

# Old North Rental Group

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## Guide to Short-Term Rentals Western North Carolina

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### Understanding the Concept

Short-term Vacation Rentals (STR's) are a great way to own real estate while letting the property pay for itself. In many cases, owners are able to pay their mortgage payments, all electric/utility bills, and maintenance items solely based on the income that their home generates on the short-term rental market. All the while, providing a home for the owners to enjoy as their private vacation home.



### Old North Rentals vs. Self-Management

One of the first things you will need to do in your STR journey is to decide how you plan on renting your home. Self-managing your listing is similar to selling your home "for sale by owner". There are benefits to renting your home yourself and also benefits to renting it through a qualified Property Manager. For more information, see page seven of this guide.

### Finding the Perfect Home

If you are considering purchasing a home to use as a short-term rental, we encourage you to lean on your real estate broker to advise you on the best types of homes that rent well in our area. For more advice from Old North, check out our FAQ answer on page six of this guide.

## FAQ's

- How much can I make with a short-term rental?

In many cases, vacation rentals are very profitable to their owners. Most of the time, they are able to pay for themselves during the peak season, and their profits are able to carry through the slower months. As with any investment, there is a risk that the property is not profitable at all, and there may be a delay in getting it off the ground. Every home is different, so we recommend speaking with your real estate broker to discuss the potential in each home you are looking to rent.

- What fees/taxes are associated with owning a STR?

There are several taxes attached to short-term rentals. All sales must pay a local and state sales tax. In addition, short-term rentals are subject to an occupancy tax (sometimes referred to as a hotel tax). In Swain County, that is an additional 4% added to the base rent on a rental which is under thirty days. And lastly, you are required to pay income taxes on the income the home generates. We recommend speaking with your accountant to see the best way to handle the income tax your home generates. Many

booking platforms handle the sales tax and occupancy taxes on behalf of the owner and Property Manager.

- What is “Trust Accounting”?

Property Managers in North Carolina are required to maintain a Trust Account, per the NC Vacation Rental Act. This means we account for every penny of your income, and keep strict records to ensure your money is safe. At Old North, you will receive a payout statement each month showing how much income your property has generated and where that money goes (paying housekeepers, commission, etc).

- What fees can I expect?

If you are self-managing, you can expect some fees from your booking platform. For instance, if a guest pays \$800 to Airbnb, your payout may be as low as \$650. Several fees are charged by the platform in order to keep it running. In addition, your Property Manager will charge a commission or booking fee, and you will also see that housekeeping fees, etc. are included. Every Property Manager is different, and all commissions are negotiable with your manager. At Old North Rentals, we charge 20% commission on the base rent of the property; the guest will pay an additional

reservation fee, and they will pay the housekeeping fee. If one of our property owners would like to stay at their own property, they have the option to clean their home themselves or pay our housekeepers to clean the home for them. In our initial conversation with property owners, we go over additional charges they can choose to opt into or opt out of, such as lawn maintenance or our linen program.

- What are some best practices to gain more bookings?

Short-term rentals are driven by the occupancy rates. In busier months, you can expect your occupancy rate to be as high as 80% to 90%. In slower months, your rate may be lower than 10%. The key is to always keep your nightly rate competitive. This may mean the rate needs to be dropped to lower than you may prefer, as the owner of the home.

For instance, if you rent your home for \$250/night during peak seasons, you may be enjoying a 75% occupancy rate. But at the same rate, you may see 20% occupancy during slower months. A \$50/night reduction may see a sharp increase in bookings; and if your home rents three more nights that month, you will have made your money back.

Other factors that help your occupancy rate is to ensure you have what guests are searching for. Many guests look for

homes with mountain views, hot tubs, and internet/smart televisions. Making sure your reviews are consistently high helps to give confidence to renters as they are searching for homes.

- **Reviews. What can I do to improve my reviews?**

The #1 reason anyone will leave a poor review is on cleanliness. If the property is not clean, people will not rent the home. And if several people complain about the housekeeping, guests will see the pattern and refuse to book it.

In addition, guests expect the home to be exactly what they booked. If the guest booked a property with high-speed internet and the internet is not reliable, they notice. If they book a home with a king-size bed and there is not a king bed, they will let other guests know in their review. The easiest way to avoid this from happening is to be honest with the guests, and they will appreciate it in the long-run.

On the other hand, guests appreciate good service and positive solutions to issues that arise during their stay. In many cases, we cannot always solve their issue while they're here - such as issues with a hot tub or other maintenance that requires us to order parts. But being

present with the guest and showing that you care is important to them and generally leads to a positive review.

- I'm considering purchasing a STR. What are things I should consider?

The first thing we recommend you consider is the functionality of the home, if it were to be used as a vacation rental. Some homes are built for the sole purpose of becoming a short term rental; meaning the driveway is cut wide, the view is facing the perfect direction, and the home is not meant to be lived in long-term. All the while, other homes are not best suited for a vacation rental.

Take a look at how many bedrooms or sleeping quarters you have in a home. You don't want to "cram" people into a living room to sleep, but there may be a bonus room that you can add bunk beds, or a second living room space that may be suitable for a sleeper sofa. The more people your home can accommodate, the higher the nightly rate.

Also consider the draw for a guest looking to book your home. Is it close to town? Does it have a ton of privacy? Long-range mountain views? There are several things that guests are looking for - but your home will be unique, so it is important to find what makes it special.

# Self Management vs. Old North Rentals

As we mentioned before, there are several pros and cons to renting your home through Old North Rental Group or via self-management.

## Old North

- Your home will be listed and managed by professionals; we list your home on Airbnb, VRBO, Expedia, Travelocity, as well as our own booking website.
- Guests have questions answered, via our 100% response rate on all booking platforms, and have access to our 24/7 emergency phone number.
- An in-house cleaning team will ensure your property is well-kept after every rental.
- We offer **20% commission** to all property owners, and adhere to strict Trust Accounting principles.
- Payments are sent in the first two weeks of every month (for January's payment, you'll be paid between February 1-14).

## Self-Management

- You have the ability/responsibility to see and respond to every individual message on your desired platform.
- Your payouts will be deposited sooner than if using a Property Manager.
- You will coordinate all housekeeping with your hired cleaning crew.
- You will be in charge of all maintenance on your property.

## Tips to Being a Successful Short-Term Rental

- Hot tubs are generally a net-positive investment for your rental.
  - Expect anywhere from \$4,000 to \$10,000 to get one at your home, between the electrical work, purchasing the hot tub, and having it installed.
  - There will be recurring costs associated with having a hot tub, such as chemicals and maintenance. But you will likely make more on your home's nightly rate, as well as a higher occupancy rate having one at your home.
- Leave plenty of kitchen items, such as cooking utensils, pot holders, small appliances, etc.
  - Even cooking items and spices, many guests forget to buy something at the grocery store and are surprised to find it at the home.
- Be weary of personal items. We recommend you take down all family photos while guests are staying at the home. Beyond this, any family heirlooms or items you are sentimental toward, we recommend they be removed prior to renting the property.
- Give it time. Sometimes we see rentals begin booking just minutes after being posted online. Other times we see homes take several weeks to get off the ground. This does not mean

your home is not rentable, it just takes time. We recommend giving a discount to your first few guests to help get the occupancy rate working in your favor.

- Answering messages from potential renters is perhaps the most important thing you can do to gain rentals. The faster the response, the more likely they are to book your home. This is a huge benefit of having a Property Manager who works for you, answering these messages during the day.
- In the eyes of our guests, what do they look for in your listing? Reviews, amenities, and pictures. Having professional photographs is paramount to having a successful listing. Before choosing a property management company, or if self-managing - choosing a photographer, take a look at their other homes and see how they photograph those properties. Is that the type of home you would book?
- Always do your research before hiring any professional to help you make the best of your rental. Housekeepers can make or break your business. Property Managers can do the same. So be selective, and be vigilant! There is no shame in asking questions of your hired professionals, so be sure to look at all opportunities before choosing your company.

## Summary

Congratulations on beginning your vacation rental journey. On behalf of all of us at Old North Rentals, we are excited for you to have great success with your rental investment. It is a challenging, but very rewarding opportunity for anyone looking to add another chapter to their investments.

If you are looking to put your home on the STR market, give us a call to discuss how we can help. If we are not the right fit as a Property Manager, we are happy to point you in the right direction of someone who is!

Again, thank you and congratulations from Old North!



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