

Thoughts about Owning a Vacation Home

Whether viewed as a measure of success or as an important part of a household's recreational activities, a vacation home continues to be a highly desirable asset among many Americans. For some it may be a mountain home for ski trips. For others, as is common in Florida, it can take the form of a beachfront condo. Regardless of the "where and what" of a property, the fact is vacation homes have accounted for a significant 5% of all existing home sales.

However, it can be argued that this statistic is on the low side. In arriving at the estimated 2.6 million rental properties in the United States that are seasonally occupied, the projection is heavily influenced by rental activity. Eluding the estimates are many properties that can be viewed as vacation homes that are seasonally or occasionally occupied exclusively by owners and never offered for rent. Also it should be noted that in recent history the sale of vacation homes has increased during the pandemic era with 2021 sales through April jumping to 6.7% of existing home sales. Furthermore, this number does not consider new home sales that are taking place during this period of significantly increased new construction activity.

Clearly the lure of vacation home ownership is growing, especially here in Florida where the state leads in vacation property rentals nationally. A recent study lead by the University of Central Florida indicates that vacation homes rentals outside of traditional hotels and resorts contributes about \$27 Billion to the State's economy.

So just what accounts for this popularity. Certainly, the continued growth of the wealth in the US is a factor. Increasing numbers of people are financially capable of enjoying the luxury of a vacation home. There is also the COVID induced trend of some people no longer feeling comfortable in conventional hotels. And, of course, there is the positive outlook for real estate values that have some owners viewing a vacation home as both a get-away retreat and investment opportunity.

With all that said, in deciding to buy a vacation property the first point that needs to be defined is what is the motivation for purchasing. If personal use is the primary reason, the questions are straight forward. Is there a special place you enjoy being at for a portion of the year? Do you wish to experience an environment with a different climate at some point of the year? Are there friends and family that you want to have use or share a vacation home?

On the other side of the coin, purchasing with an investment outlook requires a realistic view about the area in which the home is located and the potential of income. Popular vacation destinations, including beach areas, hold the greatest potential for rental income. You also may wish to personally use the home for a part the year. An investor mentality will usually result in sacrificing personal use of the home during peak vacation periods in favor of the rental income. An interesting point in considering the investment aspect of a vacation home is 23% of Americans report referencing a short-term rental platform such as Airbnb and VRBO.

In the end, the ability to financially carry a vacation home is an essential consideration. For some households, the expense does present a stress to the budget. For others, there may need to be a serious weighting as to whether owning a vacation property is practical. Will it be used enough to

justify the expense? Is the location chosen convenient enough to be routinely used? Or is the thought of partially using a home and generating rental income to offset the expense of ownership make sense?

On a final note, I want to just reference timeshare resort properties. This is an option that can provide desirable vacation experiences. But timeshares do not hold the same attractions as an asset. Liquidity is poor and the likelihood of retrieving the funds spent purchasing is not likely.

For many families the idea of owning a vacation home can be an attractive lifestyle decision or viewed as an investment opportunity. It all depends on your goals and overall point of view.

600,000 Americans rent their home for short term guests.

- 2.58 million rental properties in the United States are seasonally occupied.
- 450 million people worldwide use vacation rentals.
- 23% of Americans report engaging with short-term rental platforms.

The Census Bureau defines **vacation homes** as housing units that are “vacant for seasonal, recreational, or occasional use.” There are 5.7 million such **homes** in the **U.S.** Jul 16, 2019
140 Million

So the vacation home can be both a get-away location and investment

The more popular a vacation destination is results in increased vacation home rentals
Florida beaches stand among the most popular vacation rentals.

Looking forward the

Timeshares, although they offer desirable accommodations for vacationers , they do not generally have an investment aspect.