Investing in a holiday home is no picnic

You're on holiday in a gorgeous coastal resort. The sun is shining, you've time on your hands – and it's a fair bet your eyes might wander to the real estate ads.

You love this place so much – paying a small fortune to rent it from someone else – why not buy a slice of it yourself? You rationalise that your purchase will be an investment, that it will grow in value, produce a rental income for much of the year, and be there whenever you want it for your own use.

It may seem like a nice idea but, according to George Kafantaris, an independent buyer's advocate, it just doesn't add up.

Kafantaris, director of Metropole Properties in Brisbane, said: "Many investors kid themselves and tell their friends and family that they bought a holiday property for financial reasons when, in reality, the main reason is lifestyle. Most people fall in love with the idea of owning a holiday apartment and few pay much attention to the investment fundamentals."

In reality, he said, the only tenants you might get all year would be during the peak period – the very time when you want to use it. Maintenance costs can be high, especially if your property is in a building under management, or has extras such as swimming pools, spas and lifts – all of which the owners are responsible for.

Many of the scenarios that end in tears have an overseas owner in the equation. They may have paid too much, believing that a property looked a good buy compared with property values in their own country, when the price may have been inflated in the context of the local market.

When financial pressures strike, owners will sell an overseas holiday home first in order to keep their family home. In the past year, Kafantaris said, some Queensland holiday properties dropped by up to 50 per cent as desperate overseas owners bailed out.

But that's not to say no one should ever buy a holiday property, argued Kafantaris, who is also an accountant and qualified property investment adviser – just be clear about your reasons for the purchase. If you did not need to finance the deal, and didn't plan on renting it out to anyone else, then invest away, he said.

Sleeping eight, this "funky shed" in Margaret River, Western Australia, provides easy access to a golf course, popular surf spots and wineries.

Shorelines unit 15 on Hamilton Island offers spectacular views.

When considering buying a vacation property, make sure it is for the right reasons and not just for financial gain, writes **Peta Tomlinson**

Australia has a wealth of destinations to find the perfect holiday home.

Tasmania offers the lure of the wilderness, such as Bluff Point, which is one of the most remote properties on the west coast. This waterfront property overlooks the wild Southern Ocean, has kilometres of beautiful sandy beaches and the cleanest air in the world. From here, said estate agent Betty Kay of Landmark Launceston, "there is nothing but ocean between you and South Africa".

"The three-bedroom home is positioned for privacy. You can fish from the rocks in front of this truly amazing holiday home."

Kay said Tasmania was attracting more interest from tourists worldwide for its relaxing location, beautiful scenery, wildlife, natural bush and unspoiled beaches. The property is for sale at A$630,000 (HK$4.5 million) – and the owner will throw in his new boat and trailer for an extra A$100,000.

Every Australian man needs a shed, and Western Australia's Margaret River is where you'll find "the funkiest shed in the land". The "shed", at 46 Brotherton Place, has been set up as a perfect weekender that can sleep eight, and has broadband and satellite television. Set amid three hectares of bushland, it is only minutes to a golf course and popular surf breaks, and within easy reach of Margaret River wineries. Donna O'Leary, of Empire Property Margaret River, has the property for sale at A$925,000.

If you're expecting many visitors, Buckley's Bush Retreat in Broome may be the answer. Broome, in Australia's northwest, has a large Chinese population resulting from the gold rushes of the 1850s. The fully solar-powered, self-sufficient property consists of a main homestead and three self-contained guest chalets within 20 minutes' walk of Cable Beach. It is for sale at around A$6.7 million.

Kylie Minogue chose French Island in Victoria's Western Port for her holiday getaway and, while she recently sold it, the Minogue family still owns land there. The car-free island is accessed by ferry, and its population comprises 80 people and 4,000 koalas. The school has six students who arrive by horse and, apart from star-gazing, attractions include walks, beach picnics and great fishing.

Hendrik Boer, of Hocking Stuart Rye, is selling properties on French Island, including an estate offering farmhouse-style luxury in 34-hectare seclusion. The new home at Lot 18a Overpass Road features open-plan living, gleaming timber floors and sweeping rural and bay views. It is for sale at A$950,000. A 60-hectare French Island property, with a 720 metre sandy beachfront, costs less than A$1.5 million, while 40.5 hectares of beachfront could be yours for A$800,000.

Queensland's Gold Coast continues to draw interest from overseas, including Hong Kong and the mainland. Luke Woollard, director of Pacific Lifestyle Property in Broadbeach, said high-rise resort apartments were their purchase of choice.

In the past six months, Woollard said, inquiries across the board had increased as the global financial crisis eased. Offshore buyers generally were seeking "resort-style investments where they can use the property themselves when they visit Australia", he said. "We find that most often, the customers are not speculators – they expect to hold the property for the long term."

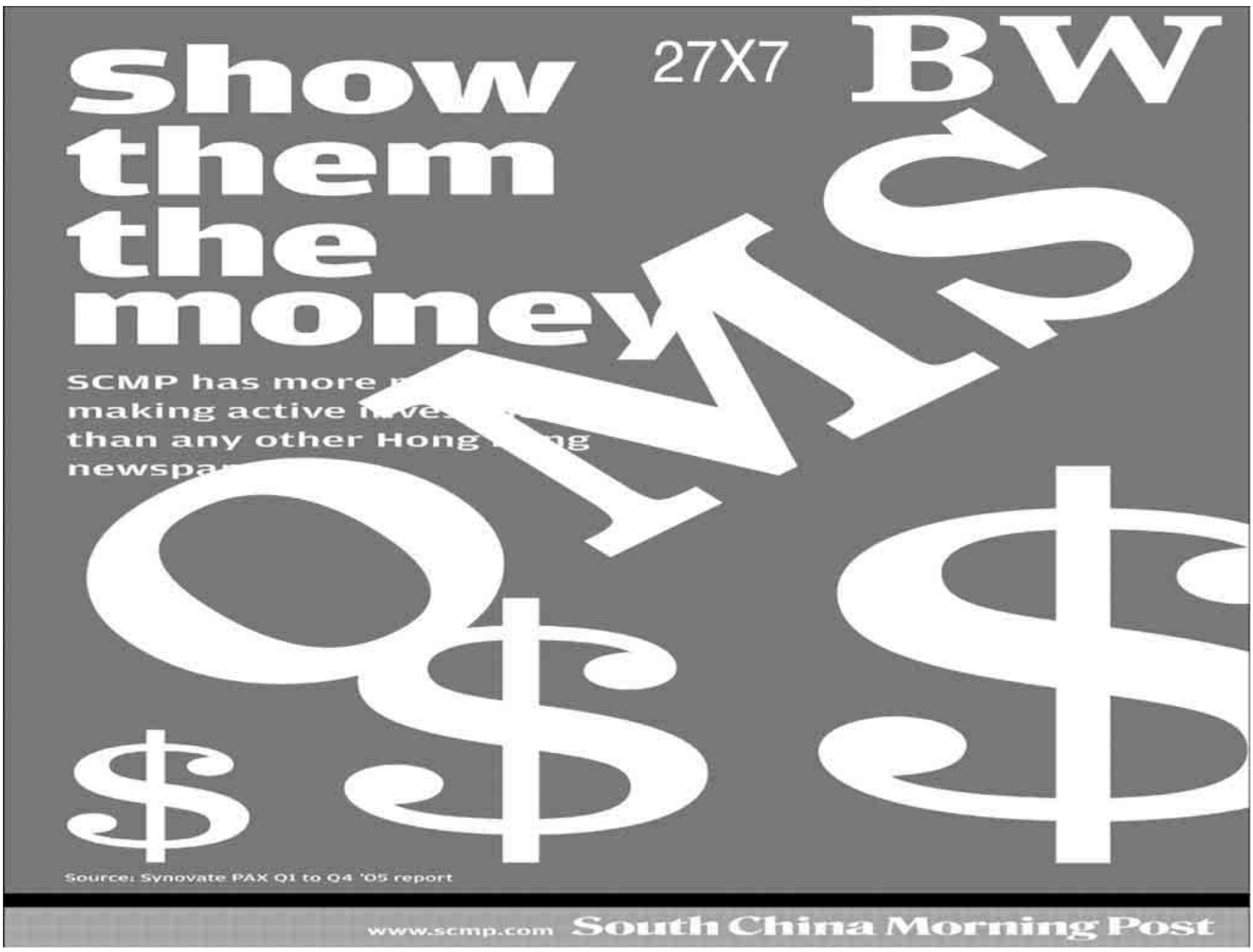
Woollard cited the new Hilton Surfers Paradise as an appealing property, due to the strength of the Hilton brand and potential for strong holiday-letting yield. He expects the accommodation will be highly sought after as it is the only premium hotel in the centre of Surfers Paradise. "The Hilton services are available to all guests, whether they choose to holiday in a hotel suite, a two-bedroom apartment or one of the luxurious three-bed sky homes."

Further north, Hamilton Island in the Whitsundays is a destination with wow factor. Owners can fly directly to the island from Australian capital cities, and be at their lodgings within a two-minute buggy ride.

Rana Beadle, of PRD Nationwide Whitsunday, offers units 4 and 15 at Shorelines priced at A$1,050,000 and $975,000 respectively. "They are two-bedroom, 2½-bathroom spacious units with high-quality finishes," she said. "These units come fully furnished." Beadle added that Shorelines units offered spectacular views and regularly achieved close to 10 per cent gross return. "They are a favourite to holiday in, as they are very close to the marina and all the action on Hamilton Island."

Of course, "Hamo" also has larger and more luxurious homes – such as the Whitehouse, a six-bedroom pad with caretakers' quarters, a choice of entertaining areas and about half a hectare of land. It is open to offers of more than A$8 million.

Check list

If you're bitten by the holiday home bug, adviser George Kafantaris offers the following tips

- Beware of hidden expenses that may not be mentioned at the time of purchase
- Check and compare all the corporate charges
- Look at the full year's tenancy rates, not just the peak period
- Consider the number of pools, spas, lifts etc – they all involve maintenance costs
- Have an independent solicitor check the corporate rates for any upcoming expenses, such as repairs
- Find out the ratio of overseas to local owners. An abundance of overseas owners could result in an over-supply if many need to sell, potentially devaluing the property