

It's always exciting to start new endeavors that provide you with a way to make money and enjoy what you're doing. If you own (or have recently purchased) a property and want to use it for investment, [starting a vacation rental business](#) is one way to do it. [Investing in a short term rental property](#) is an exciting venture that gives you the opportunity to meet new people, learn new things, and make money! If this is something you're interested in, keep reading our 6-step guide for how to start a short term rental business.

Still haven't found a suitable rental property yet? Then read [How to Find the Best Airbnb Properties for Sale](#).

Step 1: Create a Real Estate Business Plan

Before you get your vacation rental business started, it's important to know what you're going to do and how you're going to get there. One of the most common mistakes [beginner real estate investors](#) do is jump in and get in over their heads. In addition, one reason that they fail is that they don't treat their investment like a business. A [vacation home investment](#) is more than just listing your rental property on Airbnb and waiting for the money to roll in. It's a business and, just like any other business, you can't expect to succeed without a business plan. Therefore, the first step to [starting a vacation rental business](#) is putting together a real estate business plan that outlines your goals and keeps you on track.

Here's your guide to [Developing a Real Estate Investing Business Plan for Beginner Investors](#)

Step 2: Get the Rental Property Ready for Guests

After creating a clear business plan, real estate investors can move on to the next step which is to prepare the rental property for guests. Part of being a vacation rental owner means to keep the comfort and convenience of your guests' in mind when [furnishing the property](#). This includes providing large scale items (lamps, curtains, bed frames, nightstands, etc.) as well as everyday items (hangers, can-openers, tissues, hair dryers, etc.).



When [starting a vacation rental business](#), list the items needed for your rental property. Try going through your entire day and make a list of the items you'd need. Basically, make sure you prepare your vacation home rental in a way that allows guests to feel at home. Your

first few tenants will tell you the items they need and, after a few bookings, you'll learn what guests ask for and will be able to predict what they need.

Step 3: Set an Acceptable Price

One of the [challenges of owning a short term rental property](#) is to find the right rental rate. As an Airbnb or VRBO host, if you charge too high, it'll scare guests away. On the other hand, charge too low and you may lose money on your bookings or attract the wrong crowd. One mistake that beginner property investors starting a vacation rental business usually make is setting the rental rate based on their financial standing or emotional attachment to the house. Don't do that!

Instead, what you should do is to check comparable (similar) properties in your area to find a competitive price that guests will pay and that will make you a profit. Moreover, smart Airbnb hosts use an online real estate investment tool called the [Airbnb Profitability Calculator](#). Among its many uses, this tool provides data for Airbnb rentals like the [cap rate](#), [cash on cash return](#), [Airbnb occupancy rate](#), and expected Airbnb rental income.

[Related: The Airbnb Profitability Calculator: The Best Friend of the Short-Term Rentals Investor](#)

As a real estate investor starting a vacation rental business, you'll get this data on the property level AND the neighborhood level. So, you'll

be able to analyze and compare various investment properties in your location to see how profitable your [Airbnb vacation home rental](#) will be and determine the appropriate rental rate that'll yield a good return on investment.

Step 4: Advertise Your Vacation Rental

Once the investment property is ready and prices are set, it's time for the next step which is advertising. Start by listing your property on multiple listing sites like Airbnb, HomeAway, Booking.com, VRBO.com, etc. You're bound to reach more people with these listing sites, but don't stop there. To get the word out about your vacation home rental, you should incorporate social media into your [marketing strategy](#). It's a free tool for anyone [starting a vacation rental business](#) to facilitate promotion and increase visibility.

When it's time to write a compelling property description, it's critical to pay close attention to details. There are thousands of other short term rentals, so you need a thoughtful description that'll get potential guests to book yours. Be creative, honest, and focus on what makes the [rental property](#) desirable for guests. Furthermore, mention the neighborhood and what's nearby, state your focus on the guest's satisfaction, and finish with your contact information.

Next up for advertising your vacation home rental, you need to take outstanding photos. According to [Lodgify](#), a vacation rental software solution, guests typically click through 2-3 images before deciding to move on to another property listing. Some don't even look at a property if there are less than 10 photos. So the more, the better. But,

as a real estate investor [starting a vacation rental business](#), choose quality over quantity. If you're taking the pictures yourself, take your time to highlight your home's best features, make sure the rental property is free of mess, focus on lighting, and prevent blurry pictures. If you can get a professional to take pictures of the property, by all means, spend the money to do it!

Step 5: Manage Bookings and Inquiries

As you start getting bookings for your short term rental property, you need to keep updating your calendar to prevent renter frustration and scheduling conflicts. This could be a daunting task when you're starting a [vacation rental business](#). However, today's property investors and hosts use a number of tools that make this smoother and free of headaches. There are a number of vacation rental software that allow you to automate all aspects of your real estate business from listings, bookings, management, payment, etc.

Related: [The Best Vacation Rental Software for 2019](#)

When it comes to inquiries, you should respond to them within 24 hours by phone. Why? Because your initiative will get you more bookings. As a short term rental host, set up an automated response following an inquiry to inform potential guests that you will get back to them shortly. This will give you some time before you actually respond in person and guests will feel valued.

Step 6: Maintain Your Vacation Rental

When you get to this step, you're basically ready for business. Of course, there will be twists you need to work out and systems you need to set up. For example, when it comes to maintaining the [vacation rental property](#), some issues you'll need to address are:

- Will you manage the investment property yourself or hire [professional booking agent or property management](#)?
- Who will clean the vacation rental before and after each guest?
- Who's going to be responsible for handling repairs on the property?
- Who will take care of the accounting side of the vacation rental business?
- How will your guests get their keys? (Lockbox, key pickup, mail keys, electronic entry system, etc.)

You want to make sure all of this is figured out when starting a vacation rental business not only to make maintaining the property easier for you but also to provide a better experience for your guests. Owners of short term rental properties understand that experience is important for guest satisfaction and [positive reviews](#).

Here are some related articles:

Managing a vacation rental by owner

property (VRBO) can be challenging.

Updated March 2019...

There is so much involved in creating a profitable vacation rental business that getting it right from the start is tough — manageable but tough. It is more than learning from a few websites and hoping for the best; adopting a strategy for marketing and operating the business professionally from the outset can yield more income and occupancy than any ad-hoc approach.

These 10 points are a sample of the most common mistakes owners and hosts make. Maybe you have done one or two, and maybe you are still. Being able to take a step back and observe your vacation rental business from back behind the trenches will give you a better perspective as to the areas you need to improve your strategy.



GET YOUR VACATION RENTAL **MASTER PLAN!**

This plan is your marketing and operations blueprint

This is the ultimate overview of growing your vacation rental business

Download

1. Putting all your eggs in one basket

In an earlier blog post, one of the suggested mistakes was listing on too many sites. When I wrote that, there were dozens of wannabee listing sites vying to take business away from the fast-growing HomeAway family. Airbnb hadn't appeared on the scene for whole-home rentals

at that time. Since then, we've come full circle with HA and Airbnb dominating the market to the degree that many owners seem satisfied with listing with just one. I suggest you spread the risk by broadening a marketing strategy and of course, building a home site as well. There are a multitude of hyper-local listing sites popping up that could deliver quality reservations without the draconian measures the OTAs expect you to comply with.

2. Relying on listing sites alone

Following from #1, even if you decide to list on several sites, your property still becomes one of many – maybe thousands – competing for attention. The only way to stand out from the throngs is to create a website and use social media to drive traffic to it. It requires time and commitment but the results over time will speak for themselves.

Check out '[Free Is Not What It's Cracked Up To Be](#)' for more information on free listings.

3. Being unprepared for emergencies

A dripping tap might not rank highly as an emergency to you, but to a guest who has prepared for months for a much-longed-for vacation, it can be enough to tip them over the edge. And if it's A/C or refrigeration that breaks down or a power outage in winter, lack of quick resolution can have severe repercussions. There are so many potential issues that can arise to disrupt a vacation, that not preparing for every eventuality is a huge mistake. Just because it's never happened before doesn't mean it won't next week....

4. Not being transparent about drawbacks

We all like to think our place is perfect and everyone will love it, but take a moment to think about what you may be immune to. Perhaps

it's the occasional train whistle or traffic noise; maybe the bugs and critters that are part and parcel of experiencing your location, or the potholed approach road that's not been fixed for years. The temptation is to ignore these things which seem minor to you, but the outcome of doing so will be evident in your reviews.

5. Pricing too high...or too low

'My neighbor rents for \$2000 a week and his place is a shack compared to mine'. That may be the case, but before you rush to slap a high price on your property, take some time to evaluate more of the competition. Your neighbor may accept all-comers and easily get the money from ten 18-yr olds wanting a party venue, who don't care they are being overcharged. You, on the other hand, are probably looking for more responsible groups who will respect your property. When pricing, look carefully at what is advertised on agency and listing sites for properties in your area and evaluate the facilities and features of your competitors closely. A common phrase heard recently is 'race to the bottom'. This relates to some artificially low prices the listing sites may suggest as ideal. However there's a danger in listing too low as well as this can also attract the more undesirable elements.

6. Skimping on amenities & supplies

The key to great rental income is in repeat guests and 5-star testimonials. The way to achieve both is by going above and beyond the competition. If you provide the barest minimum in the way of features and facilities, your guests will either be barely satisfied or will complain after they leave. Expectations have risen significantly and what was seen as 'luxury' a few years ago, now is considered to be standard. Yes, they do want an unlimited supply of toilet paper, shampoo and shower gel, good quality kitchen equipment, and up to date entertainment systems. If you don't provide these, at least let

your guests know what to expect so they aren't surprised by their expectations not being met.

This isn't a dollar-store business — it's a consumer-driven tourism industry that is rapidly achieving mainstream status as a vacation choice. It's better to be on the leading edge of it, than in the bargain basement.

7. Ignoring gut feelings

Sometimes a conversation with a potential guest just doesn't feel right. The person might say something that makes you feel a little uncomfortable or they forget to tell you about a child or two in the initial application and it later comes up in a discussion on the phone. The question, "How many cars can we park there?" can be an entirely innocent one if a small family is coming up at different times and may bring a couple of vehicles, however, it could also mean a small wedding is planned they are conveniently forgetting to mention. If it doesn't feel right, sound right or sit comfortably with you, it is always better to err on the side of caution and politely reject the booking.

8. Underinsuring

18 months on from an incident that occurred at one of our managed properties, we are still dealing with the claim that followed. Fortunately, both the property owner and ourselves are well-insured and the lawyers for our respective insurance companies are handling the ongoing lawsuit. So, I'm always surprised to see questions on forums and Facebook groups from owners wondering if they need specific insurance when they rent out. Yes, is the unequivocal answer, and as much liability coverage as you can get!

9. Not being specific in Terms and Conditions

In the days before instant booking, we had our guests sign rental agreements and agree to our Terms and Conditions. Maybe some of you still do this, but mostly we now rely on guests agreeing to House Rules posted on a listing site. Failing to specify how you manage your rental in the House Rules can result in over-occupancy, cancellation issues, refund and rebate requests, and other issues where guests can claim they didn't know what was expected of them. Make sure you include policies on pets, extra guests, how you handle refund requests based on power outages and weather conditions etc. If you are taking a reservation directly, then a well written rental agreement is essential for your peace of mind as well as your guests'. It records the period of the rental, check -in/check -out times, occupancy limits, pet policy as well as any other restrictions you place on a rental. It saves any misunderstanding as you can easily refer back to the signed agreement in the event of a dispute

10. Failing to appreciate you are a part of the tourism industry

The moment you accept money in exchange for short-term rental accommodation you have become part of the travel industry. This means displaying a high degree of hospitality at every step of the travelers journey. If you don't want to do this and still want to be successful, self-management may not be for you, and the solution would be to engage a property manager

All vacation rental owners will experience a range of issues and it doesn't take too long to get into the swing of inquiries, reservations, and rental agreements and finally, maximum guest occupancy. We all make mistakes at times and wish we had done things differently, but each one is a learning point that just creates a better business along the way.

