

Property Week

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Coast hopes to cream off Devon holiday homes

Coast Group has revealed a new rental income guarantee scheme to tempt prospective property owners to Gara Rock (below), a luxury holiday retreat on the south Devon coast.

The London-based company is so confident its homes will be a good investment, it is offering buyers a fixed rental income of 5% a year on the property purchase price for the first three years of ownership.

Rob Dickson, Coast's chairman, claims there are advantages to buyers who treat such property as an investment rather than just a second home. Prices range from £550,000 to £1.2m at Gara Rock.

"You can recover the VAT within the initial purchase price and on any other expenditure associated with this business. Any interest charged on your mortgage should also be tax deductible," he says.

These benefits mainly accrue from holiday letting properties being classed as businesses.

However, the coalition has indicated that it will limit such tax relief from April, prompting Coast and others to step up their marketing. To qualify for tax relief a property must be let out to holidaymakers for 70 days a year but the Treasury may raise that threshold to 105 days.

Chesterton Humberts director Stephen Richards claims this could benefit long-term investors: "There is an oversupply of individual properties, especially within coastal regions within the south-west.

"With tax reliefs being tightened, it may lead to holiday letting cottages being changed back to residential use or sold. This may mean a reduction in competition for the market, which could lead to an increase in rental income for those left in the market.

"Values have been adjusted over the past quarter due to the oversupply. With tax changes potentially boosting rents, the holiday homes market looks more attractive." ■

