

REAL ESTATE

## Demand for second homes surges as affluents embrace lifestyle flexibility: Redfin

November 23, 2020



*Homebuyers are flocking to resort towns such as West Palm Beach, Florida. Image credit: Redfin*

By ELLEN KELLEHER

Sales of vacation homes are driving a boom in the United States real estate market as affluents have more flexibility and time to make such investments worthwhile amid the pandemic.

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

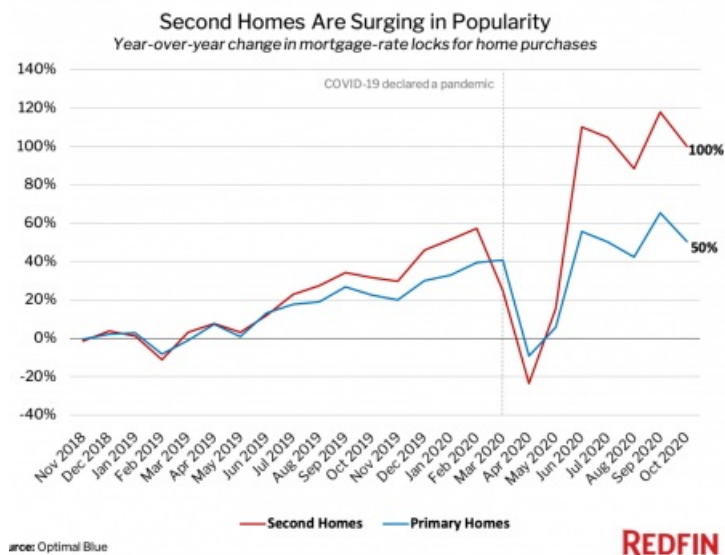
According to a report from real estate brokerage **Redfin**, home sales are climbing across the country thanks to low mortgage rates and a surge in relocations, but demand for second homes is particularly strong as the wealthy in the U.S. no longer send their children to school in person and face travel restrictions. As remote work encourages the migration from the city to resort towns, millions are locking in bargain mortgage rates for second homes and downplaying the financial risk of doing so.

"During the pandemic, going on an international vacation or staying in a hotel is too risky for many people, so there is a large appeal to owning a private second home to use as a getaway for a long-term stay," said Daryl Fairweather, chief economist at Redfin, Seattle. "Remote work has also made it possible for many people to work far away from the office, so even after the pandemic ends, workers will get much more use out of a seasonal home that can be used for both work and leisure."

The report is based on an analysis of mortgage data from Optimal Blue, a real estate analytics firm. When applying for a mortgage-rate lock, homebuyers must specify whether they are looking to secure a mortgage for a primary home or a secondary home.

### Analysis of mortgages

Interest in second homes is outstripping demand for primary homes by a wide margin. In October, demand for second homes jumped 100 percent from a year earlier and outpaced the 50 percent uptick in demand for primary homes, according to Redfin.

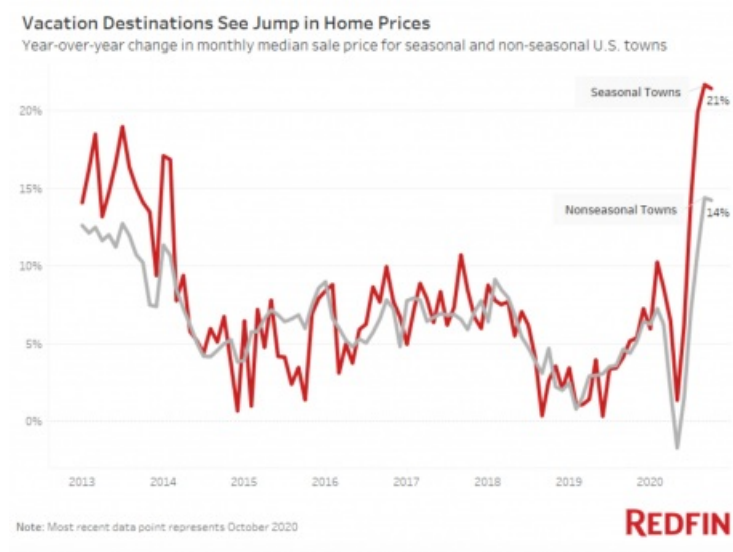


*Demand for second homes has outstripped interest in primary ones in recent months. Image credit: Redfin*

Some second homes purchased this year will be converted into primary ones since in many cases, buyers close deals on second homes before putting their houses on the market.

However, as the situation stands, interest in second-homes is pushing up the price of homes in resort towns across the country. Eight of the 10 U.S. counties that have notched the biggest price increases over the past year are home to wildly popular vacation destinations such as Cape Cod, Palm Springs, the Jersey Shore and Lake Tahoe.

On a macro level, home prices have been rising in seasonal towns across the country where more than 30 percent of housing stock is used for recreational purposes. In October, the median sales price in seasonal towns jumped 21 percent year-over-year to \$420,000, which outpaced the 14 percent jump in traditional non-seasonal towns.



*Seasonal towns are in vogue across the country. Image credit: Redfin*

"The most important takeaway is that a large part of what's fueling the housing market right now is demand from people who already own homes," Dr. Fairweather said. "Those people are already financially secure, yet they are the ones benefiting from the low interest rates the Fed has set to help the economy recover."

#### Affluents dominate housing market

Months of lockdowns have made very wealthy buyers reassess their living standards and trade up if more space is desired. Cheap money is also fueling the highest end of the property market as mortgage rates are set to remain at rock-bottom levels at least in the near term.

As a result, affluents are weathering the pandemic storm far better than their middle-class peers. Sales of the most expensive homes in the United States are far outpacing sales of medium-priced ones, for instance, which underlines the disparity in how COVID-19 is playing out across the U.S.

According to another recent report from Redfin, sales of U.S. luxury homes climbed 41.5 percent in the third quarter

from the year-ago period, marking the biggest jump in prices seen since 2013 ([see story](#)).

Globally, prime real estate property prices are proving resilient during the coronavirus pandemic, particularly in Asia and the Pacific, thanks to a surge in demand from homeowners reassessing where they want to live.

According to Knight Frank's Prime Global Cities Index for Q3 2020, prime residential real estate prices jumped by 1.6 percent on average in the year to September 2020, a rise from 0.9 percent in June ([see story](#)).

Signaling another trend favoring high-net-worth individuals, residential real estate purchases above \$10 million managed to hold their ground on a relative basis during the first six months of the year, showing the strength of the super-prime market.

According to Knight Frank, super-prime residential markets outperformed expectations but transaction levels for H1 2020 were well below levels from the same period in 2019 ([see story](#)).

As another round of restrictions is put in place, the wealthy's hold on the real estate market is likely to remain strong and the split between the price of luxury homes and standard ones could widen further.

"This trend is likely here to stay," Redfin's Dr. Fairweather said. "The normalization of remote work will allow more homeowners to change locations on a whim without disrupting their employment."

---

© 2021 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.