# Elicitation

Project notes:

1. Limited time for analysis.
2. One of our customers is interested in working with short term rentals instead of long term.

Project scope:

(1) Calculate how much it would cost to convert and maintain each of this client’s properties as a short-term rental.

(2) Determine the nightly rental price that would maximize the profits from each of these properties, if they were converted to short-term rentals.

(3) Calculate which properties would have increased profits as short-term rentals.

(4) Determine how profitable, overall, it would be if Watershed converted some of this client's properties into short-term rentals.

(5) Determine how much cash Watershed would need in order to realize any potential profits from converting the properties.

The business recommendation:

Should Watershed enter the short-term rental market using some of this client’s property portfolio, or not? If so, which properties should be converted first?

5-minute long business presentation to executives.

Elicitation with project manager:

1. Owners don’t live in their properties.
2. Owners want us to manage the rental process fully.
3. Data by intern.
4. Financial department worked out costs of running STR..
5. We manage 244 properties for client.
6. Client wants to share profit with us if we move on this opportunity.
7. Make a model that can predict the optimal short term rental rate we could charge for each apartment in that client’s portfolio. Also predict Occupancy rate.
8. Use the model to help estimate how much money we can make if we convert some or all of the properties into STR.
9. Don’t want perfect model due to time limit. Also don’t have complete data.
10. Ignore weekly or seasonal effects.
11. Don’t take into account any marketing strategies like discounts or coupons.
12. Assume no rental loss during the time the property is being converted from LTR to STR.
13. Take into account how much it will cost to furnish the properties.
14. Estimate contracted services for cleaning and key handling. Any additional costs.
15. How much cash it will take to cover those expenses.

Elicitation with marketing director:

1. There’s an opportunity for rental management.
2. Owners need someone to handle cleaning and key handling.
3. Travellers want clean places.
4. We need to take care of key handling, Check-in, cleaning the apparment after guests leave, doing laundry, restocking the toliletries, and paper products, doing property checks, paying utilities, managing internet.
5. Initially furnishing and decorating the appartments.
6. Most current STR are not cost optimized.
7. 20% of the rent goes to Airbnb and likes.
8. $30,000 is the cost of furnishing an apartment.
9. $6,000 for repairs annually.
10. Guests stay 1 night-4 weeks
11. Avg. 3 nights per stay.

Elicitation director of finance:

1. With LTR we take 12% of each months’ rent.
2. STR will change this model.
3. Collect rents 97.3% of the time. Occupancy rates.
4. Contractors cost a median of $100 per rental.
5. Expected to pay $300/month in utilities for each STR property.
6. For furnishing we will account for it by: cost will depreciate by 20% per year for five years. $6000 a year.
7. If we take a loan it will be at 6% interest.
8. Everyone pays on time.
9. Build in the model a variable called “regulatory tax and fees”.
10. “regulatory tax and fees” is expected to be 10% of each rental payment.
11. Change of cash flow.
12. Change in profit if we were to convert our clients profitable properties.
13. We want to look at properties that has $6,000 more per year when converted to STR from LTR. For first and next 2 years after conversion.
14. Calculate how long it will take to pay out any loans.
15. What is included in the model? How well does the model fit the Data?
16. Assumptions and how they impact conclusions.
17. Watershed will pay for everything for now.