

4 Popular Luxury Vacation Home Destinations

In 2015 U.S. vacation-home sales dropped 18.5% to an estimated 920,000, compared with 1.13 million in 2014, but the median sales price increased by 28% thanks to more buyers competing over fewer properties, according to the National Association of Realtors (NAR) 2016 Investment and Vacation Home Buyers Survey, conducted in March 2016.

Christie's International Realty reported strong growth in luxury vacation home sales for 2013–14 (the most recent data available at the time of writing), with a 28% increase in resort markets in jet-set destinations, a 25% increase in weekender destinations and a 19% increase in lifestyle and regional resort destinations. These increases far exceeded those in primary (non-resort) markets, whether the location was a big city, a global economic hub or a suburb.

A Valuable Investment

While you won't be getting in at the bottom of the market if you buy now, the recent increase in sales prices might inspire confidence that a vacation home could be a valuable addition to your portfolio, especially if you choose a popular location with long-term value. "We see the majority of luxury vacation buying on the coasts, with Florida and California leading the way," says Joe Caltabiano, senior vice president of mortgage lending for Guaranteed Rate, one of the nation's largest retail mortgage lenders.

Other popular destinations, according to Caltabiano, include Miami, where property values and construction are strong; lakefront homes in Colorado; summer homes in New Buffalo, Mich.; Colorado's high mountain towns; and Arizona. Also, coastal homes are a great investment, and the beaches in Florida will always attract buyers. Prices are the best indicator of popularity and activity, he continues, as prices increase because demand is exceeding supply. These markets have seen 50% and greater increases of prices and sales over the last few years.

In no particular order, here's a look at four popular – but mostly not obvious – luxury vacation home destinations and at the factors making these locales so hot. (For more, see [Investing in Luxury Real Estate](#).)

Orlando, Fla.

Orlando offers warm, sunny weather, with average highs in the 70s even during the winter. It's cheap and easy to get to for both U.S. and international travelers, thanks to Orlando International Airport. Disney World is a major tourist attraction, with the Magic Kingdom receiving more than 19 million visitors in 2014. Orlando is one of the top U.S. cities for international buyers, according to data from Realtor.com. It's also one of the top U.S. cities for international travelers, according to Travelers Digest.

Erica Muller, the founder of Orlando's Flamingo Group, which sells vacation rental investment properties in Florida, says vacation rental investors from the northeastern United States, Brazil, the United Kingdom, Norway, China and Canada have purchased Orlando properties through her. She says Orlando stands out for its vacation-friendly properties, which include luxury communities catering to Disney travelers. These

homes have amenities such as movie theaters, game and billiard rooms, private bathrooms for every bedroom, and large clubhouses with fitness centers, child care, onsite water parks and concierge services.

Muller says Orlando offers a safety net for investors because it's so popular with tourists, making it easy to turn a vacation home into an income-producing vacation rental property. Homes within three to five miles of the park command the best rates, she says. As far as prices go, Orlando falls into the affordable luxury category, with plenty of neighborhoods offering properties in the \$100 to \$300 per square foot range, according to Trulia. The NAR says the South, especially Florida, is the most popular U.S. region for buying a vacation home, with almost half of buyers purchasing there. For related information, see [The 10 Most Expensive ZIP Codes in Miami](#).

The Hamptons, N.Y.

The Hamptons, an exclusive cluster of villages and hamlets at the east end of Long Island, are popular among celebrities and the wealthy, including plenty of billionaires. Here, in some of the country's priciest ZIP codes, amenities include beaches, fresh seafood, fine dining, antique shops, wineries, farm stands and clothing boutiques. The median sale price per square foot is \$945 in the area's priciest ZIP code, according to Trulia.

Alex Cohen, lead commercial specialist with the Madison Avenue commercial real estate firm CORE in New York City, says the Hamptons remains one of the most desirable places, if not the most desirable place, to buy a luxury home for investment and personal use. Cohen owns a four-bedroom home there that he says grosses \$40,000 to \$45,000 in summer rental income. He says nearly all new construction is in the \$3 million and up category, and homes typically have low property taxes. (See which Hamptons made [The 10 Most Expensive ZIP Codes in New York State](#).)

San Diego

San Diego is also one of the top U.S. cities for international buyers, according to data from Realtor.com. It has a near-perfect climate all year round; gorgeous coastlines with cliffs, pine trees and beaches; a world-class zoo and wild animal park; a laid-back vibe; theme parks such as Legoland and SeaWorld for kids; and much more. These amenities drew more than 34 million visitors to the city in 2015.

San Diego has always been a hot spot for vacation homes due to its great weather, local and international airports, and close driving proximity to other major California cities, said Robert Kovacs, manager of city operations in San Diego for Pillow, a company that helps manage short-term rentals on platforms such as HomeAway and Airbnb. But San Diego is more than its beaches, and areas such as North Park and downtown are gaining popularity for their unique shops, restaurants, microbreweries, farmers markets and nightlife, all of which attract locals and tourists alike, he said.

The option to use a luxury vacation home to not only enjoy the city for yourself but use as a short-term rental property to generate additional income makes San Diego an attractive place to invest. The median sale price in high-end neighborhoods such as Midtown and Lower Hermosa exceeded \$1,000 per square foot in the first four months of this year. And while luxury homes take a long time to sell in most markets, they took just 71 days to sell in San Diego as of December 2014, according to Christie's International Real Estate. That's much shorter than the typical year needed to sell a vacation home valued at \$1 million or more. For more on the area, see [3 Top Luxury Retirement Communities Near San Diego, California](#).

Telluride, Colo.

Telluride experienced a more-than-40% increase in the number of luxury homes for sale in 2014, according to Christie's. This popular ski resort town also saw sales prices increase by 48% in 2014. Sales held firm in 2015, and this January sales increased by 59% over last January, according to Telluride Real Estate Corp., an exclusive affiliate of Christie's. Telluride's luxury homes are priced in the \$3 million to \$9 million range, and vacant land means it's possible to build a custom luxury home there.

With a population of just 2,500, an altitude of 8,750 feet and 200 inches of annual snowfall, Telluride is ideal for luxury vacationers seeking natural beauty, solitude and winter sports. In the summer, visitors can enjoy hiking and biking trails. It's easily walkable, with convenient access to village shops, a movie theater and grocery stores. It's also a National Historic Landmark District, making it a great place to enjoy well-preserved Victorian architecture. The town is accessible via Telluride Regional Airport and is close to several other small towns, rivers, wilderness areas and national forests. Colorado also scores high on The Best and Worst States for Retirees in 2016.

The Bottom Line

If you're interested in purchasing a luxury vacation home, consider Orlando, the Hamptons, San Diego or Telluride. Each has something unique to offer and is popular with tourists, making it a place to enjoy for yourself, to use as an income property or both.