009 NAR Investment and Vacation Home Buyers Survey

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Introduction

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

Market Environment

Economic activity weakened significantly throughout 2008. Rising unemployment and accelerating job loss weighed on consumer confidence while the unfolding financial crisis resulted in a sharply curtailed flow of credit throughout the economy. Existing home sales remained relatively flat at an annual rate of approximately 5 million but prices fell as rising inventories and an increasing number of distressed properties came on to the market. New home sales fell dramatically, with a decline of 37.2 percent to 482,000 units.

The Changing Composition of Residential Sales

In 2008, 70 percent of home buyers indicated that they purchased a home to use as their primary residence, an increase from 67 percent in 2007 and up significantly from 60 percent in 2005. Most often, buyers purchase a primary residence based on job relocation needs, formation of a new household or changes in family circumstances necessitating a larger or smaller home or a home in a different location. These factors are present – perhaps to a larger or smaller degree – whether the economy is expanding or contracting.

For the remaining 30 percent of home buyers, the motivation to purchase an investment property or vacation home is influenced by a variety of factors. In an environment of economic uncertainty, discretionary purchases such as vacation homes can be more easily delayed than the purchase of a primary residence as evident from the decline in the share of vacation home purchases to 9 percent in 2008 from 12 percent in 2007.

For buyers of investment properties, the potential financial gains are far more important; the purchase of a home is a dollars-and-cents decision resting in part on current cash flow from rental income and expectations of future price appreciation. Even in a difficult economic environment, investment opportunities exist. During the past three years as the overall housing market softened, residential investment properties accounted for just over one in five purchases each year.

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The Investment and Vacation Home Market in 2008

In 2008, an estimated 70 percent of homes (including both new and previously-owned homes) were purchased for use as the buyer's primary residence. This share represents 3.766 million home sales, down from 4.336 million sales in 2007. While new and existing home sales fell 16 percent in 2008, sales of primary residences declined by a smaller 13.2 percent. Overall, the market for primary residences was somewhat more resilient; even in a declining real estate market, households continue to purchase a first home or relocate to another home for a variety of reasons.

Vacation home sales fell 30.8 percent to an estimated 512,000 units. The median price of a vacation home also fell sharply to \$150,000, a decline of 23.1 percent from 2007. A significant majority of vacation home buyers – 89 percent – purchased a property for their personal use, while one-quarter also considered the rental potential. Twenty-six percent purchased a vacation home with the expectation of converting it to their primary residence in the future. Vacation home buyers expect to own their property for a median of 12 years. Slightly fewer than one-third of vacation home buyers paid cash for their property.

Residential investment property sales fell 17.2 to 1.117 million, less than half of the sales level in 2005. The median price fell 28 percent to \$108,000 in 2008. Eighty-four percent of investment property buyers purchased an existing home, up from 71 percent in 2007. Investors may have been attracted to distressed properties rather than new homes as suggested by the 16 percent of properties that were purchased through the foreclosure process. More than half of investment property buyers indicated that they purchased the home to rent to others and 38 percent considered the property a good investment opportunity over and above any income generation potential. Forty-two percent of investment property buyers paid cash, up from 35 percent in 2007.

Methodology

In March 2009, a random sample of households that had purchased any type of residential real estate during 2008 was surveyed. The survey sample was drawn from a representative panel of U.S. households monitored and maintained by an established survey research firm. A total of 1,924 qualified households responded to the survey accounting for 2,053 home purchases during 2008. Households were sampled to meet age and income quotas representative of all home buyers drawn from the *2008 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
New and Existing Home Sales (000)			
2003	4,841	849	1,571
2004	5,106	872	2,003
2005	5,023	1,019	2,317
2006	4,816	1,067	1,646
2007	4,336	740	1,349
2008	3,766	512	1,117
<i>Pct change 2007-2008</i>	-13.2	-30.8	-17.2
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
<i>Pct change 2007-2008</i>	-1.8	-23.1	-28.0

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Exhibit 2: Buyer Characteristics

	Primary Residences	Vacation Properties	Investment Properties
Buyer Age			
Under 35	45%	27%	25%
35 to 45	23	19	21
45 to 55	16	22	24
Over 55	17	31	30
<i>Median (years)</i>	37	46	47
Household Income (2008)			
Less than \$45,000	20%	7%	17%
\$45,000 to \$75,000	32	26	27
\$75,000 to \$100,000	21	20	18
More than \$100,000	27	48	38
<i>Median</i>	\$73,300	\$97,200	\$85,000
Number of Household Income Earners			
None	3%	4%	5%
One	41	27	36
Two	52	64	55
Three or more	3	4	4
Household Composition			
Married couple	68%	74%	71%
Single female	11	7	8
Single male	\$11	9	13
Unmarried couple	\$8	9	7
Other	2	2	2
Number of Children Under 18			
None	50%	54%	56%
One	23	21	19
Two	17	13	16
Three or more	10	11	10
Racial/Ethnic Background			
White/Caucasian	83%	84%	86%
Black/African American	6	7	6
Hispanic/Latino	5	7	3
Asian/Pacific Islander	7	4	6
Other	2	3	2

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Exhibit 3: Property Characteristics

	Primary Residences	Vacation Properties	Investment Properties
Location of Property			
Small town	17%	26%	22%
Rural area	16	23	23
Suburb/Subdivision	49	20	28
Urban area/Central City	17	8	20
Resort area	1	23	6
Region of Home Purchase			
Northeast	19%	22%	17%
Midwest	25	15	25
South	35	45	40
West	21	18	18
Type of Property			
Detached single-family	84%	70%	64%
Condo/duplex in building with 2 to 4 units	5	7	12
Condo/apartment in building with 5 or more units	4	11	10
Townhouse or row house	4	5	8
Other	2	7	6
New or Existing Home			
New	32%	31%	16%
Existing	68	69	84
Distance from Primary Residence			
5 miles or less	-	2%	24%
6 to 10 miles	-	2	11
11 to 15 miles	-	1	8
16 to 20 miles	-	4	11
21 to 50 miles	-	7	8
51 to 100 miles	-	19	7
101 to 500 miles	-	30	12
501 to 1,000 miles	-	14	8
1,001 miles or more	-	22	11
<i>Median (miles)</i>		316	19

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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	65%	55%	46%
Foreclosure or trustee sale	5	9	16
Directly from owner whom the buyer knew	9	16	18
Directly from owner whom the buyer didn't know	7	9	8
Directly from builder or builder's agent	11	7	2
Auction	1	3	5
1031 Exchange	*	1	*
Other	2	1	4
First Step Taken in the Home Buying Process			
Looked online for properties for sale	26%	22%	18%
Looked online for information about the home buying process	15	14	10
Contacted a real estate agent	13	13	19
Talked with a friend or relative about the home buying process	9	13	11
Drove-by homes/neighborhoods	8	10	7
Visited open houses	8	7	8
Contacted a bank or mortgage lender	8	3	4
Looked in newspapers, magazines, or home buying guides for properties for sale	4	5	4
Contacted builder/visited builder models	3	3	1
Contacted a home seller directly	\$3	7	8
Read books or guides about the home buying process	\$1	1	1
Attended a home buying seminar	*	1	2
Other	2	3	8
Where Buyer Found the Home They Purchased			
Internet	29%	21%	25%
Real estate agent	27	24	21
Yard sign/open house sign	12	8	11
Friend, relative or neighbor	12	21	18
Home builder or their agent	9	8	2
Directly from sellers/Knew the sellers	5	7	12
Print newspaper advertisement	5	8	8
Home book or magazine	1	3	4
Mortgage Financing			
Used a mortgage	85%	68%	56%
Did not use a mortgage	15	31	42
Don't know	1	1	2

* Less than one 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	-	89%	15%
To rent to others	-	27	58
To diversify investments/Good investment opportunity	-	27	38
To use as principal residence in the future	-	26	7
For a family member, friend or relative	-	17	19
For the tax benefits	-	14	13
Because the buyer had extra money to spend	-	9	7
Other	-	8	6
Length of Time Buyer Plans to Own Property			
Have already sold this property	1%	2%	7%
Less than 1 year	4	3	8
1 to less than 3 years	10	8	13
3 to less than 6 years	19	15	14
6 to less than 11 years	16	15	15
11 or more years	38	58	22
Don't know	13	*	21
<i>Median</i>	9	12	5
Likelihood of Buying Vacation or Investment Property in Next 2 Years			
Very likely	10%	14%	26%
Somewhat likely	\$19	16	20
Somewhat unlikely	\$13	11	13
Very unlikely	49	45	27
Don't know	9	13	14
Now is Good Time to Purchase Real Estate			
Good time to purchase	71%	80%	80%
Not a good time to purchase	17	10	12
Don't know	11	9	8

* Less than one percent