

Here's what to consider before buying a holiday home

As the end of the year approaches, some are planning to take advantage of the current slack property markets in many coastal towns to buy a second or leisure home that they can let out to other holidaymakers when they are not using it.



© Ivan Kruk – 123RF.com

However, says Gerhard Kotzé, MD of the RealNet estate agency group, these buyers need to know that the type of property they purchase could be just as important as the location.

Consider the pros and cons

“In any holiday town, prospective buyers will encounter a range of property types – including apartments, townhouses, cottages, old and new family homes and of course small and large guesthouses – and they need to consider the pros and cons of each of them not only as regards price and location but also taking into account such factors as maintenance, security, availability, demand and proximity to local attractions and facilities.

“They may be drawn to the space and charm of an older home, for example, but should realise that it will probably take a lot of time and money to keep it in shape. Such properties may be better suited to DIY enthusiasts who live nearby.”

Beware of "bargain" prices

Similarly, he says, buyers should be wary of newer homes being offered at “bargain” prices, as they may require costly repairs or renovations that the current owners can’t afford and they will not be able to be occupied or let until this work is finished.

“On the other hand, a home that requires only cosmetic upgrades such as a coat of paint or a change of carpet is definitely worth a second look – especially if it is well-built and close to the beach and shops.”

Sectional title apartments and townhouses can be good holiday property investments too, as levies generally cover the regular upkeep of gardens and other common areas as well as ongoing security, which is a major advantage for absentee owners.

“Prospective buyers must check, though, that the body corporate rules in a particular complex will allow them to let their unit out to other holidaymakers. They will also be responsible for ensuring that their short-term tenants adhere to the rules as regards noise, pets, parking, use of the pool and so on.”

Buying off-plan

As for buying off-plan, Kotzé says, this can be risky as the completed unit may not turn out to be what you envisaged. You could also incur holding costs due to unforeseen delays in obtaining approvals, building materials or bulk services. What is more, a brand new unit will have to be fully equipped and furnished before it can be let, unlike many other holiday homes that will come fully-furnished.

“However, since off-plan units are often sold at a discounted price to enable the developer to get the project going, they do offer the prospect of accelerated appreciation in the years immediately following the purchase, provided there is not an oversupply of such units in the area.”

Substantial deposit

Then finally, he says, you will need to bear in mind that you will probably require a substantial deposit to purchase a second property, and may be charged a higher interest rate on the bond than on your primary home, making it quite a costly investment if it does not attract enough tenants during the year.

“This is why you should always seek out a knowledgeable local rental agent who will be able to advise you before you buy what the demand is for short-term accommodation in the area and the rental returns you can expect.”

For more, visit: <https://www.bizcommunity.com>