

# Vacation home needs planning

## Content That Works

Seduced by sun, fun and a gentle summer breeze, vacationers have long scanned local newspaper real estate listings, fantasizing about purchasing a permanent spot in paradise.

So much for fantasy.

These days, the real estate-savvy vacationer may skip the daydream and quickly shop for a mortgage that will turn a dream into reality.

Vacation houses are hot.

Sales of second houses surged in 2004, according to the National Association of REALTORS® in Washington, D.C.

A study from NAR shows that the typical vacation-home buyer now is 55 years old and earned \$71,000 in 2003. The median price of a vacation home was \$190,000, between mid-2003 and mid-2004.

People plunge into vacation-home purchases for many reasons: to diversify their investment portfolios, to create a stream of rental income or to provide a personal or family retreat, according to the NAR study.

The need to be surrounded by friends and loved ones and connect or "hive" in a setting abuzz with activity has picked up momentum, says J. Walker Smith, president of Yankelovich Inc., the Chapel Hill, N.C., research firm.

"People who don't find the chance to reconnect at home may find the chance to do so at their second home," he says.

To avoid buying wrong, plan carefully. The following points may help:

**Location.** With so many places beckoning, your first decision should be where you'll go. If you desire a frequent getaway, a place reached quickly by car might prove easier than a place that calls for a plane ride and drive.

In doubt? Rent for a month to test how you feel about the trek and whether the area holds appeal for multiple visits.

**Costs.** If you think that most second homes won't cost much, don't bet your second-home kitchen sink - especially that new one by the fancy outdoor grill. More second homes are

well appointed today, with dishwashers, air conditioning and pools, says Walter Molony, an NAR spokesman.

If you use the house regularly, costs may seem more palatable, says real estate consultant Marta Bursary of The Concord Group in San Francisco and Newport Beach, Calif. If you intend rare visits, a time-share may be smarter.

**Guests.** If you purchase in an appealing location, you may find yourself as a modern-day Bob Newhart innkeeper. Most second-house owners learn to set rules. Says one Chicagoan with an Indiana Dunes house, "I tell guests to help themselves to the refrigerator."

She also expects some help. Those who don't may be surprised. "They're not welcomed back. This is my R&R, too," she says.

**Rentals.** If you plan to rent to defray costs or because you want to take a vacation elsewhere, know that vacation rentals can reflect real-estate cycles, too. The New York area Hampton market remains hot despite the so-so economy, says consultant Paul Purcell of Braddock & Purcell.

But, he says, "There's always something to be found. Not everything has been snatched up," Purcell said in late May.

One useful change, he adds, is that owners no longer rent for the entire season, from Memorial Day through Labor Day, but do so piecemeal.

If you find a renter, keep a log of what you earn and spend for tax deductions, says Chicago CPA David Dahl of Leaf, Dahl and Co. If you plan to live in the home for more than 14 days a year, you can't deduct expenses.

**Retirement.** Many owners buy with the idea of retiring there yet they fail to check whether medical facilities are adequate, transportation to loved ones available and how they'll feel about being far from family.

"It should fit your lifestyle," Purcell says. "People may think they'll go skiing for the rest of their life but they forget as they get older they won't or want a balance," he says.