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SUMMER 2019

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Key differences and benefits

Buying second home or investment property?

Buying a second home or an investment property on the OBX?

Is it time for a little getaway? Need some sand between your toes or fish tacos in your belly? Maybe you're looking for a new, exciting way to invest for your future? If either of those apply to you, keep reading because you can have both!

Occasionally buyers purchase their beach home with the intention of using it as either a second home or as an investment property, and many times on the Outer Banks, it's both. While the process for purchasing a second home

or a home to use as an investment property is similar, there are a few key differences and some benefits that make these kinds of purchases unique. In this article, I will explain the similarities, the differences, and how each may benefit you.

Second home vs. investment home: how are they similar?

The main similarity between second homes and investment homes is that neither can be listed as your primary residence. Both also may come with certain tax benefits. These benefits

include mortgage interest being used as a tax deduction in the case of second home loans, and the cost to upkeep the property is usually considered a tax write-off.

How are they different?

If you're thinking of purchasing a second home, it's usually with the intention of using the property as a vacation home or another place where you can comfortably spend a good portion of your time. That is all well and good, but

you should know that most lenders will only consider a property a second home if it is at least fifty miles from your primary residence. For example, if you're making a thirty-minute commute every week and want to buy a second home closer to your place of employment, you



Side-by-side, mirror-image oceanfront investment properties, sold individually or together

(continued on next panel)

Buying second home or investment property?

will not be able to purchase a second home in that location. Additionally, you can only own one second home in any given area. If you purchase two homes close to another and try to claim both as a second home, you may be told to consider one of the homes as an investment property.

Investment properties, however, are not meant to be used as residences by the buyer; this means you will not be able to stay for any great length of time in the investment property for as long as it's financed as such. Unlike second homes, there is no requirement concerning a minimum distance from your primary residence. Investment properties may be either a residential rental property, a commercial property, or a property purchased with the intention to "flip" once the designated time requirement between sales has been met.

The benefits: second home

The immediate benefit for purchasing a second home in a location you visit frequently is no more hotel reservations!

Instead, you get to build equity into a home that you own. Also, financing for a second home is usually a bit more lenient as second home mortgages are viewed as lower risk, thus resulting in a more competitive mortgage rate.

The benefits: investment property

Investment properties may be used by their buyer infrequently; in fact, they are designed to be rented out, and this can be a benefit to you as a buyer. Because rent for an investment property is paid monthly, it serves as a consistent form of income, especially if the rental payment is higher than the monthly mortgage payment. If done correctly, investment properties may yield a better return than some CDs or savings accounts. If you decide to use a property management company to manage renting the investment home, you may be able to write it off when you file your taxes; this might also be true of certain other property-related expenses.

There is much more that goes into buying investment and second homes

here on North Carolina's Outer Banks. As a preferred local lender, Southern Trust Mortgage is your go-to resource for the information you need to make an informed decision about your purchase. Contact me today and I'll make your beach home purchase an easy and stress-free experience.

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Outer Banks real estate market update

Data obtained from OBAR MLS through July 2019

- Residential units sold: 1118, +5% change over Q2 2018
- Residential sales volume: \$446.6M, +2%
- Residential average days on market: 114, down 15 days
- Residential average sales price: \$399,400, -3%
- Vacant land units sold: 125, -15%
- Vacant land sales volume: \$23M, -34%
- Vacant land average days on market: 212 days, up 29 days
- Vacant land average sale price: \$107,000, -22%

2019 2 nd Quarter Residential Unit Sales by Town		
Area	Units Sold	Change over Q2 2018:
Corolla	126	+ 3%
Duck	70	+27%
Southern Shores	46	+ 7%
Kitty Hawk	57	Even
Kill Devil Hills	146	- 5%
Nags Head	87	-18%
Roanoke Island	58	+16%
Hatteras Island	125	Even

Just a Sampling of Our Listings for Sale



Corolla, Ocean Sands

Short walk to beach, well maintained, game-room, beautiful pool, screen porch, cul-de-sac
4 BR, 3 BA • \$349,000 • MLS 96482



Powell's Point Soundfront

Rare property with 378 ft of water front, boat ramp w/10 permitted slips, safe harbor canal
4 BR, 3 BA • \$824,500 • MLS 104569



The Village at Nags Head

Exceptional: location, condition, ocean view & rental income. Pool, hot tub, almost 10% ROI
6 BR, 4.5 BA • \$764,900 • MLS 105293



KDH, First Flight Retreat Condo

Oceanfront, well-appointed furnishings, heated pool, spa, fitness ctr & gameroom
2 BR, 2 BA • \$385,000 • MLS 105650



The Currituck Club

Semi-soundfront, landscaped corner lot, beautifully decorated, pool, rental ready
7 BR, 5.5 BA • \$595,000 • MLS 105561



Nags Head Oceanfront

Ocean & sound views, near Jennette's Pier, well appointed, game room, pool, amazing income
7 BR, 6 BA • \$1,299,000 • MLS 104165



Nags Head, Southridge

Open concept top floor living area, screened porch/sundecks, top fl master, updated kitchen
4 BR, 2.5 BA • \$350,000 • MLS 103786



The Village at Nags Head

Golf views, on cul-de-sac, completely remodeled, all new windows, maintenance free
3 BR, 2 BA • \$335,000 • MLS 105834



Nags Head Oceanfront

Established rentals w/potential for \$115K w/updates, gameroom, pool, near Jennette's Pier
6 BR, 4 BA • \$849,000 • MLS 104659



Duck, Portside Soundfront Condo

Soundfront, stunning views, beautifully maintained, ocean/sound access, pool, tennis court
2 BR, 2 BA • \$450,000 • MLS 105302



KDH, Colington Pointe Townhouse

Semi-soundfront w/unbelievable views, 3 masters, upgraded kitchen, great amenities
3 BR, 3 BA • \$289,900 • MLS 104096



Nags Head Oceanfront Co-Ownership

Best priced oceanfront co-ownership! Own 5 weeks, remodeled kitchen, tastefully decorated
4 BR, 3 BA • \$50,000 • MLS 104934

Just a Sampling of Our Listings for Sale



The Village at Nags Head

Sound & golf front, 2,696 sf, gorgeous views, beautifully maintained, owner occupied
4 BR, 3.5 BA • \$530,000 • MLS 103747



KDH, Colington Harbour

Canalfront, bulkheaded, on 2 lots, 1 level living, landscaped, gas fireplace, dumbwaiter, garage
3 BR, 2 BA • \$334,500 • MLS 105024



KDH, Colington Pointe

Upgraded, furnished, quartz counters, tile floors in kit/ba, dry entry, comm. pool, boat ramp
3 BR, 2.5 BA • \$299,500 • MLS 104081



Nags Head, Southridge

Quiet street, 2,252 sf beautifully maintained, remodeled kitchen & master bath, heated pool
4 BR, 3.5 BA • \$489,000 • MLS 105038



The Currituck Club

Golf views, 3,320 sf, beautiful home, pool & sun deck, strong rental history, featured on HGTV
5 BR, 5.5 BA • \$575,000 • MLS 103528



Kitty Hawk Westside

Ocean & golf views, beautifully furnished rental machine, pool, hot tub, 2 game areas
6 BR, 5.5 BA • \$529,000 • MLS 105833



South Nags Head Oceanfront

Spectacular ocean to sound views, 5,500 sf, fantastic rentals, all masters, elevator, pool
8 BR, 9.5 BA • \$1,925,000 • MLS 103958



The Village at Nags Head

Ocean view, beautifully maintained, regularly updated, easy beach access, comm. pool
4 BR, 3.5 BA • \$579,000 • MLS 102495



KDH, Waters Edge

Salt marsh view, 1,668 sf beautifully maintained, gated comm. has pool & marina, 5 min. to beach
3 BR, 3 BA • \$344,950 • MLS 105275



Southern Shores, Chicahauk

Minutes to ocean but high & dry, many recent updates, kept immaculate, fenced yard, garage
3 BR, 2 BA • \$419,000 • MLS 105524



Nags Head Oceanfront

Amazing views, 6,340 sf, elevator, theater rm, pool, exercise rm, \$240K rents, sister house listed
11 BR, 10 BA, 2 PB • \$2,399,000 • MLS 104140



Nags Head Oceanfront

Beautifully furnished & maintained, 5,000 sf, panoramic views, excellent rental revenue
8 BR, 9.5 BA • \$1,845,000 • MLS 104579