

Watershed Short-Term Rental Analysis

Cover	Introduction - About Watershed	Introduction - Justification for Join the Short-Term Rental Market	Recommendation - Part 1	Recommendation - Part 2	Recommendation - Part 3	Expected Results
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Watershed Short-Term Rental Analysis and Recommendation

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Capstone Project for Excel MySQL Techniques for Business
Offered by Duke University in partnership with Coursera

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- About WaterShed Properties

Watershed Properties is a residential property management company. That manages several thousand properties in more than 60 different neighborhoods around the United States. Like most traditional property managers, Watershed has thus far exclusively managed long-term leases. However, the real estate business has begun extending into a different market: short-term rentals. Short-term tenants, or "guests," pay rent by the night rather than by the month, and are located and communicated with through increasingly popular websites like Airbnb.

Watershed Executives are not willing to take out loans to finance any part of the short-term rental project. However, they are comfortable committing \$500,000 of Watershed's current cash reserves as working capital for the project, in order to fund capital investment and to cover any resulting negative cash flow.

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- Experience Economy (focused on Short-Term Rentals)

It is a new niche market, which aims to meet the demand for consumption of new experiences. Who may wish to travel for example Paris and instead of staying in a hotel he prefers staying in a apartment or house with a beautiful view and/or great location.

This new form of consumption provides an opportunity for the rentals market, the short-term lease that gives the owner the possibility to rent for a few days. These rentals short has the potential to bring in more revenue than conventional long term rentals. Sites like Airbnb prove a secure online platform to announce and manage lease for the tenants for that services the site charges a fee on the rent.



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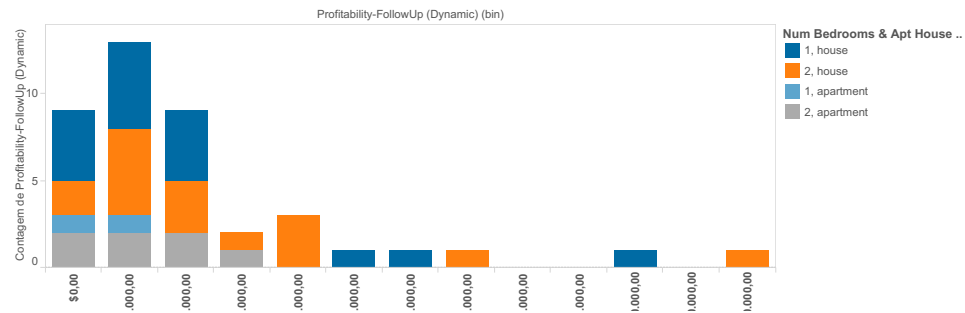
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- Should Watershed Properties get into the Short-Term Rental Market?

Yes, but not with all properties. Just the profitables on Short-Term Rental, that is around 17% of watershed properties.

Profitability Histogram



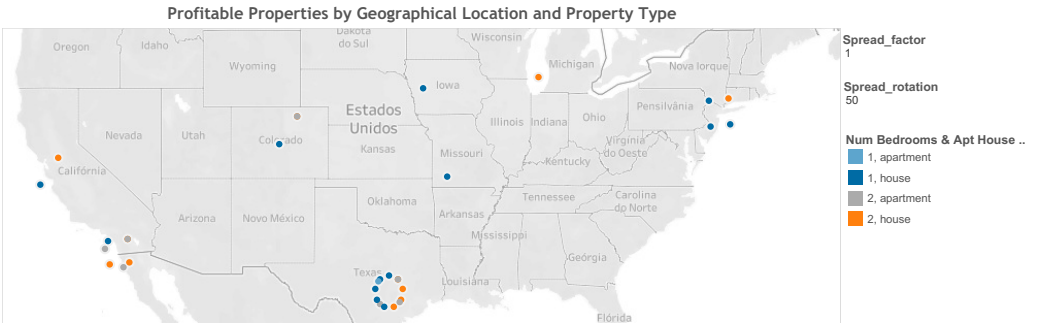
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- Which properties Watershed should convert and where they are located?

I recommend that all properties with forecast profit above \$6,000 should be converted on Sort-Term. So of the 244 Watershed properties has only 41 will have a profit above \$ 6,000, it means that only 16.8% of watershed properties should be converted. The location of these properties can be seen on the map below:



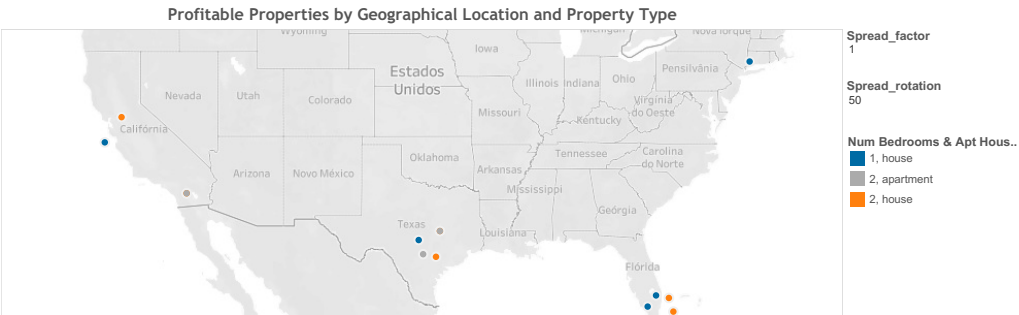
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- How implement this conversions?

Due to a restriction of capital investment of the \$500,000 will possible convert only 16 properties in a first step. This is because each conversion costs \$30,000, so will possible convert in a first moment 16 of the 41 properties planed to be converted. Then during the first year all other conversions can be done using the revenue generated by thos first 16. Below can be seen witch and where those 16 first properties are located:



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- First Year:

The first year will be when all the 41 conversions will take place, with a capital investment of \$480,000. Eventhought on this first yar both the Cashflow as the profit will increase. The cashflow will be of \$389,197 and the profit wil be of \$

- Further Years:

On the further years the cashflow will be of \$1,373,197.38 and the profit will be of \$1,127,197.39.

