

## **Your Short-Term Rentals Can Generate 6x Gains**

Rarely in life can the quick version of anything ever compete with the more time intensive “real deal.” Think of any instant food and you will quickly realize that I’m telling the truth. The same had held true for real estate investments for at least the last century... but times, they are a changin’. As you look at your portfolio it may be time to consider transitioning some of your long-term holdings into short-term rentals, and here is why; short-term rentals can generate up to six times the amount of revenue as a long-term hold. My average long-term hold properties cash flow at around \$200 per month; my short-term rentals cash flow just over \$1200 per month. Does that get your attention?

As you consider transitioning from long-term to short-term rentals, you should examine the following factors to help ensure that the changeover is successful: location, needs, and saturation.

### **LOCATION**

The old mantra of location, location, location in relation to real estate has endured because it is true. For short-term rentals, it may even be more important. A friend of mine recently converted their 5,000 square foot custom home in a regular residential neighborhood in Phoenix, AZ into a short-term rental. In his mind, he had already cashed the checks after he listed the home on the popular short-term rental sites. But there was a big problem...there was no draw for potential renters to come to the property as it wasn’t near any major attractions. That property quickly turned back into their full-time residence, having never once been used as a rental. Having an attraction or destination near your property makes it ripe for transition to short-term. Whether it is near other resort properties, mountain towns, beachside escapes, or national parks, having a natural draw for people to come to the area instantly makes it an eligible property. Obviously warm places in the Winter and cooler places in the Summer create demand as people are looking for an escape. If you have an extensive portfolio or are just looking to purchase your first investment property, make location a key component of your research process.

### **NEEDS**

Depending on the location of your property, the needs of your potential renters need to be paramount as in your conversion decision. I have several properties that are located near a cancer treatment center. When I originally purchased those properties, I did not know there would be a severe need for this type of property because the treatment center hadn’t even been built. My curiosity got the best of me when this facility was built, and I called to inquire if they ever had patients with short-term housing needs. It was after this conversation that I decided to convert these units into what they are today. Most of those renters in these properties are in town for several weeks or months at a time receiving treatment for life-threatening illnesses and insurance

companies are reimbursing their housing expenses. In this case, my short-term rentals are thousands less than costly overnight hospital stays. These tenants have very specific needs, whether it be accessible facilities or high cleanliness standards. I have prepared those properties with those specific needs in mind and can market them as such. In other areas, I have properties that are more vacation oriented, with access to golf courses, hiking trails and other recreational opportunities. Those homes are equipped to help my renters have the best experience while on property with helpful hints on where to play, where to relax and where to eat. There is an obvious expense to preparing properties to meet the needs of potential renters, but those expenses are recouped quickly with satisfied renters who rebook and share their experience with others.

## **SATURATION**

While it would be easy to look at a booming area where everyone is converting to short-term rentals and think it would be great to ride the same wave, you are right. Markets with a lot of short-term rentals are strong for this very reason and should give you the confidence to at least try your hand. Competition should ignite your creativity, so if you do decide to convert your property in a saturated area it is critical to find a way to make your property stand out. Maybe it's time to complete those upgrades you've been putting off. Or you may need to commit some extra marketing dollars to make sure your property has that "it" factor that makes it more desirable. If being in a saturated market scares, maybe you look to create a more rural opportunity experience. I have a friend that has taken their 5-acre rural property and created an "Old West" type of experience for their guests, and they have a massive waiting list of people who want to spend their time and money with them. There is no perfect formula for determining how many are too many short-term rentals in an area, but with effort and your expert insight you can successfully make the jump.

A few other items to consider: 1) Always check with your HOA before you even start down the road to see what the rules are in regard to short-term rentals. I've heard too many horror stories about owners spending time and money to prepare a property only to have it shut down by their HOA. 2) There is no reason to fear the managing/cleaning/scheduling of the property. This is the number one thing I hear from investors, but it really is a non-factor. In short-term, your renter pays the cleaning fee. You just need to find a cleaning crew you can depend on. Take their bid, add \$50.00 to it to pay for toilet paper, paper towels, and other disposable goods. A well-paid cleaner is more than happy to go the extra mile for you when needed.

While I am not advocating you run out and convert your entire portfolio today, I do recommend you run through your portfolio to determine which, if any, of your properties are ideal for creating a 6x return over what you are getting now. It may take a little trial and error to get it right, but with considerable returns on the line, now may be your time to shine in the short-term rental market. If there were such a thing as "instant" housing then short-term rentals would likely fall into that category and unlike everything else, can turn out to be better than the original.

*About the Author-*

*David Pickron is President of Rent Perfect, a private investigator, and fellow landlord who manages several short- and long-term rentals. Subscribe to his weekly Rent Perfect Podcast (available on YouTube, Spotify, and Apple Podcasts) to stay up to date on the latest industry news and for expert tips on how to manage your properties.*