

Finding the ideal coastal investment

By  Adrian Goslett

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Much debate surrounds the topic of whether or not a holiday home is a viable investment, especially when you consider the costs involved in maintaining and managing a second property.



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With any property purchase, the potential for a successful return on investment is largely attributed to the research done beforehand and how the investment is viewed by the buyer. A holiday home purchase can be one of the best investments that a buyer can make, provided they have a long-term view on the purchase of such property.

If the correct decisions are made from the onset, and the necessary property investment principles are adhered to, buying a second property can be a platform on which to build wealth. The investor should see the property as a vehicle to put money aside for their retirement, rather than leaving that money in a bank account. A large number of investors want to purchase homes situated in coastal areas with the view that they will retire there in their golden years. If the investors purchase the property early enough, by the time they reach retirement age, they will have a fully paid off home to which they can retire.

Building a support network

An added advantage is that before they retire, the owner of the property will have full use of the home and a place to take their family to over holiday periods. People who live inland often retire to the coast away from their family and support network. Owning a coastal property that they frequent often affords the investor the opportunity to establish friendships and build a network in the area in which they decide to retire. This makes the process of retiring and moving to a new home far less stressful.

Over the years the property will appreciate in value and the investor will be able to sell their primary residence to get the cash flow that they will require to sustain themselves.

While there are several benefits to owning a coastal home, it is not without its challenges, such as the fact that coastal properties generally require more maintenance than inland homes. Coastal properties are exposed to harsher weather conditions due to the climate in coastal regions and the home's proximity to the sea. The result is that coastal properties often require more frequent upkeep than inland homes. Investors considering freehold property should opt for modern, recently built homes to reduce the maintenance costs from the onset. Sectional title units require less maintenance on the investor's part because the body corporate will be responsible for maintaining the building's exterior and all the common areas within the complex.

Gauging the market

Distance can also be a challenge for most investors who live far away from their coastal property. It is sometimes difficult to gauge the market and how the area is developing, as well as dealing with any possible maintenance issues that could arise. A property management agent will be able to take care of the management of the property, offer advice on the investment and keep the investor informed of any trends that might be occurring in the area. Working with a real estate professional will keep the investor focused on the facts and not be driven to make any investment decision based on emotions.

Here are a few factors that investors should pay attention to as they can influence demand and potential appreciation in value over time:

- For the most part, properties with ocean views are highly sought-after and hold their value.
- Homes that are within close proximity to the beach are generally regarded as a sound investment.
- There is a quicker turnaround time on coastal properties that are close to amenities such as schools, medical facilities, and shopping centres.
- Security is a driving force behind property buying decisions, so opt for an area with an active policing forum.
- Consider whether the property will be popular among holidaymakers so that it can be let out should the need arise.
- Low maintenance properties are sought-after among holiday home investors.

Buying a coastal property can be a viable investment option, provided the decision is given the due diligence it deserves. Getting as much information as possible from reliable resources will help the investor to make an informed and profitable decision.

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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