

The Basics

The top 10 places to buy a second home

Looking for vacation property that's a good investment as well? These communities offer weather, scenery and active real estate markets. Plus: 10 more up-and-comers.

By Liz Pulliam Weston
MSN Money Contributing Editor

Popularity is a mixed bag when you're looking for vacation property.

A hot destination means more crowds, more traffic, longer lines. But if you're keeping an eye on investment potential -- and more than one out of three second-home buyers say they are -- then you want to buy where others want to be.

What you really want, though, is to buy today in an area that's going to be hot tomorrow, so what are the ingredients that will turn a sleepy village into the next Aspen or Hilton Head?

A beautiful setting is a must, but here are some other important factors: Proximity to growing urban centers. Vacation towns typically need to be within a two- to three-hour drive of a major city, or at least reasonably close to a big airport.

Plenty of recreational opportunities. There has to be lots of stuff to do beyond shopping, which is why most thriving resort towns are near ski lifts, beaches or mountains. Some cultural cachet -- a theater or film festival, galleries or museums -- is also nice.

Decent weather. You have to be able to get outside to enjoy all that recreation.

Significant commercial investment. The old-timers may grouse about the new hotels or malls, but these are good indicators that others think the community is on the way up.

The "it" factor. The community gets "discovered" by movers, shakers and celebrities -- or at least enough other folks like you -- for prices to get bid up.

Consider the following two lists of hot (and potentially hot) vacation home markets compiled by EscapeHomes.com, an online listing service for second homes, timeshares and other vacation property. You'll see some interesting similarities, as well as a few towns that break the rules. Find a loan that's right for you at the Loan Center

The top 10 towns for second-home investments

EscapeHomes.com identified popular second-home destinations that appreciated at least 10% a year in value between 1998 and 2002 and which may have further to go.

The results are based on their own listings for real estate in these communities. Listings aren't sales, though, and EscapeHomes.com doesn't reflect the whole market. In fact, real estate professionals in some of these towns (Asheville, N.C., for

example) say sales were never that hot, while those in others (Park City, Utah, and Sunriver, Ore.) say appreciation has slowed in recent years.

Where possible, I've included price appreciation figures compiled by the federal Office of Federal Housing Enterprise Oversight, which oversees housing finance companies Fannie Mae and Freddie Mac and which compiles housing sales data for larger metropolitan areas.

With all those caveats aside, here are the Top 10 second-home investment markets: **Asheville, N.C.** This mountain town boasts the Biltmore Estate and a thriving arts and crafts community. Home prices are up 35% in the past five years, compared with the national median growth of 27.8%.

Park City, Utah. The Olympics-related frenzy has cooled, but Park City is still a preferred destination for skiers and other winter sports fanatics. Prices this year are up between 5% and 7%, according to real estate broker Mike Sloan, statistician for the area's Board of Realtors.

Ashland, Ore. Lovely weather, lovelier scenery and cultural cachet combine in Ashland. Located about halfway between Portland and San Francisco, the town is also home to Southern Oregon University and the highly regarded Oregon Shakespeare Festival. Ashland's home values have exploded in recent years. Home prices in the region that includes Ashland and nearby Medford have risen at least 40% since 1998, according to federal figures, while a local appraiser puts Ashland's average home price growth closer to 70% in that period.

Port Townsend, Wash. This picture-perfect Victorian seaport lay nearly untouched for most of its long history until being "discovered" by Seattle yuppies in the 1990s. It's still quaint, but relatively mild weather and proximity to Olympic Peninsula attractions have increased its appeal for retirees and urban refugees.

Beaufort, S.C. You know Beaufort, even if you've never been there. You've seen it in movies like "The Big Chill" and "Forrest Gump," and you've read about it in the pages of "The Prince of Tides" and "The Great Santini" by one-time Beaufort resident Pat Conroy. Fishing, shrimping and a National Historic Landmark District are features of "The Queen of the Carolina Sea Islands."

South Lake Tahoe, Calif. Though it shared America's largest alpine lake with the more glamorous Lake Tahoe, Nev., this community was long the dowdy little sister. No more. Two new Marriotts have replaced a strip of decaying old motels along the main drag, and there's talk of a convention center. Median home prices are up 21% from last year, said Madeleine Gutierrez, vice president of the South Lake Tahoe Association of Realtors.

Daytona Beach, Fla. Nineteenth-century industrial barons popularized Daytona, which is probably best known for the international raceway built in 1959 and the

Daytona 500 auto race. Eight million visitors pour through annually. Home prices are up 44% in the past five years and nearly 9% in the last year alone.

Sunriver, Ore. This central Oregon resort area is near Bend and the Mt. Bachelor ski resort, about four hours from Portland and two hours east of Eugene. Whitewater rafting, hiking and skiing are favorite pastimes. Prices on some properties are about double what they were eight years ago, realtors say, but appreciation has slowed down in recent years along with the economy.

Myrtle Beach, S.C. The beaches along "The Grand Strand" -- and the area's 120 golf courses -- draw 14 million visitors annually. Despite the crush, Myrtle Beach consistently winds up in various listings of the nation's best beaches and best retirement towns, with home prices rising at an 8% annual clip.

Charlevoix, Mich. This little town lies between the shores of Lake Michigan and Lake Charlevoix in northern Michigan. The population of the town and surrounding area is 8,500 full-time residents -- which climbs to 30,000 in the summer. Golf courses and water fun are the main attractions.

10 emerging second-home markets

Here's another intriguing list EscapeHomes.com has concocted: vacation-home areas that are just beginning to get popular with its users. There's no guarantee any of these will become the next Myrtle Beach. In fact, given the more remote and generally northern location of many of these sites, you can pretty much count that out. But there could be some second-home price appreciation ahead.

Burnside, Ky. Community boasts a Catfish Festival and bills itself as "The Only Town On Lake Cumberland!" It's near Lexington, Frankfort, Louisville, Nashville and Knoxville and not far from the Big South Fork National Recreation Area.

Caribou, Maine. Snowmobilers and cross country skiers venture down from Quebec and New Brunswick to enjoy the scenery in this northeast Maine town.

Ely, Minn. The "Gateway to the Boundary Waters Canoe Area Wilderness" is a second home mecca for residents of Duluth and Minneapolis-St. Paul.

Island Park, Idaho. This area near Yellowstone and the Grand Teton national parks, is becoming an alternative to Bozeman, Mont. and Jackson, Wyo.

Ketchikan, Alaska. This is a paradise for hunters, hikers and anglers, but you have to want to get there. It's more than 37 hours by road and ferry from Seattle, the nearest big city. Closer is Juneau, the state's capital, but you still can't get from here to there by road.

Lake Martin, Ala. Bass fishing is big in this town nestled in the southernmost foothills of the Appalachian mountains. Nearby: Birmingham, Montgomery and Atlanta.

St. George, Utah. Speaking of gateways, this little town is near much of Southern Utah's most spectacular country, including Zion Canyon, Bryce Canyon, Cedar Breaks National Monument and the North Rim of the Grand Canyon. Closest cities: Las Vegas and Salt Lake City.

Sisters, Ore. Another Central Oregon contender, Sisters is northwest of Bend. It's a former lumber town turned fishing and tourist mecca on the edge the Deschutes National Forest. Closest cities are Portland and Eugene.

Waterville Valley, N.H. Tucked inside the White Mountain National Forest, Waterville Valley offers all the outdoor experiences you could want, and then some. Concord and Manchester, N.H. are nearby. Boston is about 2½ hours south on Interstate 93.

White Mountains, Ariz. A cooler alternative to Phoenix, about four hours away, the White Mountains region offers snow sports in winter, golf and hiking in the summer and picturesque Indian villages all year round.

Liz Pulliam Weston's column appears every Monday and Thursday, exclusively on MSN Money. She also answers reader questions in the Your Money message board.