



## 12 HOMEFRONT INVESTIGATION

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# When is a holiday home a good investment?

There are mixed opinions on the viability of investing in the local holiday home market, but finding the right homes in the right areas can secure a solid nest egg for retirement

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**W**hy would anyone restrict themselves to the same holiday destination every year when the world is open for exploration? More importantly, why have the stress of looking after a second property?

Ling Dobson, area principal for Pam Golding Properties in Knysna and Plettenberg Bay, believes that second-home owners are not merely planning a lifetime of holidays, but making smart investments. "Holiday homes in secure estates offer an asset yield over the years while the property is used for holidays, and often the holiday house becomes the owner's future retirement destination," she says. "Holiday towns 'grow' and accommodation becomes a premium – so it also becomes a rental opportunity."

Richard Arderne, area principal for Pam Golding

Properties in St Francis Bay, is of the opinion that status and convenience are some of the top reasons affluent individuals enter the holiday home market. At the same time, though, property in the right area has the potential to earn significant rentals over peak seasons, with some monthly rentals exceeding R250,000 for the period that includes Christmas and New Year's celebrations.

#### WHERE TO BUY

Lew Geffen, chairman of Lew Geffen Sotheby's International Realty, reiterates the investment potential of a holiday home, stating that if the right location is chosen, the property could prove a wonderful nest egg for retirement. According to Geffen, popular locations are the North Coast of KwaZulu-Natal and the coastal and Winelands



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*Ling Dobson, area principal for Pam Golding Properties, Knysna and Plettenberg Bay*



regions of the Western Cape, with smaller coastal towns such as Plettenberg Bay and Wilderness also faring well. However, if buying a second property purely for investment returns, Geffen is of the opinion that smaller coastal towns closer to Cape Town would be a better bet.

Samuel Seeff, chairman of Seeff Properties, disagrees, stating that holiday homes are almost never a good investment. “As a secondary market, holiday areas always tend to be hardest hit, especially the more outlying areas,” he says. “So a top-end leisure sector such as the Atlantic Seaboard would be less affected than, for example, the West Coast areas such as Langebaan, or the Eastern Cape holiday areas such as Jeffreys Bay.”

If buying purely for investment purposes, Seeff recommends saving for a property in an area that will always be in high demand, such as Clifton on the Atlantic Seaboard. But he does admit that there is potential and possibilities for those wanting to enjoy the investment in their favourite South African spot, while earning returns on an investment that is generally less volatile than the stock market.

#### HOLIDAY HOME SPECS

When buying a holiday home there are many things to look out for.

Geffen says the property will not start paying for itself for a number of years, especially if it is located in the so-called high-end luxury regions. Affordability should be the prime consideration before entering the market. Closely related to the ability of the buyer to cover the payments associated with owning a second home are costs such as maintenance, rates and taxes, and levies if applicable — all considerations that Seeff says are neglected, more often than not.

The owner would most likely have to appoint a managing agent, says Dobson, pointing out that this leaves the owner free to enjoy a relaxing, maintenance-free holiday. As is the trend inland, security complexes and estates are the most popular property types as they afford the owner the peace of mind that comes with a lock-up-and-go lifestyle.

Geffen says location remains the most important factor to consider before deciding on a specific region. He says factors outside of the owner’s control, such as service delivery that is lacking,

could drastically influence the attractiveness of an area and thus the return on investment of properties located within that area. “One region that has taken a knock is the Eastern Cape, largely because infrastructure maintenance is so poor,” says Geffen.

Another often-overlooked consideration is the costs involved in earning rental from the holiday property. Experts agree that it would be wisest to list the property with a reputable rental agent to manage short-term rentals on behalf of the owner. Furthermore, even if the property is in a holiday area and is sought-after by international tourists, certain amenities will be required, or the property could be overlooked and a neighbouring home chosen.

Geffen says in addition to the bond repayments, the owner would have to fund requirements that include uncluttered, modern décor, uncapped Wi-Fi, satellite television and cleaning services. All factors that will drive up the costs of running a holiday home and increase the length of time before a return is realised, regardless of the beauty of the location.

## Holiday home 101

Seeff Properties chairperson Samuel Seeff on factors to consider before entering the holiday home market:

- Do your homework — buy well within your means and spread your assets. For example, do not tie up all your assets in property — if you need to sell quickly, during an economic downturn, there might not be demand.
- Budget carefully, know the costs involved and do not bet on holiday rentals. Tourism is susceptible to economic volatility — domestic and international. When the global economic crisis hit, UK and northern European tourist numbers dropped drastically and holiday houses were standing empty for about two years.
- Understand that bricks and mortar is an asset that requires hands-on management or the services of a credible estate agent, and security.
- While property is an investment, it is not delivering stellar returns right now. Values have increased but holiday areas are especially susceptible to economic volatility. When the 2007-08 economic crisis hit, many holiday and second-home owners desperately tried to offload their properties and soon the market was flooded. Combined with almost no demand, this led to a tough downturn for the property market. Most areas have still not recovered to pre-2007-08 sales levels.

