

Dream Homes Are ‘Good for the Soul, Not Necessarily the Wallet’

Expenses from renovating, maintaining and staffing a property can really pile up

BY ANNE MACHALINSKI ORIGINALLY PUBLISHED ON SEPTEMBER 08, 2017



Costs might be much greater than expected when purchasing a dream property, says expert.

BEAUCHAMP ESTATES

Purchasing a chateau in the French countryside, an oceanfront mansion in Malibu or a villa on a Tuscan vineyard often means realizing a lifelong dream for ultra-high-net -worth individuals.

But once they’ve closed the deal and moved onsite, many are surprised by the hidden or unforeseen costs that pile up as they’re tasked with renovating, maintaining and staffing the property, experts say.

Buyers new to luxury real estate, who just had a major capital event, like selling their business or inheriting some money, are the most likely to be caught off guard by these expenses, said Paul Boomsma, the chief operating officer of a network of top luxury brokerages, called Leading Real Estate Companies of the World.

But while the costs might be much greater than expected when purchasing a dream property, most buyers never run the calculations to see if historically preserving an 18th century castle to or reinvigorating a once diminishing vineyard is fiscally worth that investment, said Elizabeth Stribling, chairman of New York-based brokerage Stribling & Associates.



The current owner/seller of Villia Licia in Tuscany bought it as a family retreat and renovation project.
Beauchamp Estates

“This is about passion,” she said. “You buy one of these properties to live in a place of architectural beauty or great modernity, and the return investment can be enormous. But it can never be measured in terms of financial return.”

“It’s good for the soul,” she added, “not necessarily the wallet.”

The cost of renovations

There are a few main ways that renovation costs can catch buyers off guard, experts say.

The first is based on location. If you're going to renovate a property in, say, Venice, Italy, or on Mykonos or another island, there is always going to be an added expense just to get the materials and the people needed to conduct the renovation on site. Oftentimes, buyers won't consider this added expense when they're calculating how much a renovation will cost, experts say.

The second type of unexpected expense is related to getting a historical property right. From the start, a historical designation means involving more specialists in the planning process, including inspectors, lawyers, a structural engineer, a decorator well-versed in similar historic efforts and potentially even a museum curator to help get the style of the era you're trying to recreate right, Ms. Stribling said.

These people are all hired to ensure that the buyer meets all the regulations outlined by the local historic preservation committee, and in a way that will keep the home safe from falling into disrepair, she continued. For instance, a buyer will only learn from an expert that a certain type of wood used to build a home centuries ago is now susceptible to termites, so that it's better to use something more durable, but with a similar look.

"A lot of research goes into this," she said, "but typically, the people who are interested in buying a historic property are generally well-versed in what it will take, and up for the job."

In addition to the cost of hiring these experts, historic restorations can also come with unforeseen costs because you don't know what you'll uncover when you start tearing walls down, said Mr. Boomsma, who is also the president of a Chicago-based company called Luxury Portfolio International.

"There are so many unknowns," he continued, noting that he tells clients to plan on having a big cushion, and plan on doubling what they think they'll spend.

But while there are always unforeseen costs, the upside is that some of them come with what Mr. Boomsma called "unforeseen opportunities to restore something that you didn't even know was there."



The pictured Tuscan country home is about 40 minutes from Florence. The 400 years old home was attentively restored in a way that deliberately avoided intrusive modernization.
Beauchamp Estates

The cost of maintaining a luxury property

If a home is move-in ready—or a renovation is finished—the cost of maintaining a dream home often comes with some hidden expenses, experts say.

For an oceanfront manse, ensuring that the saltwater and sun doesn't destroy the house in a matter of years is almost always a cost that buyers don't consider, said Tami Pardee, the founder and CEO of Los Angeles-based real estate agency, Halton Pardee + Partners.

“Every two years you have to go in and re-paint, re-seal, re-grout, and make sure that the property is kept up,” Ms. Pardee said, noting that this upkeep can cost anywhere from \$20,000 to \$60,000. When redoing railings and other metal trim, you also need to use stainless steel on the oceanfront, which is more expensive than other metals.

“If you’re not smart about it,” Ms. Pardee said, “the house can be destroyed in two or three years.”

Then there are the costs of maintaining things like a pool and the grounds, and if someone is purchasing a home on a vineyard or some other agricultural land, like an olive grove or wheat field, not only maintaining that land, but also helping it and its crops thrive.

“I try and persuade clients that if they’re not really interested in agriculture, they should think hard about buying a property on some giant plot of land, with 20 to 40 hectares [50 to 100 acres],” said Lynne Davie, a Beauchamp Estates broker who sells properties in Florence and Tuscany. “I tell them that while yes, you get privacy, you’re going to spend a huge amount of money maintaining the land that beyond the first 2 hectares [about 5 acres] is protected agricultural property.”

To this point, Mr. Boomsma added that he had friends who bought a home on a vineyard in Italy. When they realized how much money it took to maintain, but also how much time it took to make decisions about the types of grapes to grow and wine to make—and how many farmers were working the land to get the job done—they sold it after two years.

Recently, he said he heard that the property is again on the market by the new owners much for the same reason. “Vineyards have a wonderful allure, and can be a very romantic purchase,” Mr. Boomsma said. “But the reality is, there’s a lot of work and noise and expense that goes into maintaining a vineyard for that one look in the morning. You really need to be in it for the long haul for it to make sense, because it’s not that different than owning a farm.”



The current owner of Villa Licia has a management agreement with a neighboring farmer who manages the vines and presses the the olives.
Beauchamp Estates

The cost of maintaining the appropriate staff

The final cost of buying a dream home isn't one that's hidden, but is one that can surprise people: hiring the appropriate staff.

At the low end, Ms. Davie said, hiring a part-time caretaker who works about 30 hours a week at a Tuscan property is about €900 (US\$1,100) per month. But that jumps up a few hundred euros when you figure in taxes and contributions.

If you have a larger home, you'll need not only that caretaker or cleaner, but also a gardener, someone to keep up the pool and general handyman. All in, this could mean at least €50,000 (US\$60,000) per year to keep things up for the three months a foreign buyer is typically there. "How much you have to pay for staff tends to freak people out," she said, especially if the buyer just bought a \$1 to \$2 million property, and wasn't thinking all of these expenses through.

If there's a vineyard to maintain, a buyer will probably know they'll need someone to water the plants and handle the weeds, she said. "But the reality is, you need to hire a professional winemaker," she said, which costs about 60% more than someone to tend to the land.

Ms. Stribling said she recently sold an 18th century chateau in France's Loire Valley with 45,000 square feet of interior space that costs \$400,000 in staffing and upkeep each year. In this case, she said, the first cost that every potential buyer asked was how expensive it is to maintain each year, so in no way was this figure hidden.

The previous owners rented the property out for weddings and business conferences, which offset about half of the annual expenses to maintain it, she said, and they, "could probably have made more if they treated it as a business."

But most buyers don't care about that. "The cost of maintaining this type of property is measured in the enjoyment that owning it brings to someone's life," she said.

<https://www.mansionglobal.com/articles/73669-dream-homes-are-good-for-the-soul-not-necessarily-the-wallet>