

Choosing the Right Second-Home Market to Invest In

Qatar market comes back, Britons slow down their Spanish home buying and more news from around the globe

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Cities that offer cosmopolitan perks that also have beach frontage, like Barcelona, are increasingly attracting second home buyers.

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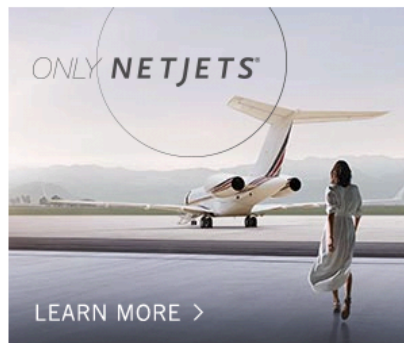
Amid a sea of geopolitical changes, the global second-home market has remained strong, experts say, with the most in-demand locations being those that offer a lifestyle benefit, like sun and sand, with personal security.

In addition to those factors, [Knight Frank's 2017 Wealth Report](#) also showed that ultra-high-net-worth individuals are driven to purchase residential properties in places that are considered a safe haven for capital preservation; where there are educational and healthcare opportunities; and where there is the opportunity for capital appreciation.

Given these factors, defining which second-home markets are hottest today requires some geographic segmentation based on where buyers have primary residences, said Michael Valdes, the global vice president of international servicing at Sotheby's International Realty Affiliates, as well as consideration into why, depending on where they live, they want to purchase a second home.

"While the reasons why someone is purchasing might vary, where they land often comes down to practical factors, like where it's easy to get to, and access to direct flights, or where there's a common language or local community and infrastructure that would make a buyer feel comfortable," said Mr. Valdes, who lives in New York, but travels about 200 days per year. "This needs to be an investment that makes sense."

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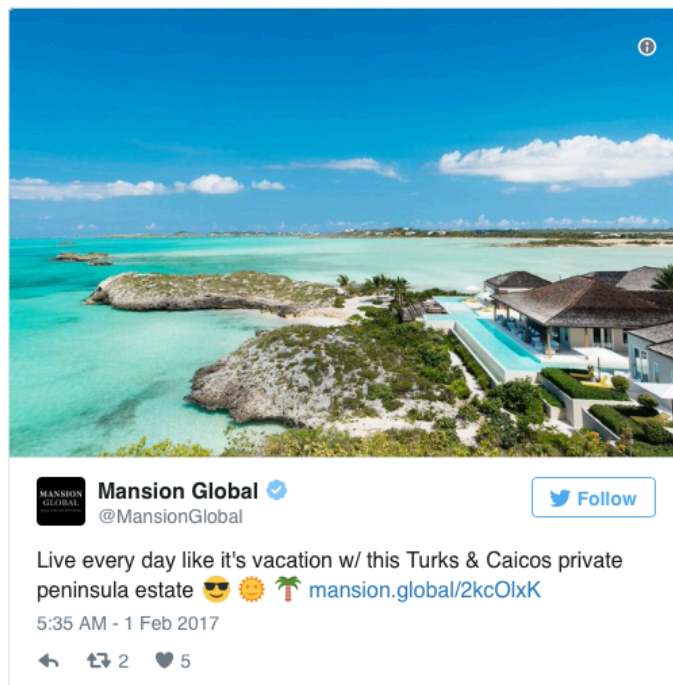


Popular Second-Home Markets Vary Depending on Buyers' Primary Residences

If a second-home buyer lives in China, for instance, they are likely interested in purchasing a property somewhere with strong educational opportunities, Mr. Valdes said. When you factor in proximity to China and specifically look at cities where there are regular, direct flights as well as a built-in community, Australia and New Zealand make perfect sense.

Farther away, but offering the same benefits to Chinese buyers, are cities like Toronto and Vancouver, which have seen tremendous growth in recent years, at least in part fueled by second home demand, said Kate Everett-Allen, a partner in international research at Knight Frank.

Indian buyers, who also favor second homes where there are strong health and education benefits, still favor London, Mr. Valdes said. While U.K. buyers, who are often looking for the sun and sand their country largely lacks, tend to favor Barbados, St. Vincent and the Grenadines and other properties in the British Virgin Islands, Mr. Valdes said.



Buyers from Singapore, who want a second home somewhere geographically appropriate that's also a solid investment, will likely consider properties in Indonesia, Malaysia or Jakarta, where their investment will be safe and there are currency and governmental plays in place, Mr. Valdes said.

U.S. buyers looking abroad, who are backed by the strong dollar, are also taking advantage of the currency play, experts say. St. Bart's, Berlin, Lake Como and other Italian cities that had been European centric for some time are now seeing American interest strengthen.

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In addition, U.S. buyers looking abroad are buying in resort communities in the Dominican Republic, Mr. Valdes said, as well as in Puerto Rico, where they're taking a calculated risk in what some consider an interesting and on-the-rise market.

U.S. buyers who want to stay stateside continue to favor cities like Miami, where there's a lifestyle draw, as well as nearby locales like Palm Beach and Fort Lauderdale, Florida, where you can get more for your money, said Douglas Elliman's chief operating officer, Scott Durkin.

New Yorkers, specifically, are gravitating toward the new condo properties in Los Angeles, where they can achieve a bi-coastal lifestyle, Mr. Durkin said, and are also continuing to buy in the Hamptons, where there's a lot of current interest in the under-\$5 million market.

With a similar driving force for water frontage, quiet and privacy as the Hamptons, Kiawah Island near Charleston, South Carolina, is attracting U.S.-based second home buyers from the Northeast and Midwest, said Anthony Christensen, president and managing partner of ACCESS Wealth Management, who owns a second home there and recently purchased three plots of land there for his clients.

"You get the peace and quiet of island living with the energy of Charleston at your fingertips," Mr. Christensen said, noting that this broad appeal recently translated into the biggest quarter for Kiawah real estate sales in the last decade.

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Budget and Residency Perks Also Drive Decision-Making

Budget and extra perks are also important factors that buyers weigh when purchasing a second home, Mr. Valdes said. For instance, if sun and sand are the draw, U.S. buyers might consider Turks and Caicos, which typically has smaller and slightly less expensive properties, over the Bahamas, depending on how much they want to spend.

If there's an extra benefit of purchasing one place over the other, like a residency attachment through a golden visa program, as Cyprus and Portugal offer, that might also tip the scale towards one location over another.

Portugal has recently drawn interest from Brazilians, who share a common language, and other South Americans, who like the beachfront properties in places like Algarve, which Ms. Everett-Allen said is also a popular destination for British celebs, as well as the relative affordability of properties and proximity to the rest of Western Europe.

Second Home Markets That Have Seen a Downturn

Because buyers tend to favor second home destinations based on what is comfortable and close to their primary residence, political and financial upheavals that strike a specific country or region can often trickle down and negatively impact a favored second home market.

For example, Aruba—once a popular second-home destination for Venezuelans—has recently taken a big hit due to economic and political instability in the South American country, said Mr. Valdes. "We saw a strong downturn in that market last year," Mr. Valdes said, "and now, sales there have almost stopped."

A similar drop-off has happened in the Baltic states of Estonia, Lithuania and Latvia, specifically in resort areas along the Black Sea, like Riga and Jurmala, where Russians used to spend €20 million (US\$22.4 million) to €30 million (US\$33.6 million) on waterfront villas. "That market has suffered quite a lot," Mr. Valdes said, adding that it is slowly coming back.

On a larger scale, Ms. Everett-Allen said that while more off-the-beaten-path locations on the periphery of cities may have been favored a few years ago because there was the chance to get a bargain, today, buyers are more interested again in purchasing in the city center or in a more established region. In Italy, for instance, this has meant a renewed interest in Tuscany, and a backing away from the region of Umbria.

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Some Second-Home Markets Are on the Upswing

As a counterpoint, some destinations are on an upswing, experts say.

Ms. Everett-Allen said that cities that offer cosmopolitan perks, like museums and other cultural experiences, that also have beach frontage, like Barcelona, Spain, and Palma, Majorca, are increasingly attracting second home buyers, alongside secondary cities, like Florence, Italy and Amsterdam, Netherlands.

Mr. Valdes sees Buenos Aires, Argentina—"a very European city in Latin America"—as another second home market to watch, where there's a strengthening economy and a lot of opportunity for investment.

Here is a look at other news from around the world compiled by Mansion Global:

Qatar's Real Estate Market is Seeing a Slow but Steady Comeback

After a rocky 2016, Qatar's real estate market has started off 2017 with a notable uptick in transactions, with deals worth an estimated 2.5 billion Qatari riyals (US\$686 million), a roughly 25% year-over-year increase, according to real estate advisory KPMG Qatar. The improvement is attributed in part to strengthening oil prices, government fiscal tightening measures that have improved the market outlook, and a somewhat limited inventory compared to demand. While a slew of planned deliveries later in the year could offset this effect, KPMG's Anurag Gupta says that though "currently residential rents are under stress and facing the heat on the premise of the downsizing of staff in both the private and public sector," developers view these as temporary setbacks and expect demand and prices to fully rebound by the end of the year. ([Gulf News](#))

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Fewer Britons are buying Spanish Vacation Homes As Brexit Looms

The proportion of Spanish home purchases made by U.K. citizens fell to a record low in the first quarter of 2017, as British buyers balk over concerns about the weakening pound, as well as the uncertain impact of Brexit on key factors such as health care access and even their legal right to reside in an E.U. country. Though British buyers still represent the largest segment of foreign home buyers in Spain, they accounted for just 14.5% of Spanish home purchases in the first quarter, according to data from Spain's property registry. That number marks the lowest proportion since the registry began tracking in 2006, a drop from their rate of 19% in 2016, and a steep decline from their rate of 38% in 2008, which British home buying in Spain was at a peak. ([The Independent](#))

Transactions Keep Dropping as Prices Keep Rising in South Florida

Sales transactions in Florida's Miami-Dade, Broward, and Palm Beach counties continued their downward trend in April, according to data from the counties' respective real estate associations, though prices continue to climb. Residential sales dropped by 4.8% year-over-year in Miami-Dade, with a 12.5% decline in condo and townhouse transactions, but an increase of 3.7% in single-family home sales and a 12.3% year-over-year increase in median sales price, bringing it up to \$320,000 in April for single-family homes. Broward saw a 3.15% yearly decline of total residential sales in April, but a 10% increase in condo and townhouse prices (up to a \$148,500 median) and a 6.5% increase in single-family home prices, bringing

the median up to \$330,000. Palm beach followed a similar trend, with a 6.8% year-over-year drop in condo and townhouse sales, but a 6.5% increase in the median price for residential properties. The median sales price for single-family homes in the area is now \$327,000, and for condos and townhouses, \$165,000. ([The Real Deal Miami](#))

MORE: [Why A Home's Historical Value Doesn't Always Equal a Bigger Sales Price](#)

McDonald's Magnate Selling His \$18.5 million Park Avenue Penthouse

Call it the house that McDonald's built: Irwin S. Kruger, who first introduced a franchise of the restaurant in Midtown in the 1970s, is selling his palatial co-op penthouse on Park Avenue for \$18.5 million. The four-bedroom spread includes a private elevator landing, a 1,700-square-foot wraparound terrace, an eat-in chef's kitchen with multiple dishwashers, and a separate wing for the bedrooms. Other details include 11-foot ceilings, a wood-burning fireplace and floor-to-ceiling bookcases in the living room, and a library. ([Luxury Listings NYC](#))

Median Home Prices in L.A. are Now Tied with the All-Time Pre-Recession Record

The median price of a Los Angeles home hit \$550,000 in April, according to a report from CoreLogic, tying with the all-time record set back in August 2007 before the housing crisis set in. However, the growth appears somewhat healthier this time around, and CoreLogic analyst Andrew LePage attributed the rising prices to a strong economy and low inventory compared to demand, particularly as buyers rush to get in ahead of a potential rise in interest rates. Prices in Orange and San Diego counties hit all-time highs in April—clocking in at \$675,000 and \$525,000, respectively—and throughout Southern California, sales of particularly high-priced homes are happening at brisk pace. Per CoreLogic, sales of homes priced \$800,000 or higher were up 7.1% since last year, while sales of homes over \$1 million increased by 3.4%, and sales of properties under \$500,000 dropped by 11.7%. ([Curbed Los Angeles](#))

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Weak Pound Amplifying Pre-Ramadan Rush of Middle Eastern Luxury Buyers in the U.K.

The U.K. is seeing a particularly strong rush of tourists from the Middle East visiting for luxury shopping ahead of Ramadan, with visitors encouraged by the weakening value of the pound. Tax-free shopping experts Global Blue estimate the tourist spend from Middle Eastern visitors at an 8% year-over-year increase in April, with their overall spend up 12% year-to-date. Overall tourist spending in the U.K. was up 38% year-over-year as of April, with a notable uptick in purchases from Chinese travelers, and Global Blue managing director Gordon Clark said that the weak pound has “without a doubt” bolstered foreign interest in luxury shopping. Buyers from the Middle East still account for 37% of tax-free spending in the U.K.—more than any other region—and spend more per transaction than other travelers, an average of £1,101 (US\$1,426). ([City A.M.](#))

In Spite of Cooling Measures, Toronto Market Continues Its Meteoric Rise

Government cooling measures, including a 15% non-resident tax, don't appear to have had an immediate effect on Toronto's gangbusters market, with the average price of a new low-rise single-family home hitting C\$1,212,297 (US\$900,615) in April—a 40% year-over-year increase—according to data from the Building Industry and Land Development Association. The average asking price for a detached segment hit C\$1,810,232 (US\$1,344,821) in April, up from C\$1,783,417 (US\$1,324,900) in March, and overall, 17,977 new homes were sold in the first four months of 2017, a 24% increase from the same time last year. ([Vancouver Sun](#))

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Immigrants and Foreign Buyers Represent a Growing Proportion of U.S. Home Buyers

A growing immigrant population combined with increasing foreign interest in U.S. properties is changing the nation's real estate market, according to speakers at the recent National Associations of Realtors forum in Washington, D.C. In addition to the effect of large immigrant populations on local housing markets, speakers also noted avid foreign interest in U.S. real estate as an investment, pointing out that foreign buyers snapped up 214,885 residential properties from April 2015 through March 2016, a 3% increase from the previous year. And while foreign purchases are spread out nationwide, 51% of those purchases were concentrated in just five states: Florida (with 22%), California (with 15%), Texas (with 10%), Arizona (with 4%), and New York (with 4%). "A majority of foreign buyers in recent years are coming from China, which surpassed Canada as the top country by dollar volume of sales in 2013 and total sales 2015," said Danielle Hale, managing director of housing research for NAR. "Foreign buyers on average purchase more expensive homes than U.S. residents and are more likely to pay in cash." ([World Property Journal](#))

Hong Kong Property Experts See Worrying Potential for Another Major Bubble Burst

Hong Kong's dizzying real estate market—which saw apartment prices nearly quadruple between 2003 and 2015—has some experts concerned over similarities to the city's market before the major housing bust in 1997. The city's economy is increasingly tied to the fortunes of its real estate market, with developers taking on heavy debt to finance new projects, and young buyers flooding cash into property purchases even as wages stagnate. Experts are particularly concerned over the value of outstanding mortgages in the city, which increased by more than a third in the last five years, and currently accounts for 47% of gross domestic product, 10% more than its levels before the 1997 crash. ([Bloomberg](#))

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