IS BUYING A CABIN FOR INVESTMENT A GOOD IDEA?

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While there are many [ways of investing in real estate](https://www.mashvisor.com/blog/real-estate-investing-2021/), buying an investment property is the most basic of them all. Other than generating passive income in the form of rent, you can sell the property later on for more than you bought it and make a decent profit.

If you’re looking to invest in property, think of an outdoor cabin located beside a picturesque seafront with breathtaking views. How amazing would that be?

Owning a cabin would give you the much-needed chance to get away from the traffic and noise in the city, and enjoy a deserved breather upcountry. If you think it’s your time to bring this dream to fruition, this guide is for you.

Today, we’ll look at what a cabin is, the benefits of investing in one, and some tips you could use before diving in headfirst.

What is a Cabin?

Cabins, also popularly referred to as cottages, are small homes commonly found in rural areas. While a cabin may be used to describe a log structure, it’s also a structure with a few amenities used for camping. Cottages may refer to structures built with various materials, such as stone, wood, or bricks.

You can buy a cabin for various purposes. Some investors may buy to use them as primary residences, while others use them as [vacation homes](https://www.mashvisor.com/blog/how-to-invest-in-vacation-rental-property/). The second type of buyer is those who already have primary residences in the city and want to use the cabins for weekends or summer recess.

Types of Cabins to Invest In

Here’s a breakdown of the types of cabins you can choose to invest in:

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| Type of Cabin | Description |
| Log Cabins | Made with rustic logs, these types of cabins tend to attract travelers who love the outdoors. They are energy efficient since the wooden exterior traps heat, keeping the cabin warm even during the night. They are not so common so owning one is great income potential. |
| A-frame Cabins | As the name suggests, these cabins have long triangular roofs that look like the letter A. This shape is most suitable for snow management. The cabins have massive windows at the front and back that help let in a lot of natural light. They are also simple to build and are affordable. However, the distinct shape may mean you’ll have limited storage space, so you’ll have to get creative.  |
| Family Cabins | Family cabins have large floor plans and enough room that allow large groups or family gatherings to enjoy each others’ company. If you buy one, you might charge more fees per night because you could include some luxury amenities, such as hot tubs and fireplaces. The downside might be maintaining one is expensive |
| One-roomed Remote Cabins | These cabins are perfect for solo getaways or traveling couples. They are cheap to maintain since they don’t have any luxury amenities.  |

What Should You Consider Before Buying a Cabin?

Just like buying a home or getting into any investment, you need to consider a few factors before investing in a cabin. While some factors are the same as buying a home, there are a few distinctions that you need to keep in mind.

They are:

Location is Everything

Location is a vital factor that you need to consider before [buying a cabin](https://www.mashvisor.com/). While cabins are mostly found in the woods, sometimes they may make great investments in hiking trails, ski resorts, or other various tourist attractions.

All in all, buy a cabin located where it’s easier to rent out and also help you charge higher rates. While it may seem like a great investment, [buying a cabin](https://www.mashvisor.com/) that’s too far away from civilization could work against you. Some renters may still want some amenities, such as an internet connection.

Here’s what to consider before choosing your cabin’s location:

* How does it feel? Visit potential investment areas and get a feel of them. Find one that’s perfect for you. Remember, how the cabin makes you feel is how others will feel too.
* How’s the weather? If you plan to use the cabin a couple of times a year, visit in different seasons to see what the weather is like.
* What amenities are accessible? Think of the amenities that are important to you. If you want a property with a waterfront, it could cost more than a cabin further away from the lake.
* What taxes and other costs are you required to pay? If your cabin is near the ocean, you might have to pay more in insurance fees because you’re in a hurricane zone. Also look at the tax rates, because they could be cheaper or more expensive than the next town.

Cottage Usage

Before you buy a cottage, it’s important to ask yourself what you plan to use it for. Do you want a place where you and your family could escape a few times of the year? Do you want an investment that could generate [passive income](https://www.millionacres.com/real-estate-investing/what-passive-income-real-estate/) by renting out to travelers?

If these prospects don’t appeal to you in any way, maybe cabin ownership isn’t for you. You could consider other [types of real estate investment](https://www.mashvisor.com/blog/best-types-of-real-estate-investments/).

Also, we’ve already seen that there are different types of cabins, and not all are created equal. Consider the following factors:

* The number of rooms: You’ll need extra rooms and bathrooms if you plan to host large groups often. If you simply want a getaway, one bedroom and a water closet are enough. Plan ahead to make it easier when looking for an appropriate place.
* Space utilization:  Think of how you can use the available space to accommodate more people. If the indoor space is limited, you could make use of bunk beds and futons. If the deck or porch is larger, think of ways you can prioritize outdoors.

Think of how you want to use the cabin so that you can purchase the appropriate type and size. For example, if you want a getaway for you and your family, get a family-sized cabin with a larger floor plan and storage space.

Get The Finances In Order

Like the typical [home-buying process](https://www.mashvisor.com/blog/10-steps-buying-your-first-rental-property/), you need to line up your finances. Establish a budget, know how much you’re willing to place as a down payment, and ensure you can back up your offer.

Here’s what you should know:

* Get a preapproval: A preapproval from your lender will make you a qualified buyer when making an offer for your dream cottage.
* There are stricter qualifications: Qualifying for financing for a vacation home is much stricter than regular financing. You might need to have a higher [credit score](https://www.investopedia.com/terms/c/credit_score.asp). The interest rate for the [mortgage](https://www.mashvisor.com/blog/mortgage-contingency-guide/) is also higher. Lenders take higher risks when lending your money for a vacation home, so they have to compensate for that.
* Renting may attract different terms: You have the option of renting out your cabin when you’re not using it. Once the lender happens to know you’ll be renting it out, they’ll consider it as an investment property. This means they’ll charge higher interest rates. If you rent the cabin out for 15 days or more a year, you’ll have to report the rental income.

Ensure you speak to your lender and have all terms clear because policies on primary residences, vacation homes, and investment property vary from lender to lender.

Property Maintenance Costs and Utilities

If you’re going to use your cabin as a vacation home where you only visit a few times in a year, then it makes sense to switch off utilities such as air conditioning when you’re not around.

However, you want to be careful with other property costs. They include:

* Water: Most cabins are located in rural areas that may not be connected to the city water system. This means you’ll most likely have a septic system that needs maintenance. Consider the costs you’ll need to hire a septic company to carry out the maintenance tasks on a schedule suitable to you.
* [Winterization](https://www.thebalancesmb.com/how-to-winterize-plumbing-pipes-844862): Think of whether your house is winterized before shutting down the heat to save on costs. You don’t want to come home to a burst plumbing system because the pipes froze. If you know you’re not coming back in a long while, you could shut off the water supply and avoid this problem.
* Environment: You might have to spend more fees depending on your cabin’s location. For example, if your property is located at a lakefront, you might have to pay lake access and maintenance fees. Someone will have to pay for keeping the lake clean and spraying the bugs.
* Accessibility: Look at how hard or easier it is to get to the property. You might have to go through a paved or dirt road to get there. Do you have a car for that? Will your car handle driving there on snow?

If it’s just a vacation home, you may need to spend less on maintenance. However, a fully-fledged primary residence will need more money to stay in shape.

Insurance Fees

Owning a cottage may sound sweet to the ears when talking about passive income. However, you may think twice about it when you think about the insurance fees.

Think about it from an insurer’s perspective. Cabins tend to be in remote locations far away from emergency services. If, for example, your cabin caught fire, it could take the firefighters a long time to get there. In addition, if your cabin is on the seafront, there is more risk due to hurricanes and floods.

Be prepared for insurance costs before you purchase a vacation home. Consult a [real estate agent](https://www.mashvisor.com/blog/working-with-a-real-estate-agent/) beforehand so that you may be prepared.

Why Is Buying a Cabin Smart?

[Real estate investors](https://www.mashvisor.com/) who own cabins enjoy various benefits from their investments. Unlike hotels, a cabin gives you a chance to escape from your day-to-day activities and not see people for a while whenever you want to.

Here are some reasons why it makes financial sense to invest in a cabin:

* Save money: Renting a cabin for a number of days is expensive. It becomes even more costly when you’re going on holiday with your family and you have to get a bigger cabin. When you own one, you can go there every weekend of the summer and it’s still going to cost the same whether you go or not. Investing in a cabin can have your holidays set for the rest of your life.
* Land investment: Investing in land grows the value of your investment over time. Cabins built on larger pieces of land give you even more benefits. You and your guests can enjoy your holiday without feeling as if your neighbors are intruding.
* Passive income for short-term gains: You can list your cabin on [Airbnb](https://www.mashvisor.com/blog/airbnb-monthly-rentals-invest-2021/). Other than give you passive income, the rent you get from it will help you settle maintenance costs. You can also decide to use the money for upgrades and renovations. If you want to spend your holiday elsewhere, the rent from your cabin can have that sorted.

How to Buy a Cabin

Depending on your financial situation, these are your options when buying a cottage:

* Second mortgage: You can take out a second mortgage for cabin investment. However, second mortgages are costlier and will need a larger down payment. If your lender needs a down payment of 3% for your primary residence, they might need 10% for a vacation home. Others need as much as 20%. Besides, you’ll need a higher credit score, more assets, and higher income.
* Cash-Out Refinance: A [cash-out refinance](https://www.investopedia.com/terms/c/cashout_refinance.asp) is a great option if you have great equity in your primary residence. The lender rewrites your mortgage, gives you a new loan, and pays you equity in lumpsum. This can give you a down payment or enough cash to buy the cottage completely.

If you’re unable to use either of the above options, you can start saving for the down payment. To build a savings plan, know how soon you want to buy the cabin, how much money you’re willing to spend, and the percentage required as a down payment.