



DESTINATION VACATION PROPERTIES 2009

Maui

An economic cataclysm might not seem like the best time to buy property. But if you have nerves of steel and cash to spare, astonishing bargains can be had. California and Nevada have foreclosure rates among the highest in the

Plentiful buying opportunities in three favorite second home markets BY MANDY BEHBEHANI

Lake Tahoe North & South Shores



country. While this is unquestionably bad news for so many people, it does present purchasing opportunities for those able to buy in a down market. Here's a look at three favorite second-home destinations where it's currently possible to find some property deals.

Lake Tahoe, North Shore

As might be expected, the North Shore is not suffering the same property value drops or foreclosure rates as Reno and other nearby, less tourism-oriented communities, where home prices have dropped 30 to 50 percent, says Chris Plastiras, owner of Lake Shore Realty in Incline Village. This insulation, he says, is partly explained by the nature of the real estate market in Incline Village and Crystal Bay, which are primarily second-home areas where the substantial down payment (20 to 30 percent) typically required to secure a loan kept both buyers and lenders out of the subprime mortgage mess.

In fact, although the area has more than 7,600 homes, apartments and condos, there are only about 40 active foreclosures, Plastiras adds. "Ten of those are homes, and the balance is mostly condos that are over 25 years old, in need of repair and would sell south of \$200,000."

And even if some properties are priced to sell, he points out, they might not be in the most desirable areas or developments. "I've got a buyer I'm dealing with. I sold his house for \$2 million and he keeps saying, 'I want a deal, I want a foreclosure deal.' And I tell him, 'I can get you a decent condo, but it might not be the quality or location you want because the two don't exist in our foreclosure market. It's truly a paradox.'"

Though Tahoe prices have come down somewhat, the area's proximity to the Bay Area and its status as a year-round resort destination have kept property values relatively stable. As example, Plastiras points to the McCloud Condominiums development in Incline Village, within walking distance of the beach, shopping and the Hyatt hotel-casino. In 2006, at the peak of the market, two-bedroom condos sold for a median price of \$601,250. In 2008, the median fell only 10 percent, to \$541,500.

There are some price breaks out there, however. A three-bedroom, two-bath condo in the Tahoe Racquet Club development was going for \$225,000 in March in a short sale. The same condo would have sold for \$450,000 in 2006. On the luxury end of the



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market right now, Plastiras says, a 4,000-square-foot, five-bedroom, three-bath home on Country Club Drive in Incline was listed at \$1.5 million in 2005 and sold recently for about \$1 million.

Realty agent Ken Cash points to a bank-owned condo in the Bitterbrush development in Incline that has been on the market for about a year. "It has panoramic lake views and frankly I'm stunned it hasn't sold," he says. The condo has a one-car garage, is in good condition and is a few doors down from a unit that sold a year ago for \$760,000. In March the unsold condo was priced at \$539,000.

Ellie and Payson (Skip) Smith moved to Tiburon from Chicago in 1982 and, after vacationing a lot on the North Shore, decided the area would be a good place to buy. In 2007 the couple bought a 2,000-square-foot home in the Mill Creek development in Incline, several blocks from the water, for between \$800,000 and \$900,000. Homes in the development do not appear to have been affected by the housing bust, says Smith, a substitute teacher in Marin. "We thought Incline was a good bet," she says, "because it is a real town. It has a hospital, a library, a college that offers lectures and lots of outdoor recreation. It's a spot Skip and I can really retire to."

Lake Tahoe, South Shore

Tahoe's south shore in California has seen an uptick in distressed properties, but not a significant one. Realty agent Adele Lucas says the foreclosure rate in March was 8 percent, about 30 properties, with price dips from 4 to 20 percent. She says most homes are selling at the lower end of the price scale.

Dede Bacon, a former president of the South Tahoe Association of Realtors, says the median price of homes in February was \$399,000, down from \$485,000 in 2006, but the fall has leveled off. "We're not experiencing dramatic drops anymore, which leads me to believe we're either at or near the bottom of the market," she says.

There are many attractively priced buys in desirable Tahoe Keys, a private waterfront

community with mountain views and inland lagoons. Sales are lagging, says Matt Bryant of Chase International South Tahoe Realty, with only four properties closing in the first quarter of 2009. Prices are also down. In March, the median price was \$850,000, off 13 percent from a year earlier. As of April 1, 16 of 55 Tahoe Keys homes were listed at less than \$800,000, “a screaming deal,” says Bacon.

“We have phenomenal deals,” says Bryant. At the end of March, a three-bedroom waterfront house went for \$810,000 in a short sale. It sold in 2005 for \$1.35 million. Once, he says, “it was \$1 million and up to get into the Keys. In the summer of 2008 we saw sales in the \$750,000 range and prices are continuing to drop.”

Maui

No property is ever a real bargain in Hawaii, but foreclosures are way up and even Maui, a longtime preferred destination for mainlanders, is feeling the pinch. In March, according to the Realtor Association of Maui, 52 homes sold in Maui County at a median price of \$504,500. A year earlier, nearly twice as many homes sold, with the median being \$620,000. Condo sales are also down nearly 50 percent, and the median price has fallen 48 percent to \$331,000.

Despite the numbers, most of the price decline is not in resort areas like Wailea, says Don McEntire, co-owner of McEntire Realty. “We have plenty of foreclosures,” he adds. “But they are in Kihei, Kahului, in residential communities, not in the resort market. There are properties in Kihei that were selling in the high \$600,000s at the peak that you can now probably pick up in the high \$400,000s from foreclosure or short sales. In the nine years I’ve been in Maui I’ve never seen conditions like this where it’s so favorable to buy.”

Nevertheless, prices are down and buyers are scarce, even in Wailea, where the median sale price declined 10 percent this January and February from the year before. “Prices are as low as they’ve been in last 10 years,” says McEntire. “At one of the developments in Wailea, they sold out in a fury in a lottery proceeding in 2005 and then the developer

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—DAVID
SHUMARD

got some sales in the later phase, but people couldn’t close and they lost their deposits. This has never happened in Wailea.”

To illustrate, McEntire cites the Kanani Wailea development, where just a few years ago all 38 single-family detached condos sold in one day. “By the time I, as a local realtor who knows the area, found out they were even being released, they were all taken.” The units sold for between \$1.2 million to \$1.7 million. Now, some deals are possible: one couple who had bought a unit for \$1.3 million sold for \$1.05 million.

“Some of the purchasers are having to mark down \$100,000 to \$200,000 to move their units,” McEntire notes. “Some people paid \$1,625,000 in cash for this property and they couldn’t sell it. Then they reduced it to \$995,000. At that moment I immediately sent the info off to my clients, who saw it and made an offer the next day. They got it for more than \$600,000 less than what the owners had paid. It’s incredible. I’m sitting here thinking, Gee, I should have bought that.”

One of McEntire’s clients, mortgage broker Dave Shumard of San Jose, has bought and sold 10 properties in the area. In March, he was buying an ocean-view golf course condo in Wailea Fairway Villas, where condos recently sold in the \$700,000s and in better days for around \$895,000. Shumard’s condo was listed at \$599,900 and he got it for \$575,000.

“Two and half years ago I could have got this property for \$850,000,” Shumard says. “The market was really strong. But I would venture to say now that this place will easily go back to \$800,000 or \$900,000 in a few years. You’re not seeing a crashing market by any means. In about two years we’ll see values rise and there will still be a lot of people having to retire. Where are they are going to go? Florida? That has good deals but no one wants to lend down there. The Caribbean is too far away and has the humidity and hurricanes. Hawaii has great weather and rarely any major hurricanes. The restaurants are fabulous and everyone speaks English.”