

**WRITTEN BY: Bartlett Communications**

Hi there,

For many, owning a holiday home is a chance to enjoy a more relaxed lifestyle and always being able to take breaks at their convenience in their location of choice but a holiday property can also be a profitable investment opportunity, both in the short and long-term.

And, with international travel having become so restrictive – and expensive – staycationing is the increasingly obvious choice for many South Africans, so now is a good time to consider investing.

However, it will only be successful if you approach it like you would any other business - with a thorough understanding of the market and all the other influencing factors.

**Caption: INVESTMENT SAVVY: A holiday home can be personally and financially rewarding, but you need to approach it like you would any other business – with careful consideration and thorough research**

### **How to successfully buy and manage a holiday home**

For many, owning a holiday home is a chance to enjoy a more relaxed lifestyle and always being able to take breaks at their convenience in their location of choice but a holiday property can also be a profitable investment opportunity, both in the short and long-term.

So says Claude McKirby, Co-Principal for Lew Geffen Sotheby's International Realty in Cape Town's Southern Suburbs, False Bay and Noordhoek, adding that with international travel having become so restrictive – and expensive – staycationing is the increasingly obvious choice for many South Africans.

“Making the decision on whether to invest in a holiday home to let requires careful consideration, an understanding of the market and all the other influencing factors.

“Owning a holiday let can be both personally and financially rewarding but it will only be profitable if you approach it like you would any other successful business.

“The first step is to do plenty of research and once you have decided on your area and the type of property you want to buy, enlist the help of an established and reputable agency.”

According to McKirby, the following are the most important factors to take into account:

### **Potentially more volatile property values**

Although some coastal regions are thriving due to semigration, the values of properties in holiday locations are traditionally more volatile, booming in the good times and crashing when the markets are down.

During recessions, property slumps or even just quieter slower times, holiday homes are high on the list of expendable assets so it's important to buy in areas that don't only rely on tourism, but also have a solid contingency of permanent residents.

### **Ensure you buy in a prime location**

Buy the best you can afford in the best location.

In peak season in popular towns, most holiday properties perform well, but out of season and tougher economic times, units in secondary locations could well suffer from low occupancy rates.

When selecting holiday investment properties, consider factors like beach views and proximity to shops and restaurants and other tourism hot spots.

### **Opt for self-contained**

Holiday apartments purpose-built for short rentals with small hotel-style rooms may yield a higher rental return on purchase price in the short term, but a self-contained unit (or house) with larger rooms and a separate kitchen, bathroom and bedrooms will generally give you better capital growth and be easier to sell down the line.

### **Do your sums**

Because holiday rental prices are usually much higher than long-term rentals, often increasing even more in peak season, your initial calculations are likely to look very good.

But it's important that your sums allow for longer vacancy periods and fluctuating occupancy levels from season to season as well as maintenance costs which can also be higher than normal what with so many different people using the property.

And don't forget that every week you and your family stay in your holiday property is a week's less rental income that you will receive.

### **Familiarise yourself with the relevant legislation**

Legislation regarding the rental sector and short-term rentals have been tightened in recent years for both your and your guests' protection so make sure you operate within these stipulations to avoid potentially costly and stressful pitfalls.

### **Consider professional management**

This is especially important if you don't live in the area because there is likely be a guest or an issue that needs your attention on a regular basis. They will also have a thorough knowledge of all the relevant legalities.

And an experienced and professional rental manager could make the difference between an empty and an occupied property.

### **Adequate cover**

Ensure that you are adequately insured – with more people coming and going than in your own home, accidents and incidents are far more likely.

And bear in mind that some policies include a clause about vacancy, and properties that are vacant in excess of 60 days, which could introduce limitations in cover, so when shopping around, be sure to read the policy terms and conditions carefully.

McKirby adds that whilst insurance will give one peace of mind, it can't alleviate the inconvenience and stress of problems arising so advises the following precautions when the property is vacant:

- Switching geysers off at the mainboard will not only reduce electricity consumption, it will also potentially prevent and alleviate any extensive damage to property should any problems arise;
- Stoves and ovens should be also switched off at the wall;
- Ensure all taps are properly closed helps to prevent flooding, especially when there are interruptions in the main water supply;
- Switching off major appliances at the wall sockets and removing plugs from wall plug points prevents power surge damage should the main electricity supply be interrupted;
- Ensure all windows are closed and the property is properly locked and secured;
- Roofs require regular attendance – ensure gutters are debris-free and that all roof tiles are in place and not loose.

McKirby concludes: “Whilst buying a holiday home can be a solid investment which also affords you and your family many happy holidays in your favourite location for years to come, it can also be a financial burden and source of stress.

“But if you take the time to do your homework, consult with experienced professionals and are prepared for every eventuality you are certain to have no regrets.”

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