

## Investing In a Vacation Property



### *Vacation Homes Can Be Good Investments and Help Diversify Portfolio Assets*

**PPARSIPPANY, N.J. (July 8, 2003)** — Buying a vacation property can be a wise way to invest disposable income, advise the professionals at Coldwell Banker Real Estate Corporation.

In record numbers, baby boomers are realizing their dreams by taking advantage of favorable tax laws and historically low mortgage rates to open the door to a second home. In fact, the National Association of Realtors® (NAR) reports that second-home sales rose 36 percent in the past decade, reaching 359,000 units in 2001. About six percent of all home sales each year are second homes. Half of those who own a second home say they use it as their vacation getaway.

Because buying a second home is often different than primary home purchases, the professionals at Coldwell Banker Real Estate Corporation offer the following helpful tips when getting ready to invest in a vacation property:

**Determine the best locality for your vacation home.** The most popular locations for second homes are near bodies of water and mountains, in more rural settings than urban. In most cases, however, second homes are within less than a day's drive from the primary residence.

**Research locations.** A real estate professional is an invaluable resource in distant places. A Realtor® can highlight areas of interest and offer information on other issues such as affordability, climate and population.

**Identify your favorite pastimes.** Vacation living equals more leisure time so think about your recreational interests. More and more people are buying vacation homes near golf courses, ski slopes, boating facilities and biking, hiking or horseback riding trails.

**Know the income tax laws.** Vacation homes used primarily by the owner are considered personal residences, and individuals are allowed to deduct interest up to \$1 million of mortgage debt on two personal residences and up to an additional \$100,000 for home equity loans. Additionally, vacation homes can be rented out for two weeks each year while still allowing owners to benefit from deductions in property taxes. Involve your tax professional in the financing part of the deal.

**Timing.** Almost every real estate market has a seasonal slump when buyers are scarce and purchase costs drop. Also use local brokers and mortgage lenders who know the market and can price competitively.

**Visit the destination.** By doing so, you get a feel for the travel time and the area's culture and resources. Many people who buy a vacation home ultimately use the property as their primary residence upon retirement, so it is extremely important to think about how the location fits into your long-term plans.