JOURNAL REPORT

WEALTH MANAGEMENT

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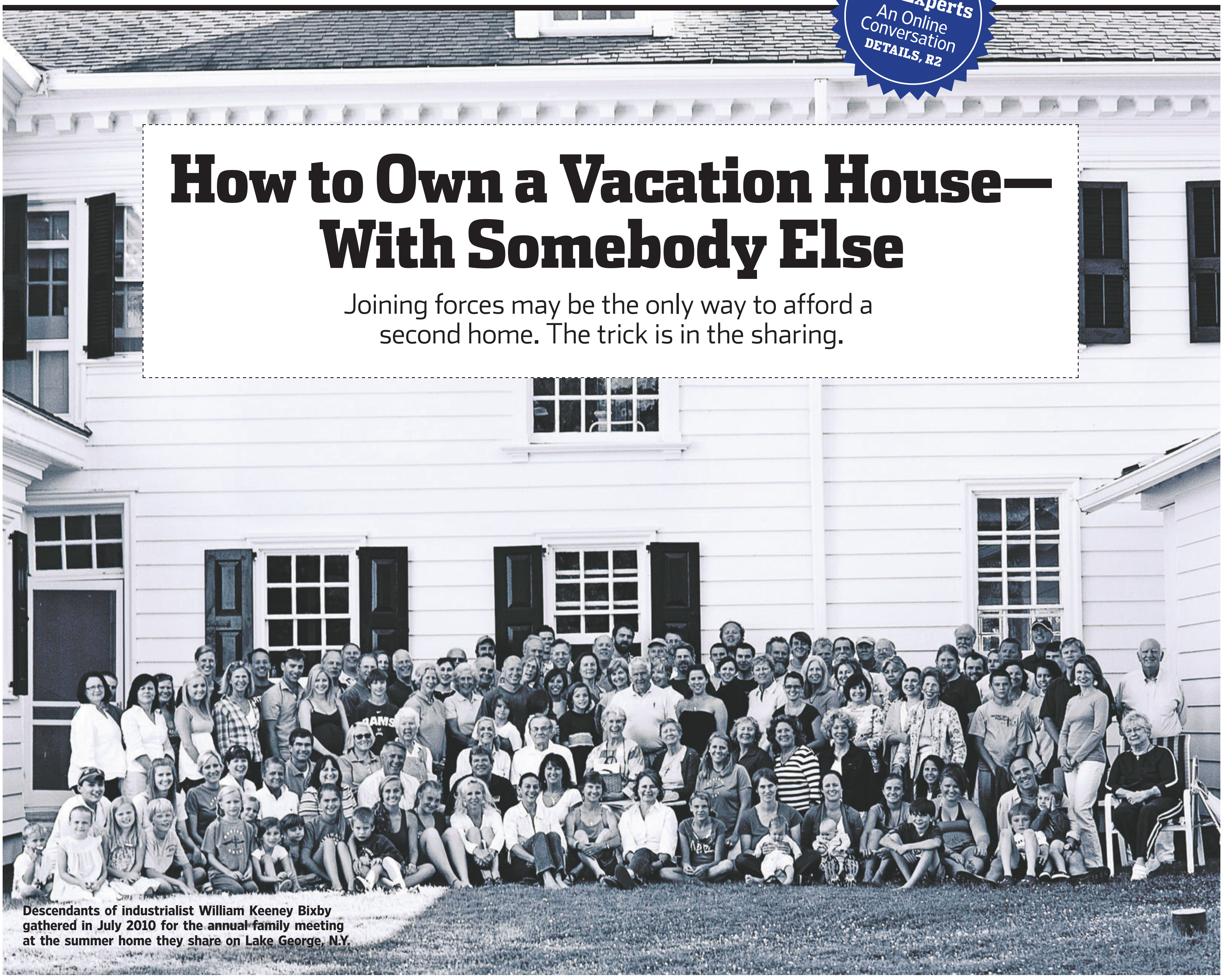
How to Own a Vacation House—With Somebody Else

Joining forces may be the only way to afford a second home. The trick is in the sharing.



Descendants of industrialist William Keeney Bixby gathered in July 2010 for the annual family meeting at the summer home they share on Lake George, N.Y.

Lucy Bixby Photographs

BY PETER S. GREEN

FIGURING OUT HOW TO SHARE A VACATION home is no day at the beach. But it may be the only way to have a day at the beach at all.

That's because the price of second homes is rising, and few people have enough cash to buy one on their own, let alone enough vacation time to justify the purchase. So increasingly they're teaming up with friends or family to buy—or, in the case of inherited property, to keep—that much-coveted retreat from the hassles of daily life.

And, too often, straight into the hassles of shared ownership. What could go wrong when sharing a vacation home with your dearest friends and family? Plenty, it turns out. The potential issues run the gamut—from how do you buy to how do you share time to how do you split costs to how do you sell.

"It's like a marriage," says Craig Gibson, a real-estate attorney in Bridgehampton, N.Y. "There's a 50% chance it's not going to work." (In case there's any doubt how Mr. Gibson feels, he calls joint ownership in general "a recipe for disaster.")

The Ground Rules

So, how can buyers reduce the likelihood of a disaster?

First off, experts say, consider the *type* of property carefully.

Kirk Booth, a broker in Asheville, N.C., counsels people looking to jointly buy a vacation place for the first time to start small. Try a planned community, where maintenance and the pool are part of the common charges, he urges, leaving fewer issues to complicate a relationship.

Also decide *how* the property will be used. Will it be primarily a vacation spot for the owners to use, a place they can rent to others or some combination? It's all too easy for people to approach a purchase with very different assumptions and figure everyone else is on board.

Ryan and Michele DeShazer, of Columbus, Ohio, had long talks with their co-buyers before purchasing vacation properties in Surfside Beach, S.C. The verdict: rentals, at least for now.

"We all agreed that we are not going to personally make a profit or use the houses as a vacation home for a while," says Ms. DeShazer, who adds that she's hopeful the two families can afford to begin vacationing in one of the homes some time soon.

Discussing, researching and agreeing in advance seems to have worked, she says. "We are all still happy and friends—so we are doing something right."

Experts also say that it's crucial that joint buyers spell everything out ahead of time. "You have to put together a checklist of all the things you need to agree on and all the things that could go wrong," says Jeff Lichtenstein, a real-estate broker in Palm Beach Gardens, Fla. "Basically, you need a real-estate prenuptial."

When it's time to make the purchase, buyers also should think about *how* the deal will be made. Mr. Gibson recommends setting up a limited-liability corporation to make the purchase. This setup keeps the buyers' personal finances separate from the property, he says, and the partners can set out their rights and obligations in the company's founding document.

Dropping Out

For one thing, what happens if a buyer can't keep up with obligations? Anyone can suddenly become unable to meet joint payments on a home,

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Leisure Sale

Vacation-home sales rose nearly 30% in 2013 from the previous year, with 41% of purchases taking place in the South.

717,000 Number of vacation homes sold in 2013

$168,700 Median sales price

66% Percentage of vacation homes sold that were detached single-family properties

$85,600 Median household income of vacation home buyers

55% Percentage of buyers under age 45

38% Percentage of buyers who paid cash

53% Percentage of buyers who plan to own property more than six years

52% Percentage of buyers who are likely to purchase another property in the next two years

Reasons for Buying

To use for vacations or as a family retreat	87%
To use as future principal residence	31%
Diversification/good investment opportunity	28%
To rent to others	23%
For a family member, friend or relative	22%
Had extra money to spend	13%
For the tax benefits	13%

Source: National Association of Realtors Investment and Vacation Home Buyers Survey 2014; HomeAway.com

The Wall Street Journal

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From left: Heritage Auctions; Bloomberg News; Mehesh Patel