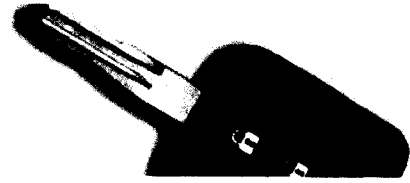


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Real Estate

America's Top Second-Home Spots

Lauren Sherman, 04.02.08, 6:00 PM ET

Though the country's housing markets continue to soften, those who can afford a second, third or fourth home are opening their wallets.

They're choosing spots like One Bal Harbour, a new development in the tiny village of Bal Harbour, Fla. Despite a dismal housing market statewide--sales were down 26% in 2007 to 130,241 from 183,988 in 2006, according the Florida Association of Realtors--183 of these new condominiums, which were completed in 2005 and listed from \$1 million to \$11 million, sold within two years. Only two remain unsold.

Michael Patrizio, a vice president and senior project manager behind the development, says the combination of international buyers and great location has kept One Bal Harbour afloat.

In Depth: America's Top Second-Home Spots

And with just 3,500 residents, the village is well known for luxury, including a shopping strip rivaling Fifth Avenue and Rodeo Drive, with stores like Chanel and Chloé, Hermès and Harry Winston. Also attractive to One Bal Harbour residents: the adjacent Regent resort's Guerlain spa, an in-home chef service and views of Biscayne Bay.

One Bal Harbour's success is unique among second-home markets. Vacation-home sales decreased 30% to 740,000 last year, from 1.07 million in 2006, according to the National Association of Realtors. The median price of a vacation home last year was just \$195,000.

Sweet Spots

Up North, flush vacation home buyers are seeking spots where beach volleyball isn't the pinnacle of sport.

Deep-pocketed buyers from Washington, D.C., Baltimore and Pittsburgh head to Deep Creek, Md., a woodsy, 26 square-mile enclave in Garrett County with about 30,000 residents. The area features multi-million-dollar properties and attracts sporty types like skiers and sailors with its freshwater lake, nearby Wisp ski resort and expansive state parks.

Adam Cowgill, sales associate with Railey Realty in nearby McHenry, Md., says vacation homes in the area have been insulated from market mishaps. Even though the number of transactions is down--the Maryland Association of Realtors reported the county's January sales dropped 48% from January 2007--the average price was \$579,125, up 67.2% from \$346,267 from a year earlier.

Out West, South Lake Tahoe is luring second-home buyers. Until recently, the area was known for its casinos and tourist shops. Now luxury developers are moving in, including Vail Resorts, which owns Heavenly Resorts and other properties in Vail.

Certified public accountant Beth Jackson took a chance on South Lake Tahoe when she and her husband recently bought a two-bedroom condo at The Chateau at Heavenly Village Resort. It's got mountain views, a Jacuzzi and access to hotel amenities, including a full-service spa and heated outdoor pool.

There, Jackson and her husband can ski in the summer and swim in the winter. The Chateau will be the first group of luxury condominiums to open in the area; the property is set to debut in early 2009.

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"It's a prime property," says Jackson, who lives in San Francisco and plans to visit at least once a month. "My husband and I are hoping the mountain keeps going more upscale."

That's because the Jacksons are betting their home will increase in value as more luxury developments pop up in South Tahoe.

But James Chung, president of Reach Advisors, a marketing strategy and research firm focused on the wealthiest half-percent of Americans, says that buyers should look at second-home purchases as a life enhancer, not a quick investment. He says this decade's real estate boom tricked many buyers into thinking they'd be able to make a fortune on a vacation home.

In reality, vacation homes don't appreciate as quickly as primary homes. That's because they tend to be attractive to a relatively small group of buyers and are often in remote locations.

"Regardless of whether or not the market is good, as a class of real estate, vacation homes aren't great for flipping," says Chung. "But if you're going to use the home, it's the best money you can spend."

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