Renaissance

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PROPERTIES

Take IT *to the* BANKS

No, you haven't missed the real estate opportunity on the Outer Banks of North Carolina. Not yet.

by JEFF TURRENTINE

photography by SEAN MCCORMICK

The Outer Banks of North Carolina are geographically situated at the halfway point between New England's quiet, idyllic beach communities and the carnival of ongoing construction that is southern Florida. Figuratively, too, this long, thin ribbon jutting out into the Atlantic Ocean seems suspended halfway between the bucolic tranquility of Martha's Vineyard and the anything-goes mentality that has made some of the Florida coast a shorthand symbol for aggressive development.

As recently as 30 years ago, the stretch of land extending from Corolla (in the north, near the Virginia state line) to Ocracoke (in the south, about 115 miles downshore) was known chiefly as a sleepy, picturesque place to do some serious fishing. All of it belonged to a small but resilient community of locals who endured regular hurricanes, not to mention a fair amount of cultural isolation from the mainland, to live in a spot where one could watch the sun rise over the ocean in the morning, then take a walk later that afternoon to watch it set over the sound.

And then it happened, in that old familiar way. Word began to get around; money began to pour in; houses began to go up. As the American economy prospered and second homes became, for many of the newly flush, a tenable investment, the Outer Banks became one of the hottest vacation-home markets on the entire East Coast.

By dint of its location less than a day's drive from Richmond, VA; Washington; Philadelphia; and the urban centers in its home state, the area found itself, by the mid-1990s, transformed from a string of low-key fishing villages into a second-home Shangri-La. Investors discovered that the giant houses they and their families enjoyed for a few weeks here, a few weeks there, were rentable for another 19 or 20 weeks a year — at rates to dramatically offset their mortgages.

By the Numbers

According to the North Carolina Association of Realtors, overall home sales in the state between 2001 and 2004 went up 50 percent, and average sales prices statewide increased, in the same period, by 10 percent. On the North Carolina coastline, however, home sales went up during these years by a whopping 98 percent — and prices rose by more than 55 percent. Almost all of this coastal growth has been in the marketplace for "vacation cottages" — a quaint-sounding term that in other contexts might refer to a sweet little Cape Cod with a closet full of board games, but in Outer Banks-ese can refer to any vacation home that brings in rental income, including 10- or 15-bedroom beachfront man-

On the North Carolina coastline, home sales went up during these years (2001–2004) by a whopping 98 percent — and prices rose by more than 55 percent.

The North Carolina Outer Banks are in demand for both vacation time and retirement. Clockwise from top: Modern architecture, stunning natural beauty and a laid-back atmosphere draw travelers from the whole East Coast region.

Opening spread: At Corolla, the beauty of the coastline dwarfs even the largest homes.

BUY, BUY

The Outer Banks are a hot real estate market, but some parts are hotter than others. Opportunities are everywhere along the 115 miles of sand, so yes, there is still something left to buy. The bargains are on the south beaches and the most dramatic appreciations are on the north beaches, says Edith Rowe, an agent with Twiddy & Company real estate (twiddy.com). In communities like Hatteras and Buxton, a four-bedroom, three-bathroom house with ocean frontage would go for only $850,000, as opposed to the $2.1 million that would be asked in Duck or Corolla.

Despite the frenzied quality of the current market, Twiddy's John Myers says that there are still a few bargains to be had in Duck, so long as the buyer is willing to do some extra work by purchasing an older house on a good lot. "Then hold onto the house for a little while," he says, "or just go ahead and demolish it now and build a new house on it."

"The typical sales contract used to be one side of one page," says Twiddy & Co.'s John Myers. "Now it's a small booklet."

sions that might go for as much as $12,000 a week. And they do go, all 14,000 of them by the latest count, to seasonal visitors who increase the local population from less than 1,000 in the winter to 50,000 in the warmer months.

Yes, things are changing. "When I came here in 1981, a state-of-the-art beach house was four bedrooms and two baths and a VCR," recalls John Myers, an agent with Twiddy & Company, one of the oldest real estate companies on the northern beaches specializing in high-end vacation home sales and rentals. "People would put in hot tubs to jack up their rental incomes." These days he doesn't bat an eye at a 6,000-square-foot, 10-bedroom cottage, replete with a home theater that seats eight, two dining rooms, an elevator, a swimming pool and a separate pool house — currently on the market for $3.4 million and ensuring its owner a rental income of $12,000 a week in the high season (for a total of about $200,000 a year). "That's not the biggest you'll find, but it's approaching it," he says. "It's getting there. Some go for $15,000 or $16,000 a week. And the typical sales contract used to be one side of one page. Now it's a small booklet."

Charms and Challenges

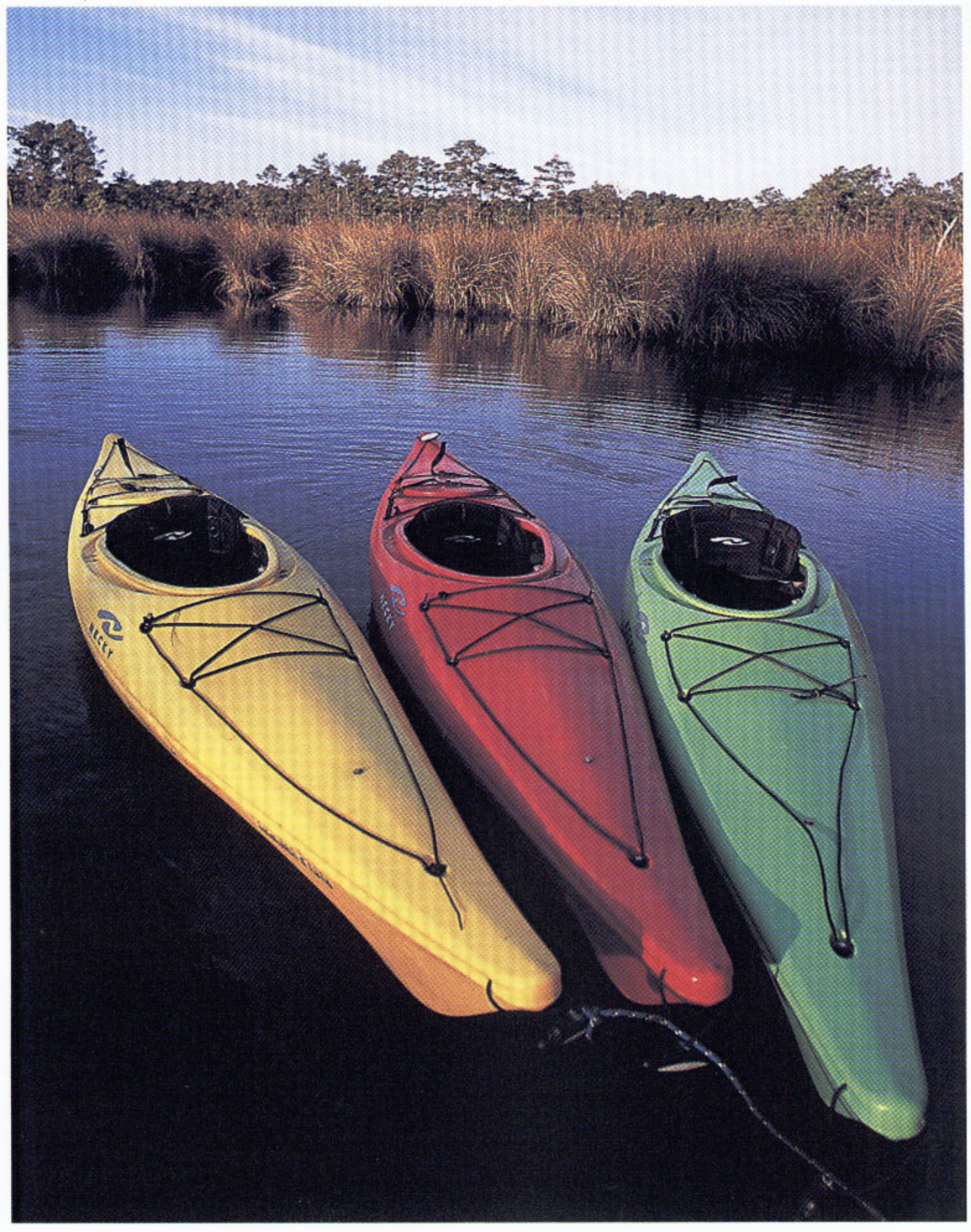
What continues to draw people — some from as far away as Pittsburgh and Ohio — to the Outer Banks, and especially to the towns of Duck and Corolla near the terminus of state Route 12, is a felicitous combination of factors. Postcard-beautiful beaches and relatively warm waters (thanks to the quirky currents of the Gulf Stream) are two that it shares with its southerly neighbors, such as Myrtle Beach, SC, or the Florida coastline from Daytona Beach down to Miami. But more significant, perhaps, is what it doesn't share with those locales. Here in the Outer Banks, in most upscale communities, along the razor-thin northern stretch between the ocean and Currituck Sound, you won't find any vast shopping malls or 20-screen multiplexes. You won't find giant condominiums or behemoth resort hotels.

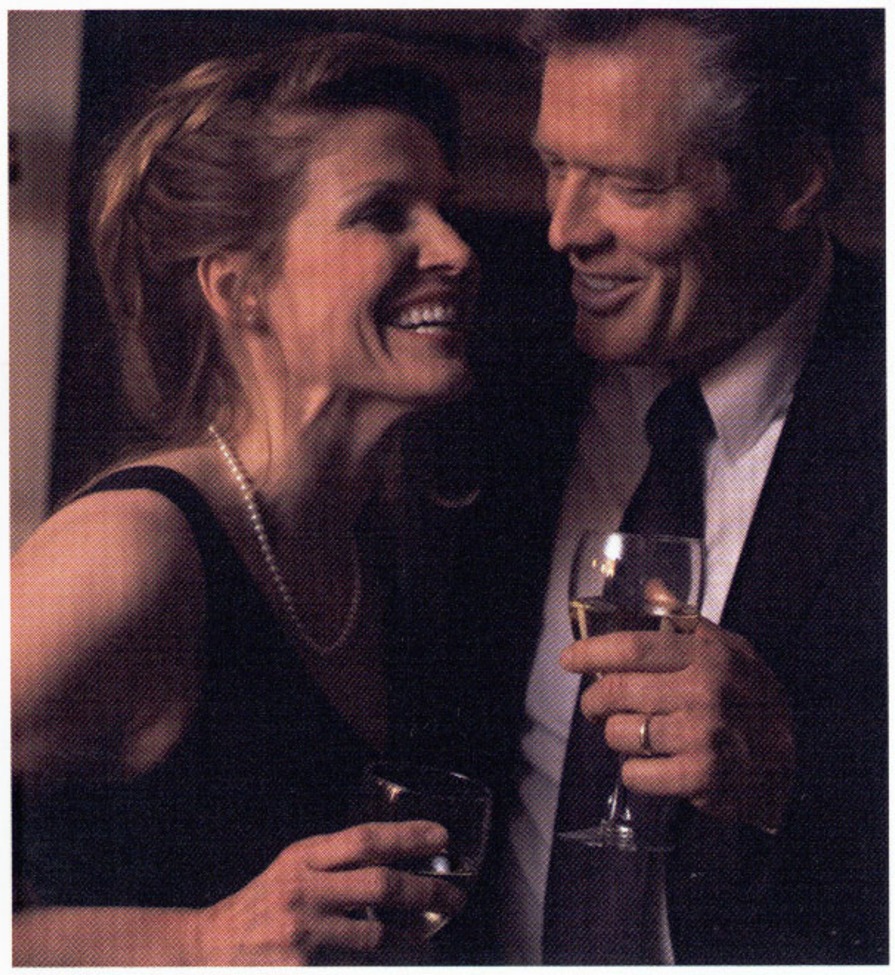
What you will find, in addition to lots and lots of new houses, are the fruits of a conscious, collective effort to retain the laid-back appeal that made the Outer Banks such a popular destination in the first place, mixed in with indisputable signs of the demographic shift that is taking place here. In the exclusive town of Duck, for example, there's not a Starbucks (or other chain purveyor of fancy coffee) in sight; there is, however, Duck's Cottage, a locally owned and thoroughly charming café-cum-bookstore — impressively stocked with the latest well-reviewed fiction and non-fiction — housed in a 1920s bungalow that partially hovers over an actual duck pond.

Myers notes that one challenge is the gap between what buyers can afford to buy and what renters can afford to rent. Rates for weekly leases follow regular patterns that are easy to predict; rises in valuation — and the property tax hikes that accompany them — often catch owner-investors by surprise. "What has happened lately is that appreciation rates for a lot of these houses have gone up so fast that the rental rates can't keep up with them," he says. "There's a growing disparity."

New "vacation cottages" (above) go up every year on the Outer Banks. The simple reason: to have your own base for relaxing walks on the sandy beaches (far left).

While rental rates in the Outer Banks typically rise by three to five percentage points a year, some houses in the most recent revaluation saw their values rise by as much as 1,000 percent. "The average was 279 percent," says Sandy Semans, managing editor of the *Outer Banks Sentinel*. "The market escalated so quickly that everyone was kind of aghast. People were just blown away." Semans also points to other unwelcome byproducts of the Outer Banks boom. Because middle-class housing is becoming so scarce, she says, the area has labor shortages in





Life on the Outer Banks ranges from (clockwise from top left) lazy hours in the sand; coffee and books at Duck's Cottage; Friday evening wine tastings at the Barefoot Gourmet in Nags Head; and active afternoons kayaking, equipped by North Beach Outfitters in Duck.

schools and hospitals. And higher prices for goods and services, plus the increase in property taxes, mean a drop in the year-round population.

Ultimate Optimism

All up and down the Outer Banks one encounters juxtapositions between the old and the new, between the fast-food joints and kitschy souvenir stores that are a natural part of any beach community and more recent symbols of transplanted urbanity. Just outside Duck, The Sanderling, the area's only luxury resort, proffers haute cuisine in the form of $100-a-person chef's tasting menus for those who have had their fill of Carolina barbecue. Even in semi-bustling Nags Head, which makes fewer claims to exclusivity than Duck or Corolla, one can find — hiding amid the strip malls and the surfboard shops — a place like the Barefoot Gourmet, which opened in October 2004. Here, the cottage renter eager to put her state-of-the-art kitchen to the test can pick up a little truffle-infused olive oil or a nice wedge of Manchego. As recently as two or three years ago, such a shop wouldn't have stood a chance in Nags Head; now its weekly Friday-night wine tastings are well attended.

Semans is optimistic about the region she has called home for 25 years. "Even though there are some problems here right now, I can't wait to see what the future brings," she says. She has faith, she adds, in the good sense of locals to preserve the Outer Banks' special character. "They'll talk their way through it. They'll figure it out. For a while people didn't quite understand what was going on, but I think they do now."

Myers notes that appreciation stabilized in 2005, and he thinks that folks are now catching their breath and reflecting on issues like environmental stewardship and commercial zoning. "We're doing a good job of keeping out the high-rises. So overall it's still a very healthy outlook here. Our progress is excellent." R

Former North Carolina resident Jeff Turrentine writes for Architectural Digest, The Washington Post *and* The Los Angeles Times.

Washington-based Sean McCormick photographs for Fortune Small Business, *among others.*

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