The Second Home Housing Market

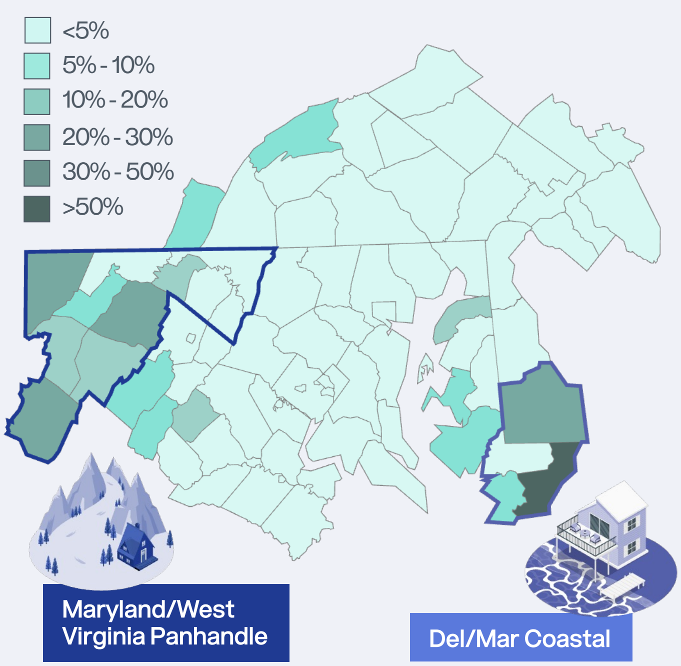
Like the rest of the housing market, the second home market reached new heights during the pandemic as people were looking for a place to not only live and work but also relax and enjoy the great outdoors. As life has returned to normal and the U.S. housing market has slowed due to higher interest rates, affordability, and a lack of available homes for sale, Bright MLS's analysis of the Mid-Atlantic second home market shows it continues to be active – perhaps more so than pre-pandemic levels.

Why it matters

The Bright MLS footprint, which covers six states in the Mid-Atlantic region and the District of Columbia, is a microcosm of the U.S. – it has big cities, suburbs and rural areas. It also offers coastal communities and mountain retreats within close proximity to major cities, often a major draw for second homebuyers.

The Delaware/Maryland coastal region, known as Del/Mar, is a two-hour drive from Philadelphia, Baltimore and D.C. The Maryland/West Virginia Panhandle, which offers mountains for hiking, skiing and secluded getaways, are also within driving distance of the region's metros.

Percentage of homes for seasonal, recreational, or occasional use in the Mid-Atlantic



How the second home market is performing

Second homebuyers appear to be less sensitive to the factors – affordability and elevated interest rates – that have dampened the primary housing market.

Overall closed sales in Del/Mar Coastal and Maryland/West Virginia Panhandle slowed in the second half of 2022 as interest rates rose above 4%. This trend has continued in the first four months of 2023, with April sales of homes above $500,000 down 22% and 14% year-over-year in the Maryland/West Virginia Panhandle and Del/Mar coastal markets, respectively. This compares to a 26% decline in total home sales priced above the $500,000 range in the Mid-Atlantic.

> There were
> **7.15 million second homes**
> in the U.S. in 2020

National Association of Homebuilders
https://eyeonhousing.org/2022/05/the-nations-stock-of-second-homes/

Sales in the region's second home markets are pacing ahead of pre-pandemic levels. Through April 2023, closed sales in Del/Mar Coastal and the Maryland/West Virginia Panhandle are more than double their pre-pandemic levels, up 140% and 261%, respectively. Although home price appreciation that occurred between 2019 and 2023 accounts for part of the jump, the sales gains likely go beyond the increase in median sale price which in Del/Mar exceeded 56%.

There is an inventory divide based on home price. Buyers looking in the $500,000 and above price range have more homes to choose from, with the number of available homes for sale in the Del/Mar Coastal and Maryland/West Virginia Panhandle markets reporting inventory levels similar to 2019. Inventory for homes priced below $300,000 continues to be constrained – for every 10 homes available for sale in 2019, today's buyers have three to choose from.

It also appears that higher interest rates haven't sidelined sellers to the extent they have primary homebuyers. New listings in both metros are outpacing the rest of the Mid-Atlantic region and are above pre-pandemic levels.

Profile of a second home buyer

Based on feedback from agents within Bright MLS footprint, a second home buyer is very different from a traditional homebuyer.

In the Mid-Atlantic, a second home buyer:

- **Is almost always a repeat buyer.**
- **Is often a cash buyer (51%). This compares 14% of primary home buyers.**
- **Isn't as interest-rate sensitive as traditional home buyers.** Based on Mid-Atlantic real estate agents surveyed between March and May 2023, 38% reported their second home buyer was going to buy regardless of interest rates. Approximately 11% of agents indicated mortgage rates factored into their buyer's decision, versus 27% of primary residence buyers who were swayed by rates.
- **Doesn't ask for or receive concessions as frequently as primary residence buyers.** Nearly 82% of agents said their second home buyer received no concessions, which was true for 69% of primary residence buyers.
- **Make less offers than a primary residence buyer.** Seventy-four percent of the second home buyers in March and April purchased a property after one or two offers. By comparison 66% of primary residence repeat buyers purchased with their first or second offer and only 58% of primary first-time buyers did.

Key Consumer Takeaway

Don't let the subdued housing market fool you. Based on Bright's analysis of the two largest second home markets in Mid-Atlantic, the market remains competitive. Buyers looking for a lower or moderately-priced vacation home will face stiff competition due to a lack of available homes. Buyers searching for a second home above $500,000 will have more homes to choose from, however, supply still remains limited, and homes are selling in less than a month.

Being able to make an all-cash offer will set buyers apart.

Methodology

To analyze second home buyer activity in the Mid-Atlantic region, Bright MLS used data from survey responses from Bright agents who completed transactions in February through April 2023 as well as data on homes priced above $500,000 in the two known second home markets in the Bright footprint compared to the Mid-Atlantic region as a whole. This proxy was used since whether or not a home was purchased as a primary residence or as a second/vacation home is not specifically documented in Bright MLS.

For regular updates on the housing market, including weekly insights please visit **BrightMLS.com/Research**.

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