

Five Hot Trends in the Vacation Home Market

The vacation home market is heating up after a relatively slow 2015. As Minnesota enters a recovery period for vacation properties, several key factors are shifting the way Minnesotans are buying and selling in the second home market.

Here are 5 hot trends in the vacation home market:

- 1. Get it while it's Hot.** The temperature is heating up and so is the vacation home buying market. REALTORS® in the Brainerd Lakes area are reporting that many buyers are just now starting to get a pulse on the vacation home market. This is in contrast to years past when buyers would begin feeling out the market in March and April. Buyers are now waiting until the true summer months to kick off their search. One reason for this change could be the dominance of after school activities and a seemingly later school-year calendar. Summer isn't truly starting for families until late May and early June, so buyers are getting into the vacation home game much later.
- 2. Location. Location. Location.** Proximity has become a major factor in the second home market. The obvious "proximity to primary residence" factor has always been an important decision-making component when searching for a second home. Nationally, according to the National Association of REALTORS® (NAR), more than 80 percent of vacation-home buyers choose locations within driving distance of where they live, with half of all owners choosing a property that's within 50 miles of their current residence. But what are buyers and sellers considering as their primary residence? REALTORS® have started noticing a shift in what second home buyers consider their primary home. Many buyers are purchasing second homes that they plan to make their primary residence within the next five years. What's more, local REALTORS® are noticing an emerging trend of buyers purchasing a lakeshore home as a primary residence and making their homes, condos or apartments in the Twin Cities their secondary, "weekend" home. When it comes to location, tradition has gone by the wayside.
- 3. Family Priorities.** Priorities have changed for the typical Minnesota family unit, which means home buying priorities differ as well. Traditionally, grandparents would purchase a lakeshore house with the hope that their family and grandkids would make the trip on weekends throughout the summer to experience the great outdoors. But, as the priorities of most families have shifted to summer sports and extracurricular activities, so too have the priorities for the grandparents. More and



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National Association of Realtors® 2016 Investment and Vacation Home Buyers Survey



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In 2015, 37% of vacation home buyers planned to use their property for vacations or as a family retreat, while 16% bought for future retirement plans

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more grandmas and grandpas are opting to attend their grandchildren's extracurriculars throughout the summer.

Conversely, REALTORS® in the area have noticed a younger set of buyers entering the second home market. Minnesota is currently in a period of historically good values, and with buyers getting more bang for their buck, the younger generation is seeing the benefit in buying a second home now and growing into the property.

4. **Budgets are Big.** While setting up a budget is a “big” trend, the budgets themselves are trending toward small. For 2015, NAR reported that the median household income for vacation-home buyers was higher (\$103,700) than it was in 2014 (\$94,380), yet despite the increase in income, buyers are watching how they spend their dollars more closely. REALTORS® in the Lakes Area are seeing buyers buy less than what they can afford.

One reason that REALTORS® speculate this is happening is because buyers aren't sure yet if a vacation home will be a long-term commitment or not. The younger buyers are purchasing homes at half of what they can afford knowing that if in a year or two they realize they aren't using it, they can sell without taking a loss.

5. **Is What You're Looking for Out There?** Lakeshore properties are a finite resource – you can't create more lake shore. Buyers have to decide if they want to find the “perfect” home, or if their plan is to tear down an “imperfect” home and build. With inventory low, these are things that buyers must consider before entering the market.

From a seller's perspective, this means making the property look as attractive as possible – cleaning the beach areas and doing maintenance projects before listing the property, in the hope that it will attract more buyers.