

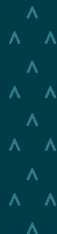


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## Module 2: Becoming the Expert for Your Clients

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**Defining a Buyers Decision Process**  
**Identifying Buyer Strategy**  
**Financing an STR**  
**Executing Search**  
**Expert Tips**  
**Overcoming Objections**



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# Defining a Buyers Decision Process

*Tell me what you really, really, want...  
and then I will tell you something that you actually want.*

## Primary reasons for buying an STR

- **Personal Vacation Home/Second Home** - may be rented out from time to time, but mostly used by the owner.
- **Hybrid STR** - rent is needed to pay the mortgage but owner uses from time to time.
- **Investment asset** - owner never uses it and it is optimized and managed as an investment. Usually owner has more than one and will buy and sell with some frequency.



# Defining a Buyers Decision Process

*Tell me what you really, really, want...  
and then I will tell you something that you actually want.*

- **Next understand what their primary decision factors are**
  - Cash Flow (does it have to be positive?)
  - Cap Rate
  - Market and/or Location
  - Portfolio of STRs vs. one STR
- **And then get ready for them to change!**

*Once you've been able to identify what type of buyer you have and what their motivations are, you will want to focus in on what they key drivers are for their definition of success. Are they looking to achieve cash flows? If so, how much? Do they have a preconceived notion about CAP rates or Cash on Cash returns? If so, What are they? While you will want to guide expectations (and may even have to tell your client that their expectations are unreasonable at times) having a good starting point in your mind about what they are looking for will make you that much more efficient in your search.*



# Initial Intake and Ongoing Adjustments

*As a buyers motivations are uncovered it may be helpful for you to keep track of these preferences and to keep a cheat sheet for reference.*

- ☐ Reason for buying a short term rental
  - ☐ Investment only
  - ☐ Leisure - to use as a second home and rent out when not in use
  - ☐ Both
- ☐ Markets of Interest (City, State)
- ☐ Number of assets looking to purchase:
  - ☐ 1
  - ☐ 2-6
  - ☐ 6+
- ☐ Property Type (can select more than one)
  - ☐ Single Family Home
  - ☐ Multi-Family
  - ☐ Condo/Apartment
  - ☐ Cabin
- ☐ Purchase Price (per unit)(Minimum & maximum)
- ☐ Min Bed/Min Bath/Sleeps
- ☐ Property Must Haves:
  - ☐ Pool
  - ☐ Hot Tub
  - ☐ Existing Furniture
  - ☐ Existing STR
- ☐ Financing:
  - ☐ Down Payment %
  - ☐ Interest Rate %
- ☐ On/Off Market/Both
- ☐ Cap Rate Expectation (min)
- ☐ Cash Flow Expectation (min)
- ☐ Amount willing to invest in a rehab
- ☐ Amount of time you plan to hold the property before selling
  - ☐ 2-3 years
  - ☐ 4-6 years
  - ☐ 7+ years



*Various strategies can be deployed to select the best assets in a given market, and these will not vary greatly from considerations you may already be making for other non-STR clients.*

*Scarcity is always a consideration for real estate investing and there are a few ways you could look at this. You could either focus on unique properties in a high-demand area, or work on finding one of the limited options in a limited supply area. For example, if the focus is to target areas with low supply but high demand, one could target highly regulated markets. It may be difficult to enter that market, but if you find the right place that is legal, your client will be one of the only shows in town and should reap the rewards as a result.*

# The Core Strategies for Identifying the “Right” Assets

**Scarcity**

**Balanced  
Portfolio**

**Cash Flow**

**Tax  
Advantages**

**Long Term  
Appreciation**

**Urban vs.  
Destination**



# The Core Strategies for Identifying the “Right” Assets

*Additionally, some buyers may want to focus on finding a balanced portfolio that can supplement or replace their 401k. In this situation you will want to focus on buying across numerous locales and asset types. In some instances these clients will want to keep the assets managed by a single management company, or may wish to sample different management companies to further diversify their exposure.*

*If Cash Flow is the primary focus of your buyer, homes in the mid-high (\$600k-\$1.5M) price range will often produce high cash flow and have less risk of great swings in income relative to high-end luxury properties.*

*There are also many Tax Advantages for STRs. By offsetting investments in furniture, management fees, and other home improvements, a client who is targeting tax advantages may not even need the home to be profitable to consider an investment a success. These buyers will often factor the investments made into a property as a tax shield against other gains, and if done correctly, this strategy can be quite powerful. Your clients should always talk to their accountants or tax professionals when looking for these benefits, as tax law can quickly become confusing, and should always be left to the experts.*

*Long Term Appreciation is usually combined with one of the above strategies and while a buyer can pay down the mortgage, and even make a nice profit while operating an STR, the long-term outlook on the home itself should also not be forgotten.*

*Identifying the largest opportunities for future revenue and appreciation will be vital in your search, and if you become good at it, your buyers will love your savvy and likely transact quickly and frequently with you, as a result.*

# Financing an STR

There are many different options to finance a Short Term Rental. Since it can be both a second home and a real estate investment, you can use both traditional financing and/or commercial financing.



- ✓ **Second Home Loan**
- ✓ **Cash**
- ✓ **Hard Money**
- ✓ **Private Lending**
- ✓ **All in One - First Position Heloc**
- ✓ **Portfolio Financing**
- ✓ **DSCR Loan**



# Financing an STR



*Just like any transaction, ensuring that your buyer is actually in a position to act is a necessary step to ensure your valuable time and energy isn't wasted by trying to help someone who can't buy in the first place.*

*While access to capital is central consideration in almost all real estate transactions, you will find that lending products for STR investments are different than those available for a primary residence.*

*There are two primary types of lending products for STRs, one that takes into account the strength of the borrower and the other that only looks at the projected rental income of the property. The first type, a second home loan, can be obtained from both traditional and private lenders and will look at the borrower's debt-to-income, or DTI, as well as their credit score. The other options offered through private lenders will look at the borrower's credit score only with the performance of the rental. There are lenders that offer loan products that are ideal for short term rentals, including the All-In-One loan that will use the cash flows earned, to decrease the interest rate, ideal in the current higher-interest rate environment.*

*The easiest sources of funding come from cash buyers and hard money loans,. This allows a buyer to Close quickly without waiting on loan approvals. If you have a client with cash or a hard money loan, we recommend you still obtain an appraisal and inspection but these will not be a requirement for close.*

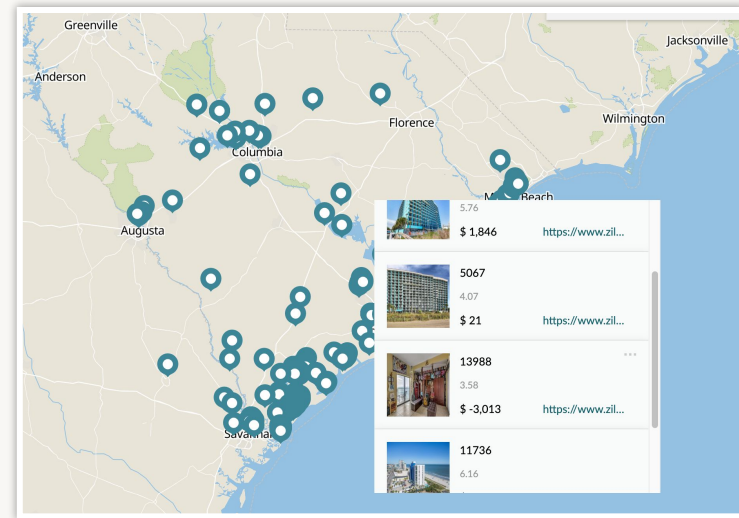
*For more professional investors, there are portfolio financing options that will provide more favorable terms when financing multiple properties under one loan. However, most investors will close on a property with cash or a hard money loan and then convert to a portfolio loan at a later date so this will most likely not come into place when closing a loan.*



# Search: Utilize Your Local Knowledge

- Average Cap Rate
- Seasonality
- Highest Performing Property Type
- Local Attractions
- Stadiums

Note: Revedy can provide visibility into Average Cap Rate, Seasonality and Highest Performing Property Type



*Don't forget, YOU are the local expert in your market and your existing knowledge of desirable areas will be a key driver in finding the best opportunities for your clients.*

*Keep in mind things like proximity to local attractions, sports stadiums and event venues, and even access to vibrant shopping and dining areas that will attract guests will help you hone in the highest producing areas within a given locale. Do your best to put your clients in the path of progress and if you see trends indicating that there will be future growth for activities and attractions in a given area, these can be great opportunities to get ahead of the curve.*

*Always try to put yourself in the shoes of a potential guest, and think as if you were visiting the area for the first time would you be happy here? If so, the property should perform quite well for your client and you will want to share the reasons why when showing the home.*

## **EXPERT TIPS** for a Successful Short Term Rental Buyer's Search

- a. Not all Assets are legal.
- b. HOA fees and restrictions often kill a deal.
- c. Existing tools like AirDNA use averages.
- d. Actuals on existing STRs usually under represent the potential revenue.
- e. Engaging a good management company is key for driving optimal revenue.
- f. "Sleeps" matters more than bedrooms.
- g. Square feet mostly does not matter.
- h. Access to local attractions creates higher returns.

## EXPERT TIPS for a Successful Short Term Rental Buyer's Search

*While we've tried to provide plenty of guidance on what defines a good area for STR rentals, we should also spend a bit of time on what can ruin an STR rental or preclude it as an opportunity all together.*

- a. Not all assets are legal so make sure to understand regulations for your local area.*
- b. HOA fees and restrictions can often kill a deal. If you have an investor-focused client, use caution with HOAs and make sure you check the CC&Rs during due diligence.*
- c. Existing tools like AirDNA use averages to forecease STR performance. The performance of specific assets can swing by more than 40% plus or minus so using reliable tools such as Revedy Certified Underwrites when trying to analyze a property for your clients will allow you to be much more confident in your expectation setting.*
- d. Actuals on existing STRs usually under represent the potential revenue due to owner holds, lack of optimization, and absence of top-tier VRM. Actuals can be useful, but should not be treated as truth.*
- e. Engaging a good management company is key for driving optimal revenue. Performance of management companies can vary greatly and vetting a good management company is a critical part of the acquisition process.*
- f. The number of guests a property "Sleeps" often matters much more than the number of bedrooms.*
- g. Square feet and walk in closets do not have a significant impact on short term rental revenue.*
- h. Access to local attractions and a property's amenities are the largest drivers of higher revenue and returns.*

We have the broader market regulations, you are the local expert who can take that information and apply it to your client's situation. We work in partnership together to serve your clients.

# Overcoming Objections

- Use Historical Data, rather than trying to predict
- Show STR trends and actuals if possible
- Get feedback to uncover “truths”
- Question, question, question
- If within budget—minimize discussion around price and focus on returns

*Similar to any other real estate transaction, overcoming your buyers objections will ultimately define your success with STR investors. While the of building rapport, clear communications, and honesty will be integral; you will ultimately find yourself in a position in which you'll have to overcome some objections and we've tried to provide some ideas and support for when you do.*





# Overcoming Objections

*First, use historical data on the market and similar properties whenever you can. See if there are any other operating STRs nearby and see if you can get prior rental history. When possible, show this information to your clients to give them confidence in your estimates, and use Revedy insights to show the upside of an optimized property. While historical data doesn't represent the absolute potential of a property it can give you a good starting point.*

*Remember, no one can predict the future, so don't let a buyer try to convince you that you should. There are also no such things as guaranteed returns, and if a buyer expects them, don't be afraid to disarm them with the truth—and maybe even a bit of humor. After all, only Treasury Bonds and Ponzi Schemes give guaranteed returns, so STR assets are probably a better place to be looking!*

*In truth, the most important thing you can do is to ask questions and try to gather feedback. Show the buyer options and really dig into what they like and don't like about each. Ask them about the size, the layout, the included amenities or what they might want to include as an added value to potential guests. Dig deep into their psychology so you can analyze assets the same way they do.*

*If a property is within their budget, you can do yourself a favor by stopping to talk about price and focusing on the returns. Give them confidence that they will hit their goals. Use data to substantiate your position and create a sense of urgency. It is easy to wait, and wait, hoping for a turn in the market, or a drop in interest rates but the truth is, there is a hefty opportunity cost in waiting. Profitable STRs will get purchased and if its not by your client, it will be by someone else. Remind your buyer that that money will be going somewhere, so it might as well be going to them!*



# Contract Writing & Offer Strategy

## Key STR Negotiations Beyond Your Normal Home Buying Items:

- Closing time-frame (pre-peak season preferred)
- Furniture and supplies
- Listing Photos are transferred and owned by new owner.



## If an existing rental:

- Channel Transfer (AirBnb, VRBO) to new owner or Management Company
- Absorb advanced deposits and existing bookings.
- Transfer reviews (if good).
- Transfer quality photos and content (with permission in writing).



# Contract Writing & Offer Strategy

*While you can't control every aspect of your transaction there are some things that can align nicely if you pay attention.*

*When trying to negotiate a Closing be mindful of the time of year, and if possible, Close at least 3 weeks prior to peak season for the market. Seasonality matters and getting an asset pre-season (vs. post) can help the asset generate the necessary revenue. On the other hand, if you do Close during off-season instruct your client to use this time as a ramp up period. Get the proper management in place, make the necessary improvements that can attract more guests, get yourself in position to win when the time comes!*

*Be mindful when negotiating for furniture and supplies. If you can reduce these expenses, even partially, you can help ensure high returns for your client. Even the silverware in the drawer can save your buyer money! If you do need to help your client find STR-specific furniture or decor, don't be overwhelmed, there are some great companies that can do this for them and Revedy will include a list of these providers at the conclusion of the course.*

*Leverage any existing processes and relationships where you can. Some VRMs and owners will allow you (or in some cases even mandate you) to keep existing guest reservations. This can be a real advantage to smooth out earnings during the transition and can make sure you hit the ground with a running start. Most VRMs can help with this process and the only common exception is where an owner may have multiple properties on one account. Despite this added complexity there are workarounds and Revedy can help.*

*When possible, make sure your buyer is transferred any advanced deposits. These should be confirmed, in writing, to the new owner for any reservations where the stay is on or after the Closing date. Some states do regulate this differently so check with your broker on how to facilitate this.*



# Due Diligence During an STR Transaction

## STR Inspection

- Secondary regulation check
- Unique STR onsite inspection items

## STR Appraisal

- Includes multiple STR Comps
- Ensures clients obtains best loans terms

## VRM Selection (Property Management)

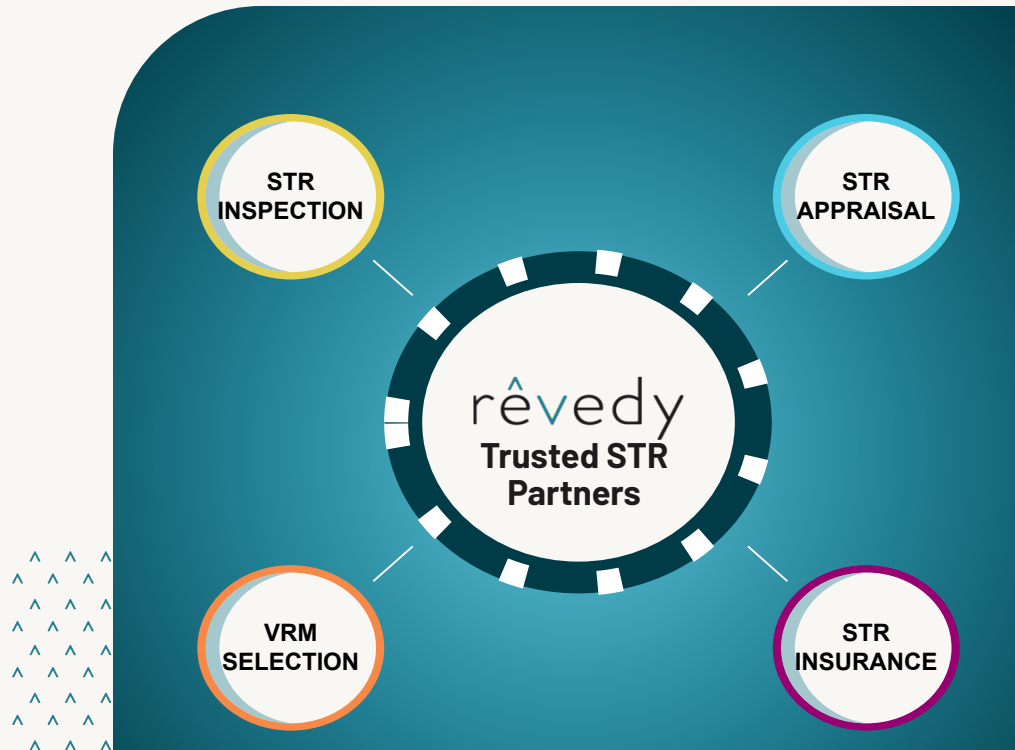
- Best VRM varies by market and home type
- Access to discounted rates through Revedy
- Critical to STR performance

## STR Insurance usually combines:

- Loss of Business
- Homeowners Insurance
- Damage Insurance
- Rental Insurance

**Contact your Revedy advisor for introductions**

*Through your relationship with Revedy, you will also have access to pre-vetted best-in-class service providers that specialize in products and services for short term rentals. We have spent significant time trying to identify partners that best serve this asset class including Lenders, Inspectors, Appraisers, companies that specialize in Furniture and decor, insurance and professional property managers.*





# Questions, suggestions, or ideas?

Your input matters! We thrive on  
your feedback to improve.

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