



## How to Maximize Returns in Sedona, Arizona's Dynamic Short-Term Rental Market

Sedona, Arizona is famous for its stunning red rock formations and a vibrant tourism scene. Drawing visitors year-round, Sedona is a compelling opportunity for investors seeking strong returns and consistent revenue. However, like any short-term rental (STR) market, jumping in without understanding the local dynamics can lead to trouble. Navigating local regulations, preparing for seasonal fluctuations, and identifying the most profitable property types are all crucial for success.

In this guide to the Sedona STR market, we'll show you how to identify the key elements of the market and choose the right type of investment property for your personal goals. Our analysis of Sedona's average listing performance will help you understand your own property's potential. By the time you're done reading this article, you'll have all the tools you need to make informed investment decisions and maximize your returns in Sedona's vibrant STR market.

### Navigating Regulations

The first step to success for STR investors and owners in Sedona is understanding the relevant local regulations.

Sedona defines an STR as a residential property that's rented for less than 30 days. Key regulations include the requirement for an STR permit from the city, which isn't transferable and must be renewed each year. Prior to applying for this permit, owners must secure a Transaction Privilege Tax (TPT) license from the Arizona Department of Revenue. Then you'll need to provide the rental property's address, owner details, 24/7 emergency contact information, and proof of your TPT license to apply for the STR permit.

Sedona enforces occupancy limits and parking requirements, and also has regulations addressing noise and nuisance issues. Owners are also required to obtain a city business license, because they'll need to collect and remit sales tax on rental income.

Importantly, as of now, Sedona does not have owner-occupancy requirements or caps on the number of STRs allowed. However, there are ongoing discussions and attempts to further regulate STRs, so it's crucial to stay updated on any potential changes.

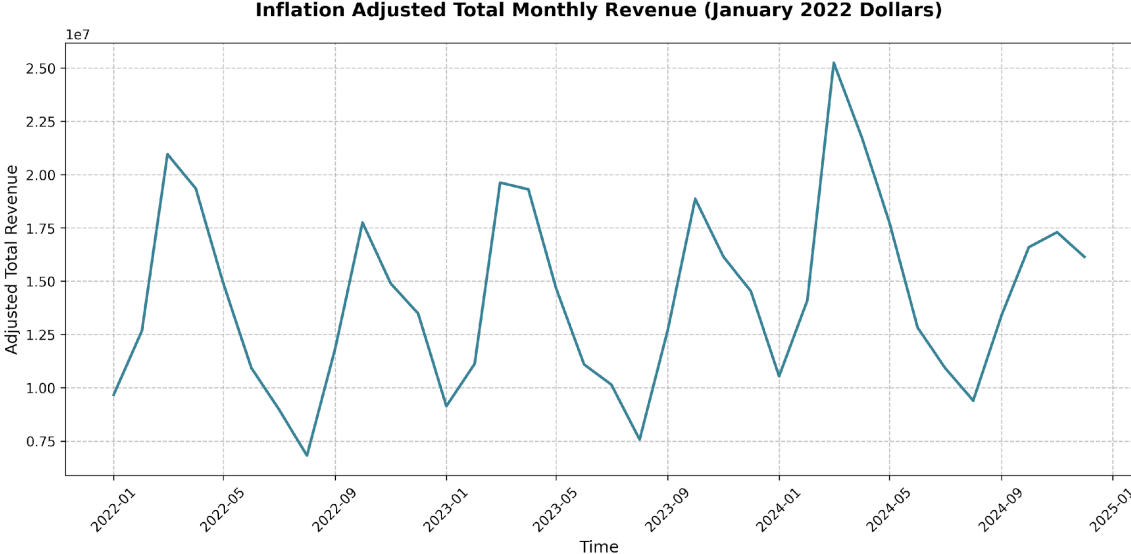
If you are looking for help on your investment journey, [Revedy's done-for-you regulatory reports](#) can help you with the research.

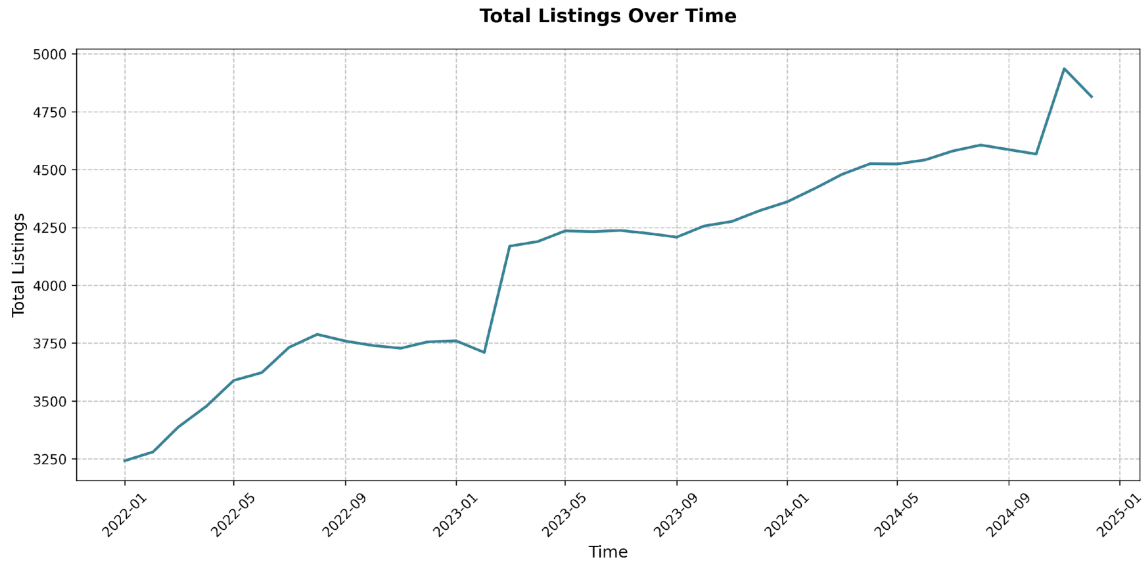
## Market Overview

The data presents a compelling picture of Sedona as a robust and dynamic market. In January 2022, STRs generated approximately \$9.7 million in inflation-adjusted revenue. By March 2024, that figure had soared to over \$25.2 million, demonstrating that this market has significant earning potential. The spring and fall seasons consistently show the highest revenue figures, while the summer and early winter months experience a seasonal dip.

The number of STR listings in Sedona has consistently increased in accordance with revenue growth. The market has expanded from 3,242 listings in January 2022 to over 4,800 listings as of November 2024. This growth indicates increasing investor interest and confidence in the Sedona STR market. While this does suggest heightened competition, it also reflects a healthy and expanding market, demonstrating that Sedona has enduring appeal as a travel destination.

Overall, the Sedona STR market demonstrates a positive trajectory, with both inflation-adjusted revenue and listings trending upward. While seasonal fluctuations are evident, the strong performance during peak months with a solid baseline throughout the year highlights the potential for consistent income. Coupled with market expansion, this paints a picture of Sedona, Arizona as a vibrant and attractive investment landscape.





## What To Buy

Before making a real estate purchase, it's a good idea to see how properties of different sizes perform in your prospective market so that you can make an informed decision based on your own resources and goals. To that end, we've crunched some data to give you a clearer picture of how different bedroom counts are performing in Sedona.

Here's a snapshot of gross yield, average prices, revenue, and listing counts based on bedroom size:

# Bedrooms	% Gross Yield	Avg. Annual Revenue	Avg. Price	# MLS Active Properties	# Airbnb/VRBO Listings
1	7.78%	\$24,168	\$310,450	8	1325
2	6.54%	\$34,973	\$534,773	49	1140
3	3.52%	\$58,202	\$1,653,538	68	1234
4	4.14%	\$84,473	\$2,042,704	39	438
5	4.96%	\$127,498	\$2,569,708	11	167
6	2.39%	\$168,391	\$7,050,000	3	49

Keep in mind that these numbers are averages, and specifics will vary based on location, property quality, and management, among other factors.

### One-Bedroom STRs: High Yields at a Lower Price Point

- Highest gross yield at 7.78%
- Average annual revenue of around \$24,000
- Average price of about \$310,000
- 1325 listings, but only 8 active MLS properties, indicating strong competition

One-bedroom properties can be a great entry point for investors in Sedona. However, with the large number of listings and low numbers of available properties for purchase, competition may be fierce.

### **Two-Bedroom STRs: Popular Choice with Solid Yields**

- Strong gross yield of 6.54%
- Average annual revenue around \$35,000
- Average price point in the mid-\$500,000s
- 1140 listings, with 49 MLS active properties, showing more purchase potential

Two-bedroom properties offer a solid yield, cater to a broad range of travelers, and have a reasonable entry price compared to larger properties.

### **Larger Properties (3+ Bedrooms): Higher Revenue, Higher Investment**

#### **Three-bedroom STRs**

- Lower gross yield of 3.52%
- Average annual revenue around \$58,000
- Average price over \$1.6 million

#### **Four-bedroom STRs**

- Slightly better yield at 4.14%
- Average annual revenue around \$84,000
- Average price over \$2 million

#### **Five-bedroom STRs**

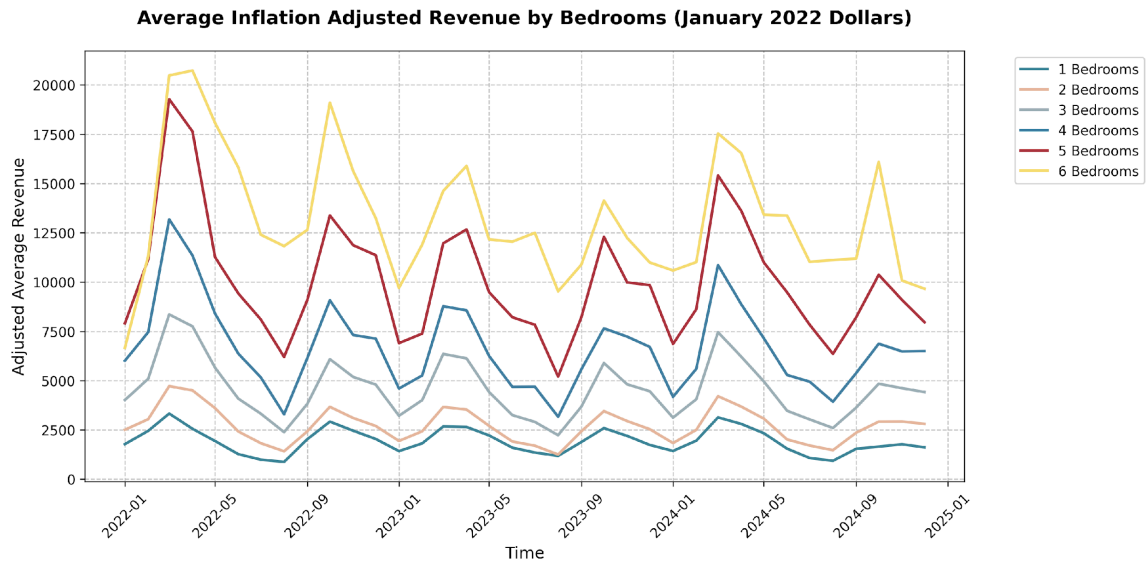
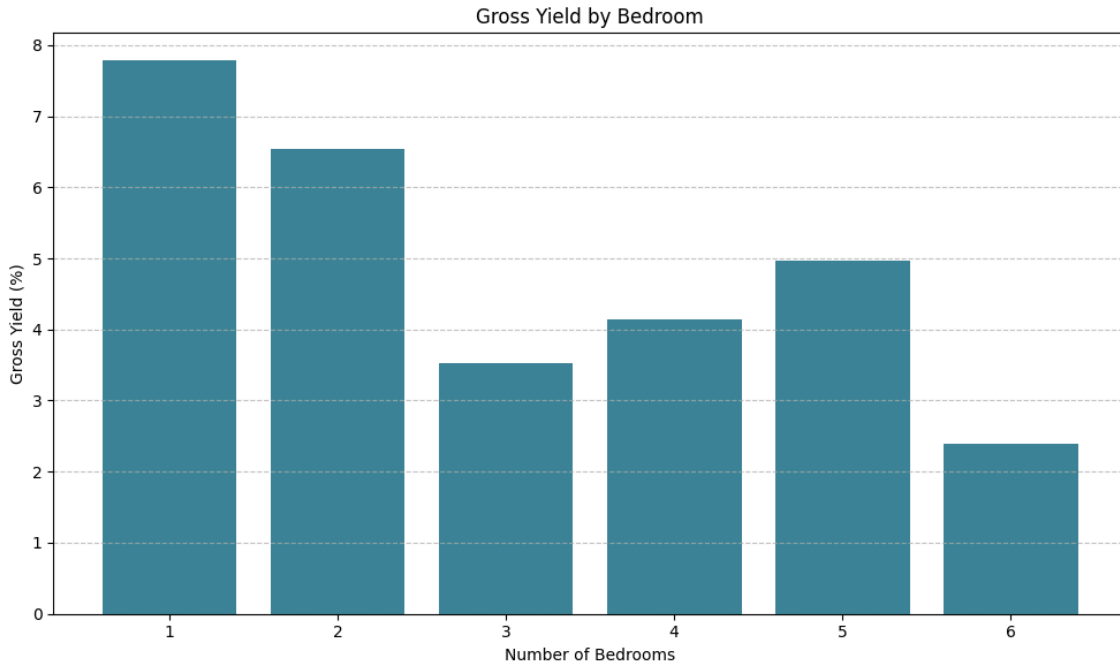
- Better yields of around 5%
- Average annual revenues of \$127,000
- Average price around \$2.5 million
- Low number of active MLS listings

#### **Six-bedroom STRs**

- Lowest yields, at 2.39%
- Average annual revenues of \$168,000
- Average price around \$7 million
- Lowest number of both rental listings and active MLS listings

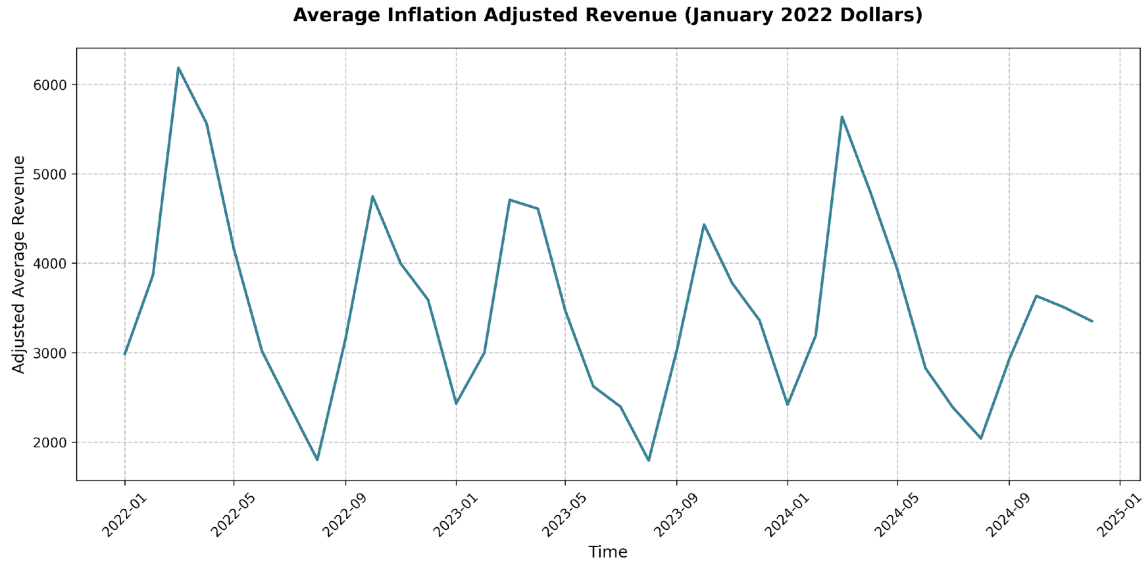
While three-bedroom properties provide a significant jump from two in terms of annual revenue, gross yields are lower due to higher purchase prices, and the same stands for four-bedroom properties. Notably, there's a noticeable increase in yield and revenue for five-bedrooms, with only a modest increase in average price. However, six-bedroom properties are significantly

pricier, with lower yields and revenues. Note that for both the five- and six-bedroom properties, the numbers may be skewed by a lower sample size.



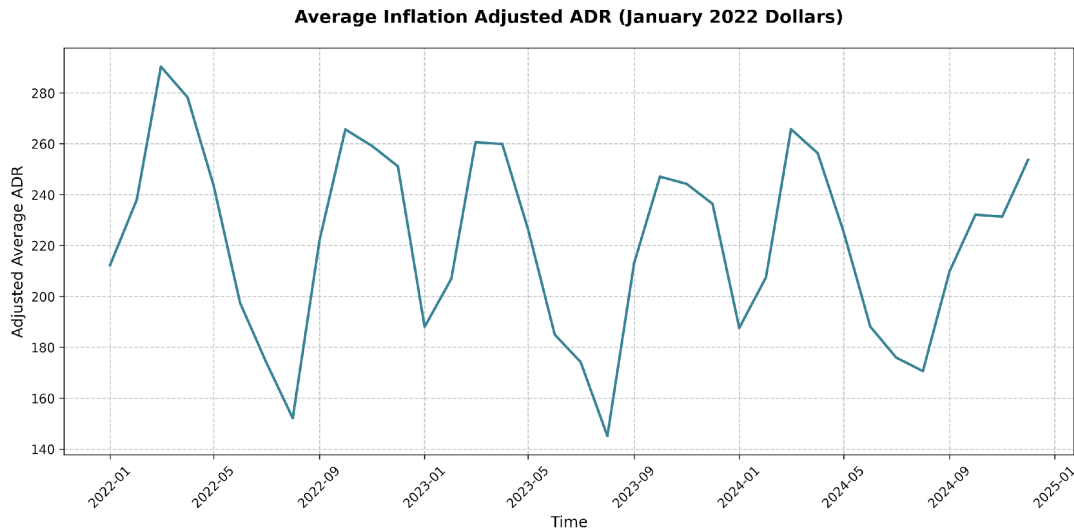
# Average Listing Performance

Next we'll take a look at how the average STR listing in Sedona actually performs. Understanding the typical revenue, pricing, and occupancy will give you a clearer picture of what to expect and how to gauge your own potential investment.

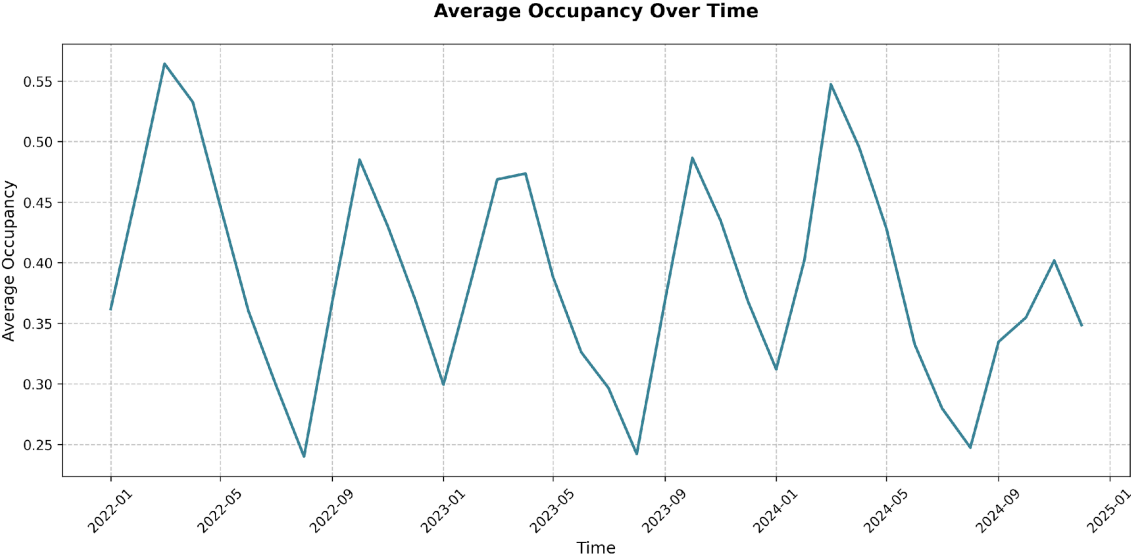


The average Sedona STR listing in January 2022 brought in about \$2,983 in inflation-adjusted revenue. By March 2024, that average jumped to \$5,635, indicating a clear seasonal rhythm to STR performance in Sedona.

March, April, May, October, and November deliver the highest average monthly revenue, with March and October consistently on top. While revenue dips during July and August, and then again in January and February, the average listing still generates a respectable income.



The Average Daily Rate (ADR) follows a similar seasonal pattern, reaching a peak of around \$290 in March 2022, and dipping to around \$152 in August 2022. This makes sense, as higher demand during peak seasons allows STR owners to command higher nightly rates.



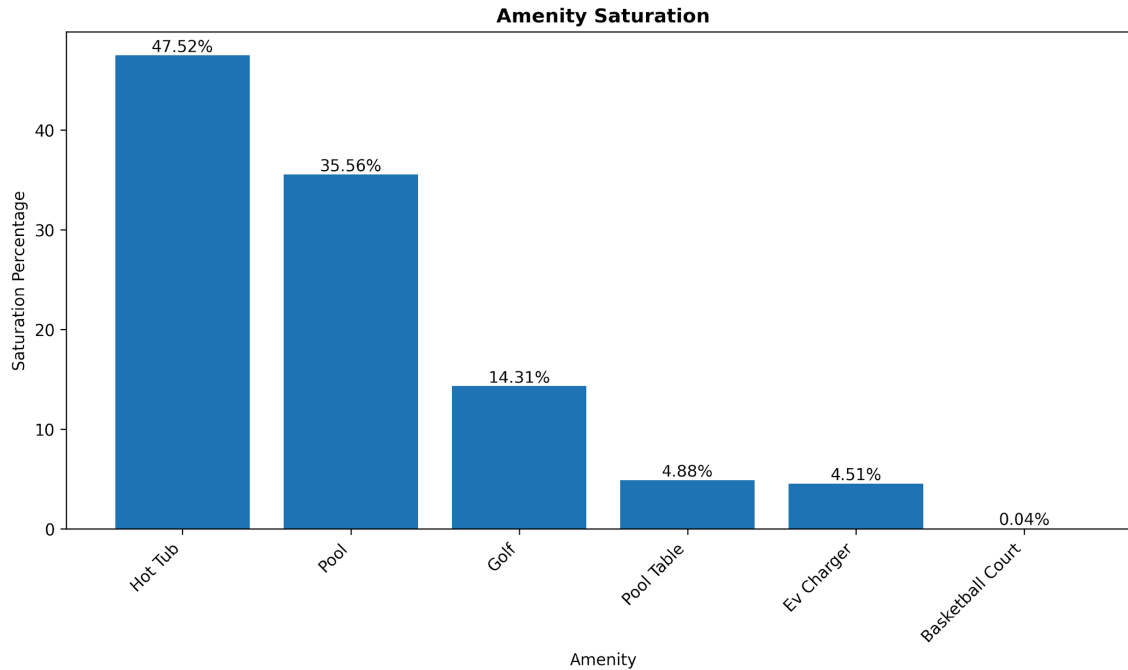
Occupancy again reflects the same seasonality, reaching over 50% in March and dipping below 25% in August.

## Amenity Analysis

In a busy market like Sedona, the choice of amenities for your rental property can make all the difference.

Two of the amenities that clearly boost revenue are hot tubs and pool tables. The data shows hot tubs boosting monthly revenue by an estimated \$1665, and a pool table by \$1370. And EV are also an awesome addition, showing a monthly increase of \$1700 in November 2024.

While pools may seem like an obvious choice given the hot, dry climate in Sedona, they actually show a negative impact on monthly revenue in winter months, December 2024's numbers show a \$1739 decrease in revenue for properties with pools. Finally, golf access and basketball courts showed no impact on monthly revenue.



## Conclusion

What are the key takeaways for potential investors in the Sedona STR market? First of all, smaller units tend to be better ROI, while larger properties provide a big jump in revenue for those investors with more to spend.

If you're considering entering or expanding your presence in Sedona's STR market, [Revedy](#) is here to provide you with personalized, expert advice. We can help you create a roadmap tailored to your investment goals. You can also dive into the specific regulations for your property with a [custom report](#), or sign up for our [underwriting platform](#) to complete your property analysis with confidence.

The Sedona STR market offers a wealth of opportunities for those who are well-informed and strategic. By combining the insights in this article with [expert advice](#), you'll be well-equipped to unlock your property's full potential and achieve STR success in the stunning landscape of Sedona, Arizona.

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