

## **Is This Buyer's Market a Good Time to Buy a Vacation Home?**

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If you're thinking about buying a second home for vacations, retirement or investment purposes, you're not alone. In this buyer's market, many vacation homes now have lower price tags as well as lower mortgage rates.

As babyboomers hit their peak earning years, second-home ownership is expected to grow. In fact, vacation home sales accounted for 33 percent of all real estate sales in 2007 in the United States. The National Association of Realtors says the right time to buy a vacation home might just be now.

According to the NAR, the typical buyer in 2007 was 46 years old and had a household income of \$99,100. They purchased a second property 287 miles from their primary residence and visit the home frequently to get away throughout the year.

But before you consider buying, there are a couple of things to consider: Buy or rent? Do you really want to be tied down to one location for many of your weekends or vacations? Some people find that once they commit to a vacation home, they miss traveling to new locations or the option of exploring different types of accommodations. Will you really find the time to travel to the second home with work and family commitments?

Ownership costs. With a second home, you'll have two mortgages, two property tax bills and two houses to maintain. Make sure you can afford the home without counting on rental income or straining your budget. Rental income can be helpful in offsetting costs; however, make sure you investigate the local rental market and understand the different income tax treatments of rental property. Who will keep an eye on the home when you aren't there? Do you have trouble keeping up with your current repair lists and landscaping? If you are considering buying the home with another individual or family, are you prepared to work out the many compromises that would require?

Identify your priorities. Once you've decided you're ready for a second home, you have many more decisions to make. Is it your dream to retire by a lake, to a warmer climate, or close to family? Do you want an isolated, rustic cottage or a low-maintenance condo near a golf course? Decide what you're looking for and

get ready to explore the many vacation/retirement options available.

**Location.** Once you've narrowed your search, find out about local real estate prices and taxes. Visit the county records office or watch local real estate notices. Investigate how long homes remain on the market; this information can help you negotiate a good price when opportunity knocks. Have you stayed in the area before? If not, consider spending a week or so there during prime vacation time to experience the hustle and bustle of the area. You may find that the quiet, quaint little town becomes a speedway of activity during the weekend. The reverse also can be true - make sure that your desired location remains as attractive to you when all the tourists have left town.

**A Realtor.** Work with an agent who knows the area, second home market and your priorities. Give them your wish list of locations and home features and let them find the right match for you. Your agent will know when new homes come on the market. He or she can identify community services and reputable local businesses and may even help find someone to watch your home when you can't be there.

Now that the real estate market has cooled, it may be the best chance to get a second home at a reasonable price. A second home can provide your family with an attractive getaway for years to come, as well as be a solid investment that will still likely appreciate over time. See your financial adviser for mortgage options and for other financial advice.

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