

SIGHTS SET ON A SECOND HOME?

Across Beaufort County, vacation home sales on rise

By Stacey Studley Collins – Special to the Packet and Gazette

Sunday, February 20, 2011

The number of vacation home sales in resort communities across Beaufort County rebounded last year, driven by deeply discounted prices, cash purchases and slow but growing confidence in the market, local real estate industry experts say.

Sales statistics reflect a 13.6 percent increase in total number of real property sales in 2010 compared to 2009 on Hilton Head Island, where many properties are vacation homes. On Jan. 10, The Wall Street Journal mentioned Hilton Head as a star performer in an article about the rise in vacation home sales in many markets nationwide. The upturn is making local real estate agents cautiously optimistic about a recovery.

"Home inventory levels are beginning to drop," said Andy Twisdale, an agent with Charter I Realty North on Hilton Head Island. "And the absorption rate of homes is improving after dropping precipitously over the past several years." Both of these trends should help stabilize prices, he said.

Data show fewer active listings in southern Beaufort County compared to 2009, making the market more competitive. At press time there were 818 homes listed for sale, which at current absorption rates equals about 15.7 months of inventory, according to data provided by Charter I Realty North. Homes that cost less than \$499,000 might see some price increases later this year, Twisdale said, in part because many baby boomers are delaying retirement but still want to own a more modest second residence in a coastal area. Sales of homes that cost more than \$1 million will remain slow this year, he predicted.

While some second homes have languished on the market because sellers' price expectations were too high, data suggest this might be changing. In general, sellers received about 92 to 93 percent of their asking prices last year, which is an improvement over 2009 when double-digit discounts were common, Twisdale said.

However, prices still are going down in many Lowcountry neighborhoods, so local Realtors believe it's too soon for sellers and real estate agents to rejoice. Buyers are the beneficiaries of the situation.

"Prices are down almost a third over the past five years. The financing is very difficult. Banks are requiring up to 25 percent down and crystal clean credit," Twisdale said.

For buyers who qualify for a mortgage or can pay cash, now is the time to act, he said.

Buyers Bruce and Laurie Kienke agree. Last year they bought a second home in a private Okatie community - with cash.

"So many deals are falling through because of contingencies. Sellers are much more willing to negotiate when it's a cash deal," said Bruce Kienke, who recently sold property in a cash-only transaction, too.

The Kienkes still own a home in Minnesota; they sold another vacation home before buying on Spring Island. Price was a major factor in their decision to choose the Lowcountry, Bruce Kienke said. The couple bought an existing home because it was less expensive and faster than building a new home, he said.

"This is a fabulous area to live and vacation in," Bruce Kienke said.

Although some potential buyers are having a hard time selling their homes in other parts of the country to purchase property in the Lowcountry, Randy Smith, broker in charge and principal

of Lancaster Real Estate Sales on Hilton Head Island, believes attractive prices here are changing this equation.

"At the peak of the market, rentals didn't come close to covering costs (of having a second home)," he said.

At today's prices, "vacation rental income still doesn't translate into a positive cash flow, but it comes much closer, making second home properties much more attractive," he said.

Prices for less expensive condos (under about \$163,000) will "see their bottom and start to rise in 2011," Twisdale predicted, as buyers wanting to purchase short term rental properties look for the lowest price point possible to get into the market.

Sun City Hilton Head, an affordable community where some buyers purchase homes years before they're ready to permanently move to the Lowcountry, had a 21 percent increase in sales last year.

Increasing demand also was behind Hampton Lake's decision to offer a fractional luxury home ownership option at the greater Bluffton community.

"The desire to own a second home in our area is still high, but with financing difficulties and tighter budgets, we saw a need to offer a more sensible, practical way for people to enter the vacation market," said Rob Barber, project director at Hampton Lake's fractional ownership neighborhood called The Sanctuary.

FRIPP ISLAND

In the resort community of Fripp Island, the number of sales last year doubled - 34 homes sold in 2010 compared to 17 in 2009. Dennis Robinson, broker in charge of Fripp Island Real Estate, said almost all the homes on the island are vacation properties, with prices averaging three to four times that of mainland Beaufort.

"More people from Atlanta, Greenville- Spartanburg and Charlotte - what we call our 'drive time market' - are discovering our area, and that is helping," Robinson said.

Robinson said 20 percent of sales he brokered last year on Fripp were cash-only transactions.

WHAT'S IN STORE THIS YEAR?

Will this improvement continue in the Lowcountry in 2011? Some local agents say yes.

"People still want to retire here and now is a great time to buy given the marked correction in pricing," said Bill Baldwin of Dunes Marketing Group on Hilton Head Island. What he hears from buyers is encouraging. "Basically, they missed the run up several years ago and are not willing to risk waiting, even if they aren't ready to relocate here," Baldwin said.