

Whether to Enter Short-Term Rental Market

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Recommendation: Yes

Strategy:

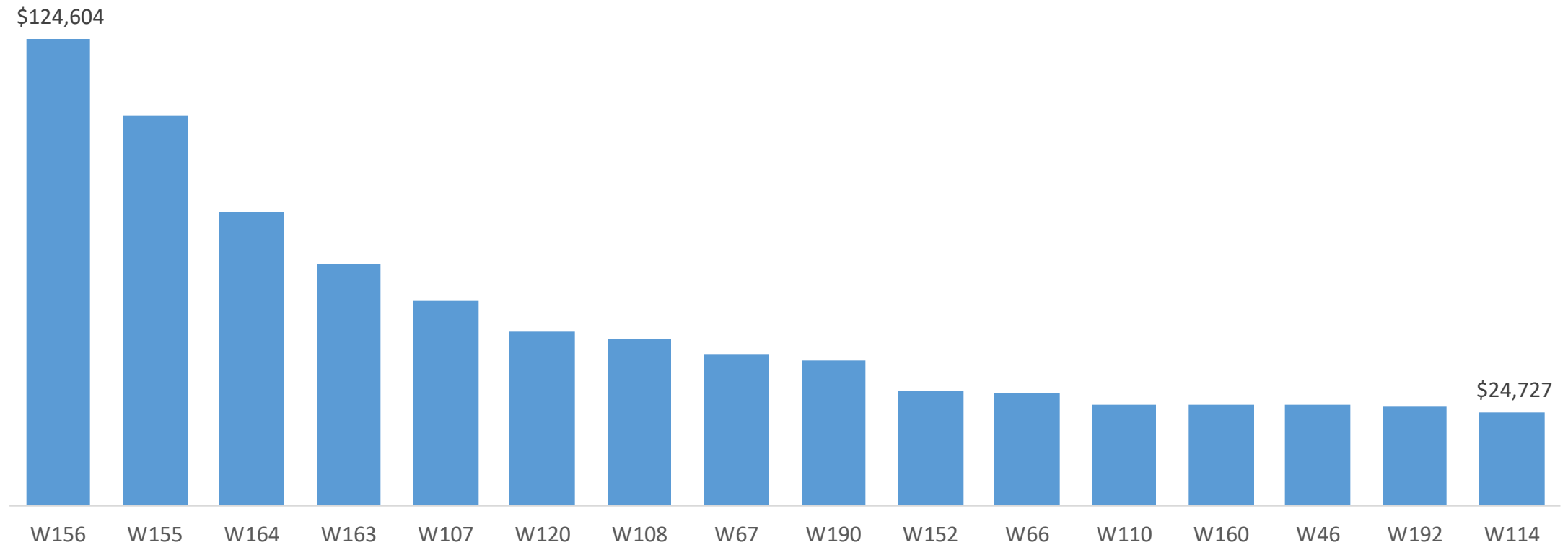
- Invest \$480K (initial cash) to convert top 16 profitable properties in the first year
- Convert more properties with cash flow generated each year afterwards

Properties to Convert in First Year

Property ID	City	State	Apt/House	Num_Bedroom		
W156	Miami	FL	house	2	House	81%
W155	Miami	FL	house	1		
W164	Miami	FL	house	2		
W163	Miami	FL	house	1		
W107	Austin	TX	house	1		
W120	Austin	TX	house	2		
W108	Austin	TX	house	2		
W67	Palo Alto	CA	house	2		
W190	San Diego	CA	apartment	2		
W152	Miami	FL	house	2		
W66	Palo Alto	CA	house	1	Apartment	19%
W110	Austin	TX	apartment	2		
W160	Miami	FL	house	2	1 Bedroom	31%
W46	New York	NY	house	1		
W192	San Diego	CA	house	2		
W114	Austin	TX	apartment	2	2 Bedroom	69%

Properties to Convert in First Year

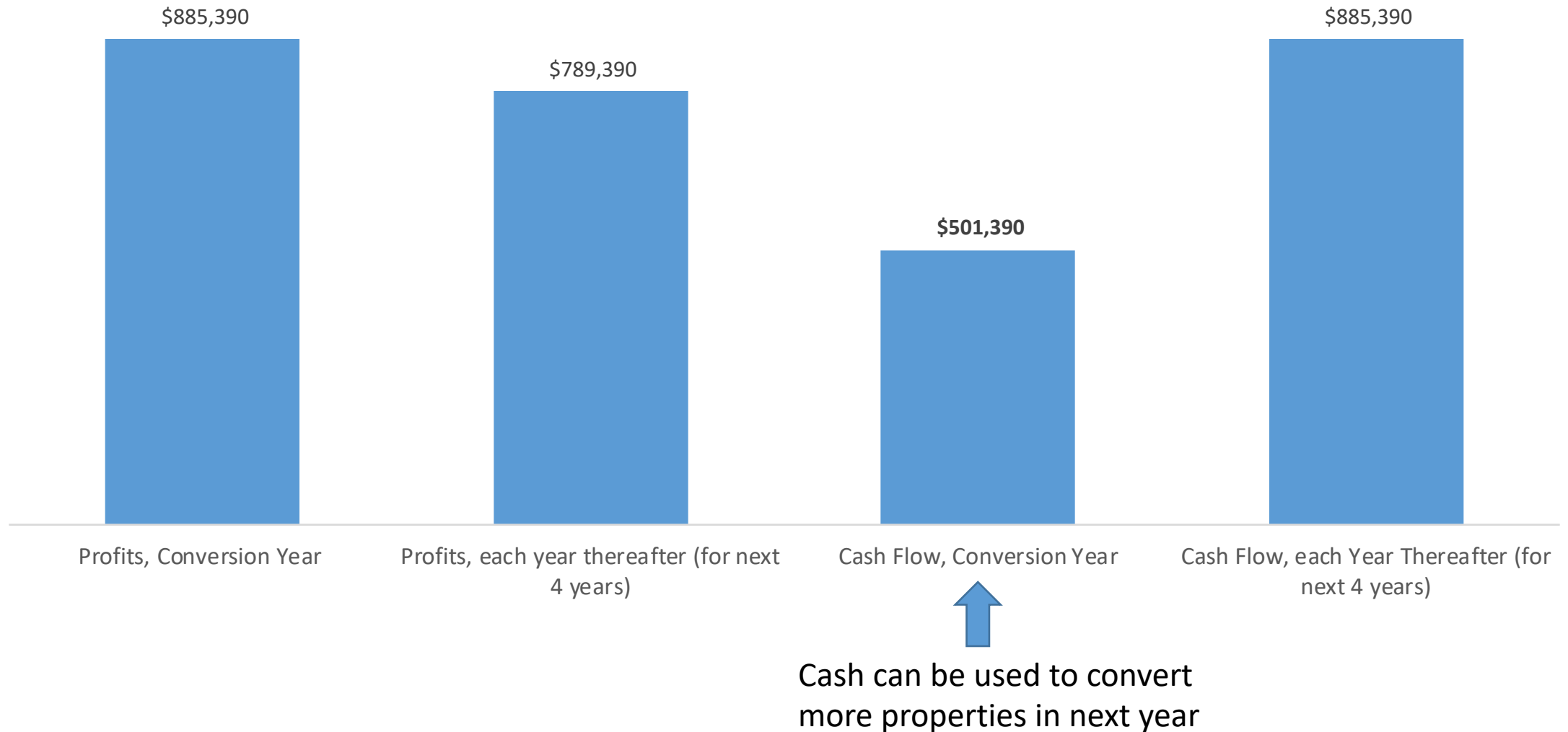
Profits, each year thereafter (for next 4 years)



Average: \$49,337

Total: \$789,390

Properties to Convert in First Year

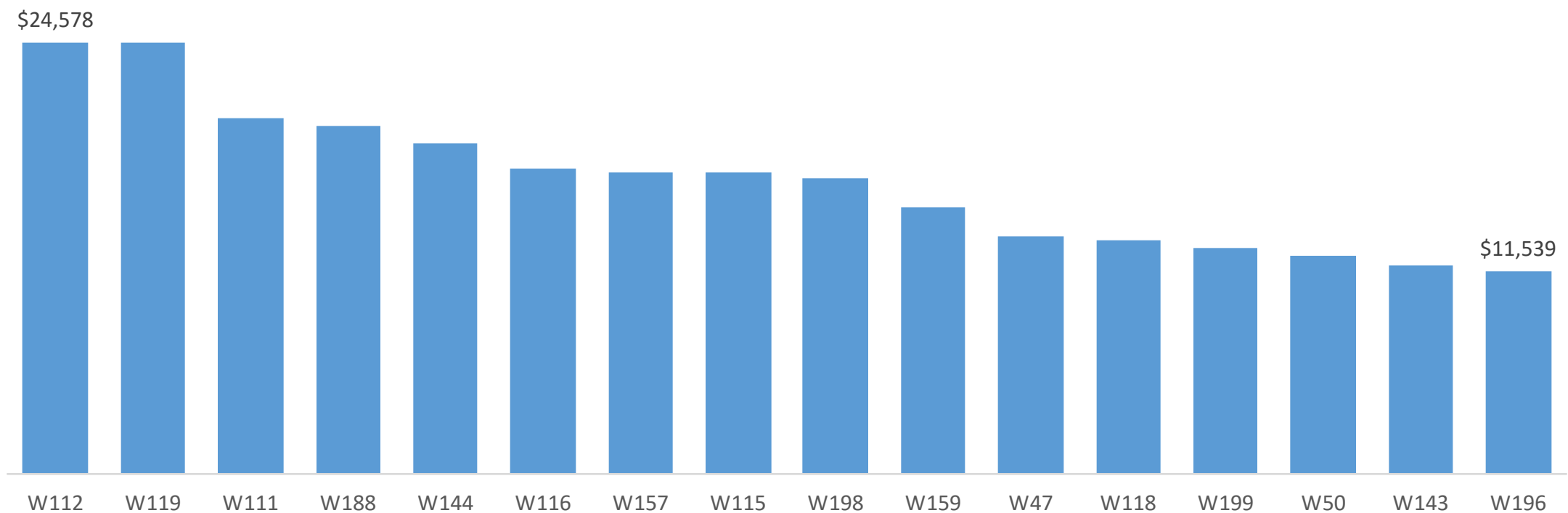


Properties to Convert in Second Year

Property ID	City	State	Apt/House	Num_Bedroom		
W112	Austin	TX	house	2		
W119	Austin	TX	house	1		
W111	Austin	TX	house	1		
W188	San Diego	CA	house	2		
W144	Denver	CO	house	2		
W116	Austin	TX	house	2		
W157	Miami	FL	apartment	1		
W115	Austin	TX	house	1		
W198	San Diego	CA	apartment	2		
W159	Miami	FL	house	1		
W47	New York	NY	house	2		
W118	Austin	TX	apartment	2		
W199	San Diego	CA	house	1	House	81%
W50	New York	NY	house	1	Apartment	19%
W143	Denver	CO	house	1	1 Bedroom	50%
W196	San Diego	CA	house	2	2 Bedroom	50%

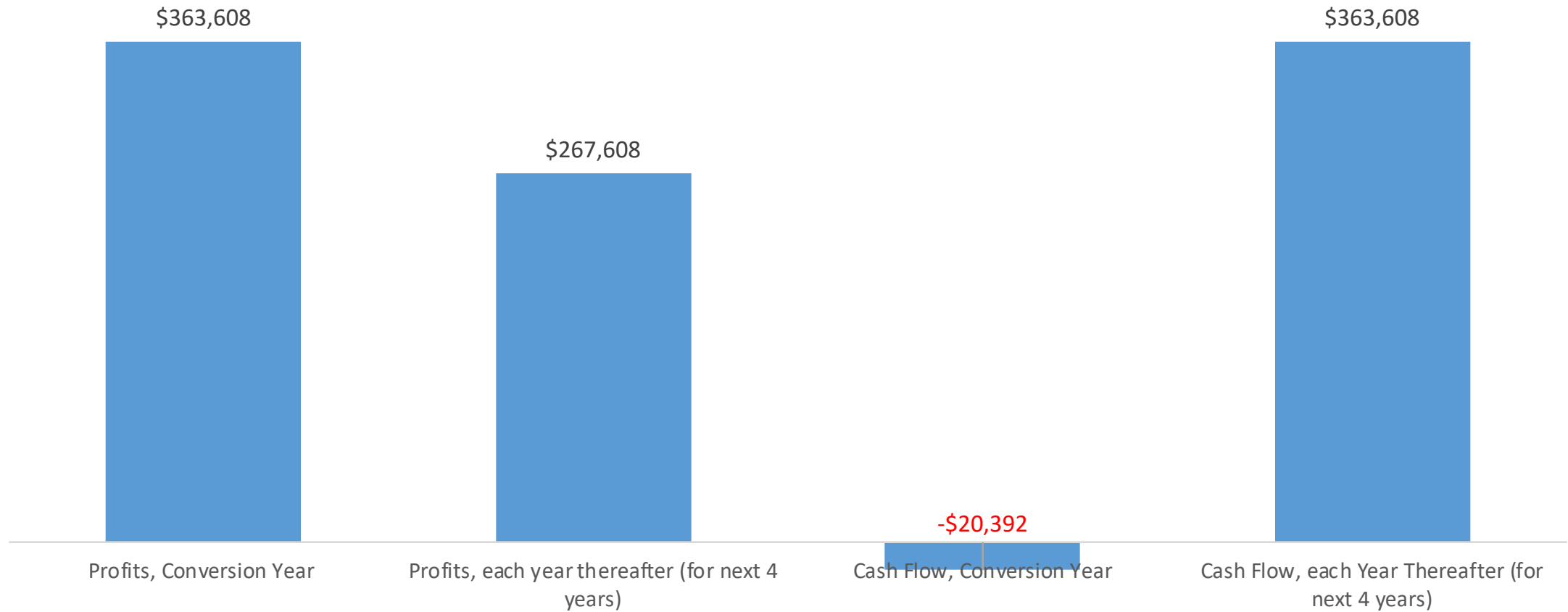
Properties to Convert in Second Year

Profits, each year thereafter (for next 4 years)

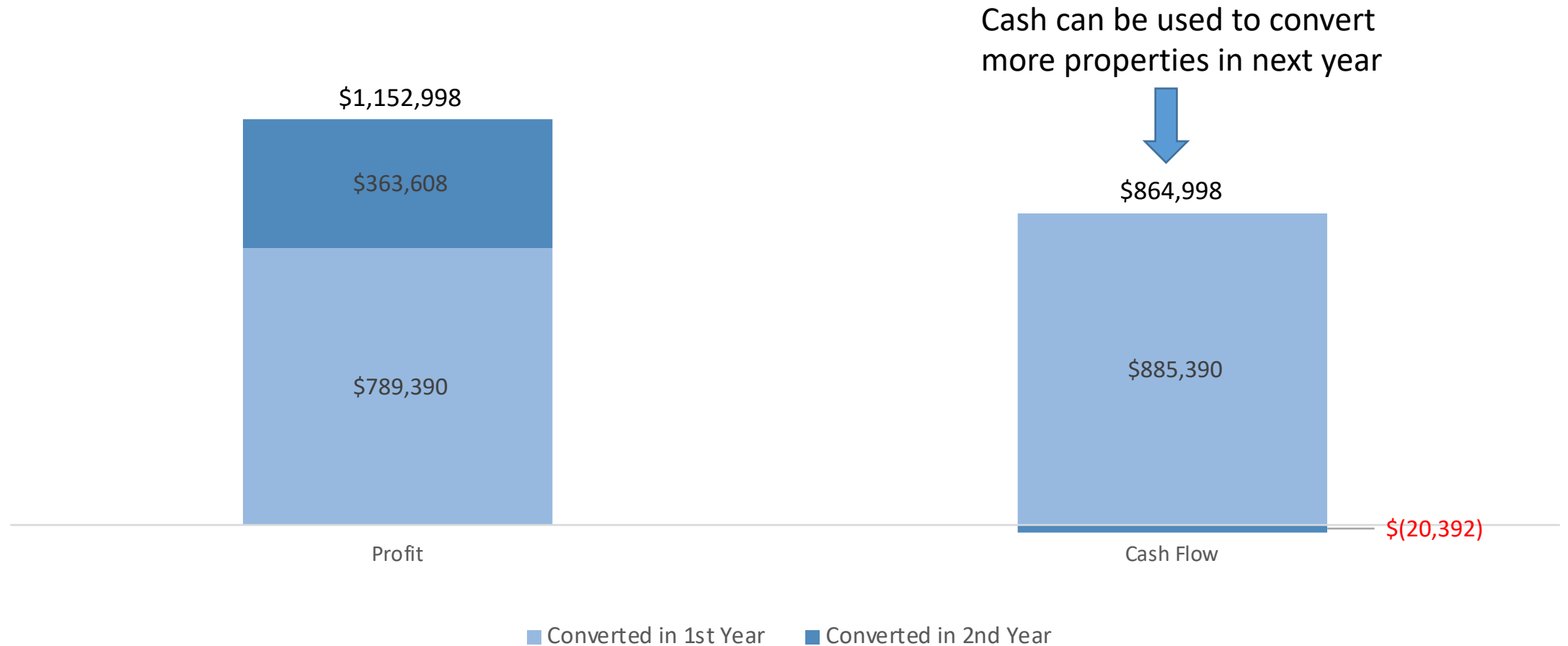


Average: \$31,483 Total: \$267,608

Properties to Convert in Second Year



Profit and Margin in Year 2

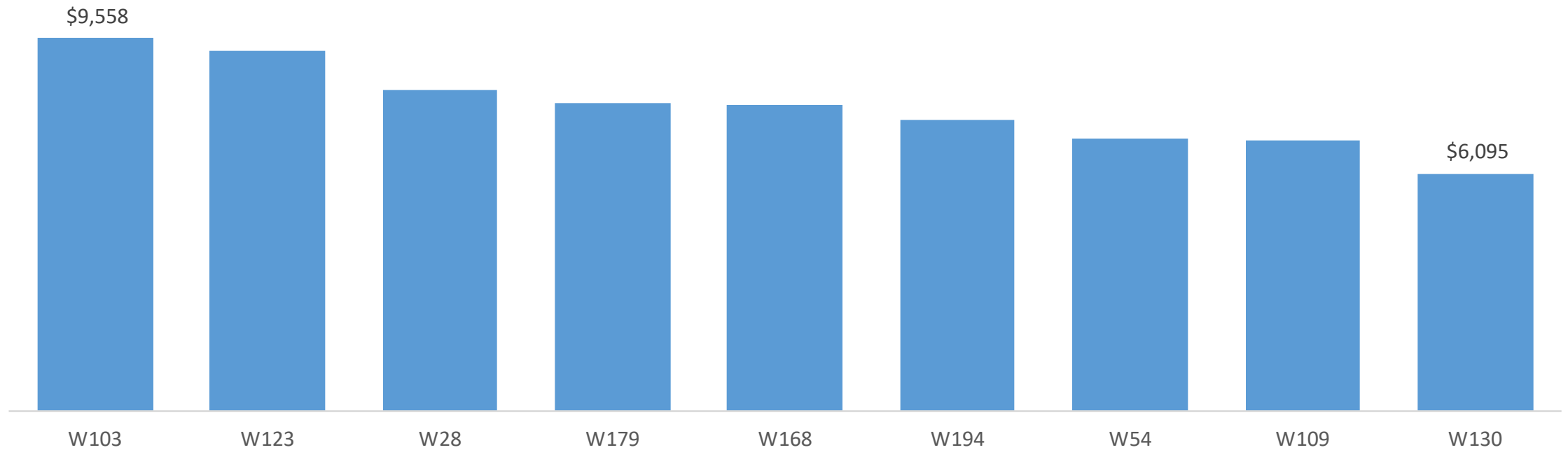


Properties to Convert in Third Year

Property ID	City	State	Apt/House	Num_Bedroom		
W103	Austin	TX	house	1	House	67%
W123	Bentonville	AR	house	1		
W28	Chicago	IL	house	2		
W179	Omaha	NE	house	1		
W168	Miami	FL	house	2		
W194	San Diego	CA	apartment	2	Apartment	33%
W54	New York	NY	house	1		
W109	Austin	TX	apartment	1		
W130	Denver	CO	apartment	2		
					1 Bedroom	56%
					2 Bedroom	44%

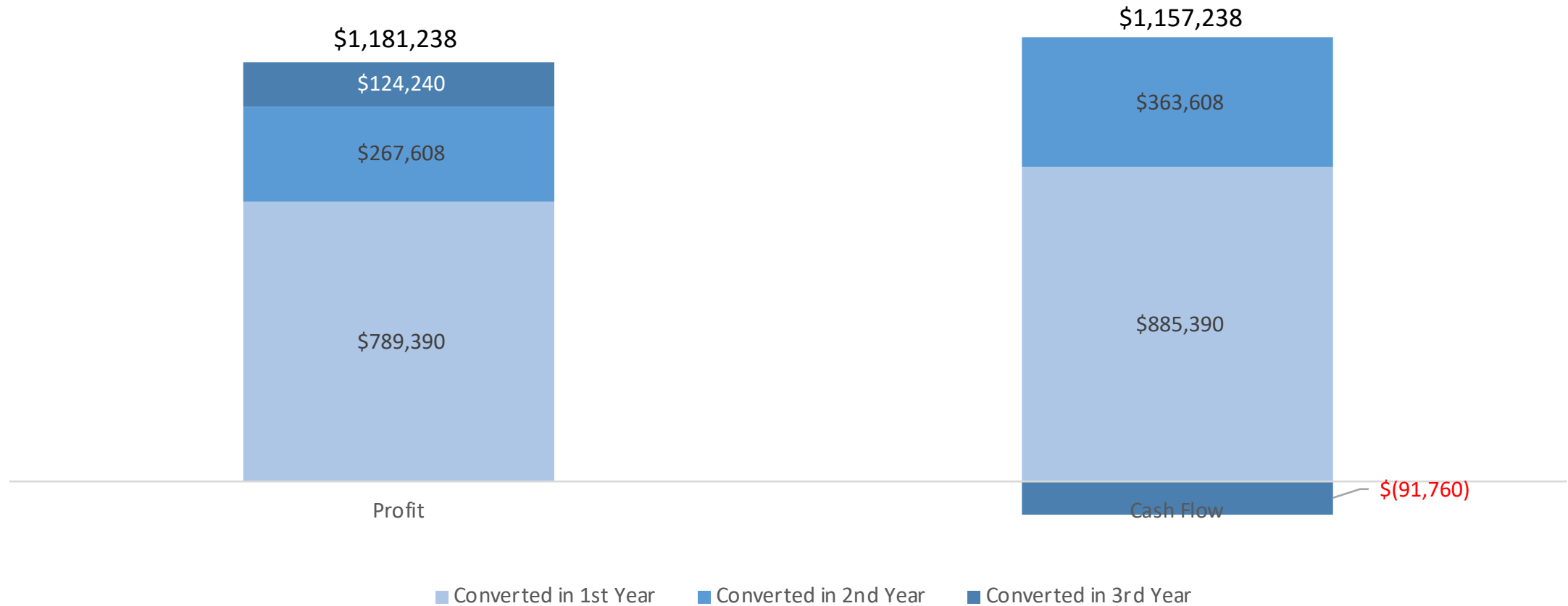
Properties to Convert in Third Year

Profits, each year thereafter (for next 4 years)

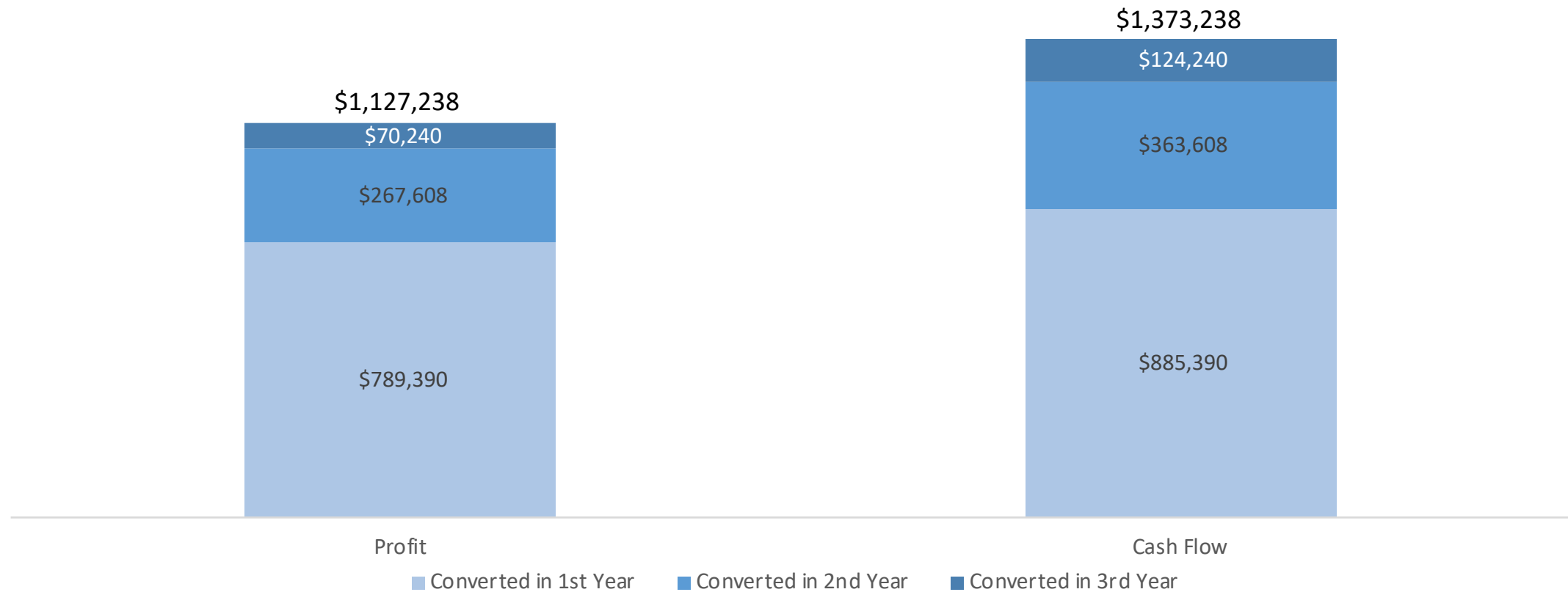


Average: \$7,804 Total: \$70,240

Profit and Margin in Year 3



Profit and Margin in Year 4 & 5



Model Explanation

- Linear regression to model the relationship between daily rate and occupancy rate
- Maximum profit for each 244 properties is calculated based on the model
- Whether to convert the property is determined by threshold of Profit after conversion year

Model Explanation

Consideration	Original Scenario	Best Scenario	Worst Scenario
Profit Threshold	\$6,000	\$4,000	\$8,000
Cost to convert property to short-term rental (includes furnishing and decorating)	\$30,000	\$24,000	\$36,000
Years to depreciate capital expenditures	5	6	4
Yearly upkeep	\$6,000	\$4,000	\$8,000
Service fees to short-term stay website (e.g. Airbnb)	20%	10%	30%
Regulatory fees (taxes and potential legal fees)	10%	5%	15%
Hospitality charges (key service, cleaning, re-stocking)	\$100	\$100	\$200
Typical stay duration (days)	3	5	1
Monthly utilities per property	\$300	\$200	\$400
Profit in Year 5	\$1,127 K	\$2,093 K	\$101 K
Cash Flow in Year 5	\$1,373 K	\$4,322 K	\$128 K
Properties to Convert	41	157	3

Summary

- Convert 16 most profitable property with \$480k initial investment
- Convert more by CF generated from converted property
- Take consideration of more variables to have a more precise model
 - Seasonal Changes
 - Discounts
 - Special Events
 - Refurbish Duration