

Brittany Lynch: Hey, hey, everyone. Brittany Lynch here, and I'm very excited about today's interview. I'm actually going to be interviewing one of my good friends and neighbors, Aman, and I'm going to be talking about his experience with the website Airbnb.

What Is Airbnb?

For those of you who don't know what Airbnb is, it's a marketplace which allows you to list your home, second home, or even an Airstream, backyard cabin, or a pool house if you have one, on the Airbnb website. Other people can stay there for a night or several nights, essentially turns your home into a hotel, allowing you to make money to either pay off your mortgage, make several thousand dollars passive income, or pay for you to travel the world.

It's a very, very interesting opportunity, and the best part is, anyone can really take advantage of it.

Before I introduce Aman, I'm going to kind of set the stage a little bit and give you a bit of my experience of how I discovered it

I discovered Airbnb when 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 had heard of this website Airbnb before.

I wasn't sure how it would go or if I would even have any inquires. That said, I marched forward and 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.

Now let's come back to our guest, Aman. The reason I wanted to interview Aman today is after speaking with me about Airbnb, he decided to do it for himself in his home down in San Diego.

The results and his experience has been pretty incredible, so with that said I want to welcome him on the call. Aman, are you there?

Aman Makkar: I am. Thanks Brittany. Thanks for having me.

Brittany Lynch: No problem. Thanks for being here.

Will you tell me and our listeners a bit about your experience so far with Airbnb?

Aman Makkar: Yeah, so Brittany, we had a home in San Diego where I originally lived before I became your neighbor in Santa Monica. Just due to work moving to L.A., this 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 during the week or really even on the weekends. After being kind of introduced to the concept of Airbnb, watching you do it, my sister was doing it in San Francisco, we decided to put this house up on Airbnb and list it.

We immediately just, the same with your experience, got a tremendous amount of traffic. We started doing this in early July, and basically every single day through the end of August has been booked.

Brittany Lynch: Wow, so tell me a little bit about the size of your house, how many bedrooms, and how much a night did you actually list it on Airbnb? This is what kind of shocked me.

Aman Makkar: 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. So we effectively rent out a five-bedroom, five-and-a-half-bath home and have a pool and stuff in the backyard. I studied the market between Airbnb as well as the two other vacation rental sites, HomeAway and the VRBO, and it looked like the market commanded upwards of \$1,000 a night, so I started listing our home at \$1,350 a night because I thought it was a little bit nicer. Again, we got a tremendous amount of inquiries that I was actually able to command every single night I'm getting paid \$1,550 per night for our home.

Brittany Lynch: Wow.

Aman Makkar: I was astonished. I was just blown away by the response, but the economics actually make a lot of sense, just the way you mention your place in Santa Monica, getting \$300 a night. How people look at it is if they are maybe a few couples traveling together, and they're going to go get five hotel rooms, five hotel rooms are going to cost them \$300 a night per room or also approximately \$1,500 a night. Here they can have a five-bedroom home, five and a half baths, plus all the common area, the pool, the backyard, and all the privacy and amenities that come with that home.

That's why the economics start to make a lot of sense, and same with say a one-bedroom apartment in Santa Monica where somebody would rent that out for \$300 a night, much better than just staying in a hotel room in Santa Monica for \$300 a night.

Brittany Lynch: Yeah, absolutely. If you look at it as an alternative to a hotel, because initially I was thinking \$1,500 a night, that's crazy. What is the market for that? Obviously you've had a ton of inquiries, not just inquiries, actual bookings. Like you said, you're booked up all the way until I guess September or so, so there is a huge market for not just the one-bedrooms, the five-bedrooms as well. I was really surprised about that. I know personally as a traveler myself sometimes you just get tired of

staying at a hotel. Sometimes you have to pay for Internet, whatever it is, like maybe it's all booked up. Airbnb is a really nice alternative.

One thing that I was a little curious about, and it's something that I had a little hesitation about before I listed my house on Airbnb or my apartment on Airbnb, was strangers staying in your apartment. So 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. That's kind of how I handled it. You mentioned you blocked off one master bedroom. Did you or your wife have any hesitations before listing on Airbnb? If so, what were they and how did you address them?

Security Renting On Airbnb

Aman Makkar: I think naturally anyone would have some hesitations because it is something you have to kind of embrace and get used to. It's a little bit different having strangers stay in your home, and not just one time but maybe different strangers every week or every month. What we did in terms of our private areas that we locked off, they were the master bedroom. 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.

The second thing which allowed us to get comfortable with this, especially with Airbnb is they rate the travelers as well, so they rate the host and they rate the travelers, or I should say other hosts have rated these travelers, so you can actually see that these travelers have good ratings from the past before you allow them to book your property. It definitely does take a little bit to get comfortable with, and as long as you keep your personal secure we haven't had any issues whatsoever.

Brittany Lynch: That's been the really interesting thing for me too, is I haven't had any issues whatsoever, and I've had lots of people stay at

my place as well as my mom's place and a few other places as well. You mentioned that there's that screening, so there are user reviews for everything. You kind of look at it a bit like Ebay or Amazon. There's reviews for anyone who's interested in staying at your place. Not to mention, in order to rent a place on Airbnb you have to scan an official government document, and sometimes you even have to make a video saying, "Hi, my name is so-and-so," and Airbnb will actually match that with the government document, so it's very, very secure.

Airbnb has a million-dollar insurance policy, so if anything does go wrong, you do have some security of mind with that too. In terms of insurance or if something ever happens, have you ever been nervous that maybe someone would fall and trip or something might happen? Have you looked into legalities behind Airbnb at all or additional insurance?

Insurance For Your Airbnb

Aman Makkar: Yeah, absolutely. One thing that we did is we wanted to make sure if we were doing this as a business that we were doing everything by the book. The first thing to know about insurance is your standard homeowner's insurance policy would not cover any damage to the property or any other liability that you faced because when you start renting out your home, it's considered a business activity. Because you're now deriving income, your home is now a business, so if something were to happen and your homeowner's insurance policy found out that you were paid as a rental at the time when that damage took place, they would try to not cover that.

We upgraded to a commercial insurance policy which was available through Lloyd's of London, and it's very clear that we're renting out our home, not just to long-term renters but also to short-term renters as a vacation rental, and that's an important distinction. Now any liability if the home were to be

damaged, or there was an earthquake while somebody was staying in the home, or any other liability that we had for false advertising or anything like that, because this is a business, this insurance policy would cover it.

Brittany Lynch: That's interesting and that's really good information for you to have. In terms of the cost of that insurance policy, obviously it seems like the numbers still work. You're still making tremendous profit even with that additional cost.

Aman Makkar: Yeah, absolutely. It did drive up the cost of our insurance up by about \$150 per month, but when you factor in that we're getting on our property about \$1,500 per night, it was really a negligible cost, and same if you were renting out your property \$300 a night; if you're bringing in \$10,000 a month, your insurance probably would go up on that type of policy maybe only \$50 per month.

Brittany Lynch: You have a really good story. It's kind of a Richard Branson-like approach of booking a plane full of people before actually having a plane. Can you tell a little bit about what happened? You basically, this property was booking up so well that you kind of decided, "Well, maybe I'll look at renting another property exclusively for renting it out on Airbnb." Can you tell us that story and what happened?

Aman Makkar: Yeah, absolutely. It's a pretty interesting story. I got really excited. I'm an entrepreneur so when I see an opportunity, I get very excited and passionate very quickly. When our home started renting out, I said, "Okay, let me look at another home in the area and maybe I can rent that on a 12- or 18-month lease and then turn it into a vacation rental and rent it out on a nightly or weekly basis."

I had looked at a home maybe about a month ago that I found right down the street. It was a beautiful home, about 6,000 square feet, also five bedroom five and a half bath home. I loved the home but I kind of backed off. I didn't want to take

the risk of renting that home just in case it didn't turn into a vacation rental and the business model didn't work and I'd be stuck with the monthly rent of \$8,000 per month. But I had this short list that if an opportunity ever came up that I'd go see this again.

Literally two weeks later when I had forgotten about this whole idea of renting out another home, somebody had contacted me that was in town for the Del Mar horse races, the horse racing season in the summer here. He wanted a home for about 60 days, and our primary residence wasn't available. This gentleman was ready to pay \$1,350 a night for 60 days. You can do the math on that. It's over \$70,000.

I talked to him and I said, "I might have a home available that I can turn into a vacation rental." We sat down. He said, "I'm serious." He wrote me a check. I took the check for over \$70,000 and then went to see if I could rent out that home, which I had seen a few weeks prior, so I didn't even have the home yet, and we talked to the agent. Literally, by the end of that evening I had rented out that home for \$8,000 a month, and actually today is the first day we got occupancy of that home and this gentleman just here for the horse races moves into the home tomorrow, so it's kind of been a crazy story but we got paid a lot of money and obviously we got the long-term risk of this being a vacation rental, but so far so good.

Brittany Lynch: That's so cool. What was the check? You guys sat down at lunch and he gave you a check for how much money?

Aman Makkar: Over \$70,000.

Brittany Lynch: That's absolutely crazy. Obviously that's a unique scenario where he had a gentleman that was willing to book it for 60 nights, but the point is it wasn't a huge risk at that point because he had a \$70,000 check in his hand. I could just imagine you sitting there, the wine bar, hoping the real estate

agent is going to call you back to say, "Yep, you've got it," so you can cash that \$70,000 check. Right?

San Diego Rental Market

Aman Makkar: Exactly. We had over eight months of this rental paid for with that \$70,000 check, so it minimized the risk of this business venture. What's really interesting, I'll comment on it real quick, is the San Diego market is a little bit of a unique market because, and we take it for granted, but the beaches are here and LEGOLAND and SeaWorld and it's also the #1 destination for corporate conventions. Year round there's actually a tremendous amount of traffic, horse traffic into the San Diego area, so it makes it an awesome market, as well as L.A. for these vacation rentals.

Brittany Lynch: Yeah, exactly. It's a nice all-year-round market. That's something interesting that maybe we could talk about just for a second is, so obviously \$8,000, in order to risk that much money you got to be in a fairly comfortable position. Maybe not everyone is at the point where they have an extra \$8,000 to put down on a second place and that sort of thing, but maybe you could comment on just tell us a little bit about what's your background in business in the first place, but also just your thoughts on starting maybe not at a six-bedroom place but a one-bedroom place or something along those lines.

Aman Makkar: I missed the first part of that question.

Brittany Lynch: Just tell us a little bit about your background in business in the first place.

Aman Makkar: Sure. My background in business is I've been an entrepreneur and started five or six different companies so far, small businesses or small to midsize businesses, and it's been a lot of fun. I'm always looking for an awesome opportunity. I get excited by things like this, so when I was presented with this opportunity and the list was minimized by the sixty-day renter,

I was all over it, and now we're tuning it into a larger-scale business, where I'm already looking to lease another property in Mission Beach right on the sand, right on the water for about \$5,500 a night and turn that into a vacation rental as well.

There's a tremendous opportunity here, as I said, especially in the San Diego market, so we'll continue to expand. To your point, you don't have to start off this big. You can start off with simply a one-bedroom apartment in a good location that's maybe \$2,000 a month and turn that into a rental, and that will absolutely work as well.

Brittany Lynch: Yeah, and pay for itself, and there's kind of two parts to it, right? Part one is everyone is living somewhere. If you're living somewhere right now and maybe you just want to try out, maybe you and your family are going away for five nights, that could be a good opportunity to put it up on Airbnb. See if you get any bites. Be really careful about who you let in. Screen extra hard if that's what you're worried about, and just see how it is and see how it goes so that way you don't have to risk any extra capital but you have that potential gain as well.

If that goes well you can look at the second part which is, yes, renting an apartment exclusively for renting it out on Airbnb, so there's a lot of different opportunities in place here, one which is help cover your monthly mortgage or pay for your family to go on vacation, and two is really turn it into a business opportunity of making tens of thousands or even hundreds of thousands of dollars a month on Airbnb, which is what you're talking about now.

Aman Makkar: Yeah, and the cool thing about Airbnb is if you don't want to rent out your whole home and don't want to rent it as a business, you can just rent out a room in your house and people will pay upwards of \$100 to \$200 a night just for a room in a house. They prefer that over staying in a hotel room

and being in that sort of environment. There's definitely a lot of options available with Airbnb.

Brittany Lynch: Absolutely. One thing that I thought was really interesting, so it's funny that you mentioned you get really excited about ideas. I know that's true because I get really excited about them too and often you and I are like texting about them for hours back and forth. What are your thoughts ... I know you mentioned seasonality. I think you called a few different companies, Airbnb-type competitors, to talk to them about seasonality. Do you have any concerns about seasonality? Or what have you found out about that in terms of booking it up year round, not just through the summer?

Seasonality On Airbnb

Aman Makkar: That's a definite concern when you run this as a business and take on the liability of an additional property. The analysis we did before jumping into this was taking a look at why people are renting the home in the first place. Are these corporate renters? Are they vacation renters? That's when we started to understand the economics of what people are willing to pay per bedroom you have in the house, and I assessed that's around \$250 to \$300 per bedroom and bathroom you have in the home.

How To Determine Occupancy Rate Before Diving In

I understood that part of the business. Then I contacted HomeAway and VRBO, which are two competitors to Airbnb and asked them the number of inquiries that are coming in in the area month by month historically for the last twelve months. What was really interesting in the San Diego market is the number of inquiries that came in for vacation rentals didn't drop more than about 20% or so as you went into the fall or even in the spring.

Then I talked to some other vacation rental property managers as well and what we learned is in the summer months starting in May, so May, June, July, August, you basically have 100% occupancy, as well as in December and in March and April actually just because it's Spring Break time, so you're going to get 80% to 90% occupancy. Then in September, October, November, and maybe January and February, you'll have closer to 40%, maybe 50% occupancy, so if you average it out, you're still looking at 70% to 75% occupancy year round, and those numbers are awesome.

Airbnb As A Lifestyle Business

Brittany Lynch: It's pretty fantastic. Just even as a lifestyle thing, if you have a second place in San Diego, or I was talking about maybe I'll get a place in San Diego. I love San Diego, or maybe you want something in Paris or France. You got to look into the laws in each of those countries, but the idea is rent it out, and the nights it's not rented out, if you want to go to this other city or this other location and stay there yourself, now you have a place to stay and you're making money doing it.

Having the downtime isn't necessarily a disadvantage. It just depends on how you want to play this whole game. The second thing I want to touch upon is I know we've mentioned California a lot. You've been talking about San Diego. I've been talking about Santa Monica, but this really is an international opportunity whether you're in Toronto, in Canada, or you're in Indonesia. My mom's in Indonesia. She has a house and basically like a BNB, like your traditional BNB. She's got six rooms and she rents them out, and she put it on Airbnb as well and a number of these other places, and booked right up.

This is a small island in Indonesia. You couldn't really get more opposite than California, so it's definitely an international opportunity. It's not just in the U.S. and it's not just in California. You just need to kind of evaluate the market you're in, maybe test it out on your home first. This is probably one of

my last questions: What is the criteria you use to evaluate your properties or your next locations you're looking to expand to?

Airbnb As An International Opportunity

Aman Makkar: I'll speak to your previous point real quick. In terms of it being an international opportunity, my first experience with Airbnb was actually a couple of months ago. My wife and I went to Cabo San Lucas in Mexico with six friends, and we rented an Airbnb property. It was a beautiful home with an ocean view. We paid \$1,250 a night, and the eight of us split it. It was pretty cost-effective and it was much, much better than staying in a hotel because we get to spend time with one another and have more fun in a home with a communal area than you would in separate hotel rooms.

We're also going to Spain in a few weeks, so when we land in Barcelona and then go to San Sebastián we booked Airbnbs for that trip as well. It's definitely a concept that a lot of people are starting to embrace, as you said, internationally.

Brittany Lynch: Yeah, in terms of kind of evaluating the next properties. When you're looking at this as a business and you're thinking, "Hey, maybe I'll rent a second house or apartment". What are some of the criterias you use to evaluate whether that's a good opportunity?

How To Evaluate An Airbnb Opportunity

Aman Makkar: Absolutely, if it's a larger property, that definitely brings in more vacation renters versus if it's a one-bedroom property, and those do really well, you get a lot of business travelers on the one-bedroom properties. The second thing is location. Are you in a location that's going to assist people in corporate travel or is it a vacation destination?

I do the same research I did this time. I look at what my break even is every month, so for example on this home, which is

\$8,000 a month, my break even every month is renting it out between six to seven days a month. I got really comfortable with that number saying that, "Okay, my worst case scenario is I rent this home out for six or seven days a month. I don't make any money doing this but and the rest of the month we have this home that's paid for, and it's an awesome vacation home." I definitely analyze the risk that way as well.

Then additionally as I mentioned earlier, called HomeAway, called VRBO, looked at the occupancy month by month, look at the historical data, and they'll give that to you if you talk to somebody on the sales team. That will help you analyze the opportunity and if it makes sense.

Rental Arbitrage Versus Owning Your Airbnb Unit

Brittany Lynch: Those are both really good pieces of advice, and actually it just kind of made me think of one more thing, which is if you are renting versus you own the property, the first property you own, so it's not like you had a landlord to do deal with or anything. Now, the second property you did have a landlord and obviously if you're looking to expand out into more properties you'll have to deal more with landlords. How do you warm them to the idea of using their property as a vacation rental? How did you kind of word that or phrase that? Because I would imagine that's something you want them to be clear on.

Aman Makkar: Yeah, absolutely. It's a great question. The #1 thing is always be transparent with the landlord because you don't want to take on the liability of the property and then the landlord two months into it tells you you can't run it as a vacation rental. Definitely be transparent. The great things about vacation rentals are any time somebody comes in for a three- to five-day rental, they're putting down on these properties anywhere from a \$1,500 security deposit upwards of a \$5,000 security deposit.

Anything that could possibly get damaged or go wrong, you're fully covered with a cash security deposit that you receive up front. On top of that, Airbnb has a million-dollar insurance policy, and on top of that the home also has an insurance policy, so you're definitely covered if anything were to happen to the home. Secondly, the home actually gets much less wear and tear with vacation renters, and the reason for that is instead of a property being occupied 365 days a year, the property is now only occupied for maybe 200 days out of the year.

These people that are coming in town, they're going to the beaches and doing outings during the day, and they come home and they just cook and they sleep, so the home definitely gets much less wear and tear being a vacation rental than you have a family of five with the kids running around and living in the home 365 days a year. When I spoke to our landlord that's what I told him and he immediately became very comfortable with the idea. I think he also appreciated that I was transparent with him.

Brittany Lynch: There wasn't any pushback from this landlord at all.

Aman Makkar: No, no pushback at all. They definitely had to understand what the opportunity was, but as long as their getting their rent of \$8,000 a month that I've guaranteed to them, they were very comfortable with the idea and we also offered for them to come every month or every three months and take a look at the property to make sure it remained in great condition.

Safety On Airbnb

Brittany Lynch: Yeah, absolutely. There's just a lot of security in their mind. Like you said, there's less wear and tear and there's, what is it, like triple guarantee. There's the security deposit. There's your home insurance policy and then Airbnb's home insurance policy. There's a lot of ways to look at it. Overall, I think that it's just something that everyone should at least look at as an

opportunity, like I said, whether it's because you're maybe having trouble paying your mortgage, or you just want some extra money in your pocket, or you want to have your vacation paid for.

I literally went to Japan two months ago and Airbnb basically paid for that entire trip, the flights, the hotels, everything for myself all because I put my house up on Airbnb. So it's a really cool sort of lifestyle opportunity even if it's just your property, but then if you want to expand that into a business opportunity, you can do so too as you've been doing. Thank you so much for being on the call. I really appreciate it. There's a lot of really good information here and I know that everyone is going to find it really valuable.

Aman Makkar: Thanks so much for having me.

Brittany Lynch: No problem. All right, well I'll see you shortly, be back in a few weeks, and I'm looking forward to it.

Aman Makkar: Awesome, look forward to it. Thanks, Brittany.

Brittany Lynch: No problem.