

The ownership and use of second homes has been one of the less-understood aspects of the housing market. Whether a house is a second home depends on its use, rather than its construction, so it's difficult to measure construction of second homes. And since second homes are usually vacant and often secluded, it is easy to miscount them.

While there are some significant discrepancies among various sources of information about second homes, our best guess as to the size and nature of the market is as follows:

- Excluding timeshares, a little under 4% of households own second homes that they use for vacation or recreation.
- The share of households owning second homes has not grown in the past 15 to 20 years. It has probably fallen.
- Ownership of second homes is concentrated among middle-aged, married-couple households.
- The number of new homes that are used initially as second homes is substantially greater than the net growth in the stock of second homes, because second homes tend to be converted to use as primary homes.
- The number of new homes that serve initially as second homes is probably about 100,000 per year.
- Most recreation/vacation second homes are used exclusively by their owners and occupied for less than 30 days a year.
- About one-fourth of vacation/recreation second homes are mortgaged (versus 58% of owner-occupied primary homes).

- There are a million or more timeshare owners. They collectively own 25,000 to 50,000 units.

This article reviews the available statistical evidence from which these conclusions are drawn.

## How to Count

There are basically two approaches to counting second homes. One is to count the number of vacant housing units and attempt to classify those units according to whether they are on the market for sale or rent, are already sold or rented and awaiting a full-time occupant, or whether they are a part-time residence. Such a stock-based enumeration of second homes is included in the Housing Vacancy Survey (HVS), as well as in the decennial Census and in each of the American Housing Surveys (AHS) since 1973.

The second approach to counting the number of second homes is to survey occupied units and ask the occupants whether they own a second home. In the 1985 and 1987 AHS, respondents were asked whether they "own or co-own any residential property, not counting this home." If so, they were also asked (for up to 6 properties) about their use of the properties and the property characteristics. The 1987 results are not yet available, but NAHB has obtained and analyzed data from the 1985 survey. Less detailed information on second home ownership was also collected by the AHS in the 1970s.

The Consumer Expenditure Survey, conducted by the Bureau of Labor Statistics, also asks about ownership of "vacation homes or recreational property." The results of that question are not published or included on public use tapes, but BLS has provided results for 1986 and 1987.

Several private surveys of households have also measured second home ownership, including studies by Ragatz Associates and the Roper Organization.

## Stock-Based Data

Of the approximately 11.4 million vacant housing units in the nation in 1989, as reported in the Housing Vacancy Survey, 5.2 million were classified in three categories that may be considered second homes: 3.0 million seasonal-use units, 1.3 million occasional-use units, and 0.9 million units that were occupied at the time of the survey by people with a "usual residence elsewhere" (URE). Table 1 shows the HVS estimate of the housing stock in 1989. The HVS is conducted in conjunction with the Census Bureau's monthly Current Population Survey of about 70,000 housing units.

Not all units that fall into the three possible second home categories are truly second homes. About 15 percent of the seasonal units consist of housing for migratory workers. URE units may be for sale or rent or may belong in some other vacant category, rather than serve as second homes.

The number of housing units reported in the three second home categories has fluctuated over time and among different surveys. The 1980 Census recorded a total of only 2.9 million seasonal, occasional-use, and URE units, while the 1985 and 1987 American Housing Survey (AHS) reported 5.4 million and 5.1 million, respectively. The difference between the Census and the AHS and HVS estimates is not a reliable measure of the true change in the number of second homes since 1980. The HVS data suggest a large increase in seasonal units in the last few years, but that is an artifact of improved coverage.

Data on "year built" for second homes in the 1985 and 1987 AHS suggest that the 1987 second home stock includes about 200,000 units built between 1985 and 1987, or 100,000 per year. These newly-constructed additions to the stock of second homes were offset by conversion of older second homes to use as primary homes and by demolitions.

Although the majority of 1987 second homes were single family detached structures, about 19% were mobile homes and 24% were in multi-family structures. Among all 1987 second homes, about 14% were condos or coops.

The stock-based measure of second homes includes units occupied on a part-time basis by renters as well as by owners. Also, units owned by corporations or limited partnerships were included in the stock. The utilization characteristics of vacant homes were determined by asking property managers, real estate agents, or neighbors. For those reasons and a variety of other definitional and measurement reasons, it should not be surprising to find substantial discrepancies between the stock-based data and the household-based data.

## Household-Based Data

The data collected from AHS households indicate that there are fewer recreational second homes than other sources imply or many people have believed. The survey results provide new insights, but leave many unanswered questions, and may be subject to measurement errors.

The AHS household-based data cover ownership of standard rental properties and other holdings that do not fit the standard concepts of a second home. If we define a second home as a non-primary residence used at least one night a year by the owner, then in 1985 AHS households reported owning 3.15 million such homes, with 2.76 million owned outright by 2.42

million households (including 0.12 million households with more than two units in properties where they spent one or more nights) and another 0.39 million homes subject to shared ownership by 0.84 million households.

The AHS data indicate that most people with a shared ownership held a 50% share. Of all second home owners in the AHS, about 25% reported shared ownership, including 1% with shares of less than 10%.

**Table 1 Composition of the Housing Stock in 1989—millions**

|  |              |
|--|--------------|
| <b>Second Homes:</b>   |              |
| Occasional Use   | 1.3          |
| Seasonal   | 3.0          |
| Temporarily occupied by persons with usual residence elsewhere | 0.9          |
| <b>Total Second Homes</b>                                      | <b>5.2</b>   |
| <b>Other Vacant:</b>   |              |
| For Rent   | 2.6          |
| For Sale   | 1.0          |
| Sold or rented and awaiting occupant                           | 0.6          |
| Held off market  | 2.0          |
| <b>Total Vacant</b>  | <b>11.4</b>  |
| <b>Occupied</b>  | <b>93.5</b>  |
| <b>Total Housing Units</b>                                     | <b>105.0</b> |

Components may not add to total because of rounding.

Source: U.S. Bureau of the Census, Current Housing Reports, Housing Vacancies and Home Ownership, Annual Statistics: 1989 (H-111-89-5).

Shares of less than 10% would generally mean timeshares, and the AHS data imply that there were only 64,000 timeshare owners of recreational properties in 1985. Many more owners than that are registered with organizations that help timeshare owners to swap accommodations, and not all timeshare owners join swap plans, so the AHS apparently undercounts timeshares.

Of those second homes used for one night or more in 1985 by their owners, less than half (1.37 million) were described by their owners as recreational. The remaining homes include many that were previous primary residences, that were used for job-related reasons, or that were held for other purposes, including many that were on the market for sale or rent at the time of the survey.

In addition to the 1.37 million recreational units used (at least one night) by their owners, according to the AHS, another 0.46 million homes were described as recreational, but were not occupied at all by their owners in 1985. Most of those were presumably rented out on a short-term or seasonal basis, although some were simply not used in 1985.

We don't actually know from the AHS whether any rent was received from recreational or other types of second homes, but about one-third of all recreational homes (including two-thirds of those that were not used by the owners in 1985) were also described by their owners as investments.

Of the 1.84 million recreational units reported by households in the AHS, 1.08 million were single family structures, 0.5 million were multifamily units, and 0.26 million were mobile homes or "other types."

About half of the recreational second homes reported in the AHS were located within 150 miles of the owner's primary home, and 88% were described as "in a recreational or resort area." Slightly over one-fourth of the recreational second homes were mortgaged.

In the 1970 decennial Census and in the AHS studies for 1973, 1974, and 1977, households were asked "Do you own a second home or other living quarters which you occupy sometime during the year?" In each case, approximately 3 million households said that they did. Since the total number of households grew from 64 million in

1970 to 75 million in 1977, that means the share reporting second home ownership fell from 4.5% to 4.1% over that period. While the question was worded differently in the 1985 AHS, it appears that the number of second home owners increased slightly between 1977 and 1985, but the share of households owning second homes fell.

The BLS Consumer Expenditure Survey (CES) suggests a larger number of vacation homes than the 1985 AHS. The CES asks "Do you...own any of the following types of property or other real estate which is not used solely for an investment or business purpose?" The alternatives include "vacation home or recreational property." In 1986, 4.5% of approximately 16,000 households entering the CES panel said they owned such properties, while in 1987, 4.3% answered in the affirmative.

The CES figures suggest the number of vacation/recreation second homes that are not strictly investments is over 4 million, compared to less than 2 million, including investments, reported by households in the AHS. There are some differences in the definitions used in the two surveys but those differences are not sufficient to explain the large discrepancy.

The CES data are more consistent with the stock-based estimates of second homes. The AHS is based on a larger sample, but the AHS household-based estimates look suspiciously low compared to other measures of vacation home ownership.

Another household-based estimate has been developed by Ragatz Associates of Eugene, Oregon, under the sponsorship of the National Association of Realtors, the International Foundation for Timesharing, and the American Resort and Residential Development Association.

The Ragatz study is based on a telephone survey of over 5,000 households. Respondents were asked whether they "own or co-own any property normally used for recreational purposes, vacation accommodations, or seasonal living?" Unimproved property and timeshares were explicitly included.

The Ragatz study found that 7.6% of the respondents said they owned recreational property, including 5.8% who owned second homes (rather than raw land or campsites). The Ragatz owners included about 18% timeshare owners.

After adjusting for shared ownership and ownership of an estimated 400,000 properties located outside of the U.S., the Ragatz report estimates that there are 4.6 million second homes in the U.S.

There could be some upward bias in the Ragatz estimates of recreational property ownership. Unlike the two government surveys, the Ragatz study was strictly concerned with recreational property, and it was identified as such by the telephone interviewer. Households who owned recreational properties may have been less likely to hang up or refuse to participate.

The Roper Organization conducts surveys each month on social trends and attitudes, and periodically those surveys include questions about what possessions, accomplishments, etc. people have, and what they aspire to. On five occasions over the past 15 years, the Roper Poll asked about a list of items including "vacation homes". In 1975, 5% of respondents reported having vacation homes. In 1978, 1981, 1984, and 1988, 4% reported having vacation homes.

The Roper Poll is based on approximately 2,000 face-to-face interviews.

## Future Second Home Demand

As the Baby Boom moves into middle age, the demand for second homes should increase, since second home ownership is concentrated among households in 45 to 64 year-old range. More than half of recreational second home owners are in that age bracket, according to AHS households, even though only 29% of all households are headed by people 45 to 64 years old. The Ragatz report indicates that 48% of recreational property owners are 45 to 64.

In addition to favorable demographic trends, trends in consumer preferences and aspirations seem to suggest a favorable outlook for second home demand.

The Roper Poll periodically asks people what they considered to be part of "the good life—the life you'd like to have." Home ownership has consistently topped the list of "good life" components, ahead of things like a happy marriage or an interesting job. Over the past decade, material possessions have been identified as part of the "good life" by increasing proportions of poll respondents—contradicting the idea that greed is going out of fashion. For example, "really nice clothes" were cited as a key to the good life by 44% of respondents in December 1988, compared to 33% in 1981. The share identifying "a vacation home" as an element of the good life rose from 25% in 1981 to 42% in 1988.

The Ragatz study also suggests a large potential demand for second homes. Many non-owners described themselves as likely to buy a recreational property within ten years. Whether the apparent desire to own a second home translates into effective demand remains to be seen.