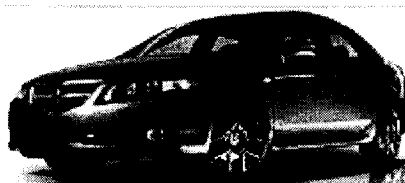


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Luxury Real Estate Snapshot: North Carolina

With its hearty economy, varied landscape, and ideal climate, North Carolina has rapidly become a magnet for wealthy homeowners

by Maya Roney

Ask a North Carolinian about the housing bubble bust, and you might get a quizzical look. Bubble? What bubble? It never happened here. In any conversation about local real estate, they will, however, be happy to tell you about "half-backers." Not a football player, but a name for affluent professionals and retirees who move from the Northeast to Florida and halfway back again, to North Carolina.

This migration pattern has contributed to the state's recent population boom and continued home sales growth, even as the U.S. housing market gets whacked due to years of speculation. North Carolina has moved past New Jersey as the 10th most populous state as its population grew 2% in 2006 to 8.8 million, according to the U.S. Census Bureau. In 20 years, it is expected to be the country's seventh most populous state.

The influx seems to be keeping North Carolina's housing market afloat. Existing home sales in the state were up 4% year to date as of November, 2006, vs. a 4.4% year-to-date decline nationwide. Compared to November, 2005, North Carolina home sales slipped 4% in November, 2006, while U.S. sales fell 10.7% in the same period.

BUSINESS BAIT

"[The population growth] bodes well for real estate, both for real estate investors and practitioners," says Tim Kent, executive vice-president of the North Carolina Association of Realtors (NCAR). "We have every indication that 2006 was the sixth straight record year for home sales in North Carolina."

There's something addictive about North Carolina, the site of the first English colony in the Americas. And it's not the state's abundant tobacco crop. North Carolina's strong economy might have something to do with the recent population boom (and vice-versa). In the 2005-06 fiscal year (July 1 to June 30), the state's gross domestic product grew 3.9%, outpacing the country's 3.5% growth. North Carolina also added 120,000 jobs in 2006. Roughly 20,000 were in construction, and about 10,000 were in financial services at firms like Wachovia (WB) and Bank of America (BAC), both based in Charlotte.

"We have a migration of people, profitable banks, a good university system, and a strong military presence," says Harry Davis, chairholder and economist for the North Carolina Bankers Association. "When you put all those factors together, it creates a good economic environment, and a strong real estate sector."

FORGET FLORIDA

Another feature attracting masses to the Tar Heel State? Value. Whether you are relocating for your job or purchasing a second home, as a general rule, you can buy more house in North Carolina than you can in Palm Beach. And you'll still get the ocean view.

"I see a lot of people saying, 'As soon as I can get my home in Florida sold I'll move [to North Carolina]," says Pat Handley, a realtor with McKee Properties in Cashiers.

The Outer Banks, with its 100 miles of beaches, has always been a popular destination for homeowners and vacationers from the Northeast. The climate is more temperate than in coastal areas further south, and the houses, though costly, are not unattainable. The most expensive beach homes on the market will run you about \$5 million. In the case of our featured house in Wilmington, that price buys seven bedrooms and eight bathrooms on the ocean.

THE NEW ASPEN

As half-backers make their way to the undervalued mid-Atlantic, another kind of migration is going on within North Carolina—homeowners are fleeing the hurricanes and sweltering summers of the coast, and taking refuge in the mild weather of the western mountains.

Cashiers, a tiny resort community in the Blue Ridge Mountains, was settled about 200 years ago by pioneers from the south looking to escape the summer heat. Today, it still has four livable seasons and some stunning luxury homes. Cashiers also has plenty to do recreationally, with golf courses, streams for kayaking and canoeing, miles of unspoiled forest for hiking, and even skiing.

"Our area has been likened to Aspen as it was in the '50s, before it was developed," says McKee Properties' Pat Handley, who is marketing one of the community's highest-priced properties—a private mountaintop estate with valley and mountain views from every room—for \$4.48 million.

GROWING MARKET

Homes over \$5 million are still a rarity in North Carolina, especially when you leave the secluded mountains or the coveted coast.

"Emerging is a good word for it," says Ed Willard, an agent with York Simpson Underwood, who has a 10,000-sq.-ft. home on the market for \$3.895 million in one of Raleigh's most desirable neighborhoods. The average house in Raleigh, a burgeoning business center, goes for about \$250,000, Willard estimates.

The relative inexpensiveness of North Carolina homes can make selling at the highest end a challenge. "The high-end market down here is a little rough," says realtor Martha Bick, whose 15,000-sq.-ft. chateau-style listing near Durham, at \$7.763 million, is the second most expensive property in the state. "But it might be \$20 million in New York," she adds.

[Click here](#) for a selection of the Hottest Homes in the Tar Heel State.

Roney is Real Estate writer for BusinessWeek.com.