

Second Homes: A Growing Market?

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Although most housing units serve as primary residences for households, a significant number are used as second homes. These include vacation homes as well as homes that serve as part-time residences due to work requirements or for other reasons. Forecasts of new home construction need to take account of that demand.

Estimates of the number of second homes vary widely. Table 1 shows a comparison of three recent Census Bureau data sets. Those measures are all based on the same concept: housing units that were vacant at the time they were counted, and that were not for sale or rent but were being held for seasonal or occasional use, plus units that were temporarily occupied by people who had another home that they considered as their primary residence.

The Decennial Census counted

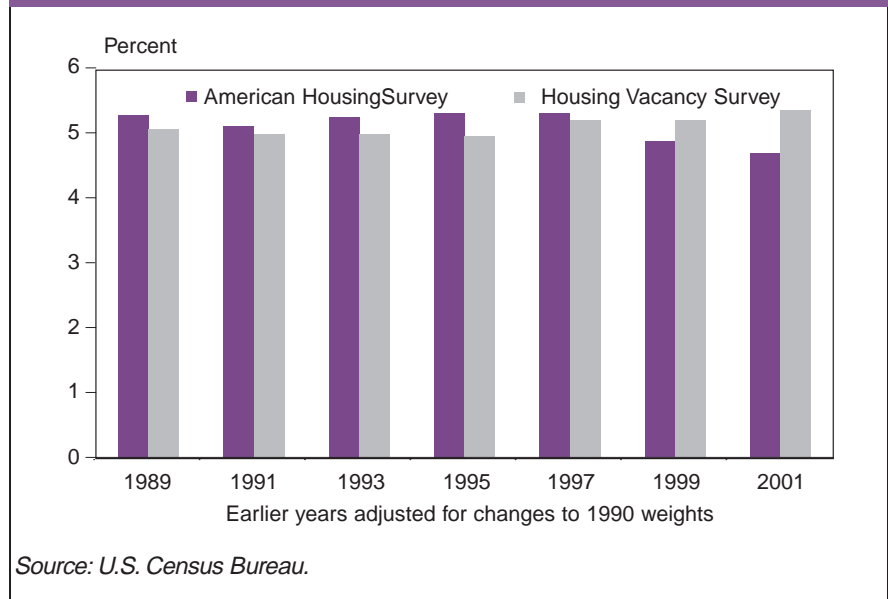
Table 1. Number of Second Homes

	Number	10-Year Change
Census 2000	3,579	497
American Housing Survey		
1999	5,609	165
2001	5,575	236
Housing Vacancy Survey		
1999	6,181	847
2000	6,398	1,050
2001	6,505	1,177

Notes:

- (1) Includes vacant homes for seasonal or occasional use and homes occupied by those with usual residence elsewhere
 - (2) 10-year changes in AHS and HVS adjusted for revisions in survey weights in 1991 and 1994, respectively.
 - (3) Data in thousands of units.
- Source: U.S. Census Bureau.

Figure 1. Second Home Share of Housing Stock



only 3.6 million housing units for seasonal or occasional use, a much lower number than the other measures. It is known, however, that the number of vacant units was substantially understated in the decennial Census, because of vacant units that were misclassified as occupied.¹ That was in addition to any units that were missed entirely.

The AHS shows second homes as a declining share of the housing stock over the past decade, while the HVS shows the second home share increasing somewhat (Figure 1). The AHS shows average net growth in the number of second homes over the latest 10 years of only about 24,000 per year, compared to nearly 118,000 per year for the HVS and about 50,000 per year for the decennial Census.

From 1991 to 1997, the AHS and HVS data for second homes, as well as for other types of vacancies, followed similar trends, and both showed net growth in the number of second homes of a little over

100,000 per year. Since 1997, however, the AHS indicates a net decline in the number of second homes, while the HVS indicates that the number of second homes, as well as the number of vacant units in other categories, increased.

Data from the decennial Census and other sources suggest that the second home share of the housing stock may have been higher 30 or 40 years ago than it is now, and net additions to the stock of second homes were probably greater in the 1970s and 1980s than in the 1990s.

The Census Bureau classifies vacant units as for rent, for sale, etc., based on information collected from real estate agents, property managers, neighbors, etc. This is obviously less reliable than information from occupants, but for vacant homes there aren't any occupants, except where a unit is temporarily occupied by someone with a "usual residence elsewhere" (URE). Table 2 shows the estimates number of vacant and occupied units in each

Table 2. Components of the Housing Stock
Thousands of Units

	1999		2001	
	AHS	HVS	AHS	HVS
Total Housing Units	115,253	119,044	119,116	121,480
Vacant Units	12,450	14,116	12,709	14,470
Year-round vacant	9,489	10,848	9,672	10,916
For rent	2,719	3,119	2,885	3,203
For sale	971	1,184	1,230	1,301
Rented or sold, awaiting occupant	773	956	752	882
Occasional Use	1,526	1,948	1,533	1,887
Usual residence elsewhere	1,122	965	1,005	1,064
Other year-round vacant	2,378	2,676	2,267	2,579
Seasonal Vacant	2,961	3,268	3,037	3,554
Occupied Units	102,803	104,928	106,407	107,010
Owner	68,796	70,097	72,365	72,593
Renter	34,007	34,831	34,042	34,417
Second Homes	5,609	6,181	5,575	6,505

Note: HVS data are annual average, AHS from survey in Autumn. Second homes equal Seasonal Vacant plus Occasional Use plus Usual Residence Elsewhere
Source: U.S. Census Bureau: American Housing Survey and Housing Vacancy Survey.

category for 1999 and 2001 according to the AHS and HVS.

The HVS is actually used to create control totals for allocating the AHS estimates of the total number of vacancies to four general types of vacancies (seasonal, for rent, for sale, other year-round vacant) on a regional basis. The weights given to individual vacant units in the AHS survey are adjusted so that the totals for each type of vacancy line up with the control totals. The differences between AHS and HVS in the number of second homes are thus mainly due to differences in the total number of vacancies.

In the analysis below, the focus is on data from the AHS, because of new AHS information about the use of second homes, but it is not clear whether the AHS or HVS data more accurately reflect the current number of second homes or the net growth in second homes.

“Extra Units” in the AHS

There is typically no information from studies of the housing stock about the owners of vacant housing units or the extent to which the units are occupied by their owners or by tenants on a part-time basis. In 1999 and 2001, however, the AHS collected stock-based information about

“extra units,” limited to seasonal or occasional-use units, as well as any other URE units, excluding roughly 75,000 seasonal units for migratory farm workers. Four pieces of information were sought: the reason(s) the unit was owned, whether the unit was within 150 miles of the owner’s primary home, the number of nights the owner spent at the unit, and the number of nights it was rented out. Government reports based on the 2001 data have not yet been published, but NAHB was able to tabulate a few of the key statistics related to extra units from the newly-released public version of the detailed survey responses.

The 1999 and 2001 AHS results confirm information from other sources indicating that a large share of second homes are held for purposes other than for the owners to use for vacations or recreation. For only about half of the extra units, “recreation purposes” was a reason for ownership. The reported reasons are shown in Table 3a. Although more than one reason could be stated, in most cases only one reason was given. Between 1999 and 2001, the reported number of extra units for recreation purposes increased, but there were declines in the number held for other purposes.

Table 3a. Additional Housing Units: Reasons for Ownership

	1999	2001
Extra units	5,537	5,469
Previous usual residence	758	673
Used for recreational purposes	2,709	2,867
Investment purposes	941	808
Unable to sell property	140	140
Inherited property	282	303
Other reasons	1,147	976

Source: U.S. Census Bureau, American Housing Survey, tabulated by NAHB. Includes vacant units for seasonal or occasional use excluding units for migratory farm workers. Some units have multiple purposes.

Of the 4.6 million units for which such information was available for 1999, 3.0 million were occupied by their owners for more than a week per year (see Table 3b). On the other hand, only a relatively-small share of the units were rented.² A majority of the units were within 150 miles of the owner's principal residence. For those units described as for seasonal, rather than occasional, use, however, nearly half were more than 150 miles from the owner's primary home.

According to the 1999 AHS, more than 17 percent of all extra units, and nearly 22 percent of the seasonal units, were manufactured homes, compared to the 7 percent mobile home share of the overall housing stock. Manufactured homes also accounted for about half of the 73,000 housing units for migratory farm workers. Manufactured home extra units represented 11.4 percent of all manufactured homes in 1999.

Among all townhouse (single family attached) units in 1999, about 5.7 percent were extra units. The 4.3 percent share of all single family detached homes in the AHS that were for seasonal or occasional use (or URE) was only slightly higher than the 4.0 percent share for multifamily units. The second home share among units in structures of 20 or more units was actually higher than the share among single family detached structures. In the case of multifamily and townhouse units, the majority were reported as being for year-round occasional use, while single family detached second homes, as well as manufactured homes, were more likely to be for seasonal use.

Although a large number of U.S. households own timeshare units, the number of housing units involved is not very consequential. The 1999 AHS shows only 34,000 housing units as being under timeshare own-

	Thousands	Percent
All Extra Units	5,537	100.0%
Nights Occupied by Owner		
0-2	1,327	24.0%
3-7	214	3.9%
8 or more	3,038	54.9%
Not Reported	959	17.3%
Nights Occupied by Renter		
0-2	3,790	68.4%
3-7	25	0.5%
8 or more	905	16.3%
Not Reported	817	14.8%
Location of Unit		
Within 150 miles	2,694	48.7%
150 miles or more	2,073	37.4%
Not reported	769	13.9%

Source: Census Bureau, 1999 American Housing Survey, Table 1A-1.

ership. That is probably an understatement, but timeshare units still probably don't account for more than 0.1 percent of the U.S. housing stock.

Construction of Second Homes

The 1999 AHS indicates that 349,000 of the extra units in 1999 had been built in the preceding four years, or 87,250 per year. The share of those new units that were manufactured homes was probably higher than the 17 percent mobile home share of the stock of extra units, since manufactured home shipments, as a share of all new housing units, were unusually high during 1995 to 1999. Preliminary tabulations from the 2001 AHS appear to show that the number of extra units built during the four years preceding the latest survey was 346,000, or 86,500 per year.

The number of new units that are second homes could be greater or less than the net growth in the number of second homes discussed above, since second homes could be converted to use as primary

homes, or vice versa. Also, some older second homes could be lost because of demolitions or disasters. Since the AHS indicates a decline in the number of vacant, seasonal, and occasional-use homes from 1995 to 1999, and a further decline in 2001, the implication is that the construction of new second homes was more than offset by net conversions of second homes to full-time use and net removals. The 1995 AHS, however, indicated that only 346,000 seasonal or occasional-use/URE units had been built during the five years from 1990 to 1994, with another 36,000 during the first three quarters of 1995, yet the growth in the number of units shown for those categories from 1991 to 1995 was 118,000 per year, implying net conversions of full-time units to second home use. Those changes in the data may reflect reality, but could be due to misreporting of the year built, misclassification of the units, or distortions resulting from the procedures used to extrapolate from the survey sample to the national total.

Table 4. Second Homes Reported by Households
Thousands of Units

	Properties		Households	
	1985	1995	1985	1995
Wholly Owned				
Homes for recreation purposes	1,325	1,497	1,283	1,437
Homes where owner spent 7 nights	2,201	2,163	2,128	2,094
Recreation and owner spent 7 nights	1,032	1,188	1,014	1,160
Not recreation and owner spent 7 nights	1,169	975	1,137	955
Shared Owner				
Homes for recreation purposes	448	455	412	415
Homes where owner spent 7 nights	667	656	644	621
Recreation and owner spent 7 nights	260	294	246	276
Not recreation and owner spent 7 nights	407	363	402	357

Source: NAHB Tabulations of 1985 and 1995 American Housing Survey.

Household-Based Data

Instead of counting and classifying vacant housing units, another way to measure the number of second homes is the ask households (i.e., people in occupied primary homes) whether they own a second home. The advantage of household-based estimates is that they provide information about the characteristics of the owners. Frequently, however, because of poorly-designed questions or inaccurate answers, the results include units that are not really second homes or exclude units that might properly be considered as second homes. Government surveys such as the Federal Reserve's Survey of Consumer Finance and the BLS Survey of Consumer Expenditures ask whether the household owns other real estate, but generally fail to identify units intended for use by the owners as a part-time residence for work or play, and/or rented to others for similar use.

The 1970 Census asked households "Do you (or any member of your household) own a second home or other living quarters which you occupy sometime during the year?"

Of the 63.45 million households counted in 1970, 2.89 million answered "yes." There were no follow-up questions to determine whether the ownership of those units was shared with other households, or what types of units were involved.³ A government survey conducted a few years earlier, however, found only 1.55 million households with a total of 1.68 million second homes, some of which were rented.⁴ Some types of units were excluded from consideration in that survey.

From 1985 to 1995, the AHS collected information about any additional units owned by households. Unlike the data for 1999 and 2001, properties that were rented year-round and vacant year-round units that were offered for sale or rent were included. While many of the units reported were not second homes, information was collected about whether the units were held for recreational use and other purposes, similar to the descriptions used to characterize vacant units in 1999 and 2001. Households were also asked how many nights they had stayed in the units during the preceding year. In addition, infor-

mation was collected about whether the units were subject to shared ownership (beyond time shares) or were wholly owned by the households in the survey.

The 1995 AHS found 1.85 million households with 1.95 million properties for recreational purposes. Of these, however, only 1.44 million did not share ownership of their recreational properties with someone outside of the household, and the estimated number of wholly-owned recreational properties was 1.50 million.⁵ The number of recreational properties reported in the 1995 AHS was higher than in the 1985 AHS, when 1.77 million properties were reported, of which 1.33 million were wholly-owned. The increase in the number of recreational properties, and of the number of households owning such properties, was roughly in line with the increase in the total number of households between 1985 and 1995 (Table 4).

In 1995, the AHS found 2.72 million households reporting 2.82 million properties where they spent 7 or more nights, including 2.16 million properties that were wholly-owned by 2.09 million households. Many of these were also characterized as being for recreational use, but 47 percent of all the properties in 1995 where households said they spent a week or more were not described as recreational. Conversely, nearly a quarter of the properties described as being for recreational use were not occupied by their owners for seven nights or more, with 16 percent of all recreational properties (including 14 percent of wholly-owned recreational properties) not used by their owners for even one night.

While the reported number of extra unit properties for recreational use in 1995 was greater than in

1985, the number of properties used for seven or more nights was 1.7 percent lower, despite the increase in the number of households. The drop was all due to a substantial decline in the number of non-recreational extra units that were used by their owners on a part-time basis. In 1985, 54 percent of the extra units used by their owners for seven or more nights were not described as being for recreational use. Thus the household-based data for 1985 to 1995, like the stock-based data for 1999 and 2001, show increases in the number of second homes for recreational purposes offset by declines in the number of second homes held for other reasons.

Households headed by people 55 to 64 years old were more likely than younger or older households to own second homes in 1995. Table 2 shows the percentage of households in 1985 and 1995 owning second homes for recreation purposes, and owning second homes for any purpose in which they stayed a week or more. While second home ownership in 1985 among those 45 to 54 was nearly as high as for the 55 to 64 year-old households, by 1995 there was a wide gap (Table 5).

In the case of recreational properties, the 1985 to 1995 increase in

ownership among households aged 55 and over offset declines in younger age brackets, to leave the share of all households owning such properties roughly unchanged. Although the share of households over age 65 owning second homes for part-time non-recreational use increased between 1985 and 1995, the shares using second homes for non-recreational purposes fell sharply among other age groups, bringing down the overall number of second homes used for seven or more days for any reason.

Between 1985 and 1995, the number of households aged 55 to 64 declined, reflecting the baby bust of the 1920s and 1930s, while the aging of the baby boom translated into large increases for the 45 to 54 and 35 to 44 age brackets. Since 1995, the number of households aged 55 to 64 has been growing at an accelerated rate. The high rates of second home ownership among those 55 and over, and the increases in the rates for those groups from 1985 to 1995, suggest substantial growth in second home demand as the baby boomers reach age 55. But the declines in second home ownership among those 45 to 54 and 35 to 44 may signal future declines percentage of older households owning second homes. A smaller share of people

turning 55 will already be second home owners, and unless boomers rush to catch up with the earlier cohorts, the rate of second home ownership among those 55 to 64 will be (or already has been) drawn down.

Although a larger share of people turning 65 after 1995 were second home owners, compared to those reaching age 65 in the late 1980s and early 1990s, the overall rate of second home ownership among the population over age 65 may see little growth in the immediate future. More of the over-65 population will be over 75, rather than 64 to 75, and the rate of second home ownership is not as high among the oldest seniors.

As part of NAHB's 2000 survey of home buyer preferences (published as *What 21st Century Home Buyers Want*), a question was included asking "In addition to the home in which you live, do you have another home is which you live part of the year?" Overall, about 8 percent of the survey respondents said that they did. This survey covered households that had recently purchased (primary) homes or were planning to do so. Thus, it doesn't represent all households, or even all home owners, but it may offer some insights into the characteristics of second home owners and their motivations.

Table 5. Share of Households Owning Second Homes

Age of Householder	Homes for Recreation Purposes				Owner Spent 7 or More Nights			
	Total (incl part owner)		Wholly-Owned		Total (incl part owner)		Wholly-Owned	
	'85	'95	'85	'95	'85	'95	'85	'95
Under 25	0.23%	0.07%	0.00%	0.07%	0.91%	0.67%	0.46%	0.35%
25-34	0.55%	0.31%	0.25%	0.23%	1.59%	1.11%	0.97%	0.79%
35-44	1.81%	1.43%	1.13%	0.94%	3.63%	2.13%	2.48%	1.42%
45-54	3.02%	2.82%	2.30%	2.12%	4.48%	3.98%	3.39%	2.98%
55-64	3.54%	3.99%	3.04%	3.22%	5.12%	5.13%	4.39%	4.04%
65 and over	2.08%	2.34%	1.76%	1.99%	2.67%	3.19%	2.38%	2.83%
All ages	1.92%	1.90%	1.45%	1.47%	3.13%	2.78%	2.41%	2.14%

Source: U.S. Bureau of the Census, American Housing Survey. Tabulated by NAHB.

When respondents to the NAHB survey were broken down by various demographic characteristics, the share reporting second homes was, not surprisingly, higher among those with more income and wealth, and among those who were older. While only 1 percent of respondents under age 35 said they had second homes, the share was 13 percent among those 55 to 64, and 15 percent for those 65 and over. While the difference between 13 percent and 15 percent does not appear very large, the 1995 AHS and other earlier surveys consistently showed a higher rate of second home ownership for those 55 to 64 than for those over 65. The NAHB survey results may be evidence of the "cohort effect" described above. The increase in the rate of second home ownership a decade ago among those 55 to 64 meant more people reaching age 65 recently were already second home owners, but the lower rate of second home ownership among those 45 to 54 meant fewer people reaching age 55 are second home owners.

A follow-up question in the NAHB survey asked those who reported second homes whether they expected that second home to become their retirement home. About one-fourth said they did. While the number of younger households in the survey with second homes was too small to provide reliable statistics, it was striking that younger respondents were about as likely as older respondents to see their second homes as future retirement homes. Whether either the younger or middle-aged respondents will actually end up retiring to their second homes, whatever their current expectations, is another matter.

Will more baby boomers become second home owners?

Surveys of home buyers and sellers by the National Association of Realtors have also asked about whether a home was purchased as a principal residence, a "vacation/seasonal residence for personal use" as a "vacation/seasonal residence, held for both rental and personal use" or as "investment property (personal use less than two weeks/year)." They report purchases of 359,000 second homes in 2001, down from 377,000 in 1999, representing a bit less than 6 percent of all homes purchased. They report that second home buyers were a median of 46 years old, compared to 36 for primary home buyers.

Prospects

The fact that older households are much more likely to own second homes than younger ones suggests that the aging of the baby boom should mean increased demand for second homes. The demand for second homes could also benefit from increases in income and wealth. These same factors should have translated into stronger demand for second homes during the recent past. Yet growth in second homes during the economic boom of the late 1990s was modest, even accord-

ing to the highest estimates, such as those based on the HVS.

The data described above indicate that the demand for vacation homes has been holding up, but the number of second homes held for other purposes seems to be falling. The market for second homes held for other reasons is even less understood than the market for vacation homes.

In the years ahead, growth in the number of second homes may accelerate somewhat, but probably not by enough to make a large impact on total housing starts. Even if second home construction doesn't become a significantly larger share of total home building, however, it may be a lucrative niche market for suppliers and localities providing the distinct products called for.

¹ There were an estimated 2.84 million vacant units misclassified as occupied in the 2000 Census, partly offset by 1.20 million occupied units that were counted as vacant. It is not known how many of these were second homes. See Diane F. Barrett, et. al., *ESCAP II: Census 2000 Housing Unit Coverage Study* (Report 17, U.S. Bureau of the Census), October 17, 2001.

² The number of units used for vacation rentals may be understated. If the AHS (or HVS) finds a vacant property suitable for vacation use, such as a resort-area condo, but determines that it is available for rent and is not only for seasonal use, it may be listed as year-round unit for rent, even though there is no expectation that it would be rented for use as a primary residence.

³ U.S. Bureau of the Census, *1970 Census of Housing: Characteristics of Second Home Owners for the United States in 1970* (Supplementary Report HC(S1)-13).

⁴ U.S. Bureau of the Census, *Second Homes in the United States* (Current Housing Reports, Series H-121, No. 16, June 1969).

⁵ Some of those properties contained more than one housing unit, so the number of housing units involved was slightly greater.