

THE WEALTH EDITION

Residential Real Estate

The vacation home market is hitting its new normal – thanks to emerging deal breakers



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Short-term rentals have become less attractive than ever.

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Story Highlights

- Seasonal vacation towns see 3% drop in home sales.
- High housing costs deter second-home purchases in vacation markets.
- Listings in seasonal towns increase 17% despite fewer new listings.

Homes in seasonal vacation towns are selling at a lower rate than properties nationwide, a trend experts say is evidence of a softening rental market.

[A new analysis by Redfin Corp.](#) found that seasonal markets saw a 3% drop in home sales in July over the same time in 2024, compared to a 1% decline in non-seasonal towns. Home sales in seasonal towns have been declining since February, according to the real estate venture.

A seasonal town is defined by [Redfin](#) as a location where more than 30% of the housing stock is used only seasonally or occasionally. Roughly 9% of all U.S. home sales are in seasonal towns, according to Redfin. Among the 288 seasonal towns in Redfin's report are Aspen, Colorado; Bethany Beach, Delaware; Boca Raton, Florida; and Scottsdale, Arizona.

“Vacation markets are cooling faster than other places because second-home demand is sensitive to high housing costs,” said Daryl Fairweather, Redfin’s chief economist, in the analysis. “When mortgage rates are elevated and the cost of living is high, buyers are more likely to prioritize their primary residence over a ski chalet or beach house.”

In the second quarter of 2020, the median sale price for U.S. homes was \$317,100, according to [data compiled by the Federal Reserve](#). By the second quarter of 2022, that number was \$437,700, up 38%. It dropped to \$410,800 in

the first quarter of 2025, but that's still up nearly 30% from the early days of the pandemic five years ago.

It's not just prices either. Interest rates rose dramatically in late 2022 as the Federal Reserve attempted to control inflation by tamping down on hot job and housing markets.

The [effective federal funds rate](#), the rate under which banks can borrow from the government to make their own loans, spiked from near zero in 2022 to above 5% in July 2023. The Fed has since cut rates to a range of 4.25% to 4.5%, but the cost of housing overall remains substantially higher than it was a few years ago.

For example, a \$400,000 home purchased now at a 6.55% rate for a 30-year mortgage with 20% as a down payment would have a roughly \$2,034 per month payment. A rate of 4.55% would mean roughly \$400 less per month. At 3% – a rate many homeowners secured, if not lower, during the pandemic – the mortgage payment would be roughly \$1,350 a month.

"Many Americans who might have bought a vacation home a few years ago are now holding off, partly because of high costs and economic uncertainty," Fairweather said. "And some people who already own second homes are listing them to cash out before prices soften more."

Experts are largely in agreement that the Fed [is unlikely to dramatically lower rates any time soon](#), although it's likely to lower rates by a relatively small amount by the end of the year – perhaps as soon as this month.

Market dynamics seen in inventory, pricing

The number of homes listed for sale in seasonal towns is rising, up 17% in July over the same time last year, outpacing the 14% rate seen in non-seasonal towns. That reflects the relative lack of sales activity in seasonal towns, as new listings in those markets were down 3% in July compared to non-seasonal towns seeing a 2% increase in new listings.

The market divergence also is showing up in pricing. Home prices in non-seasonal towns grew by about 2% in July, according to Redfin, but in seasonal

towns, the median sale price was unchanged – although that median sale price was roughly \$132,000 higher, according to Redfin.

The dynamics are playing out in the seasonal communities of Florida, in particular, with a substantial cooldown being seen there. Of the 288 seasonal towns in Redfin's analysis, 104 are in Florida.

“The local condo market is brutal. We have so many people selling condos that they have been using as second homes, whether it’s a part-time home for their family or a short-term rental or both,” said Cecilia Cordova, a Redfin Premier agent in Miami, in Redfin's report. “Now, some people who bought coastal condos in 2020 or 2021 are returning to New York or Boston full-time; they’re no longer working remotely from the beach.”

Short-term rentals have become less attractive than ever. Homeowners association fees are eating up potential income, the rental market is getting saturated with properties, and local governments are pushing regulations to rein in listings on platforms such as AirBNB and Vrbo.

Homeownership profile changes

High interest rates and soaring housing costs are squeezing younger homeowners in particular.

A survey of 1,000 recent homebuyers by Truework for its [2025 Recent Homebuyer Report](#) found 64% of Gen Z buyers and 65% of millennial buyers said it is important to their financial health to be able to refinance their mortgage. That is double the rate at which baby boomers say refinancing is important, at just 32%.

The gap is just [one aspect of a generational dynamic](#) that is weighing heavily on [a shifting housing market that's seeing buyers regaining leverage](#).

For many baby boomers who purchased years ago, there are obvious reasons not to sell their home. That includes having locked in at a low interest rate, having already paid off their home or simply having no interest in moving again. [According to an earlier Redfin survey](#), 43% of baby boomers have said they will never sell their home, the highest of any generational group. The

biggest single reason cited for staying in place is that their home is almost or completely paid off, while others say they like where they live.

While it's typical for older Americans to occupy a larger share of homeownership, the share of homes owned by Americans older than 55 years grew from 44.3% in 2008 to 54% in 2023, [according to a study by Construction Coverage](#). Americans ages 35 to 54, meanwhile, saw a decline in homeownership, with their share dropping from 42.3% in 2008 to 34% in 2023. Baby boomers specifically, who were between the ages of 60 and 78 in 2024, account for 20% of the population but make up more than 37% of homeowners nationwide.

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