New Demands from Buyers at Resort and Second Home Communities

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Overview

• National Vacation Housing Market Overview
• Housing Market Trends in Select Vacation Areas
• Then vs. Now: What a Difference a Decade Makes?
• Next Generation Examples
Vacation Housing Market Overview

United States
Consumer Confidence is Back

US Consumer Confidence (Rolling 3-Month Average)

Source: Economy.com
Record-Breaking Vacation Home Sales in 2014

**Annual Vacation Home Sales vs. Median Price in the United States**

- **6% Higher Than the Peak in 2006**
- **71% of these sales were in the Southern and/or Western United States (balance in the Northeast and Midwest).**

**Source:** NAR, Meyers (Projections based on 10%-14% annual ratio of vacation housing units to existing home sales nationally)

**Total Vacation Home Sales**
- 2003: 850,000
- 2004: 872,000
- 2005: 1,019,000
- 2006: 1,067,000
- 2007: 670,000
- 2008: 436,000
- 2009: 471,000
- 2010: 469,000
- 2011: 502,000
- 2012: 553,000
- 2013: 717,000
- 2014: 1,120,000
- 2015P: 827,561
- 2016P: 878,360
- 2017P: 736,726
- 2018P: 614,683
- 2019P: 567,455

**Median Vacation Home Price**
- 2003: $204,100
- 2004: $121,300
- 2005: $150,000
- 2006: $1,000
- 2007: $120,000
- 2008: $140,000
- 2009: $160,000
- 2010: $180,000
- 2011: $200,000
- 2012: $220,000
- 2013: $200,000
- 2014: $200,000
- 2015P: $200,000
- 2016P: $200,000
- 2017P: $200,000
- 2018P: $200,000
- 2019P: $200,000
Urban Vacation Homes Gaining Ground

Percent of Vacation Home Sales by Setting

- Resort and Urban Areas Most Popular in 2014

Legend:
- Small Town
- Rural Area
- Suburb/Subdivision
- Urban Area/Central City
- Resort Area
Trends in Select Markets

Around the United States
Solid Existing Home Sales, but Prices Impacting Demand

Two Beach, Desert and Urban Markets

Source: Zonda
Major Urban Areas (with Primary Demand) are Strong

Source: Zonda
Beach and Desert Markets Still Well Below Peak

TOTAL EXISTING HOMES SOLD

Source: Zonda
Urban Markets are Well Above Peak Pricing

Source: Zonda
Beach and Desert Markets Rising but Below Peak

**MEDIAN EXISTING HOME PRICE**

- **Miami Beach (Att)**
- **Kihei (Maui; Det)**
- **Palm Springs (Det)**
- **Scottsdale (Det)**

*Source: Zonda*
Then vs. Now: What a Difference a Decade Makes?

Vacation Home Buyer Survey in Hawaii
Survey Methodology

- Personally Visited All +/-17 New Second-Home Communities in Hawaii (Neighbor Islands Only)

- Big Island, Maui and Kauai

- Compare Second Home Buyer Characteristics: 2005 vs. 2015

- Only Surveyed Those with 10+ Years Experience Selling Second Homes

- Stand-Alone Subdivisions and Master Plans

- Price Points from the $500,000s to the $5+ Millions
Ages: Most Still Over 50, But Growing in the 30s

Breakdown of Second Home Buyers by Age

Note the doubling in size of buyers in their 30s.

Source: Meyers Research
Then: Nearly Half (49%) Empty Nesters

Breakdown of Second Home Buyers by Life Stage

- Singles: 5%
- DINK: 28%
- Family, Young Kids: 21%
- Family, Older Kids: 21%
- Empty Nester, Working: 30%
- Empty Nester, Retired: 28%

Source: Meyers Research
Now: Nearly Half (49%) Families

Breakdown of Second Home Buyers by Life Stage

Source: Meyers Research
Varies by Product, but Usually Very Wealthy – More So Today

Breakdown of Second Home Buyers by Net Worth

Source: Meyers Research
Key Considerations Then: Product Type and Amenities First, Cost Last

Breakdown of Second Home Buyers by Key Consideration

Source: Meyers Research
Key Considerations Now: Product Type/Amenities Still Key, but Price/Cost More Important

Breakdown of Second Home Buyers by Key Consideration

1. Amenities
2. Product Type
3. Price
4. Carry Cost/HOA
5. Ability to Rent
6. Home Design

Source: Meyers Research
Even at the Highest End, Some People Choose to Finance

Breakdown of Second Home Buyers by Method of Payment

Source: Meyers Research
Slight Increase in International Purchasers, but Most Domestic

**Breakdown of Second Home Buyers by Origin**

Some diversification now, but Canada and Japan still most common sources.

**Source:** Meyers Research
Perceived Risk of Buying a Second Home Much Higher Now

Source: Meyers Research
Buyers Considerably More Cautious

Percent of Second Home Buyers Described as "Very Cautious"

Source: Meyers Research
Biggest Concern: Use vs. Cost

Use
- Resale
- Cash-Flow
- Flip
- Maintenance
- Stock-Market
- Inventory

Price/Carry
- Economy
- Cash-Flow Value
- Use
- Housing-Market
- Maintenance
- Capital-Preservation
Amenities Then: Adult-Oriented (Not THAT Kind of Adult Orientation)
Amenities Now: Wellness and Family Oriented (Tennis Comeback?)
New Demands from Today’s Buyers: Product

- Contemporary Look
- Efficiency of Design
- Understated Elegance
- Green Features
- Outdoor Living
New Demands from Today’s Buyers: Services

• Not a Generic Attitude Change – a Function of Technology
Energy-Efficient

- Energy Efficiency is Key to Keeping Costs Down
New Demands from Today’s Buyers: Design/Architectural

More-Practical/Right-Size

• No “McMansions” – Size They Will Use Versus Size They Can Show Off
• Different Meaning to Different People
• Finish Level Still Matters
New Demands from Today’s Buyers: Resort Size

- Convention Hotel vs. Boutique Hotel
- Highest End Prefers Intimate Experience and Privacy
- Lower End May Appreciate Proximity to Services and Activities
- Reality is Both Can Work
Next Generation Examples

Vacation Home Developments
Kohanaiki – the Big Island’s Latest and Greatest

- Kona Coast of the Big Island
- Partnership Between IHP Capital and Kennedy Wilson
- 450 Acre Private Club
- 18-hole Rees Jones Golf Course
- 2 Miles from the Kona International Airport
- Custom Lots, Production Villas and Townhomes and the Hale Club (Private Residence Club)
- Lower HOA Dues Than Competitors, but Similar/Better Amenities (Water a Big Component)
Massive Clubhouse Under Construction

- 67,000 Square Foot Clubhouse With:
  - Spa
  - Fitness Center
  - Restaurant
  - Kids Club
  - Movie Theater
  - Bowling Alley
  - Arcade
  - Adults Only Card and Cigar Lounge
  - Private Dining Rooms
  - Wine Tasting Room
  - Brewing Facility for On-Site Brewmaster
Organic Farm a Popular Addition

- 60 Varieties of Fruits, Vegetables and Herbs
- Used by On-Site Restaurants
- Home Owners Can Pick Directly from the Farm for Use in Their Home
Sports Complex Promotes Active Lifestyle

• Three Tennis Courts
• Half Court Basketball Court

• Batting Cage
• Fully Stocked Comfort Station

• Children’s Playground
Strong Demand for Contemporary, Next-Generation Product

- Townhomes in the $2.8 to $3.0 Million Range
- Semi-Custom Hales in the $3.9 to $5.9 Million Range
- Custom Estates Up to $17.5 Million (Currently)
- Custom Lots Up to $14 Million
New Stellar Residences at Northstar/Tahoe Break the Mold

- Ski-In/Ski-Out in Northstar/Tahoe, California
- 16 units, 10 Duplex/6 Detached
- Opened in 2015
- Designed by the same team that imagined the Apple stores
- Homes range from 2,100 to 3,400 square feet
- Asking prices that start around $1,000/SF
Stein Eriksen Residences – “New Mountain Contemporary”

- Ski-In/Ski-Out in Deer Valley, Utah
- 15 Single Family Homes & 39 Condos
- Opened December 2013
- Homes range from 2,100 to 8,200 SF
- 43 Sold at +/- $1,200/SF
Key Takeaways

• The Second Home Market is Back (To Some Degree)
• Strength is at the Highest End
• New Product Finally Being Built at Lower End as Well
• Buyers are Cautious
• Focus on the Family (Multi-Generational)
• Contemporary Product Design is In
• Green/Energy Efficient is Important
• Amenity Themes: Outdoor, Organic, Wellness
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