

Second home buyers finding deals

By Sarah Max, CNN Money

This winter, when temperatures outside his home in upstate New York were dipping into the single digits, Larry Posselt, a small-business owner and father of three, paid \$99,000 in cash for a three-bedroom, three-bath Florida townhouse eight miles from Disney World.

After years of decline, “prices in the area were starting to trend up,” says Posselt. His new vacation home, which sold for \$270,000 in 2006, should earn enough rent to pay for itself in less than five years.

While the real estate market as a whole is still weak, realtors in vacation-home hotspots say that many people, like Posselt, can no longer resist the lure of a second-home deal.

“Buyers who were on the fence are going for it,” says Lake Tahoe area agent Brandon Yee.

With rates and prices still low, jumping in can make sense as long as you know the place is one you’ll want to return to year after year and you can collect the amount of rental income you need. Take these steps to make sure.

Some vacation-home markets are on the cusp of recovery, which may not yet be reflected in sales prices. Ask a local realtor to calculate the supply of homes available now and six months ago by dividing the number of listings by the average number sold in the previous 12 months. If that number has shrunk, prices are likely to head up soon, says Ketchum, Idaho, real estate broker Dan Gorham.

Also keep in mind that home prices in vacation destinations

often rise and fall alongside their nearby major markets. If the economy is improving in San Francisco, for example, that bodes well for Lake Tahoe.

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