



How Second Home Sales are Driving Price Gains

A new report from the National Association of Realtors® (NAR) says that the **demand for and sale of vacation homes soared during the pandemic**. While that impetus may be winding down, we wonder if we are about to see an example of "push comes to shove" if the demand continues given the new constraints on GSE lending.

NAR's 2021 Vacation Home Counties Report says vacation home sales in 2020 rose by 16.4 percent against growth in existing home sales of 5.6 percent. Vacation home sales made up 5.5 percent of all existing home purchases, up from 5.0 percent in 2019. Most of the increase in activity came in the second half of the year.

The boom, however, did not end with the new year. From January to April 2021, the share of vacation home sales to total existing-home sales rose to 6.7 percent and vacation home sales jumped 57.2 percent year-over-year. **The annual increase in total existing home sales was 20 percent.**

"Vacation homes are a hot commodity at the moment," said Lawrence Yun, NAR's chief economist. "With many businesses and employers still extending an option to work remotely to workers, vacation housing and second homes will remain a popular choice among buyers."

The surging sales are coinciding with attempts by the GSEs, Fannie Mae and Freddie Mac, to raise lending standards for both second home and investment property mortgages. Changes to the agreement between the GSEs' conservator the Federal Housing Finance Agency and the U.S. Treasury will limit the GSEs to acquiring not more than 7 percent of those loans from any lender's pipeline as a 52-week moving average. **The share of these acquisitions has been above that level consistently since 2013.**

Areas where vacant seasonal, occasional, or recreational-use housing account for at least 20 percent of homes are identified as vacation home counties by NAR. In the 1,060 non-vacation home counties existing-home sales increased by an average of 11.2 percent year-over-year compared to a 24.2 percent surge in the 145 vacation home counties. Overall, the median number of net movers into those 145 counties increased from 78,114 in 2019 to 98,279 in 2020. In 2020, the top 10 vacation home counties were in the states of Florida, Maryland, Massachusetts, Michigan, and North Carolina.

NAR says vacation home sales have contributed to the accelerating growth in home prices. In 2020, the median existing-home sales price typically rose by 14.2 percent in vacation home counties, compared to 10.1 percent elsewhere. In vacation counties, however, there was a longer marketing period, 59 versus 30 days. Both timelines were still shorter than historic averages of 72 and 38 days, respectively.

"The enduring opportunity for remote work **will continue to raise the already high demand for property in these counties**, particularly in those counties with reliable broadband internet service," Yun said.

He also noted, that amid an ongoing supply shortage, there is an increase in the number of buyers willing to pay for homes in all cash and that is more likely among those who buy vacation homes. From January through the end of April 2021, all-cash sales increased to 53 percent of all vacation home purchases, up from under 50 percent in past years. Only 22 percent of all existing-home sales over the same period were all-cash.



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