

Who are second home buyers?

Strategies for the Second Home Market:

What motivates them to buy a second home?

A Research Compilation and Analysis from The Institute for Luxury Home Marketing

When are they most likely to buy?

What do they look for when shopping for a second home?

What are experts predicting for the future?

*The First in our
Marketing Strategies Series*

Brought to You by The Institute for Luxury Home Marketing

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Appendix:

*Why The Institute puts its
members in the Saturday edition
of The Wall Street Journal*

A Letter From Laurie

The second home market is currently a hot topic, but many industry experts are having difficulty defining the second home buyer due to the wide range of ages, lifestyles, and lack of available research. To this end, we have compiled the most recent research we could find regarding second home buyers and have added our own brand of analysis and suggestions for how to maximize your success in this active market niche.

Our goal is to give you helpful insights and strategies that you need to be more successful in the upscale real estate market, so please accept this free report as another valuable benefit of your membership with The Institute for Luxury Home Marketing.

Thank you for your continued participation with The Institute for Luxury Home Marketing!

Laurie Moore-Moore

Market Outlook

Industry estimates predict that 70-80 million American baby boomers will retire in next 15-20 years. A Harvard study estimates that boomers will be 20% of the US population by 2030. Many predict the boomers will redefine “retirement” as they delay their exit from the job market, creating huge investment and business opportunities since household incomes will not be declining soon. Most boomers are still 15 years away from retirement age, setting up years of opportunity as they delay the drop in their household income.

NAR chief economist David Lereah predicts vacation home sales will remain strong because boomers are favorably positioned from a financial perspective, while investment home numbers will likely decline due to rising interest rates. A recent Wall Street Journal survey of their subscribers indicates that 16% are intending to buy a secondary vacation home before 2009.

Industry experts agree that the rise in the second home market stems from tax law reforms that allow a home seller to exclude up to \$500,000 from taxation without having to buy a more expensive home. Previously, homeowners were forced to buy more expensive homes to enjoy the tax cut. With the new law, they can downsize into smaller homes and afford a second home for vacation or investment purposes.

According to a recent survey of 2,500 readers with an average net worth of \$2.4 million, 37% owned a second home, and 22% owned three or more homes.

-Departure Magazine
Luxury Advisory Board

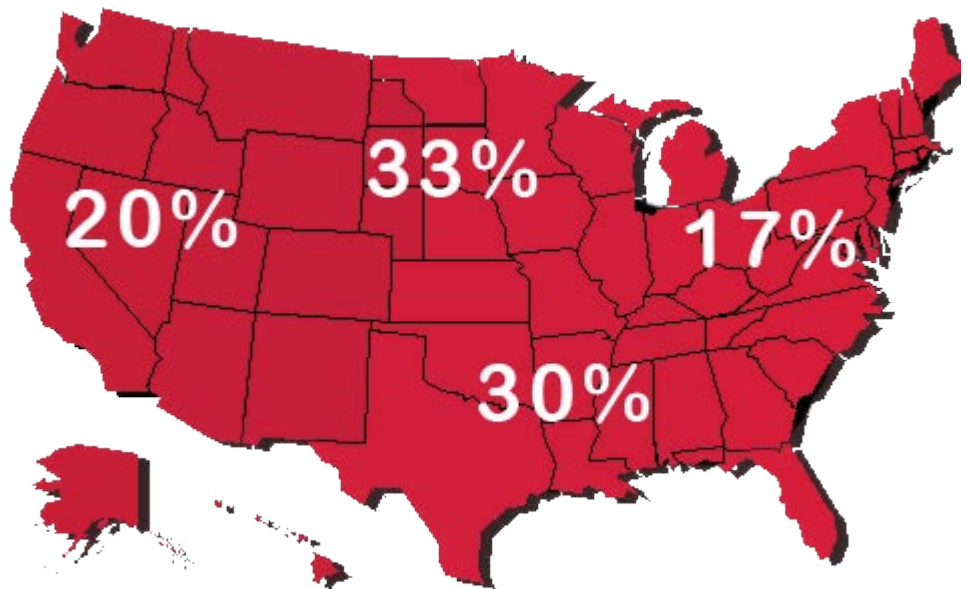
Tip from Laurie:

“With almost half of the second home buyers looking for properties over 500 miles away, it pays to advertise on a national level.”

Current Market Characteristics

NAR reports that second home sales accounted for 40% of residential transactions in 2005, with 27% of all homes purchased being for investment and 12% for vacation. As mentioned earlier, economists are predicting these two motivators to level out as vacation home sales rise and investment sales fall.

The largest concentration of vacation home buyers, according to NAR, is in the Midwest with 33% of total homes sold (keeping in mind that the location of the actual home may be in another region). The South comes in a close second with 30% of the buyers, with the West and northeast only sharing 20% and 17% of the market, respectively. Keep in mind that these are the buyers' home regions. With 43% purchasing a home 500+ miles from their primary residence, you have a significant number of buyers looking on a national level. This means that you should position yourself for those who are searching nationally.



A recent New York Times article estimates that waterfront properties sell with a 50% premium, while homes with a view sell for only a 25% premium. This popularity of waterfront properties has led to an abundance of condominium developments filling the waterfront markets, forcing many home builders to look inland, where new trends are emerging with "Fake Lakes," or man-made ponds designed to bring scarce waterfront to the inland properties.

According to NAR's recent Second Home Buyer Profile, second home markets are growing rapidly in Nevada, Arizona, and Utah, wherever there is an abundance of active lifestyle amenities, such as skiing, gambling, golf, camping, etc. At the same time, these areas are "experiencing high population growth and active migration inflows." Other fast growing areas mentioned are San Francisco, Washington DC, Los Angeles, Boston, New York, and Seattle.

When looking for active second home markets, look for areas close to large bodies of water and are within 2-3 hours of a major city that supports popular lifestyle amenities, such as sports activities, arts districts, and cultural centers. Network to find agents in these markets so you can refer your clients.

International Clients

Fifteen percent of all Florida home sales in 2005 were to buyers from abroad. These international buyers are spilling into other markets across the U.S. opening up new possibilities for agents looking to move into the international arena.

Because you are a member of The Institute, you have the special privilege of joining FIABCI, The International Real Estate Federation, without paying the application fee, saving you \$250!

With individual, company, and professional association members in 57 countries, FIABCI membership gives you access to 1.5 million potential contacts. FIABCI-USA's mission is to open the international community to you on a local, national, and international level, so that you may develop a broad base of real estate contacts that will translate into increased business opportunities and ultimately financial success. Visit www.fiabci-usa.com for more information.

Tip from Laurie:

"Be sure to research foreign customs and etiquette if you want to work with international clients. One good place to start is the book Kiss, Bow, or Shake Hands by Terri Morrison, which provides tips on how to do business internationally."

Who Are The Second Home Buyers?

According to NAR's 2005 Profile of Second-Home Buyers, the majority of buyers use a real estate agent for assistance which matches research published by The Institute for Luxury Home Marketing, where 97% of buyers of \$2.5 million and up properties used a real estate agent. These statistics show they are experienced buyers and recognize the value of working with a professional.

Bill Lurz, senior editor for Professional Builder, postulates that the leading edge of boomers now at their peak earning years are using resort homes to lure family back, and "second home buying kicks in at above 45 years in age, and over \$100,000 per year in income. Many are often using shared-ownership options that are formal, such as fractional programs, or simple informal partnerships with friends."

Since second home buyers are typically looking for either a vacation home or an investment home, NAR breaks their research into these different types: The average vacation home buyer is 55 years old with an income of \$77,000, while the investment home buyer is 47 with an \$85,700 income. Most have no children living in the house, which supports Lurz's observation that many are at their peak in gross earnings and want to use that income to bring their family back together. When considering advertising options, keep this profile in mind when trying to reach your target market.

	Barron's	Wall Street Journal	Second Home Buyers ¹
Location	300,040 National Circulation	1.9 Million National Circulation	Midwest – 33% South – 30% West – 20% Northeast – 17%
Average Age:	56	51	51
Average Personal Income:	\$236,000	\$115,356	\$81,000
Average Value of Principal Home:	\$849,900	\$541,278	
Average Value of Second Home:	\$1,015,900		
Average Value of Total Real Estate:		\$846,466	
Average Net Worth	\$3.3 Million	\$1.6 Million	
¹ Source: NAR 2006 Second-Home Buyer Profile; Barron's Primary Reader Study, 2005; ABC Circulation Statement, Dec. 05			

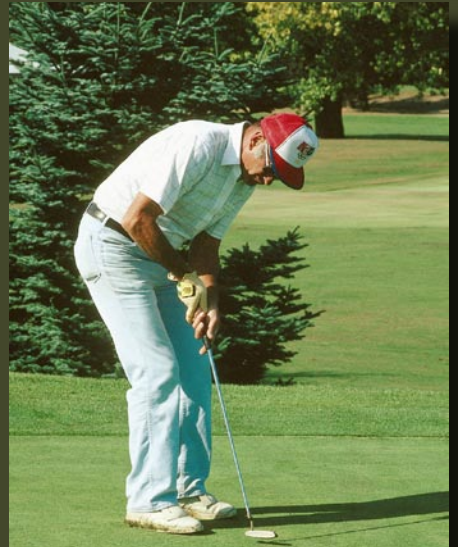
What Do They Want In A Second Home?

Lereah offers motivations for different types of second home buyers: Vacation home buyers “make lifestyle choices... primarily for their own enjoyment.” These lifestyle choices are represented in the survey as vacations (41%), family retreat (31%), and to also act as investment diversification (28%). Of investment home buyers, on the other hand, more than half are seeking rental income (55%), and more than a third are looking for portfolio diversification 35%. When writing and designing your brochure and ad copy, be sure to include these motivators.

Many home buyers are looking for the amenities that support their active lifestyles. Activities of interest for Second Home Buyers are beach or water sports (37%), golf (29%), theme parks (18%), winter recreation (16%), hunting and fishing (12%), boating (9%). Develop your knowledge of these amenities and target accordingly!

The survey of Wall Street Journal readers indicated that 42% of those who planned to buy a secondary home by 2009 preferred condominiums, with 36% desiring gated communities and golf communities ranking a close third with 31%. Other popular types of secondary homes, in descending order are ski homes, ranches, farms, historic homes, and wine properties.

Vacation Clubs and Fractional ownership are still growing strong in popularity. Many of these programs pay generous referral fees to agents, so it can pay to familiarize yourself with the available options and have some ideas ready for clients who are looking for such options.



Interestingly, 20% of second home buyers bought a property that their children could occupy while in school, opening up a possible specialty for agents who work close to universities and colleges. This also may provide fruitful networking opportunities with college recruiters or financial planners who work closely with parents on planning educational funds.

Tip from Laurie:

"If you have a university or college in your area, stay alert for families looking to buy a second home for college-bound kids. Many parents are anxious about the children leaving the home environment, and investing in property that provides a second home environment can provide both emotional relief and financial security."

Because a majority of boomers are continuing to work, many do not need supplemental rental income. A recent survey of Wall Street Journal readers indicated that only 26% of residential home buyers rented out their vacation home, which is consistent with NAR's report that 86% of vacation buyers report that they do not want to rent out their second home.

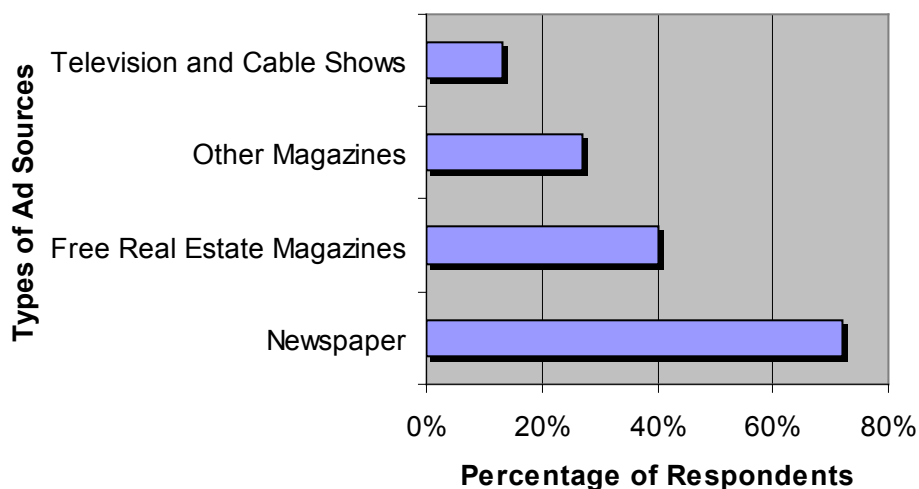
Tip from Laurie:

"Savvy homeowners will understand that a changing economy can alter their plans regarding not wanting to rent out their homes. Be ready to help guide them with options and a game plan if their situation changes. By showing that you are prepared for possible contingencies, potential clientele will appreciate your preparedness and foresight."

How Do They Find Second Homes?

When buying a second home, 80% of Wall Street Journal respondents turned to ad listings: 72% of those looking in a newspaper; 40% turning to free real estate magazines, 27% looking in other magazines, and 13% turning to television and cable shows. As a member of The Institute, you have special discounts available with The Wall Street Journal and Barron's Branding Packages, Unique Homes Elite Edition, duPont REGISTRY, Robb Report, Robb Report Collection, Robb Report Vacation Homes, and Stratos magazine.

Types of Ad Listings used as Sources for New Homes



While much has been touted about home buyers turning immediately to the Internet, an equal number of Wall Street Journal respondents like to drive around looking at signs while home shopping (65% for both). Interestingly in another study, an equal number of respondents liked to use the Internet (53%), word of mouth (51%), and friends or relatives (48%) when home shopping, indicating that agents need to spread themselves evenly between the Internet, networking, and referral programs. Note how more than half of the respondents rely on networking for finding their homes.

Departure magazine's Luxury Advisory Board reports that **76% of its readers were heavily influenced by print advertising, compared to only 49% who were influenced by Internet ad listings.**

"Sign me up for the next package! My phone has not stopped ringing since my appearance in the Wall Street Journal on Saturday. I have three listing appointments this week as a direct result of the ad. It really works!"

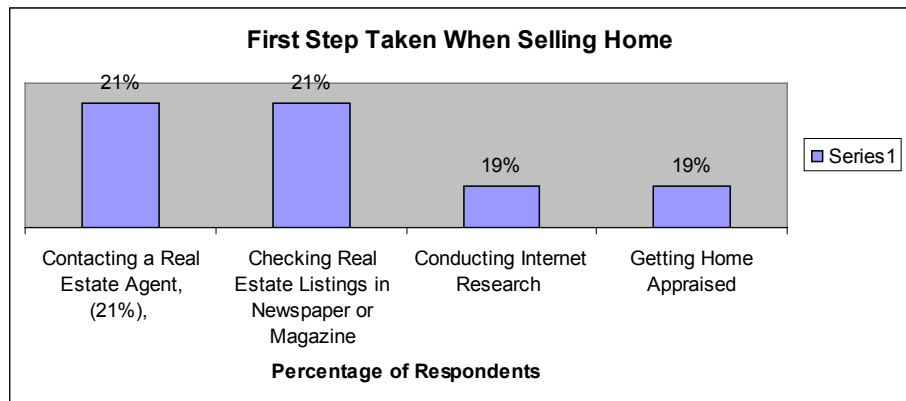
Christy Boyles
North Carolina

“Participation in the Wall Street Journal Branding Packages has given my customers the assurance they need when choosing an expert to market their exclusive homes. This is an excellent tool for emphasizing my professionalism and expertise as a Certified Luxury Home Specialist.

“The branding package has also been a great tool for me to network with agents and potential clients around the US and do a lot of relocation!”

Troy George
Texas

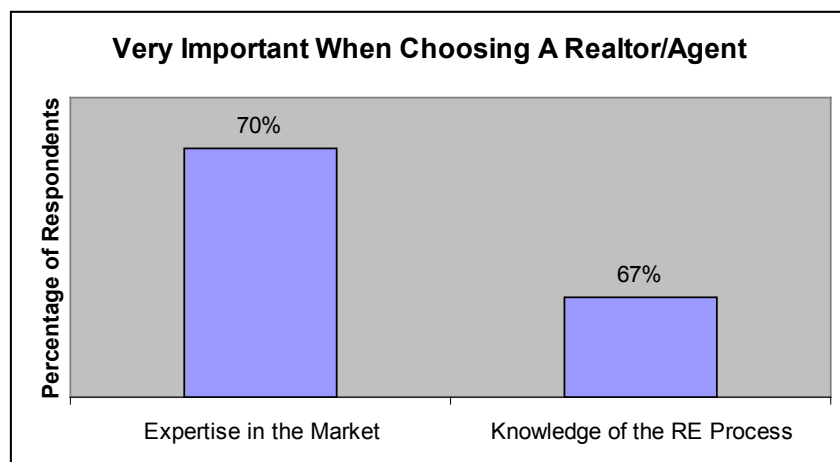
The first step Wall Street Journal readers take when selling their home is spread rather evenly between checking the real estate listings in newspaper or magazine (21%), contacting a real estate agent, (21%), conducting research on the Internet (19%), and getting their home appraised (19%).



Surprisingly, 31% of the Wall Street Journal respondents have NOT used an agent for a real estate transaction, indicating that almost a third of real estate consumers are confident, educated, and used to independent process. This is similar to NAR’s second home buyer profile, where 17% of vacation buyers and 16% of investment buyers did not use an agent.

What Do They Want in an Agent?

A recent article from lendingtree.com offered eight points of advice to consumers for bubble-proofing their second home. The first point of advice is to conduct a large amount of research, and all seven points



that follow require the consumer to get information from the agent. So it is critical to position yourself as a knowledgeable professional who has the information that the consumer needs.

When asked what characteristics consumers considered very important when selecting a realtor or agent, the reputation of the agent or company was an overwhelming 92%, with 90% of those considering the agent's reputation to be more important than the company's reputation. This means that presenting your personal brand is your number one priority. Where and how you are seen is critical to your success.




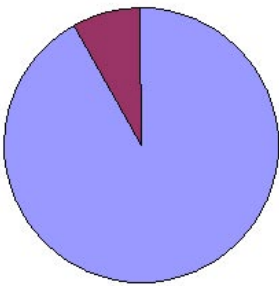




90% consider the agent's reputation to be more important than the company's reputation.

This means that where and how you are seen is vitally important. This is why The Institute only selects the most reliable and reputable of publications to promote our members.

"It was wonderful to be included in the Wall Street Journal Branding Package program and a delight to have my sketch and contact information in the Journal. The letters mailed on my behalf were very effective. I received two immediate responses from out of state and a broker referral from another participant in the same ad.

"My sincere thanks to Laurie Moore-Moore and her team of 'Marketing Gurus'!"

Linda Arnold
North Carolina

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FLOI (Dest) Jane RE/M South 800-2 info@ www	<p>Very Important When Choosing a Realtor/Agent</p>  <p>■ Reputation of the Agent ■ Other</p>			FLOI (Lak) Gitt Urb Kell Her 800- ern www
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ILLINOIS	ILLINOIS	KANSAS	KA	

Conclusion

Whether you are looking to tap into the growing second home market, or if you simply want to boost your current presence, keep these basic points in mind:

- The number of buyers looking for vacation homes is growing faster than the number of investment buyers.
- Find ways to be seen on a national level to tap into those buyers looking out of their local regions.
- Stay keenly aware of where and how you are seen. Buyers and sellers both understand the power of knowledge when it comes to real estate and they have the luxury of shopping around for the agent that will bring them the most benefit.

If you would like to get a jump start on the second home market with a professional image on a national level, The Institute offers its Wall Street Journal and Barron's Branding Packages, exclusively for its members. For more information on how to get your Branding Package, please visit http://www.luxuryhomemarketing.com/branding_packages.htm.

Appendix A

Why The Institute Advertises Members in the Wall Street Journal

Weekend Addition:

http://www.luxuryhomemarketing.com/WSJ_Research_files/frame.htm

Sources:

Departure Magazine's Luxury Advisory Board, Home and Real Estate
February 2006

LendingTree.com "How to Bubble-Proof Your Second Home"

LoanCookBook.com "The Case for Condo Hotels/Hotel Condos 2006"

Professional Builder "Boomer Second Home Bonanza"

The Institute for Luxury Home Marketing's Profile of Homeowners of
\$2.5 Million and Up Properties

The National Association of Realtors "Second Home Sales Hit Another
Record in 2005; Market Share Rises"

The National Association of Realtors 2005 Profile of Second-Home
Buyers

The Wall Street Journal Residential Real Estate Survey