

Home Away From Home

A shoreline getaway, a country cottage in the hills, an investment in the future . . . the second-home market is heating up in Connecticut.



If owning a home is still a part of the American Dream, then the real estate story we've been hearing for the last few years is a recurring nightmare. No news here.

And yet, while many Americans are struggling to hold onto the houses they have, some are finding themselves in a very good place indeed: in a buyer's market for second homes.

Sellers cringe, but prospective buyers are all smiles when the National Association of Realtors reports data for the nationwide vacation-home market: Results of the NAR's 2011 Investment and Vacation Home Buyers Survey confirm that median prices have fallen steadily over the last several years.

By all accounts this is a good time to buy, whatever your reason for doing so. Have you been yearning for a close-to-home, breezy shoreline beach house (with direct waterfront, if the pocketbook will allow)? How about that pastoral cabin you've always dreamed of in the Litchfield Hills? Or maybe you think it's time to consider buying real estate as an investment?

Then a second home may be for you.

A weekender's dream? This wonderful barn-style cottage in Washington is listed for \$339,000 with Klemm Real Estate.

Record-low interest rates, increased inventory, sellers who've seen the light and who have lowered their prices to reflect a new reality—all are reasons Carolyn Klemm is brimming with optimism.

"I have seen many up and down trends over the years," says Klemm, a premier Litchfield County broker (her firm, Klemm Real Estate, consistently leads the area in market share). "In 2010, I had one of my best years ever," she says. "2011 was not so good. But so far, 2012 is starting off with a bang. We sold an amazing number of houses in January. We have new blood, new listings and new buyers. It looks like it will be a very, very good year."

That the second-home market is booming is no real surprise to Fairfield County-based real estate columnist Diane diCostanzo. "The second-home market is, in essence, the luxury market," she says. "There are always rich people. So there is less volatility in this market; people don't have to have second homes, they *want* to have them. So as with expensive cars, wine and watches, there will always be buyers."

"The climate for buying [at any price point] is incomparably good," says diCostanzo, who has covered luxury real estate for Cottages & Gardens Publications for 10 years. "It's a good time to buy any piece of real estate, and I do mean right now. Interest rates are at historic lows—they literally cannot go lower—and positive signs that the economy is improving means that inventory will shrink and housing prices will rise."

Still, landing a weekend hideaway may not be as easy as it sounds, as financing can be an issue for some. Higher underwriting standards have made it difficult for many midlevel buyers to find financing for primary residences, let alone a second home. According to the NAR survey, "people drawn into the market at this point are buyers with substantial cash, or people not dealing with a mortgage."

In general, it is the wealthy who are fueling the second-home market, according to Paul Sullivan, who chronicles matters of interest to the monied in "Wealth Matters," a column in *The New York Times*.

Sullivan says this segment of the population is more likely to pay cash for a second home, in part because of the hoop jumping required to obtain financing—but mainly because many of them still see real estate as a solid investment.

"They believe that property prices will rise more quickly than returns on some of their other investments," he says. "I will say it's pretty rarefied, this ability to pay so much in cash . . .

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and part of a broader issue.”

Sullivan recently reported on a couple from West Hartford who went to Miami Beach to look at a condo for their daughter and ended up buying two. They insisted these were not whimsical buys, but rather reasoned and practical decisions to invest while the investing is good.

Beyond low prices for vacation properties and volatility in the stock and bond markets, Sullivan attributes second-home buying to the American love of property.

“I have a friend who told me she’s planning to buy a condo next year,” he says. “I asked ‘Why would you do that?’ It’s a horrible place to put your money—there’s the down payment, mortgage, taxes, fees. . . .

“I know she’s going to do it anyway,” he says. “We all just love to say that we own something.”

So, land lovers, rejoice: There are plenty of desirable second homes on the market in Connecticut.

For uncompromising coastal appeal, there’s the Connecticut shoreline. Margaret Muir has been selling homes there for 22 years, and she says buyers are drawn to second homes in the area mostly for two reasons: the timeless appeal of a waterfront lifestyle, and the convenience of being on the I-95 corridor.

“The blush has never seemed to come off this area,” says Muir, an agent with William Pitt Sotheby’s International Realty in Madison. “We have the best sandy beaches in the state, beautiful homes and a vibrant community.”

Lately she says she is seeing more and more buyers opting for beach houses. “Many have an eye on the future,” she says. “They spend weekends here in the beginning but ultimately end up making this their base of operations. With so many grown children settling in New York and Boston, a lovely shoreline home makes a nice midway place for them to visit.”

Litchfield County is another bastion of vacation homes. Long a weekend outpost for stressed New Yorkers, it’s also a good destination for in-staters looking for a getaway in the hills rather than along the shore.

Doug Hamilton, who heads up a private equity investment firm in Manhattan, has had a second home in the Lake Waramaug area since 1996. He is now in the midst of moving into a brand-new, contemporary home in New Preston with his wife. They are both so enamored of the area that they’re planning to transfer their legal residence to Connecticut from New York; he estimates

they'll be spending at least six months of the year here.

"I looked at other places—from the Hamptons to the Hudson Valley," says Hamilton, "but nothing appealed to me in the same way that Litchfield County does. The people are wonderful and you have all of the amenities of a city; it's the 'un-Hamptons.'"

Not surprisingly, many of Klemm's properties are valued in the millions, but she is quick to point out that charming Litchfield homes are available for far less. "You can buy a cute little place for \$350,000 to \$400,000," she says. "As a matter of fact, just in the last few months one of our agents sold six houses under \$600,000."

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Says diCostanzo, "I'd say the most fascinating second-home town is Roxbury. It's really old Yankee in feeling but with movie stars and the ghosts of Arthur Miller (Marilyn was there!) and William Styron (last I looked, Rose, his widow, was selling a house), Denis Leary and Daniel Day Lewis."

The second-home market in Connecticut moves in a lot of other ways as well, and the motives of the buyers—and their means—can be as different from each other as the homes themselves.

For example, while Greenwich isn't typically thought of as a second-home community, international buyers with deep pockets have made some recent purchases there in order to diversify their real estate portfolios, according to Robin Kencel, an agent with Greenwich Fine Properties.

"These buyers tend to rent out the property rather than use it for themselves," she says. However, as a desirable summer-home community, Greenwich attracts "a number of families, often from New York City, who seek summer rentals," says Kencel. "These summer rentals can often turn into long-term rentals or even purchases. I have had a number of clients who 'test drove' Greenwich in this manner. They'll try us out for the summer and then commit to a permanent move to town."

Michelle Genovesi (of Michelle & Company in Westport) concentrates on lower Fairfield County, and she personally handles many second and "exceptional" properties.

So far this year she's seen an overall increase in activity ("Let's just say the mild winter weather didn't hurt us!") and lots of interest in luxury homes. "I think people recognize that there is great value in these properties," says Genovesi. "We are also seeing many, many buyers from overseas. They might have a place in Manhattan or not, but they are looking for something special here."

Anecdotally, Genovesi says many of her clients from Asia (and there are a lot of them) are drawn to waterfront properties, but whatever is on someone's punch list, she believes second-home buyers are looking for a lifestyle more than an abode. "Whether it's on the water or in a pastoral setting, they buy it for the way they've always imagined themselves living," she says.

Some second-home buyers are eyeing the same favorable market with an entirely different motive in mind.

Carole and Jim Brown, who have a 5,000-square-foot home in Sandy Hook, recently purchased a three-family property in Bridgeport because, says Carole, "it seemed to fit our particular experience and circumstances. We bought the house as an investment with the prospect of additional income as we planned for retirement."

The Browns, who have two boys in college, were not feeling particularly good about investing in stocks. "I have trouble sleeping

at night when I think of putting our financial security in the crazy stock market," says Carole. "At least with real estate we have some control over its preservation."

They did their homework. "We picked Bridgeport because it's under a mile from the new Fairfield Metro North train, minutes from stores and restaurants, and near the university," says Carole. "When we looked at the house, we knew it would take a lot of work to get it where we wanted it to be for rental purposes. We did the work ourselves, completely redid the kitchen and upgraded the apartment entirely."

Because they'd been traveling and had rented out their Sandy Hook home, they lived in the Bridgeport property while they refurbished it, one apartment at a time. Purchasing a second home as an investment may not be for everyone, says Carole. "It takes a lot of effort and invested caring in making it a success. But, if it works, it can return dividends all around."

Whether it's a pastoral oasis in the country you long for, or a tidy pied-à-terre, one thing is sure: Don't wait, says diCostanzo. "The truth is we can't see the bottom of the market, except in the rearview mirror. We don't know the market has bottomed out until it improves—which means that you've missed the true bottom if you wait for news of it happening." ■

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