

Best Places for Second Homes

BY STEVEN M. SEARS AND MARK VEVERKA

As prices of luxury homes rebound, we rank 15 stunning settings. A new No. 1

When Barron's called the bottom of the market for expensive second homes just about a year ago, some folks wondered what kind of caviar we'd been eating.

Prices of high-end homes had sunk 20% from their 2007 peak, and vacation homes were doing even worse, with some markets off 40%. America's mainstream housing scene was getting pounded by foreclosures, and anxious pundits were warning of a double-dip recession.

Not to put too fine a point on it, but we were right.

Home prices in moneyed enclaves from Beverly Hills to Aspen to Greenwich climbed more than 10% last year, according to data from realty brokers and other experts and conversations with local residents. Though the rebound has been lumpy, the general uptrend looks to be firmly in place.

Two years after the worst of the financial crisis, the rich have dusted themselves off and resumed some serious discretionary spending. Both sales volume and prices are clearly on the rise for luxury vacation homes, one of the greatest indulgences of all. Prices for the majority of the 15 locales in our annual ranking of best places for second homes climbed in 2010, sometimes dramatically.

In seeking out and ranking these havens, we looked for beauty, comfort, convenience, a range of lifestyles and — always the paramount criterion at Barron's — value. We wanted prices that had clearly hit bottom and were either rising or ready to rise. When it comes to good value, our new No. 1, Sea Island, Ga., is an excellent case in point. Its prices plunged by a third last year as the resort's parent company buckled from the weight of debt and filed for bankruptcy. But new owners, a group of heavy-hitting investors, are putting the 83-year-old idyll back on solid footing. That means that now could be the opportunity of a lifetime for buying into this resort island along Georgia's coastline.

It's breathtakingly beautiful — both the seaside landscape and the classically designed homes. And anyone with lingering concerns about the resort's financials can take comfort in knowing that a pretty decent financial handyman lives just down the road -- former Secretary of the Treasury Henry Paulson.

Across the board in luxury homes, sales and prices got an additional lift toward the end of last year, as political uncertainty eased and the Bush-era tax breaks were extended. "In three of our major recent sales, the buyers had properties under contracts last summer, then bailed out, but then came back," says Brian Hazen, vice president of Mason Morse in Aspen.

The time may well have come for you to jump into the market. With that in mind, we went out and took the pulse of the very best places for second homes. For our notes from the field, please read on.

4. Aspen, Colo.

If you've got \$5 million or more, it's nearly impossible to find a bad place to live in Aspen, where Victoria and David Beckham, Goldie Hawn and Kurt Russell, and many other such couples come to relax. Among the most exclusive digs are the 162 homes on Red Mountain, many of them ranch-size estates in a mosaic of uber-private subdevelopments.

With majestic views of Aspen Mountain and close proximity to the slopes, Red Mountain is the ski-town equivalent to beachfront property. For some, price is no object: A 21,477-square-foot home here on a mere 4.5 acres of land sold for \$43 million in 2009. That said, the overall Aspen market is more affordable than during its peak in 2008. Don't expect the deals to last for long: Red Mountain sales volumes doubled last year, and prices rose 14%.

Median 2009: \$9.5 million

Median 2010: \$10.8 million