

THE TOP TEN REASONS TO GET INTO THE LUXURY VACATION RENTAL BUSINESS NOW!



LUXHOMEPRO

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REAL ESTATE IN
PAST 20 YEARS PG.11**



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Jerry Conti
Co-Founder, LuxHomePro
support@LuxHomePro.com
www.LuxHomePro.com
Direct: 1-888-589-7760

Introduction

Your New Blue Ocean in Real Estate

Several years ago, researchers W. Chan Kim and Renee Mauborgne published “Blue Ocean Strategy.” The book encouraged companies to find uncontested markets – blue oceans – instead of engaging in the vicious competition of bloody red oceans.

In a blue ocean you offer a unique way to

- serve customers
- set pricing and terms service
- carve out a competitive advantage before a lot of others get into that market.

The essence of a blue ocean is something the authors termed “value innovation,” which means finding unique way to serve a group of customers in a way they highly value when compared to other choices.

In the game of real estate investing, vacation rentals are the next blue ocean. There are three key reasons for this which you can leverage to your advantage right now:

Reason #1 – According to research conducted by CBRE only about 10% of travelers are aware of short term vacation rentals as a lodging option.

That means a huge untapped market exists as the other 90% of travelers discover the value of renting homes and apartments for their lodging needs . . .

Reason #2 -- According to research conducted by Bloomberg, once people do experience a private vacation rental, most say they prefer it to a hotel.

That means most people who try a short-term vacation rental find it to be a

better overall value than staying at a hotel . . .

Reason #3 – There are no established dominant players in the short-term vacation rentals market as a whole, or in any of the key geographical markets.

That means if you get into the business now you can set the rules of the game in your market without any dominant player to compete against you.

For all these reasons (and more!) this is a great time to consider starting a vacation rental business.

But it gets even better . . .

You see, most of the “early adopters” – people who are among the first to try a new product or service – opted to rent private homes and apartments because they wanted to save money. This phenomenon was part of the growing “peer-to-peer” (P2P) business model, sometimes also called the “sharing economy.” This has spawned companies like Uber and Airbnb, companies that have made it easy for people to rent their assets directly to other people on a short-term basis, often at lower prices than traditional options. Thousands of people owning real estate have learned how to make money on vacation rental properties by posting their homes or apartments on Airbnb and other websites.

But over the past couple of years an emerging “luxury vacation rental” market niche has developed. And it continues to grow. In this niche pricing is less sensitive and sales are driven by providing customers with a special experience. This luxury vacation rental niche is poised for growth, making this the perfect time for starting a vacation rentals business focused on the luxury traveler.

You may be thinking that the luxury vacation rental marketplace is too small – after all only a tiny percentage of people are among the rich and famous who can afford to pay hundreds or even thousands of dollars per day for lodging. But actually, that belief is to

your advantage. It will keep most people who are wondering how to setup a vacation rental by owner business out of the luxury niche. Those who avoid the luxury niche are forgetting one very important factor: large group travel parties. Consider the various groups that you could serve:

- 2 or more families traveling together for vacations
- People traveling in groups for sports events/tournaments
- People traveling in groups for business events/conventions
- People traveling in groups from overseas
- People traveling in groups for weddings or bachelor/bachelorette parties
- People traveling in groups for seasonal events like skiing or Spring Training
- People traveling in groups for cultural/spiritual/arts events

And the list goes on . . .

Group travel is on the rise, especially with Millennials. According to research conducted by Travelport, 55% of millennials plan to travel more in the next 12 months, compared to 31% of Generation X respondents and 20% of boomer respondents. According to Forbes, Millennials took an average of 3.5 vacations during the past 12 months, and 35% of Millennials intend to take more vacations. Millennials are also more likely to spend more on upcoming vacations. Thirty-four percent plan to spend over \$5,000 on upcoming vacations, which was the most of any of the age groups surveyed.

Even if all of this sounds exciting to you, are you thinking that the up-front costs of acquiring a luxury vacation property is more than you could ever afford?

If so, that's yet another reason you'll find the luxury niche to be a "Blue Ocean" worth swimming in. Most would-be market entrants will avoid the luxury niche because they believe they can't afford the entry price. That leaves fewer people with whom you'll have to compete in your geographic market. The truth is that you don't have to purchase a luxury property in order to lease it out to travelers. That's right, you can enjoy the revenues

from a luxury property without the costs of ownership. And very few people know this or how to do it. That's why LuxHomePro offers comprehensive training programs to teach you how to find and quickly rent out your vacation home to the luxury and group travel niches. At [LuxHomePro 3-Day Workshops](#) and in our self-paced training programs you'll learn:

- How to host a vacation rental property
- How to own a vacation rental property
- How to rent a vacation rental property
- Tips for buying vacation rental property
- Tips for renting a vacation home
- Best places to buy vacation rental property
- How to set up a vacation rental by owner

And so much more. But in the meantime, we are pleased to offer you this complimentary e-booklet about the top reasons to get into the vacation rental business right now.

We began this introduction by defining a "Blue Ocean" as a place where some form of innovation creates great value for a customer group. Peer-to-Peer vacation rentals represent that kind of opportunity as the sharing economy continues to grow. The luxury vacation rental niche is an even bluer ocean, because the majority of people starting a vacation rental business are focused on the budget conscious traveler. That's because they haven't considered how many people travel in large groups today, combining their spending power to rent vacations homes they could never afford alone. But even in the luxury vacation rental niche, only a very few people understand how to control property without the cost of ownership or how to stage a home for the luxury traveler.

So . . .

If vacation rentals are the next big thing in real estate; and

If most people are seeking vacation rental success in the budget travel niche; and

If group travel is continuing to rise in popularity especially among Millennials; and
If Millennials are spending more and more money on travel; and
If most people in the luxury niche don't know how to acquire and stage luxury homes. . .

Then the few who do understand how to make money on vacation rental property can
profit greatly by serving the luxury and group travel marketplace.

Got your attention? Want to be one of the few who know the secrets to generating
vacation rental success?

Read on!

The Top Ten Reasons to Get into the Luxury Vacation Rental Business NOW!

Reason #1: You're still on the front of the wave (for now!)

We saw earlier that while P2P vacation rentals are becoming ever more popular among travelers, only a small percentage of people are even aware that they can rent a home or apartment on a short-term basis. In classic market economics this represents the “early adopter” stage, which is typically followed by mass acceptance. While we can't pinpoint an exact time by which the vacation rental industry will rival the hotel industry dollar-to-dollar, the recent data is very compelling. For example, the number of lodging units offered on Airbnb alone (there are several other vacation rental listing sites) now account for 9% of all lodging units in the 10 largest U.S. markets. What's more, Airbnb units are doubling annually, while the hotel industry is adding new units at only about 1% each year. Equally compelling is data showing that once a person stays in a vacation rental one time, they're highly likely to prefer vacation rentals over hotels for future travel.

If the vacation rental industry matures like most industries, a few dominant players will emerge. But there is reason to believe this will not happen – at least any time soon.

- * First of all, the rental side of the industry is and will always be locally driven. People have specific, geographically driven reasons for their travel, whether for business or leisure. So, players compete locally to book their properties, rather than compete on a national basis.
- * Second, while it is possible that the hotel industry could attempt to execute a major, industry-wide pivot and acquire dozens of prime rental properties in every good market, this is unlikely because they are so heavily invested in their existing assets, most of which are leveraged with debt. They can't simply be abandoned.
- * Third, Millennials are the fastest growing group of travelers and spend the most of

any age group on individual trips. Millennials highly value unique experiences rather than the “same old” experience and this extends to their travel choices. The huge rise in P2P vacation rentals is driven largely by this demographic and it’s expected to continue for many years to come.

- * Fourth, few market players are “professionals” with the time, know-how and funding to operate multiple properties in a market. Most listings on Airbnb, HomeAway and similar listing sites are single, owner-operated rentals. Thus, the overall vacation rental market, and the prime local markets, should remain highly concentrated for the foreseeable future.

For all of these reasons now is the ideal time to stake your claim on a fast-growing market opportunity that you can leverage locally by learning how to make money on vacation rental property.

Reason #2: Most New Market Entrants Will Avoid the Luxury Rental Niche

The average 2-bedroom rental across the top 15 U.S. markets generates an annual profit of about \$21,000 according to data published by SmartAsset. For most single-property operators that represents a great supplemental income. Multiply that by 3 and you’d be making over \$60,000 profit annually. But the administrative, regulatory and operational costs, as well as the time required, make even this modest growth difficult for most single-property operators to consider.

Of course the major cost of playing in the market is the property acquisition cost. That’s why so many market players simply rent out one property. Now add the cost of a large property, suitable for renting to travel groups or high-net-worth leisure travelers. The potential revenue is tremendous, certainly over \$100,000 per year and perhaps as high as \$300,000 for very large and luxurious properties in excellent locations. But the cost of acquiring such properties is simply well beyond the means of most people.

However, there is a little-known method for acquiring such luxury properties that can allow even someone of modest means to get into the luxury niche. The trick is to acquire the right from the owner to lease his or her property and the right to then sublease it for short-term rentals.

This is not as simple as it might sound, because many owners of such properties may simply decide to rent them out themselves. Others may simply not like the idea of their property being used this way, or face zoning or home owners' association challenges. Nevertheless, there are tried and true methods for acquiring the revenue rights to such properties and this is a process LuxHomePro has used successfully on behalf of its students many times.

Now imagine you are considering starting a vacation rental business, looking for the best places to buy vacation rental property and thinking about how to make money on vacation rental property. Most people in your shoes will neither have the resources they think they'd need to get a luxury property, nor the secrets to acquiring one for a very modest cost. That's why you can carve out a very profitable and busy in the luxury niche, without a lot of competition, even as more people begin to get into the marketplace.

Reason #3: Many luxury property owners want to profit from the short-term rental business but don't want to DO the business

Even if you have very few resources to get into a vacation rental property, a luxury property could still work for you. That's because more and more property owners are becoming aware of the value they can generate from their properties with short-term rentals, yet most do not have the time or inclination to develop a business around their property. That becomes your opportunity... by leveraging the revenues from a luxury rental property without a high acquisition or leasing cost.

Of course, you still need to find the right property owners, and that can be challenging without a systematic method for locating them, assessing their properties and negotiating

a good deal for all parties. You could probably find a vacation rental podcast or vacation rental webinar that might provide a few insights into this niche opportunity. But it really takes the deeper knowledge you'd find at a more formal event, such as a vacation rental success summit where experts spend time with you directly and assist you with actual deals. The LuxHomePro 3-Day events and our Gold Keys Program is designed to do just that.

Reason #4: Most people already in the short-term rental business really don't know how to DO the business

In a mature business market, it can be extremely difficult to gain an edge. Competitors are strong or well positioned, customer behaviors are established and market positioning is fairly stable. But few of those rules apply in an emerging market like the short-term vacation rental marketplace. Instead, competitors tend to be on a more level playing field, customer behavior is still being established and market positioning is susceptible to rapid change.

Today, there are very few people with the native intelligence to understand how to scale a such a business. The vast majority of market players have just one property and only a small percentage control three or more properties. That means few people in your geographic market have the ability to compete favorably. If you can enter the market armed with the knowledge gained by one of the few “veterans” you have a distinct competitive advantage – one you'll be able to preserve for some time.

People who study business scalability – how to grow a company my multiple factors – all agree that a sustainable competitive advantage is required for significant growth. Imagine you're a good golfer and you enter a tournament played on a course none of the players has ever played before. Nobody has native intelligence so the playing field is evened out substantially, with raw talent being the primary differentiator. But you have a secret weapon – a caddy who knows every inch of the course, how the weather affects the course, how lots of other factors affect the course. You now have a distinct advantage,

one that might help you win against even a competitor with greater talent but no course knowledge.

The same basic circumstances exist in the short-term rental property marketplace. Most people are on the same playing field, with little or no distinct or sustainable competitive advantage. To scale, even to three or five properties, would shift your market position in a major way. A little native wisdom from an experienced mentor can be enough to accomplish that. An expert can give you tips for buying a vacation rental property, knowledge about the best places to buy vacation rental property and wisdom about renting out your vacation home. Each of these pieces of information can give you a distinct and sustainable competitive advantage.

Reason #5: Excellent housing inventory for vacation rentals is very limited, but still available in most of the best markets

Nothing good ever lasts forever as the old saying goes! In the vacation rental industry there is a limit to your growth potential that nobody can do anything about. There are only so many great cities for starting a vacation rental business and only so many great properties and locations in those cities. Right now, plenty are available. But as more people jump into the business the supply of great properties will dwindle. If you want to have the best choice and the best competitive conditions NOW is the time to get in.

Any vacation rental “how to” that fails to address the limited supply of real estate suitable for vacation rentals is forgetting this very real growth limitation. Since real estate itself is finite, since not every city is a prime market for vacation rentals and since the market is just now beginning to rapidly grow, wisdom would say to get in now for the best selection of properties in the best locations. The good ones won’t all be gone tomorrow, but they will be gone eventually and someone else will be generating income that could have been yours!

Reason #6: Prime real estate for *luxury rentals* in the best markets still exists at good prices (for now!)

If the supply of great properties in great locations suitable for vacation rental is finite, then of course those suitable for the luxury niche are even more finite. That means getting in right now is key as more people enter the market.

Remember that in the luxury rental niche differentiation is important – especially among picky Millennials who will likely be your biggest customer group. The best properties have that special pizzazz, something memorable about them, and they command the highest rental rates. That doesn't mean you can't make any good property into something special, but as in every marketplace a few products are at the top of the price tier. As more people learn how to rent a vacation home, those who can will naturally identify and select the best properties in the best locations. Today, there are ample properties in every good vacation rental market in the luxury niche, but they won't be around forever.

Reason #7 There is still an opportunity to be a leader in the best markets (for now!)

Being an early market leader gives you many advantages. You get to help set the prices in your market. You gain traction from your existing successes and positive reviews from customers. You're in position to make subtle changes to how you run your vacation rental business as market conditions change. And the good news is that the vacation rental market, and especially the luxury niche, still provide ample opportunity for entering and quickly moving into a local market leader position. This is likely going to change over the next 12-24 months because so many people are taking a vacation rental online course or otherwise learning how to make money on vacation rental property.

Yes, early mover status is important. Just ask Burger King, Pepsi or Avis what it's like to compete against McDonalds, Coca Cola or Hertz! Of course, those #2's are all successful

companies and you can be a great success in vacation rentals without being #1 in your local market. But you'll want to be one of the top people or firms in your market to enjoy all the advantages.

The vacation rental business and especially the luxury niche is a reputation-driven business. Building a strong reputation takes time, because it is largely driven by positive customer reviews. Those positive reviews get you better placement on the various listing sites. You can learn tips and tricks that may help you build your reputation a little faster, but generally speaking it will take time. That's why getting in early makes a big difference in market positioning. People coming into the local market after you will always be playing catch-up and that's where you want to be!

Reason #8: Rental rates are likely to flatten or go down over the coming years as more people get into the business and hotels try to compete

You may be wondering are vacation rentals profitable? Will they remain profitable over time? As in any business, profitability depends on controlling costs while maximizing revenue. Renting out your vacation home profitably depends on these two factors, but maximizing revenue is itself dependent on two factors: how many days per month your property is rented and at what price. When prices flatten out or even go down, your profitability will depend more on filling up the occupancy rate. That, in turn, depends on how good you become at knowing your core customer and marketing effectively to him or her.

Right now, there are few competitive factors in most markets that would tend to force rental rates for vacation rentals downward. The most likely factor to flattening or downward trends in pricing would be the presence of a dominant competitor in your market. That could be a very savvy and well-funded individual or small company, but more likely it would be competition from the hotel industry. Indirect competition would be in the form of the industry as a whole reducing hotel room costs enough that people would switch away from vacation rentals. Direct competition would likely be a case of one or

more hotel chains deciding to buy up a large number of vacation rentals in your market. Either way, the actions of a dominant competitor could force rates down and make you more dependent on high occupancy of your property for vacation rental success.

That's why getting into the market now is an advantage. You'll face no dominant competitors, you'll still have your pick of the best available properties, you'll have good negotiating power with property owners and you'll establish yourself in your market, with plenty of time to develop strong attraction among your core customers.

Reason #9: You have a competitive advantage over larger players now. Be first and retain that position (especially with industry knowledge and best practices THEY don't yet have)

It is a rare market opportunity where a small player enjoys a competitive advantage over larger players, but right now (and not forever) that is the reality of the vacation rental industry for those wanting to rent properties as short-term rentals. To understand the advantage you have right now, consider the difference between turning a speedboat around in the ocean versus turning an aircraft carrier around. The speed boat can make the turn a lot faster and with less energy required.

The big players in real estate development and investment, as well as the hotel industry, are all watching the short-term rental marketplace closely. But they tend to operate under long-term planning guidelines. They have debt. They have significant assets that can't simply be abandoned. They have shareholders wanting to see consistent quarterly profits. Right now, you face none of those constraints. To be sure, if the "big boys" ever do decide to make that massive turn and compete in the short-term rental market they'll be able to eventually marshal many times the resources you can.

But will it matter?

Remember, there is a finite amount of prime real estate in the best markets and there

isn't a lot of open land in those areas that could be newly developed. Not in the best locations. So, when the properties are all locked up, how will the late market entrants compete directly with you? As we mentioned earlier, they can compete indirectly by lowering prices for hotel rooms in your market. But they can't magically make 100 great new properties appear, buy them all and knock you out of the market.

Once you get into the market, with long-term leases or ownership of properties in a finite market, you'll hold a certain market position. If you serve your customers well you can retain that position or grow it. Period. So, get in today if you can, or get in as soon as you can. The earlier entrants will have a sustainable competitive advantage over the late-comers.

Reason #10: This is the best new niche in real estate in the past 20 years and best you'll see in the next 20 years — be on the front of the wave.

We began this e-booklet by defining a “Blue Ocean” and demonstrating several reasons why the short-term vacation rental market, and especially the luxury niche, represents a terrific blue ocean for early entrants. Whether you have any experience in real estate investment or ownership or not, you probably know that real estate is a cyclical business. It goes up. It goes down. Investors chase profits in different cities and in different classes of investment. Lenders impact the availability of money, which also impacts value. Economic conditions change, depressing certain areas and creating boom towns in others.

So, with real estate the trick is to get in on the front of the latest wave, not at it's peak. Right now, the short-term vacation rental marketplace is on the edge of what most predict will be a significant boom. The wave is building. More and more people will want to enter the business. Within a few years most of the best properties will be in the hands of those who moved early. Yes, new niches will develop. New booms will take place. New methods for getting travel lodging needs met will unfold. All that is likely to happen as the industry matures.

For all of the reasons described in this booklet, we encourage you to act sooner rather than later if the short-term vacation rental business is appealing to you. But don't jump blindly into a marketplace that is still in it's infancy. There are too many unknowns and few have the necessary industry experience to navigate the waters. So, get trained. Get mentored from someone who has already been in the business and found vacation rental success.

If you'd like to learn more about how LuxHomePro can give you a big step up in starting a vacation rental business contact Jerry Conti, Co-Founder or attend our 1 or 3-Day events. You can read more and register at www.luxhomepro.com.