

3 tips for good returns on a holiday home

 By [Adrian Goslett](#)

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A holiday home investment provides an escape from the hustle and bustle of city life. And, with the wide variety of leisure destinations throughout the country, buyers are spoilt for choice when it comes to choosing a location in which to purchase a holiday home.



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A leisure property can also be a solid investment that generates healthy returns over the long term, provided buyers do their homework on the area beforehand. To help buyers make solid investment decisions, here are three tips to ensure a good return on investment when purchasing a holiday home.

1. Will there be good long-term price appreciation?

Before committing to any property purchase, research the area and establish the level of property appreciation it has achieved over the past few years. Other factors to consider are how well maintained the area and its facilities are, as well as if there are any plans to develop the area in the foreseeable future. While some developments will increase the areas value, others will detract the appeal of the suburb and lower property prices. Upgrades to infrastructure or the development of a new shopping mall could increase the value of property in an area; however, construction and increased traffic could affect the tranquility of the area.

2. Will the rental income be worth the expense?

A holiday home can generate rental income, but the most lucrative times will be during the holiday seasons, which is most likely the time you would want to use it. Before purchasing a holiday property, establish whether the cost of owning and maintaining it is worth your while if you are only able to rent it out for certain periods of the year. You should also consider the impact of interest rates hikes over the term of the loan, as well as maintenance, security, insurance, rates and taxes, and utility tariffs in the area, as these costs will have to be offset against your rental income to work out your return.

3. Who will manage the property?

Considering that most holiday homes are some distance from where the owner lives, there is the question of who will manage the home. It might be worthwhile hiring a professional property management company to look after the property. They will conduct regular inspections and screen, select and place tenants if required. While this will incur additional costs, it gives you the peace of mind that the home is being looked after while you are away, which could end up saving you from having to pay for costly repairs as a result of the home standing empty.

As with any investment, research will help buyers determine whether the returns will be worth the investment. Always do your homework to ensure that the investment you are making is worth the long-term financial commitment.

ABOUT ADRIAN GOSLETT

Adrian Goslett is CEO and regional director of RE/MAX Southern Africa. He joined RE/MAX Southern Africa in 2005 as a franchise development consultant, supporting various regions and offices. Throughout his career at RE/MAX he has held various positions. In 2010, after successfully leading 160 offices and over 1500 agents in six countries through the worst years real estate has ever seen in South Africa in 30 years, Goslett was appointed as CEO of RE/MAX Southern Africa.
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