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# Discover Perfect Paradise

## 30A CONTINUES TO BECKON SECOND HOME INVESTORS

*A conversation with Paula Hinegardner, a top local luxury Keller Williams agent. Paula has invested in multiple properties throughout Florida over the recent years and is thrilled to share her expertise.*

**Q: CAN YOU SHARE SPECIFIC MOTIVATIONS YOUR CLIENTS HAVE MENTIONED FOR INVESTING IN FLORIDA REAL ESTATE?**

**Paula:** Many of my clients are excited about the idea of owning a second home and typically it's one of three things that motivates them.

For some, the motivation is to own a "home away from home" any time they want it offers huge appeal. My clients that have crazy, busy and high-stress lives or careers love the flexibility a second home offers; spur-of-the-moment travel where they can hop onto a plane without even needing an overnight bag.

For others, the motivation is to own a second home as an investment. This group of clients love the idea of purchasing a vacation home to use when they want/can, while also having the ability to rent it out to others to help offset the costs or in some instances create passive income. Over the last several years, the clients of mine that have purchased for this purpose have been thrilled with not only the income they have been able to earn, but also with the property

appreciation. Several have seen appreciation in excess of \$500,000 - \$1 million in just three years time.

The third motivation I often see for purchasing a second home is retirement planning. My clients who are beginning to plan for that "next chapter" love the idea of being able to buy now and take their time renovating and decorating the home while they wind down to retirement. This approach gives my clients the opportunity to spend part of the time in their new neighborhood getting to meet people, learn the area and transition comfortably into their new community.

**Q: ARE THERE PARTICULAR CITIES OR REGIONS IN FLORIDA THAT SEEM MORE ATTRACTIVE FOR INVESTMENT, CURRENTLY?**

**Paula:** When considering a second home from an investment property perspective, the 30A, Miramar Beach and Destin areas are hands down the number one choice. These beach communities are ranked amongst the nations top Air BNB and VRBO destinations and because of that, the area has infrastructure in place that makes owning and managing a rental property very easy. Nashville to 30A is a quick 45-minute direct flight or only 6.5 hours by car. It is easy to see why 30A is such a popular place for second home purchases.



important because ultimately it determines the rental rate that an owner can charge. For those buyers motivated to purchase as part of a long-term plan... the decision really comes down to what they envision their 'next chapter' to look like. If these buyers see themselves in a lifestyle community where most of their days will be spent locally playing golf, tennis, boating and enjoying puttering around the house gardening or doing home improvement, they may decide that a home is right for them.

Regardless of which type of residence a buyer chooses, the cost of insuring a property has definitely become more of a struggle as the insurance costs continue to rise. Properties with roofs older than 15 years may require a new roof to even be eligible for insurance. In the case of a single family home, the owner bears the cost of that roof. In a condo, the insurance is generally limited to a contents policy since most condos either reserve for roof replacement or levy special assessments. But keep in mind, the cost still ultimately falls on the owner as they are tasked with paying the HOA reserve fees and the special assessments.

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**Q: WHAT TYPE OF PROPERTIES ARE YOUR CLIENTS PREFERRED (CONDOS VS SINGLE FAMILY), AND HOW HAVE RISING INSURANCE RATES AFFECTED THESE DECISIONS?**

**Paula:** A buyer's motivation behind the purchase often determines whether they opt for a condo or a home. Clients with busy and hectic lifestyles looking for an easy place for spur-of-the-moment trips and quick getaways often prefer a condominium or even a resort community. These properties provide buyers with an amenity-rich environment (golf, tennis, swimming, dining) and are very low maintenance as everything is taken care of for you. Buyers who are investment-motivated will look for those properties that provide for the highest rate of return. "Heads in beds" is the catchphrase for investors and translated it means "How many people can their property sleep?" Heads in beds is



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**Q: WHAT ROLE DOES GENERAL RENTAL INCOME, SHORT-TERM RENTAL INCOME, AND APPRECIATION PLAY IN YOUR CLIENTS’ INVESTMENT DECISIONS?**

**Brian:** Rental income potential is a major factor for most purchasers in our market. Who doesn’t love the idea of buying a vacation home and letting someone else pay for it? It’s important to keep in mind that every investment buyer is different. Some buyers seek a passive income stream, some seek a way to offset earnings to help mitigate income tax and some look for a longer term investment product. Ultimately it’s critical to understand the buyer’s goal so that you can help them choose the best situations. Despite the fact that 30A is a highly desired vacation destination that has shown huge real estate appreciation in the past few years, we have actually seen higher rates of return in both Miramar Beach and Destin.

**Q: CAN YOU EXPLAIN ANY FINANCING OPTIONS OR INVESTMENT STRATEGIES FOR SECOND HOMES THAT VARY FROM PRIMARY RESIDENCE DECISIONS?**

**Trevor:** There are two different types of strategies for non-primary residence homes.

Second homes have lower down payment options, vs investment properties. Investment property loans allow you to use the projected rental income to offset the future payment and can help in qualification. There are special types of loans out there for rental properties. The most popular one right now is a DSCR (debt service coverage ratio), and you have no traditional income verifications. You have the property and the rental income (either short-term or long-term rental income) appraised. If the property is deemed to have sufficient net operating income (rents) then you get the loan. This type of loan is great for multi-unit properties or non-warrantable condos. These types of properties have trouble getting approved with a traditional mortgage product.

**Brian:** Most second home and investment loans will have a higher interest rate and even require a little more down payment in some cases. Trying to make the asset break even or have positive cash flow has become a challenge this year with rising interest rates. It may require a higher down payment if that is the client’s goal.