



THE ☁ HOLIDAY HOUSE DREAM ☁

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Having a home by the sea or in the country where you can escape the hustle and bustle of city life at a moment's notice sounds like a dream. But what's the real cost of owning your own holiday home?

A holiday home offers somewhere to go when you want some peace and quiet, a place for the kids to enjoy a weekend away, and a spot for the grandkids to frolic on the beach. But that's not all; it can also have the added bonus of bringing in some cash when you're not using it. If you're considering investing in a holiday home, here are some things to consider.

COST VERSUS SAVINGS

As with any financial investment, it's crucial to weigh the costs up against

the potential savings and income. It's also important to be wary of the potential for emotional buying. According to Chief Economist at realestate.com.au, Nerida Conisbee, many people fall into the trap of the 'summer dream'.

"If you are buying a property to use purely as a holiday house without any concern about capital growth or income return, then you can afford to be as emotional in your decision making as you like," Conisbee explains. "However, in order to maximise income from the property, or to ensure

capital growth, you need to be more hard-nosed."

Costs don't just refer to the initial outlay of cash. You also need to consider the ongoing costs involved. Depending on where you live in proximity to the property, maintenance costs can burn a deep hole in your pocket. If you can't maintain the property yourself, you'll need to hire someone to do this for you. And if you are renting the property out, it will require a thorough clean after each tenant leaves. These costs add up. »



INVESTMENT POTENTIAL

When it comes to a holiday home, there is investment potential. When you're not using it, it can be rented out to other holidaymakers. But be aware that rental income is dependent on a number of factors, including the location. While locations close to capital cities are prime for capital growth, don't be afraid to also look in areas that are forecast for population growth or that are major tourist destinations.

"Places like Byron Bay and Port Douglas are strong tourist destinations in their own right, attracting people from all over Australia and the world," Conisbee says. Conisbee suggests locations close to capital cities because they're great for short getaways. Plus, properties within a reasonable commute are also becoming popular as permanent houses. "These areas are increasingly seeing good capital growth because our capital cities are becoming more unaffordable."

It's crucial to look at any potential property and location without rose-coloured glasses. Remember that during peak season the property may be flooded with inquiries, but those are also the times that you will most likely want to spend there.



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TAX IMPLICATIONS

Understanding the tax rules is crucial. You cannot claim tax deductions if you do not lease the property. According to the ATO, tax deductions can only be claimed for expenses to the extent the home is rented out or genuinely available for rent. However, there are tax

advantages. "Negative gearing is the most obvious one," Conisbee says. "It may also be possible to claim depreciation of furniture and white goods." But beware, the ATO does have its eyes on you and if you're caught in the property during a time it's meant to be rented out you can be penalised. "The ATO regularly cracks down on holiday house ownership, particularly with people who claim deductions with little effort to lease the property."

WHEN WILL YOU USE IT?

A holiday home can mean rent-free holidays, some extra income and somewhere to retire. But it's not always that simple. Having a place to go at the drop of a hat when you need or want some time out may be desirable, but consider the possibility that boredom may kick in at some point. You might save on travel costs, but do you really want to go to the same place year in and year out?

Conisbee has some advice: "If you're not sure you will use it regularly during off-peak times, then it can be more cost-effective to simply lease a property in your favourite location during the peak season instead." ••

THE TOP SPOTS

Realestate.com.au's Nerida Conisbee shares her recommendations on the best holiday home locations across Australia.

