

Realestate

A holiday home that doubles as a rental property - it may seem like the ideal investment when you're still enveloped in summer vacation bliss. But the experts warn it's not as simple as it sounds. **Claire Bickers** reports

MANY people dream of buying a beach house while they're on holidays. While looking in real estate agents' windows, eating an ice cream, it's easy to picture a regular getaway that could also be a lucrative investment.

But before you commit to the dream, experts warn not to forget the financial and logistical realities.

Liz Sterzel, pictured, of Property Wizards buyer's agency, said holiday homes could be tricky investment properties and prospective buyers should consider their key objectives before taking the plunge.

"If your goal is to build a high-performing portfolio, simply choose the best property for your investment needs in a city with solid industry and stable rental demand," Ms Sterzel said.

"If that property happens to be able to double as a holiday home, fantastic. If not, happily pay for

your vacations because it's a fallacy that a holiday home will save you money.

"Whenever you are using it, you aren't collecting rent, so that lost rental income is the same as directly paying for a getaway."

Ms Sterzel said financially secure buyers who would simply like a holiday home should buy a house with good rental returns and attributes that would make it easy to sell.

Propell National Valuers WA manager Travis Coleman said many people made the mistake of buying a holiday home for emotional reasons.

"When buying a holiday home, take into account the longer-term capital growth of the property," he said.

"Location, location, location therefore should determine your choice of a holiday home as much as it does for your owner-occupied home."

Ms Sterzel said the best areas to buy were towns that did not rely on

tourism alone. "Stable towns with a sizeable resident population and factors to draw both residents and tourists are ideal," she said.

"Great beaches aren't enough. Look for unique major facilities or attractions, significant shops and amenities, and one or two good, solid industries to create jobs and support the rental market when it's not tourist season, as well as good transport facilities into the area."

Ms Sterzel said once buyers had decided on the location they should go for properties near a beach, shops and marinas.

Some of the common drawbacks for holiday rental operators were high maintenance costs and long vacancy periods in the off-season.

Hegney Property Group executive chairman Gavin Hegney said maintenance costs were much higher in peak season when turnover increased.

"People walk sand through, or walk through with wet feet, leave the lights on or the aircon on, or sit on couches while wet," he said.

"With a high turnover you are going to have much higher maintenance costs and higher management costs. You need someone to thoroughly inspect the place after every time people leave."

Despite all of the financial and logistical implications, Mr Hegney said the greatest returns from holiday homes were not linked to money.

"The best thing about them is the time you get to spend with your family and friends, time you otherwise might not have," he said.

Mr Hegney said a holiday fund in an interest-bearing account used to rent holiday accommodation would outperform a holiday home.

"The only way you'll be ahead with a holiday home is if there's capital growth," he said.

Mr Hegney's final tip is to hold off on the holiday home until winter.

"Everyone's just got back from holidays and had the same idea, so there is a lot of competition in the market," he said. "In the middle of winter you won't have the same competition."



Cashing in on an escape

NO BREAK FROM TAX TIME

THE tax implications of holiday homes are positive and negative.

If the holiday home has capital growth, owners must pay capital gains tax when they sell it, but maintenance and management costs are tax deductible.

Liz Wilcox, a director of Metropole Properties, said when somebody bought a holiday home and rented it out, they must declare the income in their tax return.

"If you use your property for your own purposes for part of the year then operate it as an investment property for the rest of the time, you will need to convince the tax office that the property is a genuine investment," she said.

"And while travelling expenses to inspect

and maintain commercially let holiday properties are allowable as income tax deductions, don't assume you can deduct the cost of all your flights to your property.

"The cost of travel is not allowable as an income tax deduction if your travelling is associated with your personal use of your property or simply with the general maintenance of it. While you should be able to claim deductions (including interest expenses) for time you have rented out the home, these must be proportioned according to the

time it was rented out and the time for your personal use."

Ms Wilcox said a positive aspect was higher depreciation allowances for some short-stay accommodation.

