



Choosing Your Vacation Home

By Ken Ryerson

It's summer time and the living is easy. Or maybe its winter, a wonderland of snow. Whatever your holiday dreams, the right vacation home can make it a reality for you and your family.

Because real estate represents a major purchase, it's important to consider many factors when shopping for a vacation home. Foremost is location. "Location, location, location" applies just as much for a vacation home as for your primary residence.

When determining where to purchase a vacation home, consider your passions. Do you love to ski? Boat? Golf? Maybe you mountain bike, or like lazing on the beach. The possibilities are endless, so select a location that is tailored to your interests.

Distance is equally important, generally the closer to home the better. With today's hectic work and family schedules, you should carefully consider how frequently you and your family will be able to spend time at your vacation home. For the typical Lamorinda resident, a Napa Valley cottage is much more convenient than a Lake Tahoe cabin or a San Diego beach house.

And if you do decide on a property that requires air travel, make sure that it is close to an accessible airport.

Affordability, of course, is a key factor, with dimensions beyond those of home loans and equity lines of credit. It may prove beneficial for you consult with your financial advisor or banker before making the leap.

On the downside, any vacation home introduces new costs to the family budget. Can you afford not only two mortgages, but also double bills for utilities, taxes, and maintenance? Maintenance in particular, is an important factor that is often overlooked; it typically runs 1-2% of a home's price per year. In some locations, vacation homes may need to be closed during a particular season, such as a beach house in a hurricane area, or a mountain home being winterized for the cold weather. Are you willing to spend your precious vacation time (or cash) to take care of this? You wouldn't want to become a prisoner to your new vacation home.

On the upside, financial and tax considerations can be favorable. For example, as a landlord you can rent out a vacation home for up to 14 days a year without having to report the income for tax purposes. If you are interested in renting out your property, you will need to consider whether there is a demand for all seasons as there is in Lake Tahoe or Napa Valley. Or does the town close down for the summer (a desert town perhaps) or in the winter (a lake house in a non-ski area). Generally, high-demand rental weeks such as Christmas or Fourth of July in popular destinations like Lake Tahoe can command more than three times the typical weekly rent. This means that by renting out your vacation home just two weeks a year, you could pay for two months of mortgage payments without having to report any rental income.

Other areas may have a popular annual event that makes it lucrative to rent the home out for a short period to help defray ownership costs. For

example, the Masters Golf tournament in Augusta, Georgia, lets homeowners rent their homes for the week at high prices.

With any investment, endgame strategy is important. If you are considering retiring to a vacation area, purchasing a vacation home in the transition years before retirement could give you the opportunity to get involved in the community before taking the big leap and moving there full-time.

Do as much planning as possible when making decisions to purchase a vacation home. Renting a home in the area for a few weeks or even a few seasons is ideal.

Once you have selected a location, find a trusted real estate agent who specializes in vacation homes in that area.

A local realtor will have valuable resources and knowledge that will aid you in your decision.

Choose someone who knows both the inventory and the history of the location. Is an area subject to local disasters, such as a cliff-top ocean home that is sitting on an eroding hillside? Having a local area expert can help you make an informed investment decision.

Finally, keep in mind that real estate is a micro-area investment. Thus, despite all the talk about real estate currently being a buyer's market, many prized areas only have a limited inventory of available homes. So if you want a home on a specific golf course, you may face intense bidding competition when one of those homes comes on the market.

This is also the case in Lamorinda, where we currently have a mixed market. Homes that are highly desirable still command a premium, resulting in multiple offers. However, if you can be flexible and know which requirements are must-have versus a nice-to-have, you should be able to find the right home for you and your family in your desired area at a good price.

Above all, make sure that the timing is right for you. Don't be afraid to take your time. Test out a place to live and you'll know if it's right for you. And when the time is right, get out and create some vacation memories with your loved ones that you can enjoy for the rest of your life!



Ken Ryerson is a local realtor with Pacific Union Real Estate in Orinda. He is the father of a 8 year daughter and 5 year old son (both attending Los Perales Elementary in Moraga) and is thankful to have found a home that he and family will be able to live in for many years to come. If you have any questions, you can reach him at Ken@RyersonRealty.com or at 925-878-9685.