



A Place to Unwind

Second home popularity surges

By Elizabeth M. Economou

WHEN KAREN KOEHLER, a Seattle lawyer, first began looking for a vacation home, she had a few must-haves in mind, including proximity to a lake and snowcapped mountains for skiing. Last year—in less than one month’s time—she found her dream home, a 3,400-square-foot cabin set beside the Wenatchee River in Eastern Washington.

“This was all about family,” says Koehler, a partner in the law firm of Stritmatter Kessler Whelan Koehler Moore Kahler. “We get to spend quality time together,





• Terranea's setting on a promontory high above the Pacific Ocean means sweeping views enhance the resort's recreation and relaxation.



and my kids can have a place to unwind from the fast pace of our techno world.”

With three bedrooms, two bathrooms and an unfinished basement, Koehler says her vacation home is fun to decorate and “funky”—a sharp contrast to her more formal main residence in a neighborhood close to downtown Seattle.

Industry statistics indicate most buyers plan to keep their vacation home for six years, but Koehler insists she’ll stay put “forever.” Recently, she purchased the land across the street from her vacation home as an investment property, where construction for a second cabin is set to begin in the spring.

It’s easy to see why Koehler is smitten. “In a little more than two hours, we are in nature,” she says. “You walk in and the smell [of pine], the quiet, and the view of the river immediately fill you with peace.”

Koehler is not the only savvy buyer to dive into the booming second home market, which includes vacation homes, recreational properties and investment properties. Experts say rebounding home prices and prior gains in equity markets have created favorable conditions for buyers.

“There is a renewed faith in real estate as an attractive investment,” says John Oppermann, an associate broker with Ra Partners Real Estate in New York City.

The results are evident across the country. “We see Americans and foreigners alike who are purchasing pied-à-terre apartments in Manhattan, beach



getaways in Miami, and cottages in the Hamptons,” adds Oppermann.

According to the most recent figures from the National Association of Realtors (NAR), 2014 was a boom year for vacation home sales, skyrocketing 57 percent from the previous year to 1.13 million units—one in every five transactions. And baby boomers, who were largely buying second homes to eventually convert into primary residences, played no small role in the surge.

Of those vacation home buyers, a large portion, 45 percent, bought a distressed property; and 30 percent of vacation home buyers made an all-cash purchase. Small towns and resort areas drew vacation home buyers at higher rates than other categories of home purchasers.

● Oyhut Bay homeowners enjoy extensive beachfront recreation nearby; the units are light and airy.

CLOCKWISE FROM TOP LEFT, COHRKE / ALAMY STOCK PHOTO; TODD PEARSON / GETTY IMAGES; SCOTT MANTHEY / IMAGE ARTS PHOTOGRAPHY

COURTESY: RANCH AT THE CANYONS (2)



● The Central Oregon equestrian lifestyle is reflected in the open space amenities at Ranch at the Canyons.

More than 30 percent of vacation home buyers say they plan to use their properties for getaways or family retreats.

The second home boom is taking place in most regions of the country, but the strongest market—as one might expect—has been in warmer parts of the United States, with 46 percent of all vacation home purchases in the South.

Though vacation home sales have surged according to the NAR's *Investment and Vacation Home Buyers Survey*, prices in some areas have dipped, making them even more attractive to buyers. NAR expert Jessica Lautz, managing director of survey research and communications, says 45 percent of all vacation home sales were smaller, distressed properties acquired at lower price points. The median vacation home, for example, sold for \$150,000, down from \$168,700 the previous year, while primary residence prices kept appreciating, with high prices and low inventory dampening that market.

Reasons for getting into the second home market

are as varied as the properties being bought. More than 30 percent of vacation home buyers say they plan to use their property for getaways or family retreats. About 20 percent will eventually turn their vacation home into their primary residence, and 13 percent bought for potential price appreciation; the same share decided to snag a second home due to low prices. About 11 percent say they hope to generate rental income, while low mortgage rates propelled 9 percent of buyers.

In the western United States, which accounted for 25 percent of all vacation home sales in 2014, family vacations are high among the factors spurring the purchase of second homes. Set in Rancho Palos Verdes, California, Terranea Resort is an attractive second home destination and convenient for its



proximity to LAX, Beverly Hills, downtown Los Angeles, and Orange County. Terry Niemann, real estate director of sales and marketing, says the resort's "multigenerational" villas are designed to be enjoyed by extended families and "passed down" from one generation to the next. "It's the ideal place for cousins from different states to spend time together multiple times a year, as opposed to just one annual vacation." She adds: "By owning a second home, families are creating deeper relationships."

Terranea, which occupies a craggy cliff overlooking the Pacific Ocean, has sold nearly 70 homes since the resort first opened in 2009. Of 82 homes—50 casitas and 32 villas—only 13 villas remain for purchase today. Fully furnished, these luxurious homes with private entrances, and citrus trees gracing patios and balconies, are set high above a golf course. Prices range from just under \$1.4 million to \$3.1 million and are based on floor-plan size and view.

Yet, while the villas are privately owned, they are not considered primary residences, meaning owners are permitted to live there only three months (90 days) per calendar year. When owners are away, the homes are available to paying guests. "This allows other people to enjoy the spectacular views," says Niemann—not to mention helping the owners offset their costs.

Buyers range in age from 29 to 92. While some live as close as a five minute drive, others reside as far away as the East Coast. "They are mostly entrepreneurs, and all of them appreciate the incredible ocean views, and the indoor-outdoor lifestyle that is inherent in Terranea," says Niemann. Facing both east and west, Terranea offers spectacular sunrises and sunsets—the perfect start and end to every day.

Nearly 1,200 miles north, Oyhut Bay in Ocean Shores, Washington, will soon be one of the largest vacation communities on the Northwest coast, says Kim Sharpe Jones, vice president of marketing at Matrix Real Estate. The extensive new development is a 2.5-hour drive from Seattle and within walking

distance to nearby beaches such as Damon Point.

"Most people are not aware that Ocean Shores has 23 miles of freshwater canals that wind throughout the peninsula," says Jones. By the time Oyhut Bay is finished, it will have its own canal access and



THOMAS BARWICK / GETTY IMAGES

BY THE NUMBERS

1.13
MILLION

NUMBER OF VACATION HOME SALES IN 2014

21 PERCENT

VACATION HOME SALES SHARE OF ENTIRE HOUSING MARKET

\$94,380

MEDIAN HOUSEHOLD INCOME OF VACATION HOME BUYER

SIX

NUMBER OF YEARS BUYERS PLAN TO OWN THEIR VACATION PROPERTY

\$199,000

MEDIAN U.S. SALES PRICE FOR PRIMARY RESIDENCES

40

PERCENT

SHARE OF VACATION HOME PURCHASES AT A BEACH LOCATION

\$150,000

MEDIAN VACATION HOME PRICE

200

MEDIAN NUMBER OF MILES FROM A BUYER'S PRIMARY RESIDENCE TO THEIR VACATION HOME

—NATIONAL ASSOCIATION OF REALTORS

"Most people are not aware that Ocean Shores has 23 miles of freshwater canals that wind throughout the peninsula."

A 682-acre wildlife area is dedicated to protecting woodlands, wetlands and tidal flats, habitat for blue herons, brown pelicans and snowy owls.

dock for homeowners to enjoy kayaking, stand-up paddleboarding and fishing, she adds. Nearby, a 682-acre wildlife area is dedicated to protecting woodlands, wetlands and tidal flats, habitat for feathered creatures such as blue herons, brown pelicans and snowy owls.

Currently, 17 condos are available for purchase. Nineteen have sold so far—ranging in price from \$120,000 to \$180,000. Additionally, the first phase of free-standing cottages will be available this spring, with prices starting around \$250,000.

According to Jones, the 200 family-inspired cottages are ideal gathering places for friends and family to share a meal together after a day on the beach. Amenities include open kitchens, great rooms, hot tubs (optional) and detached garages (optional)—ideal for sharing space with renters. Additional perks include access to an indoor swimming pool and spa, a fitness center, a teen recreation room, paved trails to Damon Point, a putting green, central fire pits for outdoor gatherings and a central plaza for larger events, among others.

While some owners might choose to live there full-time, others could exercise an option to add their home to the rental pool as a short-term or long-term lease. “Cottages include features that make them easy to convert into vacation rentals, such as an interior locking owners’ closet and an outdoor locking closet large enough for beach toys and kayaks,” says Jones. Meanwhile, groundbreaking on a town



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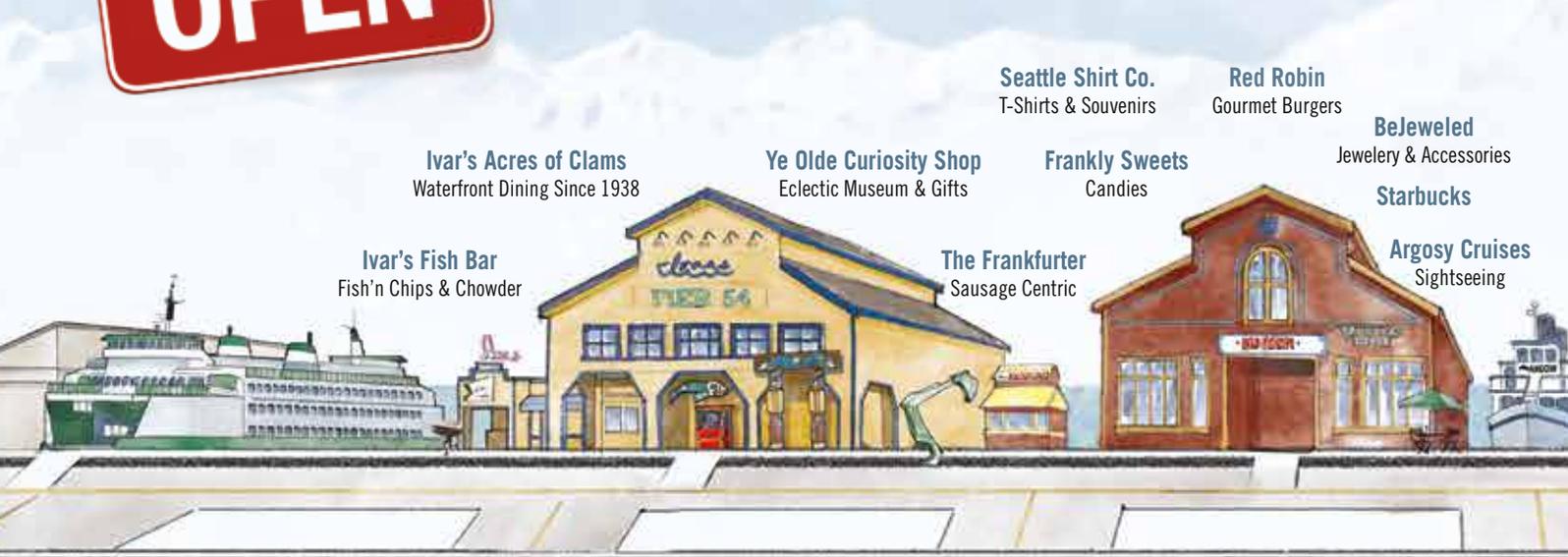
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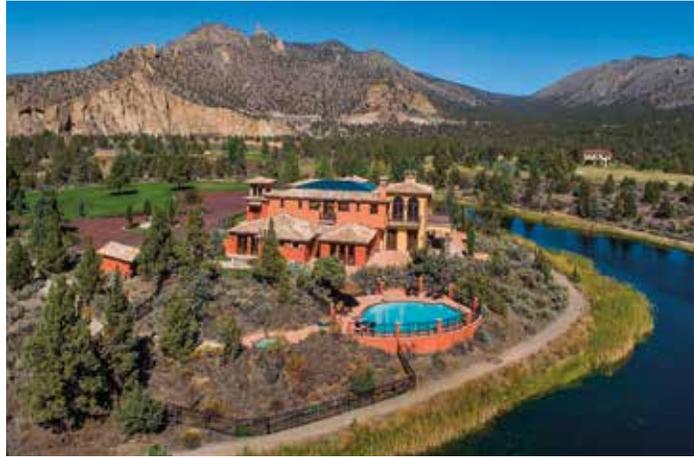
SEATTLE'S HISTORIC WATERFRONT- PIERS 54-60

McKinnon Furniture
Handcrafted Furniture

center with planned onsite retail, which will be the focal point of the vacation community, is set to begin this spring.

In Central Oregon near Redmond, Ranch at the Canyons, a 1,700-acre preservation development, is enticing empty nesters; early retirees with a passion for ranch living, conservation and outdoor activities; and married couples with flexible careers that let them work from anywhere. Some eager buyers are even bringing all-cash offers, notes ShanRae Hawkins, public relations and marketing director for the Ranch.

“Over the past two years, we have seen an increase in homes and acreage landholdings being purchased as primary residences,” says Hawkins. “The Ranch is also a draw for vacation home buyers,



COURTESY, RANCH AT THE CANYONS

● Ranch at the Canyons is set beside the Crooked River, near Redmond, Oregon, and reflects the area’s High Desert landscape.

who are very attracted to year-round activities, though summer experiences, such as fishing, hiking, biking, and horseback riding, top their list of preferences.” Baby boomers are also buying acreage landholdings and finished homes with the intention of eventually making these their primary residence, adds Hawkins.

In addition to 600 acres of working farmland, the

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*Parking details available at DowntownSeattle.com/Waterfront.



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Ranch includes more than 500 acres of land permanently protected for conservation by the Deschutes Land Trust, preserving some of the most beautiful space on the property for wildlife habitat, says Hawkins.

New homes with Tuscan design elements, inspired by the natural aesthetic of the development's surrounding canyons, start at \$999,000, while landholdings, ranging from 3.97 to 11.28 acres, begin at \$179,000.

“We are seeing discriminating buyers who view open space and nature as the ultimate luxury.”

Ranch amenities and privileges for homeowners are numerous, including concierge services, trail riding, and access to a 7,000-square-foot winery and clubhouse, which serves as the focal point and social hub at the Ranch. Nineteen lakes, 13 of which are stocked with trout, bass and other species, are also available for boating or catch-and-release fishing.

“We are seeing discriminating buyers who view open space and nature as the ultimate luxury,” says Hawkins.

Though statistics for 2015 won't be released till later this spring, the NAR's Lutz, for her part, is optimistic that the outlook for the second home market will remain upbeat at least through 2016, though levels of buying won't be as elevated. “Still, among vacation home buyers, 58 percent are likely to buy another home in the near future,” she adds.

Room for optimism, to be sure. ▲

Elizabeth M. Economou is a Seattle-based business, finance and health-care writer.