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Vacation-Home Sales Warm From Sun Belt To Ski Resorts

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High-end deals lifted the average Vail home sale to \$936,265 this year, up 32% from '13, RealtyTrac data show. [View Enlarged Image](#)

After a sharp climb in 2013, vacation-home sales are expected to stay buoyant this year, though they may rise more slowly than last year's frenzied pace.

A rising stock market that has lifted financial resources for high-net-worth buyers, low interest rates and savory deals have prompted more people to move off the sidelines and buy a second home.

Real estate brokers in resort locales from Colorado's Vail to Massachusetts' Cape Cod report second-residence buying activity has gained momentum this year, with prospects good for the second half.

Nationwide, sales of homes intended for personal vacation use rose 29.7% last year to 717,000 properties, according to the National Association of Realtors investment-and vacation-home buyers survey.

Vacation-home sales accounted for 13% of all transactions in 2013, their highest market share since 2006. Still, they were about a third below the peak activity in 2006.

Why the surge in vacation-home sales? A record-high stock market has benefited the wealthy — prime buyers of vacation homes — and provided them more financial resources for the purchases, says NAR chief economist Lawrence Yun.

Boomers Buy The Sun Belt

Contributing to the surge, Yun says, is a rising wave of baby boomers reaching retirement age and ready to make a change by buying a vacation home in a new locale.

The trends hint that vacation homes will be one bright spot for housing in coming years, says Yun, who's upbeat on the 2014 outlook.

"We believe vacation home sales continue to increase," he said. "We don't know if it's the same degree of percentage gain as we saw last year. But we are seeing more sales activity in traditional retirement areas like Florida and Arizona. There's some indication that vacation-home sales are holding their own or even stronger than last year."

Daren Blomquist, vice president at housing market watcher RealtyTrac, expects a strong year too.

The reason: "Vacation-home markets tend to be the first to fall and the last to rise out of a downturn," he said. "This will vary from market to market, as some markets have already been picked over, particularly parts of Colorado and California. But vacation homes are still good values and more readily available in other parts of the country such as Florida, upstate New York, the Great Lakes region and others."

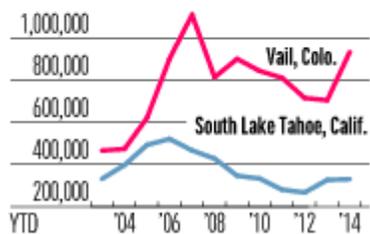
With interest rates low, vacation homes are "very practical and a good place to park your capital" as an investment, Blomquist adds. "You're buying at a point when the market is low and home-price appreciation is going up."

A Tally Of Two Cities

Selling prices in '13 ran 37% below prior peaks in both mountain enclaves

Average home sale price

\$1,200,000



Source: RealtyTrac



A Savoy Villas townhouse in Vail sold over list price in a recent bid war. View Enlarged Image

Vail And Tahoe Lag Peaks

Among the markets that presented a good opportunity to buy vacation homes at a good price in 2013 are resort spots like Vail and Lake Tahoe on the California-Nevada border, which both saw average sale prices last year 37% below their prior peaks, Blomquist says.

Andres Carbacho-Burgos, a senior economist at Moody's Analytics, adds that investors have been motivated to buy all types of homes, due to a "substantial margin of undervaluation in many metro areas through the end of last year, which led to a lot of investor purchases."

Until mid-2013 mortgage rates were at record lows, then began to rise. That too may have brought some vacation-home buys "forward because a lot of people are afraid they will face higher rates if they wait," he said. And vacation-home demand is still higher than in 2012.

"But I believe you won't get as strong an increase in sales this year because of the interest-rate effect," Carbacho-Burgos said. "And because the longer you wait to buy in a particular area, the more likely you are to get houses that are no longer undervalued and no longer a bargain or investment opportunity."

Jon Gray, senior vice president at online vacation-home rental marketplace HomeAway (NASDAQ:AWAY), says the "outlook is bright" for vacation-home buying, with two trends "very favorable" to his company.

"We're seeing increasing growth in vacation-home sales in the last couple of years. And we're very excited about the 90% of vacation-home buyers (in a NAR survey) who said they are planning to rent their (vacation) homes within the next 12 months. That helps up build on the selection of homes available."

Second-home buying activity has been brisk in Colorado resort spots such as Vail, says Kathy Cole, a broker associate with Coldwell Banker Distinctive Properties there.

"Our winter was strong," she said. "Buyers were in the Vail Valley this winter and ready to purchase," but were cautious about pricing.

"We were told we would see a slow climb out of the recession," she said. "That's what we're having. Our inventory is low and this should continue to drive our prices slowly."

Cole says the market "continues to improve every year, every month." In February she closed a deal on a Vail property that sold above list price. A bidding war pushed the three-bedroom Savoy Villas townhouse from \$699,000 to \$710,000.

The summer buying season kicks off with July 4. "I anticipate this summer we will continue to see a strong presence of buyers ready to purchase," said Cole. Despite low inventory "they don't feel pressured to have to jump on something and pay a lot more. They continue to be value-conscious."

Investors Buy Up A Storm

Storms swept the Northeast over the winter, making it hard for Realtors selling vacation homes in some Cape Cod towns — because buyers were reluctant to visit, says Keith Bradley, broker/owner of BroadMeadow Real Estate in Chatham, Mass. It sells in lower Cape Cod spots such as Orleans and Chatham.

There remained "quite a bit of activity," he says, as investors grabbed properties at bargain prices due to the negative weather impact, planning to renovate them for rental.

Bradley says overall, business started picking up in March and people are "enthusiastic" about the climate for the rest of the year.

Prices are "firming" and international buyers, with whom the Cape has a certain cachet, are buying, he adds. And there's a more "positive attitude" among buyers, which he says will "drive the market."