

Advantages of investing in a leisure property

Internationally the trend towards owning a leisure property is on the increase, says Ling Dobson, Pam Golding Properties area principal for Knysna and Plettenberg Bay on the Garden Route.



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"Very often, the usage factor is secondary to the investment aspect and potential for holiday rental income. According to HomeAway, which provides a global on-line vacation rental marketplace, an astonishing 89% of newly purchased holiday homes are being rented out within the first year.

"Today, 23% of buyers intend renting out the property compared to only 7% in 2004. This statistic shows that the growing popularity of vacation rentals is making a big impact on buyers' investment intentions. We are definitely seeing this international trend manifesting here in South Africa and particularly in Knysna and Plett, where the demand for holiday home rental is high and therefore at a premium."

Dobson says buyers of holiday homes are seeing this as an opportunity to not only cover their expenses by renting out the property, they also perceive the longer term potential of capital growth of the property - all this while they enjoy several weeks' or months' usage during the year and have the option of a retirement home in the future.

Younger buyers

"While a younger generation of home buyers is realising the wealth creation achievable through property ownership, they are also recognising there are a number of benefits in acquiring a vacation home sooner rather than later.

"Consider if you invest in your 40's or earlier, then by the time you retire you will have a fully paid-for home in a prime location which you know and enjoy, and have probably built up a local network, including friends," Dobson explains.

"A second home purchase could therefore form part of your retirement planning and depending where it is located, this additional income could provide the means of funding further education for the children, or if you prefer variety, saving towards family vacations in other destinations.

"In addition, as we live in a world of connectivity where entrepreneurs can successfully run a business in Johannesburg from their retreat in Knysna or Plettenberg Bay, we are finding many go for the second house investment, try it out business-wise and relocate thereafter. They may then let out their house in the city, where rentals are always in demand."

The further, the better

"Buyers of vacation properties are also no longer limited by the distance the property is from their homes. For an increasing number of such buyers, the further away the better, which means they can escape from their daily routines to a revitalising, different environment, and with the use of a property management company, professional concierge service and modern technology the property is easily managed."

If your holiday home investment is also your future retirement home, it is advisable to consider all related expenses you may encounter. Then either let it out as a long-term rental at first or ensure that the rentals achieved cover levies and rates and taxes, as well as the finance obtained to make this investment.

Says Dobson: "In the popular coastal resorts you will generally find that you can cover a fair percentage of your expenses by renting the property out as a vacation home for as little as 18 weeks a year, which means you have plenty of time to enjoy your home as planned with friends and family.

"Bear in mind that the peak holiday season is the time when vacation rentals are in highest demand and as a result yield the most rewarding rental income. In the high season rates are often double those of mid and low season."

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