

How To Use Airbnb: Interview With Aman Makkar

What is AirBnB?

- An online marketplace where people can list their home, second home, Airstream, backyard cabin, pool house, or summer home as a short-term vacation rental.
- Guests can stay for one or more nights, allowing hosts to make thousands of dollars per month.

Who Uses AirBnB?

- Those looking for a passive income, to pay off a mortgage, or to save for travelling.
- People who don't want to leave their costly apartments or houses empty while traveling. Instead of letting the space go unused, they use their home as a hotel.
- Brittany: "I wanted to go traveling for a few months. I didn't want to leave my apartment, which has high monthly costs, empty while I was gone. I created a listing on Airbnb and within a few days I basically had the entire three months booked up at a rate of \$300 a night. This was a huge eye-opener for me. I was earning about \$10,000 a month for my 1 bedroom apartment."
- Aman: "Due to work moving to L.A., [my] home ended up becoming empty. We didn't want to sell it, so my wife and I would go there every weekend, but we weren't really utilizing the home. We decided to put this house up on Airbnb and list it. We started doing this in early July, and basically every single day through the end of August has been booked. I'm getting paid \$1,550 per night for our [five bedroom, six and a half bathroom home.]"

Rental Security and Strangers

- Some might hesitate at having strangers stay in their house or apartment for extra money, but many seasoned AirBnB users have tactics to keep their homes and belongings safe.

- Aman: “Our home is actually six bedrooms, six and a half baths, and what we've done is we have two master bedrooms, so we blocked off one of the masters that guests would not have access to. We have an office that we deadbolted, one closet and the garage as well. I was able to lock off the whole garage and use it for storage and things like that. That allows us to keep all of our personal belongings behind locked doors.”
- “Brittany: “What I did was I actually took my walk-in closet, I added a lock, and I put any personal stuff in my walk-in closet.
- Hosts get rated, but so do travelers. Users can see when travelers have good ratings from past experiences before they allow visitors to book their property.
- AirBnB takes security measures through renter screening and identification. Users must scan an official government document to rent a place on the website, and occasionally the company asks users to make a video, proving they are who they say they are.

What do I need to know before I rent out my home?

- There are several ways to host guests. Renting out your entire house/apartment, renting out one room of your home, or leasing a separate location and turning it into a vacation rental.
- Standard homeowner's insurance will not cover any damage to the property or any other liability that you fac. When you start renting out your home, it's considered a business.
- Aman and his wife upgraded to a commercial insurance policy, and made it very clear they were renting out their home, not just to long-term renters but also to short-term renters as a vacation rental.

Turning Vacation Rentals into a Business

- Some hosts not only rent out the homes and apartments they own, but take it a step further by leasing other locations and renting those out as well.
- It can be a risk if a host cannot find enough renters to offset the monthly rent and utility costs of a leased location, but many successfully do this.

- Vacation rentals can be an international business, as they take place outside the United States too.

How to Evaluate a Vacation Rental Opportunity

- **Know your market.** Find out how popular your area is for vacation rentals by contacting AirBnb (and their competitors HomeAway and VRBO) to research the number of month-by-month inquiries of your area.
- **Rental size.** Larger properties offer more money in return, but smaller one-bedroom locations are very popular among business travelers.
- **Location.** Will you be assisting people in corporate travel or will your property be a vacation destination?
- **Cost efficiency.** Find out how many nights you must rent out your property to break even on expenses.
- **Owning vs. Renting.** When you own a vacation rental, you do not have landlords to worry about. When turning a leased location into a vacation rental, you must be 100% transparent with the property landlord.
- **Property Damage.** Any potential property damage that might occur in your owned or leased property can be fully covered by the security deposit renters must put down before staying overnight. In addition, AirBnB has a top-notch insurance policy, and if you own the rental property, it has an insurance policy on it as well.

References

- www.airbnb.com
- www.vrbo.com
- www.homeaway.com