

# Second Home Construction

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Second homes are a significant component of the housing stock and of housing demand, but it's difficult to measure the number of second homes, and it is especially difficult to determine the number of new homes that are built and purchased as second homes. The available measures give conflicting signals about whether there has been a substantial increase in second home production or in the total number of housing units used as second homes during the last few years.

There are a number of reasons to expect second home demand to account for a larger share of overall housing demand currently than in the past. The stock market boom has been credited with a significant role in the growth in demand, and stock market gains logically have a relatively greater effect on second home demand than on household formations or other components of the demand for primary homes. Growth in incomes and consumer confidence also should support discretionary spending on items like second homes. Income and wealth gains among those who are already fairly well off also affects primary home demand, but the effect may be in the form of demand for larger homes, rather than for additional units. The demographics have become more favorable for second home demand. Second homes tend to be sold to middle-aged households, and the aging of the baby boom has swelled the middle-aged ranks. An increase in demand for second homes is consistent with the tight housing supply situation

that has developed despite high levels of production.

In surveys measuring the number of households and the housing stock, second homes are counted as vacant units. In the Census Bureau's Housing Vacancy Survey (HVS), there are three categories of vacancies that represent second homes: units that are used on a seasonal basis, units that are used occasionally on a year-round basis, and units occupied by people whose usual residence is elsewhere. As table 1 shows, these categories comprised about 6 million of the average 13.4 million units that were vacant in 1997.

The HVS data show large increases in the number of second homes in 1996 and 1997, consistent with the theory that part of the strength in housing demand is coming from second homes. For the first half of 1998, however, the HVS data show a decline in the number of second homes, compared to the first half of 1997. The HVS data are collected from a survey, and the esti-

mated changes can bounce around simply due to random sampling error. Moreover, in addition to sampling error, there are problems determining the status of vacant units that are chosen for inclusion in the survey. Half of the surveyed vacant units are "noninterviews" – the Census Bureau couldn't find anyone to ask whether the unit was for rent for occasional use, etc. Information for the other half was obtained from sources such as neighbors or realtors and may be inaccurate. While the latest HVS data show a decline in second homes in 1998, a sharp increase was reported in the number of "other" vacancies. That catch-all category includes vacant units that are undergoing rehabilitation, are tied up in the settlement of an estate, or that for other reasons are not on the market but have not been identified as being occupied on a seasonal or occasional basis. The same report shows a large increase in the number of occupied units (which, by definition, is equal to the number of households).

**Table 1 Use of the Housing Stock**

HVS Data	1994	1995	1996	1997	First 6 Months	
					1997	1998
<b>All housing units</b>	<b>110,952</b>	<b>112,655</b>	<b>114,139</b>	<b>115,621</b>	<b>115,393</b>	<b>117,086</b>
<b>Occupied</b>	<b>98,695</b>	<b>99,985</b>	<b>100,984</b>	<b>102,202</b>	<b>101,874</b>	<b>103,304</b>
Owner	63,136	64,739	66,041	67,143	66,796	68,155
Renter	35,558	35,246	34,943	35,059	35,079	35,149
<b>Vacant</b>	<b>12,257</b>	<b>12,669</b>	<b>13,155</b>	<b>13,419</b>	<b>13,519</b>	<b>13,782</b>
Year-round vacant	9,229	9,570	9,945	10,114	10,182	10,521
For rent	2,858	2,946	3,008	2,978	2,965	3,044
For sale only	953	1,022	1,082	1,133	1,142	1,185
Rented or sold	772	810	834	867	856	917
Held off market	4,646	4,793	5,022	5,136	5,220	5,377
<b>Occ'l use</b>	<b>1,612</b>	<b>1,667</b>	<b>1,709</b>	<b>1,818</b>	<b>1,836</b>	<b>1,773</b>
<b>URE</b>	<b>815</b>	<b>801</b>	<b>852</b>	<b>885</b>	<b>933</b>	<b>920</b>
Other	2,219	2,325	2,461	2,433	2,451	2,684
<b>Seasonal</b>	<b>3,028</b>	<b>3,099</b>	<b>3,209</b>	<b>3,305</b>	<b>3,338</b>	<b>3,261</b>
<b>Total 2nd homes</b>	<b>5,455</b>	<b>5,567</b>	<b>5,770</b>	<b>6,008</b>	<b>6,106</b>	<b>5,954</b>

Note: Units in thousands. Average for period.  
Source: U.S. Bureau of the Census, Housing Vacancy Survey.

## New Second Homes

There are no direct measures of the number of new homes that are purchased as second homes. One possible indication of changes in the second home share of new construction is the share of national new home production that occurs in localities where second homes are typically found.

In 1990, there were 554 counties (out of 3,141) where 10 percent or more of the housing stock consisted of vacant units “for seasonal, recreational, or occasional use,” according to the decennial census. For convenience, we will call those counties “second home counties,” although that is obviously an oversimplification. As Table 2 shows, second home counties accounted for only 6.3 percent of the U.S. population and 8.3 percent of all housing units in 1990, but they had 56.6 percent of the national total of 3.08 million seasonal, recreational, or occasional-use homes. Although the definition of seasonal, recreational or occasional-use homes is conceptually equivalent to the second home grouping we have used with the HVS data, the decennial census counted substantially fewer second homes than the 1990 HVS.

Table 3 shows the share of national housing permits for each year

**Table 2 Counties by 2nd Home Share of 1990 Housing Stock**

Second Home Share	Number of Counties	Population	All Housing Units	2nd Homes
20% or More	239	4,785,008	3,129,912	1,008,707
15-20%	106	3,424,817	1,753,444	299,775
10-15%	209	7,563,231	3,642,207	433,814
<b>10% or More</b>	<b>554</b>	<b>15,773,056</b>	<b>8,525,563</b>	<b>1,742,296</b>
5-10%	381	19,585,106	8,523,939	615,572
0-5%	<u>2,206</u>	<u>213,351,711</u>	<u>85,214,176</u>	<u>723,306</u>
U.S. Total	3,141	248,709,873	102,263,678	3,081,174
20% or More	7.6%	1.9%	3.1%	32.7%
15-20%	3.4%	1.4%	1.7%	9.7%
10-15%	6.7%	3.0%	3.6%	14.1%
<b>10% or More</b>	<b>17.6%</b>	<b>6.3%</b>	<b>8.3%</b>	<b>56.5%</b>
5-10%	12.1%	7.9%	8.3%	20.0%
0-5%	70.2%	85.8%	83.3%	23.5%

Source: U.S. Bureau of the Census, 1990 Census Summary Tape Files.

since 1990 issued in counties having specified shares of their 1990 housing stock used as second homes. Second home counties consistently accounted for a larger share of permits than they did of population or housing stock. We don't know how many of the permits in second home counties represented additional second homes. Likewise, we don't know how many of the permits in counties with small second home shares were second homes.

While the permit data suggest growth in the number of second homes since 1990, they don't provide evidence that the second home share of construction has increased in the past couple of years. The share of national permits issued in second

home counties did not grow in 1996 or 1997, and the share in 1990 was higher than in any subsequent year. Comparing the first five months of 1998 to the corresponding period in 1997, there is some increase in the share of the total permits accounted for by second home counties.

Permits in second home counties increased by 14 percent, compared to an overall increase of 10 percent.

The permit data presented here do not provide much support for the belief that second homes accounted for an increased share of home building in the last couple of years, but there are enough questions about this measure to dictate caution in concluding that construction of second homes hasn't grown.

**Table 3 Permits by 2nd Home Share of Counties**

1990 Second Home Share										First 5 Months	
	1990	1991	1992	1993	1994	1995	1996	1997	1997	1998	
20% or More	41,323	36,213	42,604	44,600	50,369	49,899	53,284	53,893	16,260	18,568	
15-20%	21,891	18,423	20,455	23,250	24,761	23,091	25,577	25,942	8,999	12,896	
10-15%	53,069	44,644	47,482	52,132	60,214	55,962	59,030	59,063	20,899	21,163	
<b>10% or More</b>	<b>116,283</b>	<b>99,280</b>	<b>110,541</b>	<b>119,982</b>	<b>135,344</b>	<b>128,952</b>	<b>137,891</b>	<b>138,898</b>	<b>46,158</b>	<b>52,627</b>	
5-10%	114,523	94,779	104,359	115,651	123,006	111,255	122,135	129,709	47,233	51,830	
0-5%	886,064	776,511	907,263	997,333	1,111,445	1,090,220	1,163,524	1,170,771	437,045	479,040	
All Counties	1,116,870	970,570	1,122,163	1,232,966	1,369,795	1,330,427	1,423,550	1,439,378	530,436	583,497	
20% or More	3.7%	3.7%	3.8%	3.6%	3.7%	3.8%	3.7%	3.7%	3.1%	3.2%	
15-20%	2.0%	1.9%	1.8%	1.9%	1.8%	1.7%	1.8%	1.8%	1.7%	2.2%	
10-15%	4.8%	4.6%	4.2%	4.2%	4.4%	4.2%	4.1%	4.1%	3.9%	3.6%	
<b>10% or More</b>	<b>10.4%</b>	<b>10.2%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.9%</b>	<b>9.7%</b>	<b>9.7%</b>	<b>9.6%</b>	<b>8.7%</b>	<b>9.0%</b>	
5-10%	10.3%	9.8%	9.3%	9.4%	9.0%	8.4%	8.6%	9.0%	8.9%	8.9%	
0-5%	79.3%	80.0%	80.8%	80.9%	81.1%	81.9%	81.7%	81.3%	82.4%	82.1%	