

# 2017 NAR Investment & Vacation Home Buyer's Survey

National Association of REALTORS® Research Department

# Introduction

Traditionally, the majority of home buyers make a primary residence their housing purchase. However, some buyers purchase a vacation home to use for a family retreat, for a principal residence in the future, and investors for a home to rent to others or diversify their investments. By conducting a nationally representative online sample of 2,099 adults who purchased a home in the last year, the *NAR Investment and Vacation Home Buyer's Survey* breaks down the share of home sales by primary residences, vacation homes, and investment properties, and presents characteristics of the non-primary residence transactions.

## Market Environment

Low housing inventory in 2016 continued to impact housing sales and prices across the nation. As inventory remained constrained, home prices increased. The increase in home prices lowered the share of homeowners who were underwater in their home, and decreased the share of distressed home sales nationwide. The rise in home prices continued to impact first-time home buyers, which rose to 35 percent, but are still under the historical norm for primary residence buyers of 40 percent.

## The Composition of Residential Sales

In 2016, the share of buyers who purchased a primary residence rose for the third year to 70 percent from 65 percent. The share of vacation home buyers declined for the third straight year to 12 percent from 16 percent. The decline puts the share at the historical average for the data set collected since 2003. The share of investment buyers remained unchanged at 19 percent for the third straight year.

While buyers of primary residences typically purchase homes because of the desire to be a home owner, a change in their family situation, or due to a job relocation, buyers of vacation and investment homes are motivated by other factors. Forty-two percent of vacation home buyers plan to use their property for vacations or as a family retreat, 18 percent plan to convert their vacation home into their primary residence in the future for retirement, and 12 percent because of low real estate prices and the buyer found a good deal.

Thirty-seven percent of investment property buyers purchased the home to

# Introduction

generate income through renting the property, 16 percent purchased for potential price appreciation, and 15 percent because of low real estate prices and the buyer found a good deal.

all-cash for their property purchase. When financing their purchase, 45 percent of vacation buyers and 47 percent of investors financed less than 70 percent of their purchase.

## Property Characteristics

The median price of primary residences continued to climb—as it has since 2011. In 2016 the price increased 2.4 percent to \$215,000 from \$167,000 in 2011. Eighty-seven percent of primary residence buyers used a mortgage.

Among vacation buyers, 25 percent purchased in a resort area, 25 percent in a rural area, and 21 percent in a small town—all which are higher than other buyer types. Thirty-six percent of vacation buyers purchased in a beach area, 21 percent purchased on a lake front, and 20 percent purchased a vacation home in the country. Thirty-four percent of investors purchased in a suburb/subdivision and 23 percent in an urban area/central city.

The share of vacation buyers and investors who purchased a distressed property (short sale or foreclosure) in 2016 remained higher than among primary residence home buyers. Only nine percent of primary residence buyers purchased a distressed sale compared to 38 percent of vacation buyers and 35 percent of investors. The median vacation and investor home purchase price was higher in 2016 than in 2015. The typical price was \$200,000 for vacation buyers, up from \$192,000. Investors typically purchased a median-priced property of \$155,000, up from \$143,500. Thirty-six percent of investors and 29 percent of vacation buyers paid

While a detached single-family home is the most common type of home for all buyer types, higher shares of vacation buyers and investors purchased condos and townhouses in 2016. The median square feet of a primary residence was typically 1,900 square feet, while the median square feet of an investment property purchased was 1,500 and a vacation home was 1,460.

The typical vacation property was 200 miles from the buyers' primary



# Introduction

residence, while the typical investor property was 20 miles from their primary residence. The typical investment buyer plans to own their investment home for nine years, which is up from five years in 2015. Among vacation buyers, 18 percent plan to own their home for future retirement, but the median length of time expected to own is nine years.

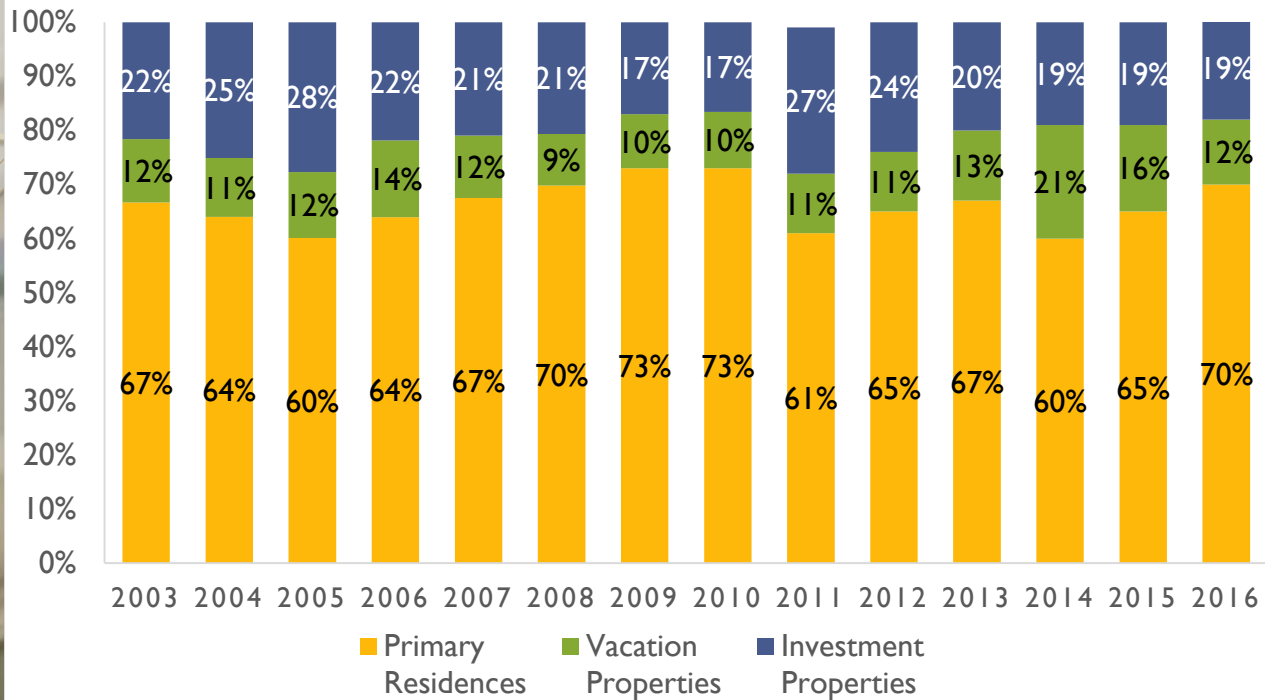
## Short Term Rentals (Less than 30 days at a time)

Investors are most likely to attempt and to rent their properties as short term rentals. Among vacation buyers, 29 percent did or tried to rent their property in 2016 and plan to rent their property in 2017. Among investors, 44 percent did or tried to rent their property in 2016 and plan to rent their property in 2017. Investors plan on renting their properties for 365 days (including short term and long term rentals), while vacation buyers plan to rent their properties for 30 days. Among primary residence home buyers, 11 percent will try to rent their properties in 2017, for a median of three days.

## Optimism and the Future

Buyers of primary residences, vacation homes, and investment properties were active in the market despite the hurdles they may face with low inventory and tight financing. More than 80 percent of vacation buyers reported that now is a good time to purchase real estate. Twenty-eight percent of investment buyers are very likely to buy another investment property, and 16 percent of investment buyers are very likely to purchase a vacation property in the next two years. Similarly, 23 percent of vacation buyers are likely to purchase an investment property and 21 percent are very likely to purchase another vacation property in the next two years. Among primary residence buyers, six percent are very likely to buy an investment property and four percent are very likely to buy a vacation property in the next two years.

# Share and Amount of Home Sales by Intended Use



## New and Existing Home Sales (000)

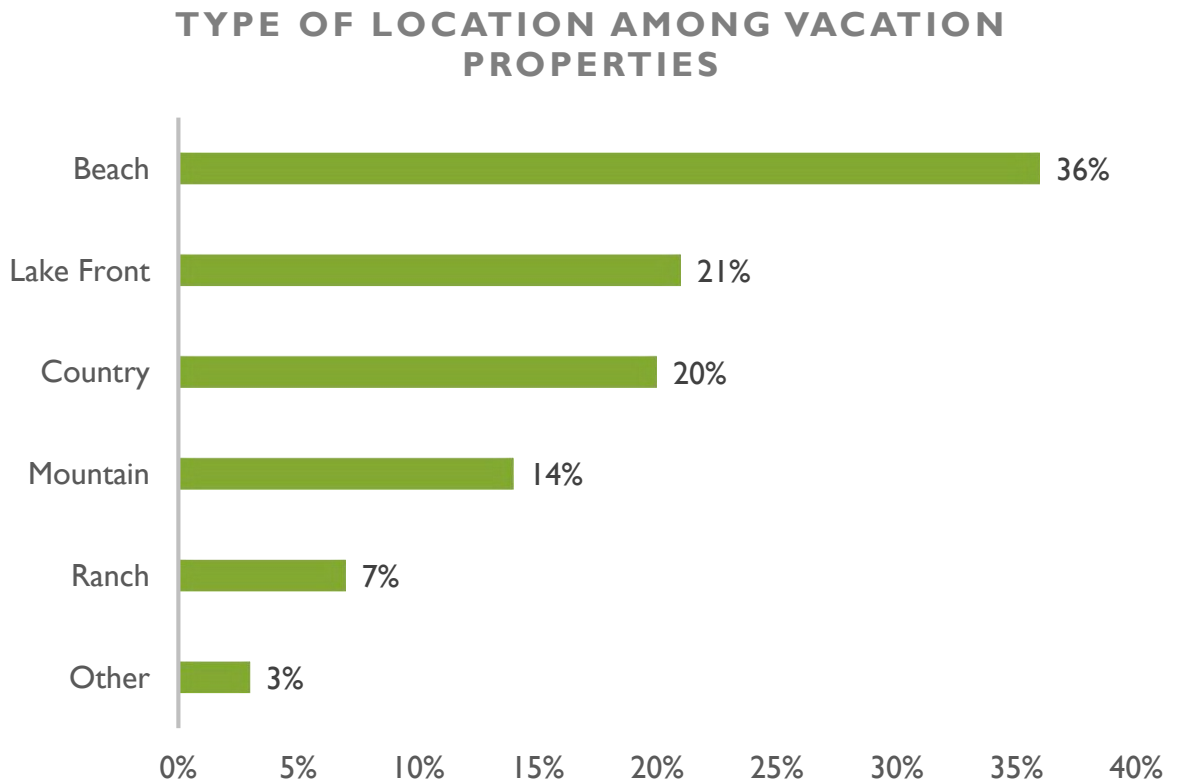
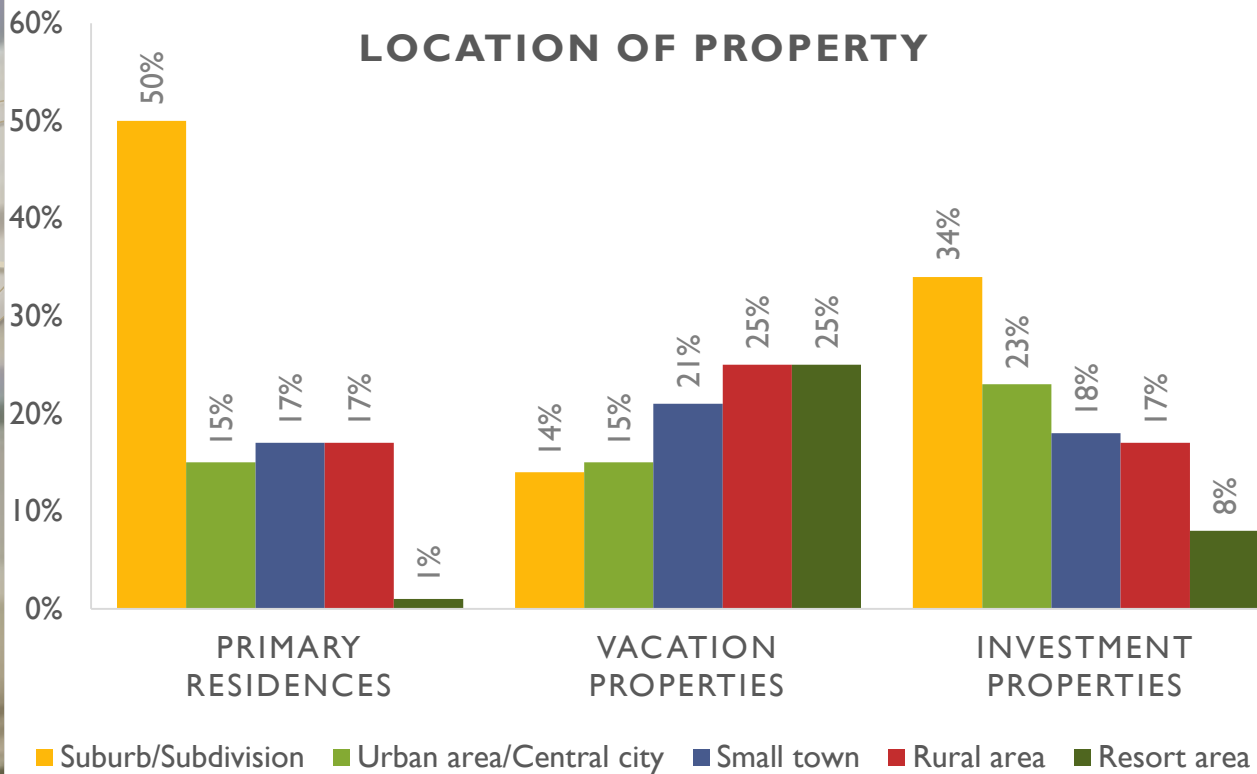
	Primary Residences	Vacation Properties	Investment Properties
2003	4,844	850	1,572
2004	5,106	872	2,003
2005	5,023	1,019	2,317
2006	4,817	1,067	1,646
2007	3,925	670	1,221
2008	3,207	436	951
2009	3,441	471	801
2010	3,294	469	749
2011	2,785	502	1,233
2012	3,268	553	1,207
2013	3,698	717	1,104
2014	3,226	1,129	1,022
2015	3,738	920	1,093
2016	4,207	721	1,142
Percent change 2015-2016	12.5	-21.6	4.5

# Median Home Sales Price by Intended Use

## Median Sales Price

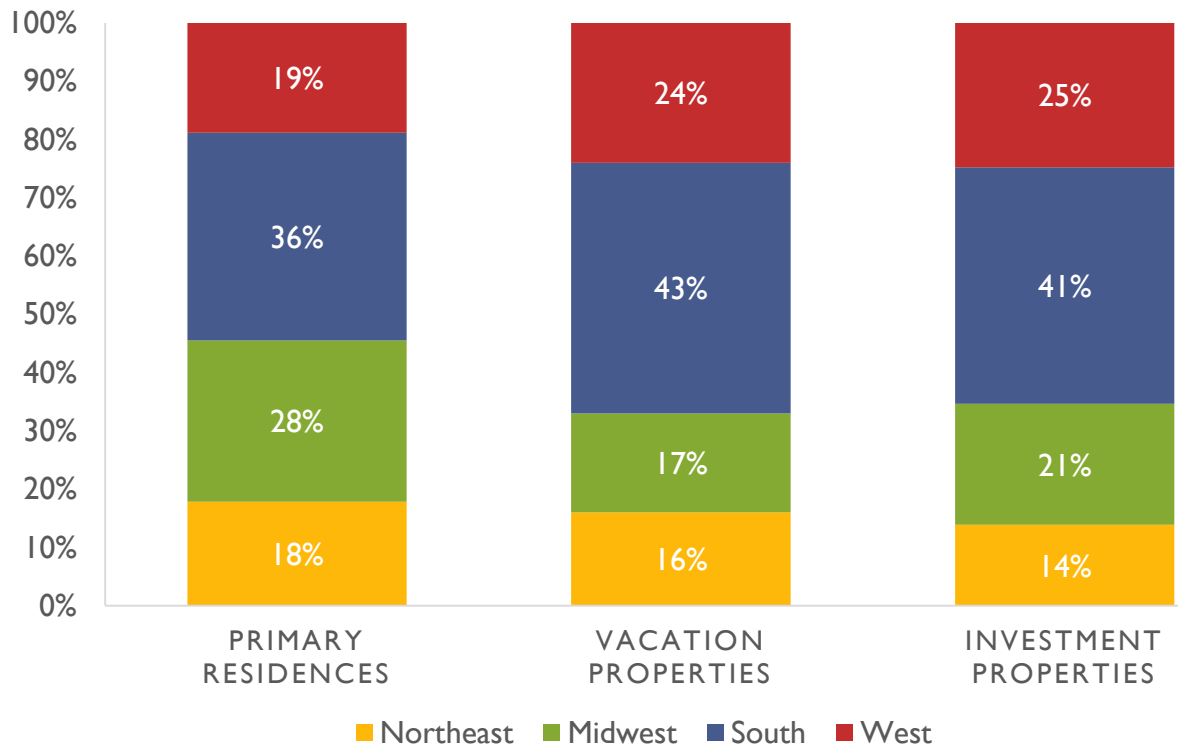
	Primary Residences	Vacation Properties	Investment Properties
2004	—	\$190,000	\$148,000
2005	—	\$204,100	\$183,500
2006	—	\$200,000	\$150,000
2007	\$199,500	\$195,000	\$150,000
2008	\$196,000	\$150,000	\$108,000
2009	\$185,000	\$169,000	\$105,000
2010	\$176,700	\$150,000	\$94,000
2011	\$167,700	\$121,300	\$100,000
2012	\$170,000	\$150,000	\$115,000
2013	\$189,000	\$168,700	\$130,000
2014	\$197,200	\$150,000	\$124,500
2015	\$210,000	\$192,000	\$143,500
2016	\$215,000	\$200,000	\$155,000
Percent change 2015-2016	2.4	4.2	8.0

# Location of Properties



# Location of Properties

## REGION OF HOME PURCHASE



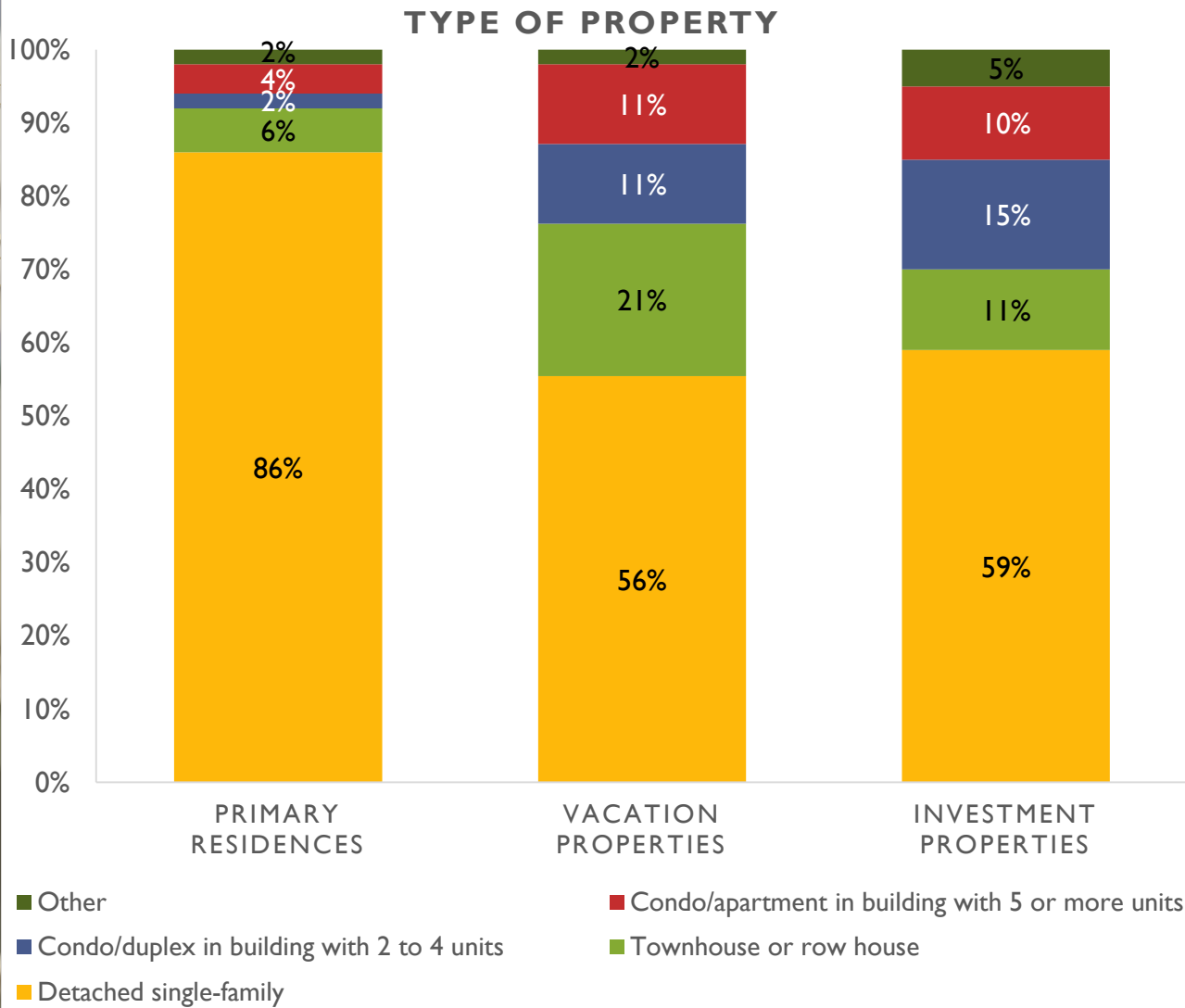
## Distance from Primary Residence

	Vacation Properties	Investment Properties
5 miles or less	*	21%
6 to 10 miles	*	15
11 to 15 miles	*	11
16 to 20 miles	3	6
21 to 50 miles	10	15
51 to 100 miles	18	8
101 to 250 miles	22	9
251 to 500 miles	12	3
501 to 1,000 miles	14	4
1,001 miles or more	21	8
Median (miles)	200	20

\* Less than 1 percent



# Property Characteristics

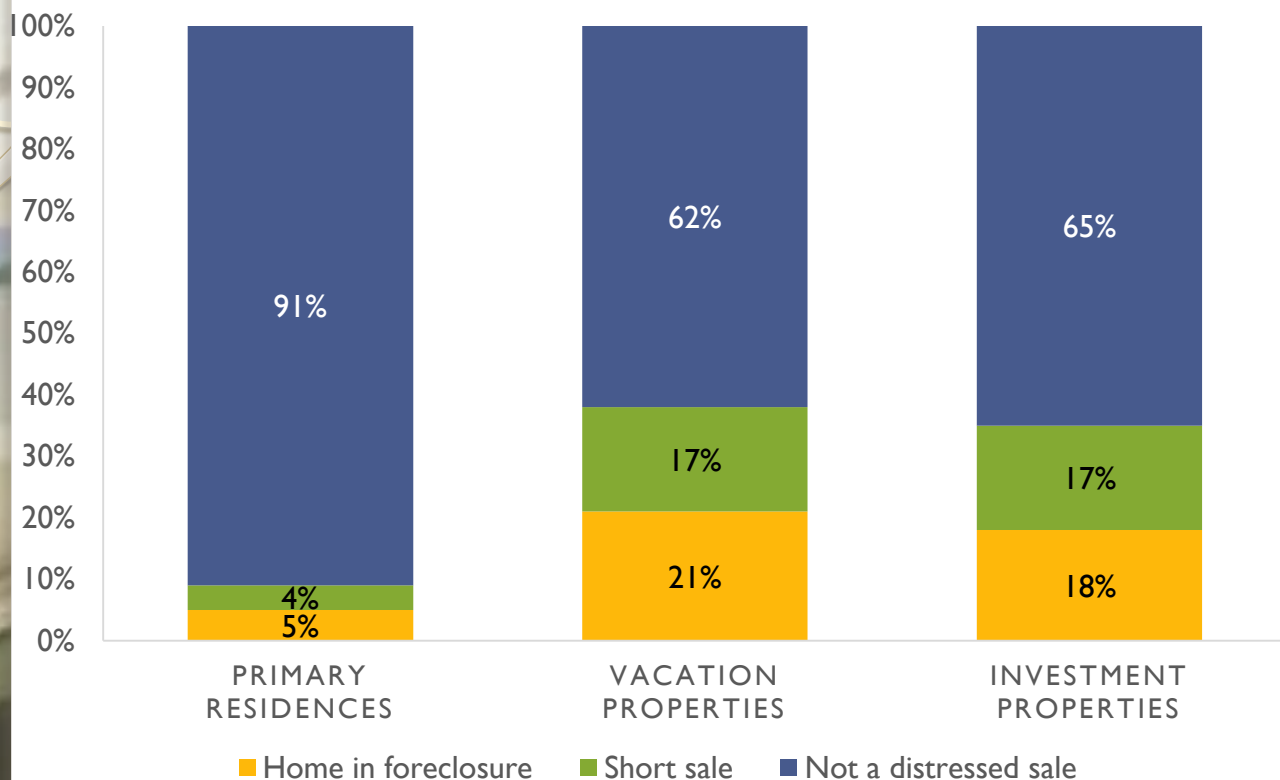


## Size of Property

	Primary Residences	Vacation Properties	Investment Properties
500 square feet or less	2%	13%	5%
501 to 1,000 square feet	7	19	16
1,001 to 1,500 square feet	24	29	30
1,501 to 2,000 square feet	29	16	19
2,001 to 2,500 square feet	18	7	11
2,501 to 3,000 square feet	10	6	6
3,001 square feet or larger	11	11	14
Median (square feet)	1,900	1,460	1,500

# Purchase Process

## DISTRESSED SALE

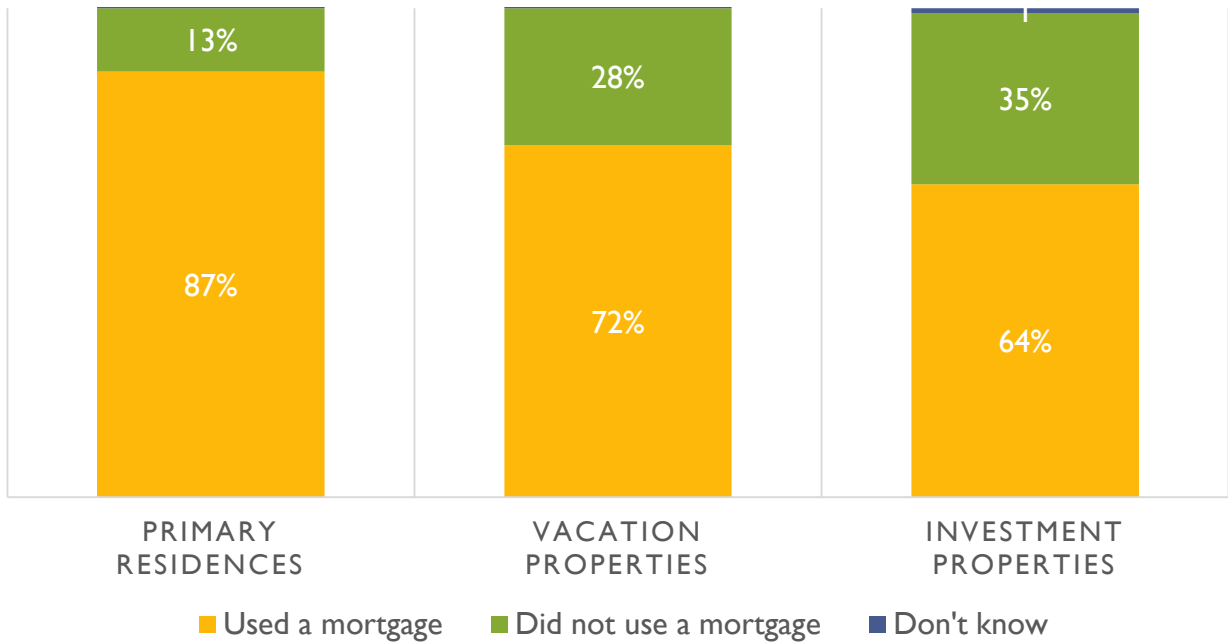


## Purchase Method

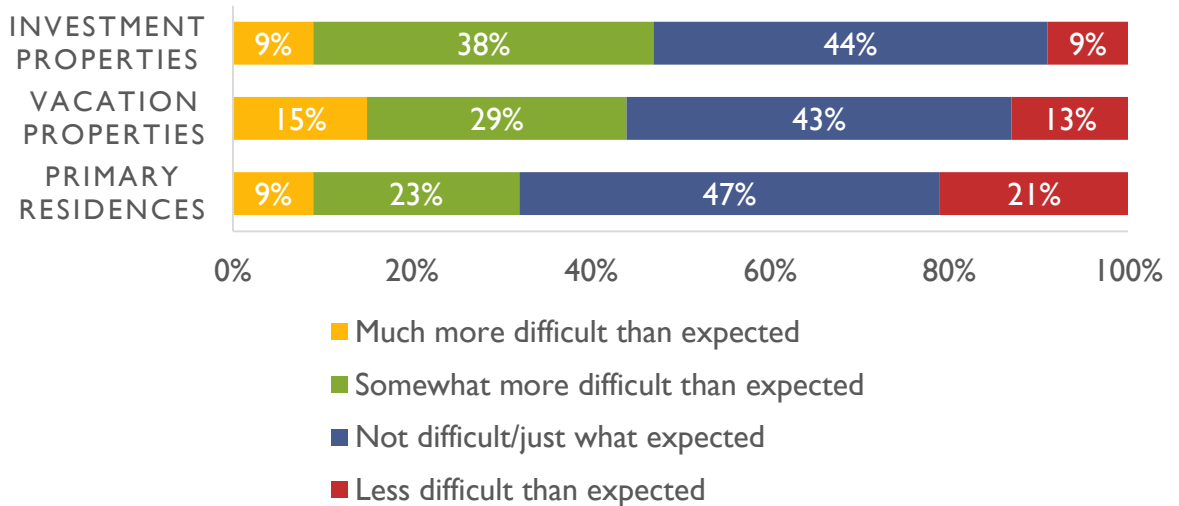
	Vacation Properties	Investment Properties
Through a real estate agent or broker	50%	47%
Directly from owner whom the buyer knew	15	18
Directly from owner whom the buyer didn't know	18	16
Directly from builder or builder's agent	11	7
Other	6	12

# Financing

## MORTGAGE FINANCING



## DIFFICULTY OF MORTGAGE APPLICATION AND APPROVAL PROCESS



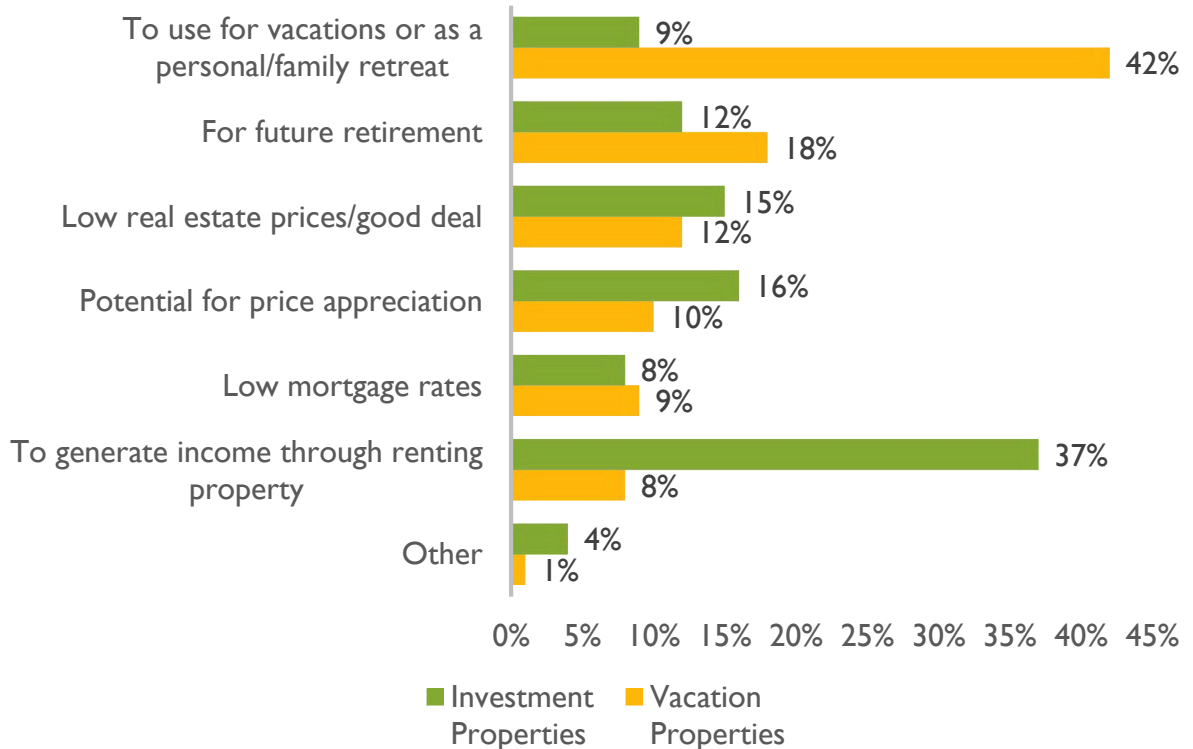
# Financing

## Percent of Purchase Price Financed

	Primary Residences	Vacation Properties	Investment Properties
Less than 70%	14%	45%	47%
70% to 79%	14	26	22
80% to 89%	23	19	17
90% to 94%	18	6	4
95% to 99%	18	2	5
100% –Entire purchase price	13	2	5

# Motivation for Purchase

## REASONS FOR PURCHASING HOME



## Length of Time Buyer Plans to Own Property

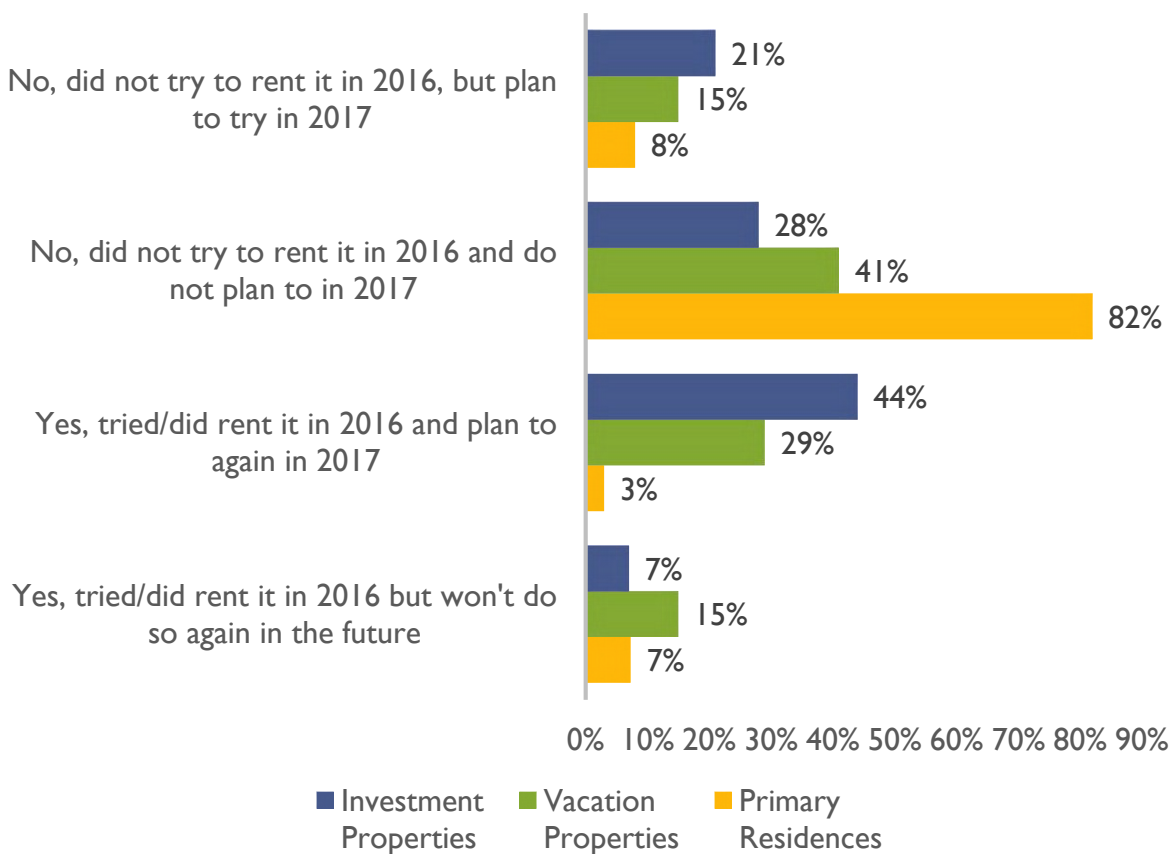
	Primary Residences	Vacation Properties	Investment Properties
Have already sold this property	*	4%	2%
Less than 1 year	3	9	10
1 to 2 years	4	11	9
3 to 5 years	16	14	18
6 to 10 years	20	16	20
11 or more years	43	30	24
Don't know	14	18	18
Median (years)	11	9	9

\* Less than 1 percent



# Rental Expectations

## SHORT TERM RENTAL EXPERIENCE

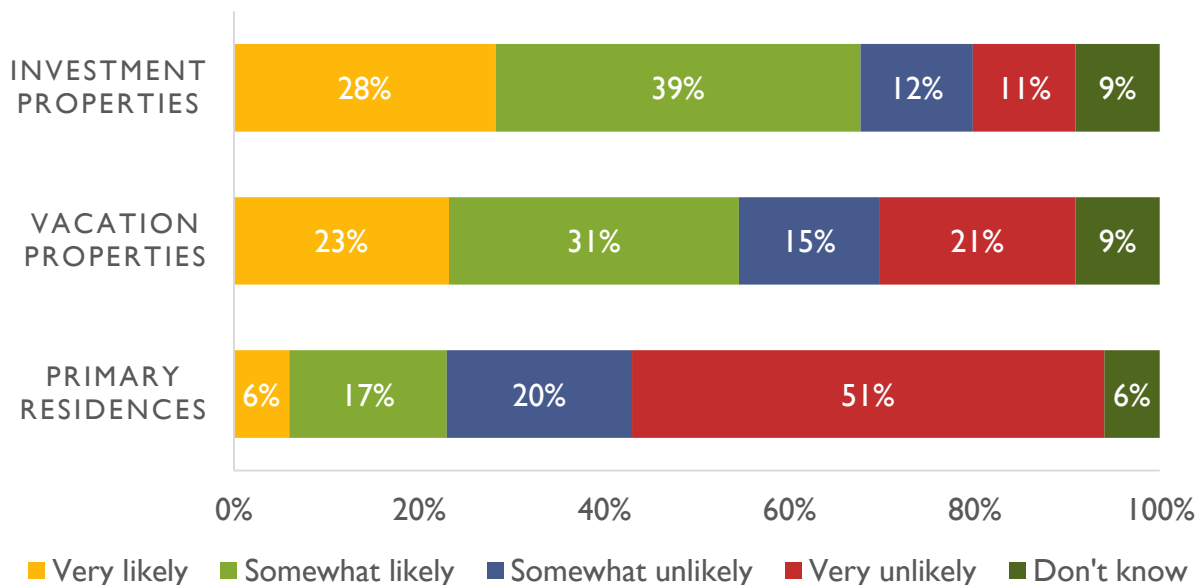


## Median Days Planning on Renting 2017 (Short Term and Long Term)

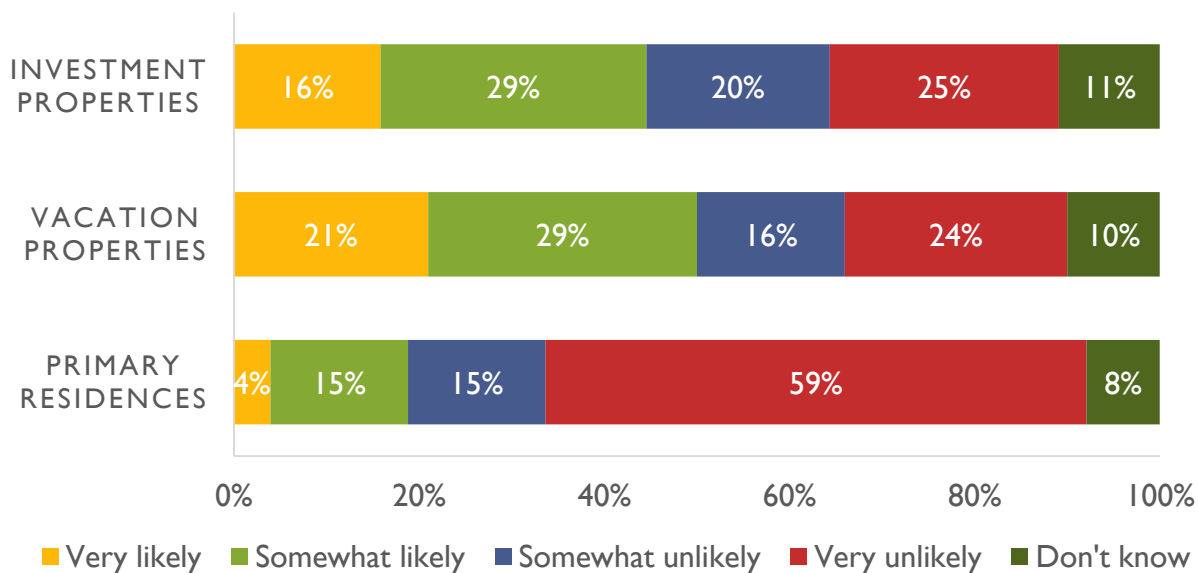
	Primary Residences	Vacation Properties	Investment Properties
Median	3	30	365

# Buying Another Property

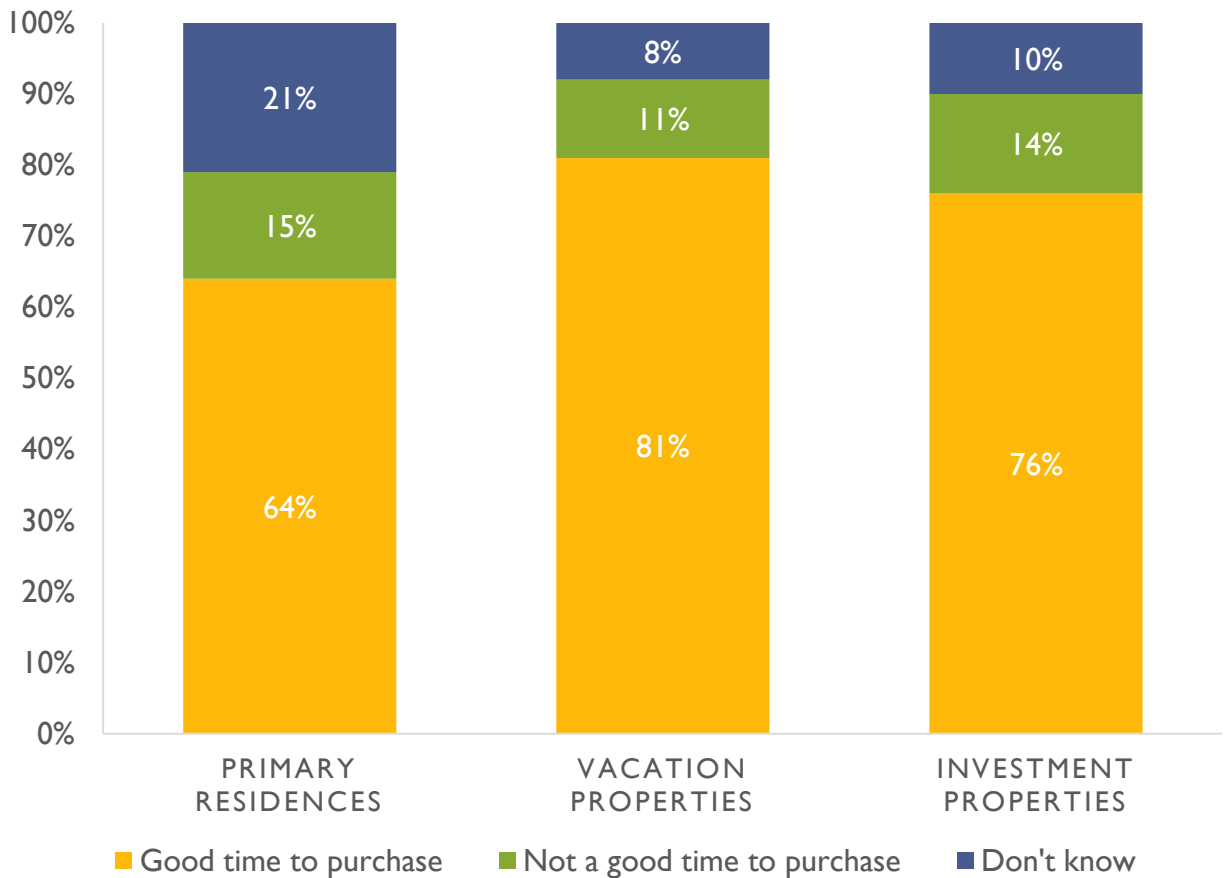
## LIKELIHOOD OF BUYING AN INVESTMENT PROPERTY IN NEXT 2 YEARS



## LIKELIHOOD OF BUYING A VACATION PROPERTY IN NEXT 2 YEARS



# Now is Good Time to Purchase Real Estate



# Personal Financial Characteristics of Buyers

## Household Income (2016)

	Primary Residences	Vacation Properties	Investment Properties
Less than \$45,000	17%	10%	13%
\$45,000 to \$74,999	33	22	28
\$75,000 to \$99,999	22	28	27
More than \$100,000	25	34	27
Median	\$75,000	\$89,900	\$82,000

## Number of Household Income Earners

	Primary Residences	Vacation Properties	Investment Properties
None	3%	3%	2%
One	39	33	32
Two	56	57	60
Three or more	2	7	6



# Methodology

In March 2017, a sample of households that had purchased any type of residential real estate during 2016 was surveyed. The survey sample was drawn from an online panel of U.S. adults monitored and maintained by an established survey research firm. A representative sample of 2,099 qualified adults responded to the survey. The share of primary residence buyers was 70 percent, vacation buyers 12 percent, and investment buyers 19 percent.

©2017 National Association of REALTORS®

All Rights Reserved.

May not be reprinted in whole or in part without permission of the National Association of REALTORS®.

For reprint information, contact [data@realtors.org](mailto:data@realtors.org).





NATIONAL  
ASSOCIATION *of*  
REALTORS®

The National Association of REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, representing 1.2 million members, including NAR’s institutes, societies and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, salespeople, property managers, appraisers, counselors and others engaged in both residential and commercial real estate.

The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics.

Working for America’s property owners, the National Association provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own real property.

**NATIONAL ASSOCIATION OF REALTORS®  
RESEARCH DIVISION**

The Mission of the National Association of REALTORS® Research Division is to collect and disseminate timely, accurate and comprehensive real estate data and to conduct economic analysis in order to inform and engage members, consumers, and policymakers and the media in a professional and accessible manner.

To find out about other products from NAR’s Research Division, visit [www.REALTOR.org/research-and-statistics](http://www.REALTOR.org/research-and-statistics).

**NATIONAL ASSOCIATION OF REALTORS®**

Research Division

500 New Jersey Avenue, NW

Washington, DC 20001

202-383-1000

[data@realtors.org](mailto:data@realtors.org)