



## Second Home Sales React to High Prices, New Regs

Redfin says the second home market appears to be cooling although annual sales, measured by mortgage rate locks, were up nationwide by 48 percent in May. The company says, while that increase is substantial, **it is the first time in a year that annual growth has fallen below 80 percent**. Further, the year-over-year comparison is to a month when much of the nation was shut down by the COVID-19 pandemic.

Last June, as the real estate market came back to life, second home mortgage locks jumped 110 percent compared to June 2019 and remained elevated through April. One reason for the increase was thought to be that workers, forced to work from home, **realized they could telecommute from anywhere**.

The annual increase in May is similar what was seen prior to the pandemic and Redfin advances several reasons for the slowdown. The company's chief economist Daryl Fairweather says vacation-home buyers are starting to react to rising prices. "Home prices have been climbing rapidly for the last several months, and it seems they've finally gotten prohibitively high for some people searching for second homes. Vacation-home buyers are quicker to back away from properties that are potentially overpriced because they're not a necessity. People searching for primary residences may have to shell out more money than they want to because they need a roof over their heads."

"A lot of the people who were driven to hunt for vacation homes over the last year have already bought them," Fairweather continued. "The pandemic and remote work drove many affluent Americans to relocate to vacation destinations, at least part of the time. But with offices reopening and life returning to some semblance of normal, **people are less focused on fleeing to the beach or the lake**."

But there is also the GSE factor. Mortgage lending rules for second homes (as well as investment properties) tightened in April and May due to changes in Fannie Mae's and Freddie Mac's agreement with the Treasury Department. Second home and investment property mortgages can now make up only 7 percent of a lender's total pipeline. Redfin says this is on top of regulations that make it difficult to get a loan for condo towers in resort areas that might be used for short-term rentals.



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