

# Tahoe a hot ticket for second homeowners

By Lauren Schuker Blum, Atthew Dolan and Candace Jackson, Wall Street Journal

The hottest new tech-industry accessory? A house in Tahoe.

Venture capitalist Steven Stull recently paid \$11.875 million for a 10,000-square-foot waterfront estate on Lake Tahoe in Incline Village. David Duffield, co-founder of Workday, paid \$25.5 million for another Incline Village estate, according to public records. It was the largest sale on the Sierra Nevada lake since 2008, says listing broker Kerry Donovan.

Brokers in towns surrounding Tahoe, say sales have picked up dramatically in the last six months, as spillover from the Bay Area's exuberant housing market has finally reached the area. The Nevada side of the lake has gotten an additional boost since California passed Proposition 30, hiking income taxes on the wealthy and increasing the appeal of owning on the zero-income-tax Nevada side.



Tahoe's second home market is resurrected. Photo/LTN file

Brokers say sales are surging on both sides of the lake.

“December was the strongest December we’ve ever seen in the business,” says Susan Lowe, the corporate broker for Chase International, pointing to data that stretch back to 1990. According to the agency, the first quarter of 2013 saw \$246.4 million home and condo sales in the area, up more than 70 percent from the first quarter of 2012.

Jim Telling, a partner at East West Partners, which developed the Village at Northstar, says the company has seen a 72 percent increase in the number of home sales since 2011. Average prices rose to \$869,000 from \$531,000, spurred by a large number of \$1 million-plus sales.

Kate Wormington, a 17-year Apple veteran who left in 2010 to raise money for an education nonprofit, and her husband, Dan, a current Apple employee, recently snapped up a fully furnished, four-bedroom home that was listed for \$2.1 million. The ski-in/ski-out property is at Constellation Residences at Northstar.

Wormington, a mother of two, says she liked the area’s friendly vibe as well as its amenities, such as ski valets and a chef-run s’mores bar.

“It is amazing to me how many people you run into,” she says, adding that they frequently see friends from the tech world and their hometown of San Carlos on weekends. “It feels like home.”

The change in the area’s fortunes has been swift and dramatic. Though the housing market in the Bay Area has been one of the strongest in the country, Lake Tahoe long struggled to recover from the downturn, with homes frequently sitting on the market for many months and selling well below asking price.

Despite the recent boom, prices still have yet to recover to their pre-downturn heights. Lowe says pricing generally dropped about 35 percent from the peak and is coming back slowly.

Martis Camp, a golf and ski community in Truckee that began construction in 2006, has sold 52 lots and homes since the start of January, says Brian Hull, director of sales, up from 27 at this point last year. Prices for lots range from the mid-\$600,000s to \$2 million and 108 homes have been completed so far.

Hull says the influx of younger families from the tech industry has resulted in a number of contemporary-style mountain homes with glass-filled architecture.

“Silicon Valley is at the cutting edge of changing the way we live with tech,” he says. “They’re really doing that with interesting homes from a design standpoint.”

Donovan, a broker with Chase International in Incline Village, the Nevada town where Oracle billionaire Larry Ellison has assembled a 7.6-acre lakefront compound, says Proposition 30 has had a positive impact on sales on the Nevada side. Though several high-profile sales have gone to tech-industry people, she says, the typical buyer is a wealthy baby boomer in finance or other industry from Northern or Southern California looking to relocate.

“People are thinking, ‘OK, I’d better just do it now,’” she says.

But Tahoe is not the only spot on the map seeing resurgence in high-end property transactions.

After a series of sluggish years, Miami’s luxury condo market is reviving, thanks in part to help from an unexpected source: New Yorkers.

Although buyers from Latin America and Europe have been lauded for helping to revive the city’s property prices, developers and real-estate agents now say it’s a new crop of Americans, mostly second-home buyers from New York, that has pushed luxury prices in Miami to a new level—and stirred a buying

frenzy.

“A lot of them are buying now because Miami has really changed over the last couple of years, with a ton of New York restaurants and hotels opening up, with new development, and that has really made New Yorkers more comfortable with purchasing,” says Vanessa Grout, chief executive of Douglas Elliman’s Florida brokerage.

She estimates that about 60 percent of her firm’s luxury buyers are from New York, about double the percentage of a year ago.

Edgardo Defortuna, president and founder of Fortune International, a Miami development firm, says New Yorkers now make up about 25 percent of all luxury buyers, compared with around 10 percent a year ago.

The Hamptons of the Midwest is what Chicago is being called.

Straight across Lake Michigan from the Chicago Loop is a ribbon of tucked-away beach towns. On the Michigan side, this region is called Harbor Country. Elsewhere, it’s known as the “Hamptons of the Midwest.”

Now, after a slowdown, Chicago’s luxury buyers are returning to Second City’s longtime second home. Roughly 80 percent of its vacation properties are owned by residents of the Chicago area, according to real-estate agents, including such high-power figures as the Daley family, Mayor Rahm Emanuel and former Obama adviser David Axelrod.

“There aren’t six degrees of separation here,” says Kim Pruitt with the Harbor Country Chamber of Commerce. “It’s usually less than two, because it seems like everyone came from Chicago.”

While the real-estate slump hit both sides of the lake hard – some estimate that lakefront prices fell 25 percent to 35

percent during the worst of the recession—luxury buyers began returning to Harbor Country last year. Now brokers say high-end inventory is running low. Last year, 25 beachfront properties sold, five times the amount in an average year, brokers say.

In January and February, seven properties priced above \$1 million sold or went into contract, says Dan Coffey, a broker with RE/MAX Harbor Country in Union Pier. One sale — a 6,000-square-foot, six-bedroom, six-full-bathroom, shingle-style beach house on 2 acres, with 200 feet of lakefront—topped \$4 million, a level not seen since 2005.