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Arizona's Year-Round Outdoor Living Attracts Second-Home Buyers Looking for a Place in the Sun

By Catherine Bolgar

Everybody wants a place in the sun, even people who already have one. And few places can compete with Arizona for guaranteed sunshine.

Steve Bernhardt lives steps from the ocean in Huntington Beach, Calif., and has a house in La Quinta, Calif. But it wasn't enough. He and his twin brother, David, bought neighboring units in The Landmark, a new six-story condominium development in Scottsdale, Ariz. "We love golf and we love the desert, and so do our wives," Mr. Bernhardt says. For the brothers, Arizona has a special pull: "Spring training! Thirteen baseball teams are there for a whole month," he says.

For Allen Brown, "Arizona is my shortest flight to warm weather," just 90 minutes by private jet from his primary home in Woodland Park, Colo. But for Mr. Brown, "primary" residence is relative. He also has homes in Maryland, Florida, Canada and three in Hawaii, and he just sold one in San Diego. "I enjoy collecting trophy properties all over the country," he says.

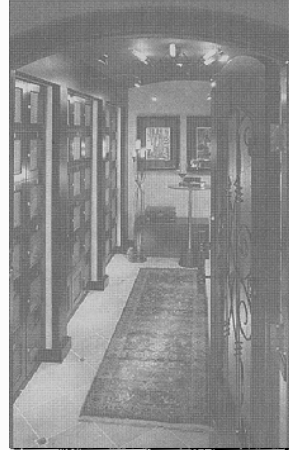
In Arizona, Mr. Brown has a 7,000-square-foot home on a two-acre lot in exclusive Paradise Valley that he bought for \$5 million three years ago. And he's just bought a 5,000-square-foot villa for over \$4 million in the Andalusian-style Montelucia Intercontinental Resort under construction in Paradise Valley. Which property he uses will depend on his mood — the house offers privacy, but the villa has five-star services.

Easy Access

Messrs. Bernhardt and Brown aren't alone in buying multiple fair-weather homes. The Phoenix metropolitan area provides the biggest source of second-home buyers in Arizona, followed by buyers from California, Illinois and New York. But second-home buyers come from nearly every state, as well as overseas. Phoenix Sky Harbor International Airport and private airports in Scottsdale and Carefree offer easy access to the state from just



Condominiums, such as The Landmark in Scottsdale, are proving a popular new market.



Mark Boushew

average lot starts at \$1.5 million, with most homes on one acre, says Mr. Mishkin of Cambridge Properties. Even so, it seems like a bargain compared with other markets. "With \$5 million, you could buy the best of the best here. In other cities the same property would be \$30 million," he says.

While the number of home sales fell slightly in Arizona in 2005, the average price has continued to climb. According to a report by the Arizona Real Estate Center at Arizona State University, home values in the greater Phoenix area appreciated 14.1% in 2005, compared with 8.4% in 2004. Condo values in the same area appreciated 10.6% in 2005, compared with 6.2% in 2004.

A Hot New Market

Condos are a hot new segment of the market. "The market is strong because it's a very new product here, not overbuilt," says Mr. Lewis of Butte Properties. Arizona has about 1,000 occupied condos, with "maybe 500 units over \$1 million. Florida has 50,000 condos in that price range."

Eugene and Connie Nicholas are trading in their condo in Chandler, southeast of Phoenix, which they bought in 1998, for a 2,700-square-foot unit in The Landmark in Scottsdale. They drive down from their home in Cando, N.D., in November and stay until mid-April. They love the "lock it and leave it" aspect of condo living. "You don't have to worry about keeping up yards and all that," Mr. Nicholas says.

Shirlee and Eugene Cohen, whose main home is in Highland Park, Ill., just moved into their 2,000-square-foot condo at Mr. Hovey's Optima Camelview Village. The primary attraction was the location, just across the street from Scottsdale's Fashion Square Mall, which offers not just shopping and dining, but movie theaters, too.

"We have floor-to-ceiling windows," says Mrs. Cohen. "It brings the outside in. The terrace, which runs the length of the great room, is planted with native plants. We have a view of Camelback Mountain from our terrace and even though I'm in a condo, I still feel like I'm in the Southwest. You know you're not in Chicago. It's exactly what we wanted."

about anywhere.

Ed Lewis, president and principal of Butte Properties in Scottsdale, counts about 5,000 second homes in north Scottsdale, though the exact number is hard to say. According to Keith Mishkin, a broker for Cambridge Properties in Phoenix, some 25% of units at luxury communities like the Montelucia Resort are second homes. And most are used exclusively by the owners and not rented out, he says.

Architect David Hovey, founder and president of Optima Inc., developer of the Optima Biltmore Towers and Optima Camelview Village in Scottsdale, says second-home buyers fall into two categories: condo or single-family home. Condo buyers "are urban-center types. They want to walk to everything — culture, shopping, restaurants," he says. "Single-family homes might be further out, in a golf resort or a community with great sports facilities, like tennis," he says. "They want a large house with great views and high-quality finishes."

Both groups, Mr. Hovey says, want "an indoor-outdoor relationship that you can't get in the Midwest or the East. In the winter in Arizona, you might eat outdoors on your deck by the pool." Buyers are willing to pay for that.

"Convenience is everything to sec-

ond-home buyers," he adds. "They want a community where they can make friends easily. They want access to sports, shops and restaurants."

Condos range from 1,000 to 4,000 square feet and cost from \$500,000 to \$4 million. Single-family houses in golf resorts range from 3,000 to 20,000 square feet, with prices from \$1.5 million to \$10 million.

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"We see huge homes being built — 10,000 to 20,000 square feet — and they're second homes," says James W. Blum, vice president of sales and marketing for Kavan Real Estate Investments in Scottsdale. Some of these might be occupied only a few weeks or months of the year.

Folks from Phoenix get to their second homes more often. For them, the

impetus isn't searching for sun but searching for just the right temperature, with the high desert considerably more comfortable in the summer. Phoenix is about 1,100 feet above sea level, while Paradise Valley is at an elevation of 1,400 feet and Carefree, in the high desert, is about 2,400 feet above sea level. Temperatures cool off as much as 10 degrees with the climb, and nights are much fresher.

"It's so hot so early today, we're thinking of going up there," says Tim Donmoyer, speaking from his principle residence in Scottsdale, where it was 95 degrees at 8:30 on a March morning. "Up there" is Payson, at 5,000 feet above sea level, where Mr. Donmoyer, his wife and their twin eight-year-old daughters have a 7,000-square-foot log cabin at The Rim Golf Club. "It has cooler nights and it's cooler in the summer. It has a different climate, with pine trees. And it's only a 75-minute drive away," says Mr. Donmoyer.

Land in Payson is 30% to 50% less expensive than in Phoenix, with two acres costing \$500,000 or so, he adds.

Prime Properties

By contrast, some of the most expensive real estate is in Paradise Valley, the Phoenix area's Beverly Hills, with only 5,600 homeowners. There, the