



How To Get Started Investing with Airbnb

Central Valley Real Estate Investing Meetup

Introduction

- Introduction - I am not an “expert” and have mainly focused on accumulating long term rentals for the last 5+ years
- The purpose of today’s presentation is to share the process I’m currently going through while we start up 2 new short term rental properties
- We will be covering the following
 - Reasons why I am choosing to implement Airbnb/STR
 - The pro’s and con’s of STR vs LTR
 - Case study on 1 of 2 current STR projects
 - Financial comparison
 - Q&A



Why Am I Implementing Airbnb's into my Investment Portfolio

- One of my biggest goals is to increase the monthly cash flow from my investments
- Covid sparked some concerns regarding owning only long term rental properties
- Most of my rentals are in California and the tenant/landlord laws do not make it easy to own long term rentals in this state.
- Long terms tenants have proven to be rough on my properties and the price of turning over vacant units has proven to be costly



The Pro's and Con's of Short Term Rentals vs Long Term Rentals

Here are the things that I like about Airbnb's:

- Significantly higher monthly cash flow compared to long term rentals
- The properties are maintained/cleaned after every guest leaves and properties are left in much nicer condition
- You are not entering into a “tenant/landlord” relationship (*be cautious when accepting guests who want to stay over 30 days)



The Pro's and Con's of Airbnb vs Long Term Rentals

Here are the things that I don't like about Airbnb's:

- It's more management intensive compared to long term rentals
- Your market can have “seasonal” occupancy rates especially for vacation destinations
- You are subject to changes in local laws/ordinances that could negatively impact STR's viability in your market



Case Study on Current Airbnb Project - 9808 N Whitney Ave

- Purchased on 5/14/21 for \$236,500
- Estimated Rehab Budget is \$40,000
- Estimated Furnishing Budget is \$15,000
- Estimated ARV is \$435,000
- Estimate LTV is \$326,000
- Estimated Monthly PITI (30 year fixed loan at 3.5%) is \$1900



Case Study - 9808 N Whitney Ave Long Term Rental

Per rentometer the average rental property within a 1 mile radius is going for approximately \$2,000 per month

- This property will be completely remodeled and as a long term rental I would ask approximately \$2300-\$2400/month due to lack of available inventory
- At \$2400 per month in rent the positive cash flow after PITI is approximately \$500 per month before all other expenses
- After accounting for vacancies, maintenance, repairs, and capital expenditures you will most likely net around \$150-\$200 month



Case Study - 9808 N Whitney Ave Short Term Rental

Per Airbnb the average property within a 1 mile radius is going for approximately \$180-\$250/per night

- Based on 26 night occupancy rate at \$200/night the gross income from this property will be \$5200 per month
- At \$5200 per month in gross income the cash flow after PITI is approximately \$3,300 per month before all other expenses
- After accounting for utilities, lawn service, wifi, and other misc. expenses you will most likely net around \$2600 month





Q & A

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July 15, 2021