

The Official Website of the Office of Consumer Affairs & Business Regulation (OCABR)

Mass.Gov

Consumer Affairs and Business Regulation

Home > Licensee > Division of Professional Licensure Boards > Board of Registration of Real Estate Brokers & Salespersons > Continuing & Pre-Licensing Education > Continuing Education Subject Matter Curricula >



RE55R06: Leisure Homes, Second Homes & Age Restricted Housing

I. Age - Restricted Housing

A. General Statistics

1. Fastest growing segment of the current population is age 75+ and 4 out of 5 are women.
2. 83% of Seniors are property owners and 63% own their home free and clear
3. 2.4 million U.S. households 55 and over in age-restricted housing
4. 36% of Massachusetts population is 45 or older

B. Senior Market

1. Pre-Retiree (Baby Boomers)

- a. Ages 40 to 58
- b. Approximately 79 million
- c. More mobile and more demanding than other generations
- d. Have greater earnings but lack savings
- e. Will probably work past 65 because of lack of savings
- f. May end up supporting both their children and their parents
- g. Will want more than one "home" (vacation as well as residence)
- h. Looking for the best rate and terms at all times.
- i. 7% want to live in age-restricted housing for people 55 and older
- j. 50% of boomers ages 50-59 plan to purchase new homes for retirement
- k. The transplanted homeowners in their mid to late fifties have traded in burdensome chores like snow shoveling and lawn mowing for maintenance-free dwellings and time for sports, exercise and social activities.

The number of people 50-69 is expected to increase by 87% over the next 15 years.

2. Active Retiree (the 'Silent Generation')

- a. Ages 59 to 79
- b. Approximately 24 million and growing
- c. Named the 'Silent Generation' because a U.S. President was never elected from this Generation
- d. Believe in compromise, human relations, and "talking it out".
- e. Concerned with maintaining image while downsizing to small houses
- f. Security, access to medical facilities, shopping, health and fitness facilities important
- g. This group has very high divorce rate and blended families
- h. Biggest fear is outlasting their assets

3. The Full Retiree

- a. Ages 80 to 103
- b. Approximately 65 million
- c. Three out of Ten have lived in same home for over 30 years
- d. Grew up in Depression and vulnerable to "con games"
- e. Most households are male dominated with long-term marriages and strong faith in God
- f. Need reduced home maintenance and concerned with security and on-site health care

4. Elders

5. Ages 104 to 121

- a. Approximately 4% of the population
- b. Most are likely to be in skilled care facilities
- c. 1960-3,000 are over 100 years old
- d. 1970-54,000 are over 100 years old and by 2012 there will be 2.45 million over the age of 100
- e. These numbers will create a housing issue in the next 25 years

C. Finance Options for the Senior Market

1. Reverse Mortgages

- a. A loan that enables older homeowners (62+) to convert part of the equity in their homes into income without having to sell their home, give up title or take on new monthly mortgage payments
- b. Payment is required once, at the end of the loan which is usually when the borrower dies, sells or no longer uses the home as primary residence
- c. 1031 Exchange-Tax Advantages for Seniors

D. S.R.E.S. -Senior Real Estate Specialist

1. Designation (S.R.E.S.) owned by the California Association of Realtors
2. Requirements
 - a. Must be a current member of a Board of Realtors
 - b. Must complete 13 hours of professional training and testing

II. Leisure Homes and Second Homes

A. Property Types:

1. Vacation and second homes as Defined by the 2000 US Census as "seasonal, recreational, and occasional-use properties".
2. Investment property defined as "property held for current income as well as a potential profit upon its sale"
3. Geographical considerations: water, mountains, desert climates, local amenities, sports focus, building structure types and natural attractions.
4. Property Types: Single family residence, apartments, condominium (form of ownership), gated communities, adult aged communities, townhouses.
5. Most popular locations geographically (i.e. water, golf, theme parks, etc.

B. Characteristics of Vacation Homes:

1. Second-home median price
2. Distance between primary and vacation home
3. Location of vacation home
4. Structure of vacation homes
5. Value of vacation homes
6. Ports and access
7. Benefits of area attractions and amenities
8. Factors involved in emerging trends towards vacation homeowner's willingness to travel nationally and internationally (i.e. affordable air travel, technology and telecommunications, climate and weather).

C. Investment Analysis/ Property Criteria: Things to consider when talking to clients about vacation, or

second homes.

1. What is primary use, enjoyment, or investment, family use, reunions, rentals, other
 2. Tax consequences
 3. Short term rental laws
 4. Short or long term ownership
 5. Financing options
 6. Exit strategy
 7. 1031 exchange option
 8. Insurance availability and affordability
 9. Location and amenities
 10. Health care, assisted living, senior care
 11. Price range
 12. Proximity to water, resort area
 13. Airport
 14. Northeast considerations: Country Club memberships waiting time and costs
 15. Taxes – Land Bank Tax – Dukes County Transfer Tax
- D. Searching for and Locating Properties:
1. Repeat homebuyers, experienced in buying process
 2. Special challenges, locations are unfamiliar, long distance from primary residence.
 3. Communicate the benefits of an area with use of Convention and Visitors Bureau and Tourism materials as well as internet resources.
 4. Search process similar to primary residence
 5. Sometimes best served by referring to a professional in that geographic area
- E. Government Regulations and Applicable Laws:
1. General legal areas to consider during a transaction of a vacation, or second home: contract law, general property law, agency law, real estate license law, Federal regulations, federal state, and local tax laws, zoning and land use, federal, state and local environmental regulations
 2. MGL, Chapter 186 – Estates for Years and At Will – The provisions of this section shall not apply to any lease, rental, occupancy or tenancy of one hundred days or less in duration which lease or rental is for a vacation or recreational purpose.
 3. 105 CMR 460.00 Regulations for Lead Poisoning Prevention and Control, The owner of a dwelling unit, including but not limited to a private residence, condominium, hotel, motel, or bed and breakfast establishment that is leased, rented or occupied, for vacation or recreational purposes for a period of 31 days or less shall not be required to abate or contain any paint plaster or other accessible structural material containing dangerous levels of lead in compliance with 105 CMR 460.110 when a child under six years of age is an occupant upon meeting and maintaining certain conditions (SEE 460.100(D): Short Term Vacation or Recreational Rental Exemption from the Obligation to Abate and/or/contain Paint, Plaster or Other Accessible Structural Material Containing Dangerous Levels of Lead.
 4. Mass Title V Regulations: 310 CMR 15 - Septic Systems Impact on Water Quality. Local Massachusetts Boards of Health standards may exceed state requirements
- F. Development & Growth Issues:
1. Resort areas have a higher percentage of vacation homes and investment homes
 - a. Amenities and services are essential to the "getaway" experience.
 - b. The ability to rent the property and to the sense of the second home being a good financial investment.
 - c. These services are dependent on the availability and retention of a labor force and workforce housing is a critical element in attracting and keeping a stable workforce.
 - d. Other issues such as escalating insurance costs add pressure to affordable living.
 2. Workforce Challenges for Resorts
 - a. Housing affordability problems in the United States have become more pervasive
 - b. Over 14 Million owner and renter households spend more than half their incomes on housing in 1999
 - c. Poor-quality housing is particularly widespread in rural areas
 - d. Restrictions on land development and exclusionary zoning practices are making it difficult for the market to produce housing that low-income people can afford
 - e. As the supply contracts, production flags, and household growth adds to demand, the mismatch between the supply of low cost rentals and the number of households who need them will likely grow.
 3. The lack of quality work force housing will make a resort area a less desirable destination. By providing quality workforce housing, workers, who stay in the community, support local business and increase the tax base.
 4. Local issues:
 - a. Insurance issues – getting difficult to get
 - b. National disaster insurance bill is a priority
 - c. Septic Upgrade - Title V – comprehensive waste water management plan
 - d. Future assessments or fees on residents and owners
 - e. Seller has to have an inspection done by certified inspector
 - f. Has to be upgraded if needed
 - g. 99% of the time cost compliance is born by seller
 - h. \$2,000 - \$10,000 a typical cost for redo
 - i. Not a lot of land so prices are going up
 - j. Some towns allow cluster development
 - k. 40B Regulation – builders use it to bypass local zoning to allow increased density with more affordable housing.
 5. Redevelopment is a growing trend
- G. Environmental considerations are an important factor in the purchasing decision of a vacation home
1. Environmental law liability issues be aware of actual as well as the potential liability.
 2. Become familiar with common environmental issues in market area
 3. Do not give "expert" advice of environmental issues
 4. Being aware and looking for signs of pollution or contamination during inspections, showings, property previews and walk-throughs
 5. Recommending environmental audit if there is a suspicion of possible pollution
 6. Reinforcing the need for full disclosure from sellers when listing properties.

Reference and Resources:

- Homeowner Options for Massachusetts Elders (HOME)
- California Association of Realtors
- The 2000 U. S. Census <http://www.census.gov/hhes/www/housing/census/historic/vacation.html>
- Historical Census of Housing Tables Vacation Homes
- The NAR 2002 Profile of Second-Home Owners <http://www.realtor.org/prodser.nsf/openprod?openform&LN=186-55-02>
- The Complete Guide to Second Homes for Vacations, Retirement, and Investment 2000, Eldred, G. W. John Wiley & Sons, Inc.

- Property Management (4th Edition) 1991, Kyle R.C. and Baird, F.M. Dearborn Financial Publishing, Chicago, Illinois
- Land Bank Tax – Dukes County Transfer Tax
- MGL, Chapter 186- Estates for Years and at Will
- Standard Vacation/Recreational Lease – Massachusetts Association REALTORS® www.massrealtor.com
- 105 CMR 460.00 Regulations for Lead Poisoning Prevention and Control, 460.100(D): Short Term Vacation or Recreational Rental Exemption from the Obligation to Abate and/or/contain Paint, Plaster or Other Accessible Structural Material Containing Dangerous Levels of Lead.
- Commonwealth of Mass. Regulation 105 regarding Lead Poisoning Prevention Control– <http://www.mass.gov/dph/clipp/vacation.pdf>
- MASS. TITLE V REGULATIONS: 310 CMR 15.00
- 40B Regulations - Overview of The Massachusetts Comprehensive Permit Law see G.L. c. 40 B, §§ 20-23
- M.G.L. c. 93A Regulation of Business Practices for Consumer Protection
- Tourist and visitor information available from local Chambers of Commerce
- Convention and Visitors Bureau for resort area
- Massachusetts Office of Travel and Tourism www.massvacation.com
- The International Consortium of Real Estate Associations (ICREA) www.worldproperties.com
- Harvard Joint Center for Housing Studies on the State of the Nation's Housing, www.jchs.harvard.edu
- NAR Market Intelligence Reports by County www.realtor.org