


Short Term Vacation Rentals



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Short Term Vacation Rentals


- Real World Example
- Benefits
- Drawbacks



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5 Step Short Term Vacation Rental Process


- 1 – Market Research
- 2 – Find the Sweet Spot
- 3 – Renovate / Furnish
- 4 – Marketing Prep
- 5 - Launch



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Walk in the Clouds






-  Lead Source: MLS
-  List Price: \$239,900
-  Purchase Price: \$231,000 (- 3% Comm)
-  Conventional Vacation Home Loan
 -  3.875% 30 Year Fixed Rate Loan
 -  20% Down
 -  No Escrows







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Walk in the Clouds










-  Cash Invested (\$70,000)
 -  Down Payment: \$46,000
 -  Marketing: \$2,000 (Pictures, Video, etc)
 -  Renovations: \$10,000 (Deck Restructuring, Flying Squirrels, etc)
 -  Furnishings: \$12,000







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Walk in the Clouds

-  Net Operating Income: \$23,317
-  Nightly Booking Revenue: \$50,100 + \$2,200 (Damage Policy)
-  Loan Payments: -\$10,428
-  Maintenance / Supplies: -\$1,200
-  Replacement Savings: -\$1,500
-  Management: -\$5,124 (10%)
-  Property Taxes: -\$1,204
-  Insurance: -\$2,375
-  Utilities: -\$7,152






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Walk in the Clouds

- ✓ Cap Rate: $\$23,317 / \$255,000 = 9\%$
- ✓ Cash on Cash Return: $\$23,317 / \$70,000 = 33\%$
- ✓ Depreciation:
 - ✓ $\$231,000$ (Purchase) - $\$31,000$ (Land) = $\$200,000$ Cost Basis
 - ✓ $\$200,000 / 27.5$ Years = $\$7,272$ Tax Deduction each Year



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Benefits

- ✓ Huge Cash Flow
- ✓ Nice Properties in Nice Areas
- ✓ Constantly Maintained
- ✓ No Evictions
- ✓ Tax Deductible Vacations
- ✓ Tech companies are building tool after tool
- ✓ HUGE Market, Competition is Irrelevant

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Drawbacks

- ✓ Additional upfront cash requirements (furnishings, utility deposits, etc)
- ✓ More set up requirements
- ✓ Emergencies may occur early on until the kinks are worked out
- ✓ Bookkeeping responsibilities because there are more bills to pay (Automate!)

✓ [MyLodgeTax](#)

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1 - Market Research

- ✔ HomeAway.com / AirBNB.com
- ✔ Read the [EvolveVacationRental.com](#) Blog
- ✔ New Big Data Tech Tools?
- ✔ Realtor.com / Zillow.com Active Listings
- ✔ Legality



Land Use Legal Battle

- ✔ At State Levels; No Problems
- ✔ 12.5%+ Occupancy Tax (at least half goes to the State)
- ✔ Florida Vacation Rental Law
 - ✔ <http://www.fisenate.gov/Session/Bill/2017/188/BillText/c1/HTML>
- ✔ Tennessee Vacation Rental Law
 - ✔ <http://www.capitol.tn.gov/Bills/110/Bill/HB1020.pdf>




Hotels

- ✔ Hotels HATE Short Term Vacation Rentals (direct and formidable competition)
- ✔ Hotels paid a tremendous premium for the commercial land to which their properties are zoned (and everything else)
- ✔ Hotels produce enormous tax revenue for local governments
- ✔ Hotels have friends in High Places



Land Use Legal Battle

- At the Local Level (County and/or City), big problems
- County Zoning
- City Zoning / Land Use
- Example: <http://www.news-journalonline.com/news/20161001/online-daytona-home-rentals-vex-officials>



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Land Use Legal Battle

A Few Bad Apples:

<http://www.floridarealtors.org/NewsAndEvents/article.cfm?p=2&id=350081>



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2 – Find Sweet Spot


- Realtor.com / Zillow.com Actives
- Maximum Number it can Sleep
- Amenities
- Wow Factor



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3 – Renovate / Furnish

- Get the house perfect before you launch it. Once it starts getting booked, you may have no down time to go back and finish things.
- Use materials that can go on a battleship
- Nice furnishings overcome lack of a view or other “Wow” factors
- Stay in your property for a week before having someone check in for the first time



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4 – Marketing Prep


- Professional Pictures
 - <https://www.vrbo.com/956488>
- Professional Video
 - <https://youtu.be/bZsflC54AYE>



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5 – Launch

- EvolveVacationRental.com (10%)
 - Mention you came from Phil Pustejovsky and Freedom Mentor
- Doing It Yourself / Hire Assistant
 - HomeAway.com
 - AirBNB.com
 - TripAdvisor.com
 - Booking.com
 - UseWheelhouse.com (Dynamic Pricing)
 - OrbiRental.com Integrations



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