

TESTING THE WATERS: THIS YEAR, VACATION BUYERS CAN AFFORD TO BE PICKY

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As every beachcomber knows, salvaging treasure can require patience.

Vacation areas around the Washington region have been buffeted by the real estate market collapse and the recession. Going into spring, optimistic market watchers are focusing hard on any glimmers of a revival while bargain hunters are sifting through the abundant supply of homes for sale.

"No particular segment locally has taken it as poorly as the vacation-home market," said Kenneth Wenhold, regional director for MetroStudy, a market research firm.

Vacation homes, he pointed out, are a "want-based purchase, not need-based." In the boom years, especially from 2003 to 2005, people used equity from their main homes to buy beach or mountain places. But as that equity evaporated, sales did, too.

Developers cut prices -- "in some cases, 30 to 40 percent from the peak and were still not able to maintain enough sales interest to close the property," Wenhold said.

Now, in destinations around the region, real estate agents report an upturn in shopping in recent months, but those shoppers want deals.

Would-be buyers "are not afraid to make really low offers and go from place to place," said Corey Kennington, president of Kennington Realty, a buyers' agency specializing in Ocean City and nearby areas. He has clients who have looked at 30 or 40 properties.

Some may luck out. For instance, one property that was once listed for \$500,000 was repriced as a \$350,000 short sale, where the sales price won't cover the mortgage balance owed. A Kennington client bid \$250,000. The seller accepted but is awaiting bank approval.

Here's an overview of what shoppers can expect in some favorite vacation markets:

At the beach

On North Carolina's Outer Banks, the past few years have brought a few more traffic lights and grocery stores, said Kim Endre, president-elect of the Outer Banks Association of Realtors and broker in charge at Coldwell Banker Seaside Realty in Nags Head. They've also brought lower prices.

"Property values have definitely decreased, which in some respects is good," she said, because it provided a dose of reality as well as some bargains.

Foreclosures and short sales account for about 40 percent of inventory, Endre said. "Anyone else who is out there knows that's the competition," she said.

The Realtors association detected a pickup in January, with 99 sales, almost double the 50 sales of January 2009. The median sales price was up sharply, from \$290,000 to \$390,000. (Such changes usually reflect a shift in the type of property sold, not necessarily the value of individual properties.) The inventory of homes for sale is down somewhat, to about 2,000. On average, homes remain on the market 195 days.

As in other resort areas, that's markedly longer than in metropolitan Washington, where homes remained on the market an average of 72 days in the last quarter of 2009, according to data from the area's multiple listing service.

Asking prices vary widely depending on location, Endre said. In Corolla and Duck, upscale areas with few year-round residents, most homes are priced from the mid-\$400,000s to about \$750,000. In the mid-beach area, around Nags Head and Kill Devil Hills, prices generally start in the \$200,000s on the west side, where people live all year. As you move toward the ocean, the homes can cost at least double -- or much more -- though oceanfront sales are among the most stagnant, she said.

Farther south, in areas including Rodanthe and Hatteras Island, damage from storms last year has slowed sales, she said.

Along the beaches in other states, the numbers are similar: Sales in 2009 were up compared with 2008, inventory is down a bit, and prices are markedly below the peak years.

For instance, in the Ocean City area, condo sales last year rose 21 percent compared with 2008, said Terry Daly, president of the Coastal Association of Realtors and a broker at Delmarva Auction & Asset Management.

"I've talked to some Realtors and some financing people, and January was a very active market," he said.

Along the Delaware beaches, "it looks like the market is picking up," echoed Judy Dean, president of the Sussex County Association of Realtors and an agent with Long & Foster in Rehoboth Beach. "Showings are up. I think there's more enthusiasm among the Realtors; more people are coming in, and there are more contracts." In January, her association recorded 126 sales, vs. 94 in January 2009.

"What we've seen generally is people who realize there are potentially better deals and they want to take advantage of it," Dean said.

"They have money . . . they know it will bottom out and it will go up."

As in other resort areas, location governs price. There are nice two-bedroom, two-bath condos in town in Bethany Beach priced from about \$300,000 to \$350,000. West of Bethany, a unit of about the same size is priced at \$260,000, while on the beach, there's one on the market for \$779,000. Dean's quick computer search found two-bedroom condos in Rehoboth priced from \$159,000 a few miles off Route 1 to \$1.149 million on the boardwalk.

Some of the most aggressive boom-time development was inland in Delaware's Sussex County, in resort-style communities aimed at affluent second-home owners. One of the most ambitious was the Peninsula on the Indian River Bay in Millsboro. Its centerpiece golf course opened in 2006, but sales foundered with the market.

Loans went sour, and the development company is now in receivership on behalf of lender Wachovia/Wells Fargo. The receiver, LandTech Asset Management of Columbia, S.C., is a branch of an established development firm.

For now, about a third of the 1,400 units have been sold, according to Chuck Munn, president of LandTech Asset Management. Sales efforts have been largely dormant for about a year and a half, he said, but his company plans to relaunch them in March. It is also negotiating with a national builder to restart townhouse construction.

At the lake

On Deep Creek Lake in Western Maryland, "we have not seen the short-sale market or foreclosure market you have in the metropolitan area," said Patrick Kane, president of the Garrett County Board of Realtors and co-owner of Coldwell Banker Deep Creek Realty. The market has slowed, but prices for houses "have not fallen all that much."

He said, "Where the real bargains are now is land." For instance, in Ridgeview Valley, a community his company is marketing, single-family lots with city water and sewer were selling for \$90,000 to \$200,000 and are now on the market for \$72,500.

"There's a lot of land available up here, a lot of land," he said.

Around Lake Anna in Virginia, agent Kate Elim of Re/Max Edge in Spotsylvania County has been following statistics for several years. Prices are down somewhat, she said, but sales picked up in 2009, with 62 waterfront sales vs. 50 in 2008, and 62 off-water sales vs. 52. Homes and their lots vary greatly in quality and price. She counts 65 active waterfront listings, priced from \$224,900 to \$2.499 million; the median listing price is \$779,925.

In the mountains

Some of the most ballyhooed resort development was planned around two of the region's classic mountain hotels, the Homestead in Hot Springs, Va., and the Greenbrier in White Sulphur Springs, W.Va. Both consist of high-end lots for custom homes with access to luxury amenities.

Executives at both projects claim that sales remain healthy, even though the numbers are small. At Homestead Preserve, 154 of the roughly 450 lots have been sold, 20 homes have been completed, and five more are under construction, according to Don Killoren, principal and co-general manager. "The people who come love it," but they say they're waiting until the economy turns before they buy, he said.

But prices haven't come down much. When home sites are priced from \$300,000 to \$700,000, "a little bit of a discount isn't going to change your mind," he said.

At Greenbrier Sporting Club, where there will be up to 500 residences, 380 properties have been sold, 179 have been built on, and five more are under construction, according to John Klemish, principal and broker in charge.

Sales began in 2000, and into 2006, prices ran up, with each sale higher than the last, he recalled. Then the market stalled; in 2008, there were just 16 deals.

Last year, the development company, along with the parent firm, Greenbrier, went into Chapter 11 bankruptcy protection. Local businessman James C. Justice II out-negotiated Marriott to buy everything. He has vowed to rejuvenate the landmark resort.

At the Sporting Club, land prices have fallen from the peak, but lots still cost \$250,000 to \$2.5 million. In a move that Klemish said has helped sales, the initiation fee for the club -- golf and more -- has been cut from \$140,000 to \$100,000. In the last six months of 2009, there were 19 sales; 12 lots have gone under contract this year.

Klemish said, "Jim Justice is a one-man stimulus package."