



SHORT-TERM RENTAL DUE DILIGENCE CHECKLIST

If you are planning on acquiring property to operate as a short-term rental (Airbnb) there are a number of additional due diligence items you will not want to overlook! Some items are not requirements but are good to keep in mind because they will make your rental easier to operate.

REGULATIONS

- a. Warning! Make sure to check the regulations in the specific city you are searching for property in. Most often laws are implemented on a city-by-city basis: so you could have a county with 4 cities and 4 completely different laws.
- b. Is your property in a historical or conservation neighborhood? Double-check this as well because they may have their own rules that override the city rules.
- c. Cities that have housing shortages are often more prone to short-term rental regulations (New York and San Francisco for example have some of the most strict regulations in the nation)
- d. How do you check for regulations? Start with Google. if you can't find your answer there or want a more certain answer we recommend calling the city planner and ask for the planner of the day followed by three questions:
 - Do they have any rules currently on Airbnb or VRBO? If they say yes, ask them to email you the written documentation.
 - If no, ask them if they have a limitation on rentals that are thirty days or less.
 - If the answer to that is also no, ask if they have a limitation on utilizing properties in ways not shown in the user code and ask them about compliance.

UTILITIES & MAINTENANCE (WHICH YOU WILL BE PAYING FOR)

- a. Which utilities will you need to connect to?
- b. What is the availability of internet at your potential property?
- c. Will your property require pest service, how often? (This will disrupt guest stays)
- d. Is your property far from help? (Maintenance emergencies)

PARKING

- a. Does the property have parking? (this will attract longer-term guests)
- b. If no private parking, what are the street parking laws?

ENTRY

- a. Does the property have any gates or common area entries where you may need to provide a guest a remote / common key code / key access? Will this be difficult to provide?

ON-SITE STORAGE

- a. Does your property have a place to provide storage and consumables for your housekeeping team?

NEIGHBORS

- a. Are your neighbors ok with you having a short-term rental at this location? (even though the laws may permit STRs it's best to advise them before purchasing the property)

FINANCIALS

(SPECIAL NOTE ON FINANCIALS: A good source for data is Airdna.co or research other Airbnb's in the same area of your potential property). While you will not be able to estimate the potential revenue and expense with 100% certainty you will be able to get averages.

I recommend always being conservative with your numbers.

- Seasonality: Does where your potential property is have a high fluctuation in occupancy due to seasonality?
- You have a general idea of the average nightly rates and average occupancies (year-round)
- You have compared your rental to competitive rentals based on size, # of rooms, amenities
- You know your breakeven occupancy (# of nights reserved to cover your annual expenses)

CITY AND COUNTY TAXES

- 1.What is the TOT tax in your city? (Transient occupancy tax)
- 2.Does Airbnb already have an agreement with your city to pay TOT on your behalf?
- 3.If not, where will you need to send the money and how often?

TOURISM TAXES

- a. Does your city charge a separate "tourism tax?" How much is it?

IS YOUR PROPERTY PART OF A HOA?

(SPECIAL NOTE WITH HOAs: A HOA is a "Home Owners Association" which means rules that are set in place the day you purchase a property could change based on a majority vote sometime in the future)

- a. Make sure that short-term rentals are not prohibited by the HOA regulations
- b. What does the HOA include?
 - Landscaping?
 - Exterior maintenance/roof?
 - What is the cost of the HOA, are there any proposed increases?