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Investors Using Partnerships to Buy Second Homes

Posted in Real Estate on August 29, 2010 by Kevin Brass

With investors wary of modern financial markets, an old-fashioned way of buying a second home may be returning to fashion.

Instead of dealing with a fractional or settling for a small property, investors are forming private partnerships to buy property, said Barry Strudwick, developer of Del Pacifico at Esterillos on the Costa Rica coast, between Jaco Beach and Manuel Antonio National Park.

Strudwick has seen several examples in recent months, usually four or five buyers coming together, essentially as a limited partnership, to purchase a vacation property.

“It’s almost a return to the Fifties,” he said.

In the recent past, in the boom years, a large chunk of Strudwick's buyers were using low-interest home equity loans to buy second homes, a funding source that has dried up in the wake of the housing collapse in North America. Prices in Del Pacifico typically range from $275,000 for a furnished one bedroom to more than $1 million for a custom home; half-acre lots are about $225,000.

Partnerships offer a simple alternative to buyers, especially for investors looking for a way to diversify their portfolio away from stock market volatility, Strudwick argues. He has purposely set up each property on the 700-acre Del Pacifico site as individual corporations, making it easy for partners to formally divide the interests.

A variety of owners might decrease the time a unit spends in the rental pool, but that’s hardly a primary concern for developers eager to sell product. To Strudwick, partnerships are an easier option than offering fractionals, a concept he has resisted.

“I see private partnerships as a more viable idea that ends with higher quality owners,” Strudwick said.

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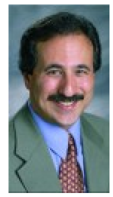

Author: Kevin Brass has covered the quirks and trends of the global property industry for many than 20 years, including regular features and analysis in the *International Herald Tribune* and the *New York Times*.

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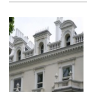

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