RETA

REAL ESTATE TREND ALERT

How to Boost Your Rental Income Anywhere in the World

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A *Real Estate Trend Alert* Report

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Introduction

Generating rental income is an important part of my personal investment strategy… and it's a key profit angle in many of my recommendations to you in *Real Estate Trend Alert*.

The best kind of real estate deal offers a double punch of profit potential.

The way it typically works is this:

1. We lock down prime real estate below true value (by buying pre-construction and locking in gains, perhaps, or buying in a crisis market that's set for a revival. The exact play for buying below true value changes from place to place.). We set ourselves up for future capital appreciation as values in the area rise.
2. In the meantime, we rent our piece of real estate out. We create a steady income (short-term or long-term) that helps our investment to pay for itself.

It all sounds pretty easy, right?

Well, it *is* easier today than at any other time in history for small investors, like us, to make strong gains from renting our real estate out, particularly short term.

Thirty years ago, renting was little more than a cottage industry. It took a lot of work to make an income from it—and even then, some luck was needed to really do well. People advertised their home or condo in the classified sections of newspapers, magazines, or via rental managers. If they were lucky or really diligent, they made some money. But it wasn't easy.

It was complicated trying to make money back then from rentals in the U.S. or Canada. It was even more complicated when the rental was overseas…

Then, the internet happened. Now, it's easier than ever to advertise your rental and find renters, even for homes in far-flung corners like Fiji and Patagonia. Players like VRBO and Airbnb jumped on the vacation rentals market, giving an easy-to-use platform to anyone who wanted to find a renter – and allowing renters to book homes at the click of a button.

Today, the vacation rentals industry is huge.

As of 2016, it was an industry estimated to be worth about $100 *billion*. That figure is set to grow to an estimated $170 billion by 2019.

That's great news for those of us looking to generate rental income from our overseas real estate.

But, you need to know what you're doing. First, you need to get the basics right—buying the right real estate in the right market at the right price. Then, you need to spend time growing your customer base and boosting your occupancy to bump up your returns.

Get it right, and your rental can be a license to print money.

This report will show you how to do just that.

Sincerely,

Ronan McMahon

Real Estate Trend Alert

I'm going to break this report down into some easy-to-follow steps that will put you on course for the maximum rental returns.

The steps are:

1. Buy the Right Real Estate
2. Buy in the Right Market
3. Buy at the Right Price
4. Determine How Involved You Want to Be
5. Choose the Right Rental Manager
6. Get with the Program!

We'll start with buying the right real estate. This sounds like it should be very simple. But there are multiple factors you need to figure out to get the best possible rental returns…

Step One: Buy the Right Real Estate

With my real estate investments, I leave nothing to chance. Before I put a cent in, I do a lot of work and due diligence to decide whether a buy is right for me and my portfolio.

One essential part of this is choosing the right location to buy in. You need to identify a market that's on the up. It could be following a Path of Progress event. The Path of Progress is the term I give to a market that's set to rise, thanks to new infrastructure like a highway that makes getting to a destination quicker and easier, increased investment – perhaps new resorts to attract well-heeled visitors, new businesses opening up that will bring in workers, or any other factor that will put real estate in that destination in stronger demand, to buy or rent.

Or, it might be a crisis market where pricing is temporarily depressed…but where there's potential for pricing to rally once the crisis passes.

Whatever the case, I make sure I have a strong picture of where the market is now—and where it's headed.

This is important whether you're buying with rental income in mind or just for capital appreciation.

Once I have identified a market that is on the up, I investigate the type of real estate that's in demand in that market. You will not do well on your rental real estate investment if you buy the wrong type of home.

Sure, there will always be some outliers to any rule in life. Maybe you know someone who's making a fortune renting out their fancy penthouse in the middle of nowhere short-term, even though there's no real tourist market. Perhaps you know someone who is making buckets of cash renting out a five-bedroom home in a market where most

renters want smaller condos.

Those kinds of cases certainly exist. I guess the owners got lucky…

But rather than rely on Lady Luck you should buy the type of home that's in demand in a location where there's already a strong or growing market.

What you should buy varies from place to place.

As a general rule, I like small, one-bedroom condos (or studios) and spacious two-bedroom two-bathroom condos as rental buys. Why a small one-bedroom condo rather than a much larger, roomier one-bedroom pad? The answer is that the larger condo will still only have one bedroom and command one-bedroom rates. You might (if you're lucky) get a tiny premium on top for all that extra floor space. And, all other things being equal (location, finishes, etc.) you'll pay much more for that larger one-bedroom condo. Your carrying costs will be higher, too…all of which depresses your rental yield.

For short-term rental potential, I particularly like condos or homes with a "lock-off" layout—a layout that ensures you can lock off one part of the condo, even just a single bedroom, from the rest. These are a great buy if you're thinking of renting to vacationers. They give you maximum flexibility (and that is key to making the most money from a rental). With a two-bed lock-off layout you can rent the condo as a two-bed, or as two one-beds…or rent one side of the condo out and still keep part of it private for your own personal use.

As I said, the "right" real estate varies. To figure out what is in the most demand in the specific area you're planning to buy in, talk to as many local rental managers as you can. Also, check out listings websites. Vacation rentals sites like VRBO and Airbnb are great for giving you a snapshot of what's on the market, typical rates, and average occupancy levels.

And on local listings sites for long-term rentals look beyond the asking rental rates. They can help you determine ballpark rental rates. But you need to also look at when the listing was posted to see if there's a quick turnaround for that type of home – or longer gaps between tenants.

Now, on to step 2—buying in the right market.

Step Two: Buy in the Right Market

When you're buying a home to make rental income, you need to buy in the right market. For short-term rental that means buying in a place that is easy to get to.

You'll find it very difficult to get strong returns from a home that's a 10-hour drive from an airport that's only got international flights a few months a year. Connectivity is key here.

Vacation renters mostly don't want to waste a couple of days getting to and from a destination. And, they'd prefer not to spend huge sums of money on flights…that could be spent on day trips, spa treatments, nights on the town…

Playa del Carmen, a beach city on Mexico's Caribbean coast, is a great case study that proves this. Playa is a winning mix of little, low-rise streets, great eateries and nightlife, and powder-sand beaches lapped by turquoise waters. It's a little slice of paradise that's hugely appealing to tourists. And, it's only a 45-minute drive to an international airport. That airport boasts flight connections across North America, Latin America, and Europe. It's a short hop from many major cities in the U.S…and with low-cost airlines like Spirit and JetBlue, flying here is very affordable. Tourist numbers are soaring on this coast. So much so, that the airport just opened a fourth terminal to cope with fast-rising demand.

So, tourists can easily get to Playa. And the government is committed to growing tourist numbers even more…by adding new flight routes, more seats on existing routes, and funding extensive media advertising. It's all paying off. Hotels in Playa run at full occupancy for parts of the year. And vacation rental owners are making a killing from short term rental. Two-bed condos can earn as much as $57,000 a year in Playa...

Playa also ticks the boxes for being internationalized. This is another critical element whether you're looking to rent your home long term or short term.

There are a lot of good reasons for this. On a personal level, it usually means the cuisine and culture will be more varied. But even if those things aren't important to you, internationalization matters.

When you choose a location with international demand, should one particular market segment dry up, you're not exposed to the risk of all your rental income drying up with it.

Choosing an internationalized place means you diversify your rental pool.

Let's use Playa del Carmen again as an example. It's a location that's seriously on the up. This is a boom town thanks to its fast-growing economy and the attractiveness of its location. Demographic changes north of the border are helping fuel demand. More North American retirees are looking to live here. They're coming to escape rising costs, for personal reasons, or just because they want a home in the sun.

But, the opportunity to do well on real estate in Playa doesn't rely solely on North America. Playa sucks in visitors, expats, snowbirds and entrepreneurs from across the globe: Europe, Latin America, wealthy locals from major cities around Mexico, even Australians and New Zealanders. If Americans stopped coming, you would still have a broad pool of potential renters, enough to still see a healthy rental income.

Take Spain and Portugal, as another example. Both countries get heavy tourist numbers—particularly from other countries in Europe. In the wake of Brexit, there's been some speculation that British citizens will stop visiting Spain and Portugal. If free travel within the EU is limited, it could be more difficult for people from the UK—particularly retirees—to emigrate to Spain and Portugal, or spend the winter months there, as many currently do.

But, even if the British stop coming, it won't be devastating for Spain or Portugal. Tourists and expats from Ireland, Scandinavia, Germany, and elsewhere will still come. By buying in a place with international demand—one that doesn't just rely on one type of vacationer or nationality—you're more able to ride out any blips in the market.

If you're renting long-term, an internationalized spot with strong demand for your

type of home will allow you to command higher rental rates. Panama City has long attracted folks from around the world who move to this buzzing capital city to work for a multinational company, embassy, or non-profit…or start a business. These folks are well-funded, often on a generous relocation package, and looking for a comfortable condo in the right neighborhood (close to the financial and business districts, good schools, shopping and entertainment). Target this type of long-term renter and you'll do well.

Seeking an internationalized spot is one way to identify a market with a broad pool of short-term renters. Another is to buy in a place with year-round rental demand.

It's going to be tough to make a good rental return if you're only going to have a few short weeks or months to make all your income. You can do that in the right market. In Punta del Este in Uruguay, high season runs from December to February. You can charge premium short-term rates during high season. And most owners simply shutter their homes up once high season is over—they've already made their money for the year.

But it's less risky to go with a market that has a longer rental season. In Playa del Carmen, high season is getting longer and longer as more tourists come, Wealthy Mexicans flock to Playa for Easter, filling hotels and private rentals. Europeans come in the summer months when their kids are off school. Americans come for the winter months, escaping the cold back home. It's predicted that May and June this year will see hotel occupancy of 85% - and May and June were slower months in Playa, so that 85% is huge. You can rent by the night, week or month in Playa, pretty much all year round.

Finally, a locale that's seeing a big influx of business is also a good place to make rental income. I've written about the $4 billion boom in Cabo…how 20 new resorts are opening this year or under construction, including Nobu, Montage, Ritz-Carlton. Those mega-resorts need a slew of staff, many at senior level (managers, chefs, golf pros). Cabo already has a major mid-range accommodation shortage, both for long- and short-term rental. It's easy to find a cheap budget flophouse to stay in…or a bank-busting luxury home. Comfortable, affordable accommodation is harder to find. Buy the right kind of home in Cabo and you can rake in rental income…

If you're thinking that you don't have the time or experience to identify the right markets, don't worry: that's my job…and something I bring you in your regular *RETA* alerts.

A Note Before You Buy

Done right, a strong rental yield can even help pay for your real estate. It's a proven strategy followed by many of the most successful real estate investors I know.

That should never be the primary goal of rental income though. Treat rental income as a bonus to the asset you're locking down. You never want to rely on rental income to finance your purchase. If you're not solvent enough to finance the purchase without rental income, you could find yourself having to sell fast – and cheap. That's not a position you want to be in. Make sure you can cover the purchase price or finance cost—and any overhead—*without* any rental income before you buy.

Step Three: Buy at the Right Price

Rental yield is easily calculated. To figure your gross yield, divide your total annual rental income by the price you paid for the property, multiply the answer by 100, and there's your percentage yield. Generate $20,000 a year in income on a home that cost you $200,000, and you're getting a 10% yield. Kick your income up a notch to $25,000 and your yield goes up to 12.5%.

But it's crucial that you don't over-pay for the home when you buy it. The price you pay, after all, determines your yield. And, you can't change it. If you pay too much for the home to begin with, you'll always struggle to get a good yield.

In the example above, if you pay $200,000 for the home and generate $20,000 in rental income, you're making 10% gross. But if you only pay $175,000 for the home… and still make $20,000 in rental income…you're grossing 11.43%.

You really need to do your homework and get a good idea of market comps to decide how much your home is really worth. And, if you're buying a home for personal use…and any rental income you make is just icing on the cake…then you'll probably want upgrades—nicer finishes, more expensive furniture, bigger living space. But, if you're buying purely for investment, you can't let your heart rule your head. Before splashing out more for a home with nicer views or a gourmet kitchen, investigate to see if it will generate more rental income…or not.

Always negotiate when you're buying to get the best possible deal. If the seller won't come down on price, maybe they'll throw in the furniture, for example. That cuts your costs and bumps up your yield.

This is where being a *RETA* member really comes into its own. You get access to pricing that buyers on the street can only dream of. Getting in first on top-notch homes in premium locations means you can cherry-pick the best homes…and buy at prices significantly lower than anyone else pays. That means that all other things being equal, you're ahead from the outset – and on track to make the strongest rental yields

Step Four: Determine How Involved You Want to Be

Before you ever lay down a red cent for a piece of real estate with a view to generating rental income, you need to ask yourself one important question: How hands on do I want to be?

From the beginning, you need to decide how much work you're willing to put in. If you're looking to buy in a place where there's no established rental management companies or tourist market, you need to be a lot more hands on to make a success of it.

You'll need the time, motivation, resources and skills to draw in vacationers and manage the whole rental process.

If you don't want to be hands on, you need to find a place with an established and hopping rental market (long- or short-term) with excellent rental managers so you can stay hands off.

In places where there's a lot of tourist footfall like Playa del Carmen it's easier to find renters for your place…and to find a good-quality rental manager who will do most of the work for you, from finding renters to paying the bills, sometimes doing repair work, to taking care of cleaning and checking guests in and out in short-term rentals.

In Playa del Carmen, ordinary "little guy" investors are seeing gross returns of as much as $57,477 on their two-bed condos, using an established rental manager. They're staying hands off, and still getting to spend some time in their condos themselves.

If you decide you need a rental manager, step five will show you how to find a good one.

Step Five: Choosing a Rental Manager

Not sure if you'll have the time or the expertise to properly manage your rental property? Then you should consider a rental manager.

A good rental manager can mean the difference between mediocre occupancy rates with measly rental income and a stellar performance. If a rental manager can get you a $40,000 return a year (minus his, say, 25% cut) and you can only get a zero-dollar return with your own skills, it's bad business not to run with the rental manager.

Whether you use a rental manager or not is completely up to you. You should weigh up how much time you feasibly have to devote to managing, promoting, and maintaining your property. Dealing with tenants can be a time-consuming process.

On the other hand, if you have the time to spare, it may be worth managing the rental yourself to save the money you would pay a manager.

Here are a few things to keep in mind if you decide to use a rental manager.

1. Get some recommendations.

When you're looking for a rental manager, ask friends, neighbors, and locals who they use and what their experience has been with them. Then, go online to do an internet search. Search for similar homes to yours in the same area and see if a certain name comes up again and again. You might find a rental management company with a website that's in the top three that shows up…or a manager who's working all the vacation rental sites, like Airbnb and VRBO.

As you know, that web presence is crucial. It's the way to get your home out there, in the face of potential renters, and keep a steady stream of visitors coming through your

door. Look at how appealing they make the real estate on their books seem. Are there nice photos? Good descriptions? Would they make you want to stay there? If so, you may have found your rental manager.

2. Ask them questions.

When you've found a possible rental manager, it's time to start asking questions. When you describe your home, they should immediately tell you the ballpark rental rates you can charge and the type of occupancy you can expect. They should also give you a clear breakdown of what they will charge you and what it covers.

Rental management rates vary hugely. In Latin America, on short-term rentals, they typically average 25% to 30% of the annual rental income you make through them. But some managers will charge you 25% to 30% of all rental income…even when you find renters yourself. In some parts of Europe, you pay a regular monthly fee, regardless of whether the manager finds you renters or not. It pays to check your contract to see exactly what you'll pay.

Make sure you ask what they will do for their management fee. Will they find you renters…do check in and check out…pay the bills…take care of the cleaning…handle repairs and maintenance? It's worth paying a little bit more to a manager who does all of this for you. The last thing you want is to receive phone calls in the middle of the night, or during an important work meeting, asking you to fix the hot water or get the internet sorted in your overseas home.

And don't nickel and dime a rental manager who you think knows their stuff. It could be to your detriment. A friend bought a condo in a historic district as a rental vehicle. The market was an emerging tourist hotspot, with a shortage of hotels and vacation rentals. My friend went with a manager that charged 25%; his neighbor went with one who charged 40% but offered a lot more. The company charging 40% focused on properties in the historic district and advertised aggressively online, targeting high-end tourists. They blogged, produced videos, and appeared in newspapers and media reports on a regular basis.

Twelve months later, my friend had made $9,000 in net rental income. His neighbor had made more than $22,000. Choosing the cheaper manager was the wrong choice. All that extra work they did paid off for their owners.

3. Check the paperwork.

Have a local attorney review your agreement with the rental manager before you sign.

And, try to find a rental manager with a good reporting system. It's ideal if it's online, so you can see at the touch of a button where you're at—how many nights booked, how much income you've got, and the bills that were paid.

If you do decide a property manager is the right course of action for you, it can be a lucrative move. A good property manager can make all the difference between an average rental yield and a great rental yield. And if you're looking for a hands-off rental property, you'll need a property manager that covers all the bases. They should find tenants, check them in and out, pay utilities, and deal with plumbing emergencies at 3 a.m.

There are a few pointers to follow if you do take this route that will protect you and

your investment.

4. Get their rates in writing.

For short-term, you'll pay anything from 15% to 40% of the rental income in fees. Some companies charge a fixed rate per month (which you'll pay even if you don't have renters). That may be worth it if they have a good track record. If they don't, you'll be throwing money away.

For long-term management, you'll pay 50% to 100% of the first month's rent if they find you a tenant and then a monthly charge of 5% to 15% if you want them to take care of maintenance, repairs, bills, and any issues the renter has. Make sure that you're clear on what the management fee covers.

5. Ask how many units your manager currently handles.

Most managers are juggling the number of units they manage and the number of staff they employ to handle rentals. You won't get good service if they have a handful of staff and a large number of units. Find out what systems they have for handling reservations, queries, and reporting problems. Check if they are an established company with a large client base or a start-up with no track record.

An established company should give you a clear idea of how much rent you're likely to get and how much profit that translates to. Check the data they provide with other sources. Ask them for referrals from clients, too.

A start-up manager might come along with some innovative ideas to draw in renters and an attractively low fee. But you're their guinea pig as they learn the ropes. An established group will have experience…connections…and (hopefully) a good name for delivering excellent service. They'll have staff in place and plumbers and cleaners on speed dial. And a huge plus is they will have an existing list of clients who rented through them in the past. Repeat renters and referrals by renters is key to getting high occupancy rates. You've got a head start if your manager has a long list of satisfied clients.

With that in mind, see what reviews the rental manager has online from renters. Five stars is fantastic.

Get some written referrals too, from owners who already use them, to see if they're happy with the type of income and level of service they're getting.

6. Get your attorney to draw up a standard rental contract

Make sure that your property manager uses it with every tenant. The contract should come with a detailed inventory list if you're renting a furnished home – and make sure the rental manager carries out an inventory check before tenants or renters leave.

One tip: don't hire a rental manager and then completely ignore their advice. If they tell you that you'll get a better rate if you buy a king-sized bed rather than a queen and can show you evidence to back that up…don't ignore it and buy a queen-sized bed. If they recommend new linens and little pieces of art to brighten up your home, don't dismiss their advice.

We've compiled a list of rental managers in some of the most popular locations on our beat. You can find the list in the Rolodex at the end of this report. Remember, you should always do your due diligence on any rental manager you're considering.

Don't Leave Your Income Totally in Someone Else's Hands

Even if you do opt for a rental manager, I'd urge you not to rest on your laurels. A lot of people sit back and congratulate themselves on a job well done at this stage…and then never chat with the manager until a problem arises. That's not savvy business.

You need to work your relationship with your manager. Get to know the manager so they know who you are. Push (nicely) to maximize occupancy in your home. Ask what will help bump your home up for them; it could be as simple as adding some little extras that make it stand out. Always stay on top of them so you're their top priority. And don't stop watching your competition—your neighbors that also rent their homes. If they're hooking up Netflix or throwing in cooler boxes and snorkel gear, see how it affects their occupancy rate. If it works, match them…or go one better.

In some markets, you may also find extra profit by leaving the rental manager to do their thing, while you chase potential renters who are perhaps on your doorstep. Even if you want to be largely hands off, you'll still benefit from putting in some effort to attract more renters to your place. One guy I heard of who's doing particularly well from his rental is using a rental manager…but he's going the extra mile to supplement that manager's efforts. This guy built a house in Costa Rica with the intention of using it as a retirement home but rented it out to make some money before he retired. Things went so well that he's had to build another house to retire to—he's using the first one purely for an income stream now.

One technique that's been especially profitable for him is to print tear-sheet fliers (the type where you can rip off a strip of paper with a phone number or email on it). He asks local restaurants and businesses in his hometown to put them up. He adds a special code so that he knows what restaurant or business any new bookings come from and pays them a little fee. This way, he gets renters his rental manager might not have found. In one year alone, he grossed $88,000 on his three-bedroom home in Costa Rica's Southern Zone.

You could try something similar or perhaps put ads in your local paper, on online message boards, or wherever you think you might find a renter.

Step Six: Get with the Program

So…you've followed steps one through five and bought the right home in the right location at the right price. And, you've decided how hands on you want to be.

It's a competitive world these days in rental property. Winner takes all. And you, of course, want to be a winner.

Doing well with a rental property is not as easy as buying a nice place and hoping renters will show up. If you're asking renters to part with their hard-earned cash for your

property over a competitor's, you need to be sure that what you're offering beats the competition. Your rental property is a product. And you need to treat it like one.

I mentioned at the start of this report that the internet had made the rentals business a whole lot easier. But it can also make it trickier. Renters can see immediately what you're offering – and compare it to your competition.

Here's how to make sure your home stands out and maximizes its rental potential.

Start with the Basics...

Though there's more opportunity to make rental income than ever before, there's also more competition. And, you won't get a fabulous occupancy rate and top-dollar income from the get-go. A big chunk of your income will be from repeat renters and referrals from renters. That takes time to build up. Even hotels figure on a three-year period to get their occupancy rates up to speed.

Of course, another element to getting renters and building up your business is to beat the competition.

Here's where you need to do your homework. Researching your competition is key. Make sure your pricing is in the ballpark. See what your competition is offering—and make sure you're matching (if not beating) that.

Let's take short-term rentals as an example. Say, you're renting at $150 a night, and so is your neighbor, but their identical home is kitted out with A/C, a washer/dryer and free WiFi and yours isn't. In that case, you'll either have to match those amenities or cut your rate.

Or, if you're planning on renting long-term or a commercial property, think about what your renter wants. If your long-term residential property is close to a business or financial district, high-speed internet is probably something most of your renters want. If you're renting out office space, and all of your competitors offer air-conditioning as standard, you should, too.

Lastly, customer service is key. If you're advertising your property yourself (rather than using an agency or a management service), follow up with potential renters as quickly as possible. If they email, respond promptly, and give them all the details they need. Give your phone number and let them know they can call you if they have any further questions.

Once you have those basics right, you're onto the next step: Keeping renters happy.

To do that in a short-term rental, you need to look at how comfortable a stay you're giving to your renters.

It's incredible the standard of home that people think they can charge top dollar for. Scratchy comforters… cheap sheets…dirty kitchens—I've experienced all of those and worse on the road. It seems like it should be common sense to make the house or condo you're renting as comfortable as possible. But as the saying goes, common sense isn't very common. That's to your benefit: Get the basics right and you'll be head and shoulders above the competition.

You need to ensure things like making sure the furnishings are clean, plush, and match each other…that there's potable water even if you have to provide bottled…that

the beds are large (king sized) and with comfortable sheets, pillows, and blankets…and that you have more than enough pots, pans, utensils, and dishes to cater to any renter.

Ditch the chipped plates, stained mattresses, stinky couches, and bargain basement linens or towels (you'd be amazed how many renters you can gain by spending just a little bit more).

Again, you need to look at your competition and see what they're doing. If they're offering air conditioning, complimentary Wi-Fi, a TV package or Netflix, you should, too. Even if they're not, you should consider offering them—it will give you a valuable edge over your competitors.

Thinking of your guests' comfort will set you apart. Some places I've stayed in have left a basket of goodies for me: maybe a bag of coffee, local chocolates, wine or beer, passes or discounts to local attractions. Even if your guest doesn't use the goodies, they'll feel welcomed by the gesture. Other things you can offer are boogie boards or snorkels, fluffy beach towels for the pool or for the beach, bicycles, a selection of books or DVDs, small bottles of toiletries in case someone has forgotten their own, or even just a full ice tray when they arrive.

You should also take the time to sit down and write out a guide to the home and the surrounding area. Make sure to include some practical details (such as whether there is cleaning service, how to operate the washer/drier, where to find fresh linens or leave out trash etc.) but also more personal recommendations. I've stayed in places where the owner has left detailed descriptions of things to do close by, where they like to eat, what you can expect to pay for things, and what taxi company they use for good service. Finding the attractions and cool restaurants easily will help your guests relax, settle in—and want to come back.

That's for short-term.

For long-term, you need to make sure your home or condo is in good repair—properly insulated, comfortable, and any issues sorted quickly and without any quibbles. No one wants to deal with that landlord who'll nickel and dime them when an essential repair needs to be covered… or who doesn't want to help when something goes wrong.

A little goes a long way in forming good relationships with your renters. And, in long-term rentals, that's especially to your benefit. A happy tenant is one who'll take extra special care of your home.

Advertising Your Rental Real Estate

So, you've given the people what they want? Great! Now, you need to get the word out that you're better than the competition.

This is not the time to hide your light under a bushel. If you want to keep your rental filled, and keep those income checks coming in, you need to get to grips with advertising.

It will help to think like a potential rental client…and understand what they're looking for. A little tactical thinking will go a long way. A contact who has properties in Medellin, Colombia, told me he's fitted all his rental properties with air-conditioning—even though the climate is so temperate air-conditioning is rarely needed. His reasoning? Most North American renters will automatically tick "air-conditioning" when searching for a place,

even when it's not needed. By including that one amenity, he ensures he's visible to a bigger pool of renters than his competitors who don't offer air-conditioning.

Then, make sure your advertisements reflect what they're seeking.

I can't begin to tell you how many good rental properties go overlooked because the owner hasn't advertised it properly.

Say you've got a luxury condo that's a few steps from a beautiful beach and a stroll to a gourmet restaurant. It's in a community with top-notch amenities and amazing views. How well do you think it would rent if you're using a photo of an overgrown field to advertise it?

That's not a hypothetical question. Believe it or not, this is what I found when I booked a rental condo online. I was scouting and needed a place at short notice. I fully expected to pay a high price for my stay. I knew the community I wanted to stay in. It was high season and I didn't think I'd find anything available to rent. But one condo had slipped through the net—because its owner is doing such a terrible job promoting it.

Because I knew the area well, I was happy to take a chance on renting her property. I know the community and even the condo block her property is located in, so I knew for a fact that I'd have a comfortable stay in a good location. Other prospective renters likely would not. Based on the photo she had chosen to promote her luxury condo, I guessed most renters would be unwilling to take a chance on renting her condo. Long- or short-term.

On arrival, I met the owner. My assessment was right. She couldn't understand why her condo wasn't renting as well as others in the community. I could.

Follow these tips and you'll do much better...

- **Get the camera out...or pay someone else to do it.**

Your home is only as good as the photos you show of it. Choosing the wrong photos can put off prospective renters, so you need to make sure yours are top-quality. Get some help with taking the photos if you need it…and use your best photo as your "profile" photo. It's the first thing folks will see when they search.

There are a whole host of studies out there that show that people pay far more attention to adverts with clear, helpful images than ones without. That's because as much as 90% of the information we absorb at any time is visual. So, if you're skimping on photography, you're losing renters.

Make sure you have photos that flatter your rental without being misleading: That means taking pictures of the interiors (including clean and tidy bedrooms, sitting areas, etc.), any outside space, such as terraces or gardens (also clean and tidy), and any nearby beauty spots. It is incredible to me how many renters with a beach on their doorstep neglect to put a single snapshot of the sand or sea up.

Bad lighting, weird camera angles, and photos of dark corners won't help. Make sure your home looks its best. Stage it as if you're selling it to a prospective buyer. Declutter it and remove any personal items you've scattered around. Make it look warm and inviting. If you've got outside entertaining space, show it off. If you're close to a beach, post some nice beach shots.

If you try it yourself and you're not achieving the results you want, consider hiring a professional photographer. It could be a smart investment. Airbnb found that listings with professional photographs performed TWICE as well as listings that didn't use professional quality shots. (For a time, they even offered free photography services to hosts in certain locations—that's how much value the company saw in good photos.)

- **Highlight the location.**

Make sure renters know what's close by to your place. Ask yourself, who would find your place a good base? If there's a conference center nearby, for example, mention it in your listing. If it's a foodie destination, describe that and where to go to sample the best food. Near some historic ruins or an expensive ski resort? Tell people.

Come up with a catchy one-line title that makes your home stand out ("Luxury Condo by the Beach and Close to 5-Star Restaurants," for example). It should sound compelling enough to make people want to click on it and find out more.

Additionally, make sure your address and location are as clear as they can be, and if you have the option, add a map or geotag your home on an online map.

- **Give a lot of detail.**

Whether advertising for a long- or short-term rental, you'll need to give a good description of your home. Bigger vacation rental by owner sites will give tips on what's expected as standard in a property, down to the number and type of towels in each bathroom.

List what rooms you have and what furniture and appliances you've got, down to the type of bed and how many place settings you're offering. Describe the area around your home—the amenities and attractions nearby. State how close they are to your home. Mention a few good places to eat and shop; give the names of the eateries and the type of food they serve. Most importantly, paint a picture of the dreamy vacation your guests can enjoy.

A word of caution, though. Deliver what you promise. If you describe your home as "luxury", renters will expect fine linens, top-notch furniture and quality finishes. Don't tick to say you've got a beach view if you haven't…or that your home is a "few steps" to town when it's a half-hour hike. You'll just get unhappy renters and bad reviews.

And, add some information about you. People still trust a face over an anonymous listing. So, if you have the option to add a picture of you and a short, friendly blurb, do so. If you're using a rental manager, make sure he/she does it instead.

- **Optimize for Search Engines.**

If you're advertising online, you don't need to be super tech savvy, but you do need to keep in mind how the internet works. That means that you need to add keywords into your listing.

Keywords are the words search engines like Google and websites use to categorize information. They're the words people will use to find you. So, when you are writing up a description of your place, make sure to include the keywords that people might be searching for.

For a home in Playa, for example, you might say you have a "central Playa del

Carmen condo," "close to the beach," and "close to Fifth Avenue," that is "comfortable and furnished" and comes with "pool access." (You don't need to add the quotation marks and you should certainly add more detail than those examples.) Thinking about what people will search for to find a place like yours, and using those phrases and words in your description, will help you rank higher in search engine results.

Additionally, you should make sure that you know your typical renter and use different websites to attract them. If your renters might be Scandinavian, Mexican, American, British, Irish, etc. seek out the websites they'll be using and post your home there!

- **If you're renting short-term, keep your schedule up to date.**

With many online vacation rental sites, you'll have access to a calendar that you can program to show when your property is available. Updating your calendar regularly is a must. Some sites will automatically update it every time you get a booking. But if you don't get a booking, manually update it. Some sites partially de-list properties with outdated calendars so they don't show at all if a renter is searching for availability on specific dates.

- **Get ahead of the market.**

If you've decided to rent your real estate out yourself, without the assistance of a rental manager, you need to stay on top of the market and the times when you can charge more for your rental.

In long-term rentals, that means keeping abreast of average market rates for rentals like yours.

In short-term rentals, it means keeping an eye on peak seasons and events to get the best price for your place. Adjust your rate seasonally—or to reflect local events such as film or jazz festivals, when demand is higher. You may want to set a minimum stay period in peak season, or to fit with local short-term rental restrictions.

Know the holidays—they're when you can raise your nightly rate as demand increases. And, I don't just mean the U.S. or Canadian ones. Being aware of both local holidays and the holidays of your potential visitors is key for getting your pricing right.

- **Finally, get reviews (preferably good ones!).**

Many folks won't rent a property if it doesn't already have some reviews. If your renters enjoy their stay in your home, they usually won't mind posting a review to your site. You can always incentivize them to post a review by giving them a discount off their next stay if they do so.

A Note on Rental Websites

If you're planning on renting short-term, I recommend you use an established vacation rental by owner website that's high profile, an established brand. There are several of these: HomeAway, VRBO, FlipKey, and Airbnb are among the most established.

If you plan to rent your property longer term, you should check out the most established websites for long-term rentals in your particular destination. And work with local real estate agents and property management companies.

If you use an agent or management company to find a tenant for a long-term residential rental or a commercial unit, they will usually take a one-off advertising fee equivalent to one month's rent on a twelve-month contract.

Generally, short-term rental sites take a percentage of what you charge your renters as payment for using their service. That's a fee you wouldn't pay if you were to advertise on your own personal website. But there are advantages to using these services that make it worthwhile for a lot of vacation rental owners.

The biggest advantage to sites like these is visibility for your rental property. The big names in the business spend a lot of time and money making sure they come out on top when someone searches online for rental property. That means more traffic on their site—and more potential renters for your property. In turn, it means you won't have to fight to have your property seen by online searchers.

The well-known brands are trusted by renters, too. That's another advantage to using them. Some of them operate a full-refund policy to renters if things go wrong. That helps potential renters feel more secure. It also pushes them from simply browsing to making a booking.

But, not everyone is as big a fan of short-term property rentals as investors are.

Some cities with housing crises, particularly in Europe, are banning short-term rentals. Berlin is one of the most high-profile cities to restrict them. The law doesn't apply to rooms rented in homes while the owners are there. What it does prevent is the renting of entire premises to tourists.

Authorities took the step because of a severe shortage of long-term rentals in the city. It had an immediate effect. Listings on Airbnb for Berlin fell by almost 40% in just one month. Owners had a good incentive to delist their properties: Those found to be in breach of the rules faced fines of up to €100,000. Most sensibly complied.

Not everywhere has rules like Berlin. Many growing tourism destinations are welcoming short-term rentals as they help to grow vacationer numbers. Find out before you buy… and as mentioned before, make sure you can cover the cost of your place without the rental income. You never want to be in a position where you need to sell fast and below value.

If you're going it alone to advertise your short-term rental, get a professional in to help with your website. It should look appealing, be easy to navigate and laid out properly.

Whether you're using a brand-name site like this or managing your own website, renters should get an easy one-step booking and payment process. Most folks are time pressured these days. The quicker and easier the booking process, the better. Bigger sites allow renters to book and pay on the spot using a credit card.

As an owner, you should explain your cancellation policy clearly, and make it available to renters before they book or pay. You should also give renters a copy of your rental rules.

Your Essential Must-Ask Checklist Before you Buy

There are some questions you need to ask before you buy a house or condo with the idea of making rental income. Here's a shortlist:

1. **Check That You Can Actually Rent Out the Home You're Considering!** This one might seem like a no-brainer…but you'd be surprised at what people buy without doing any homework. (That's not going to be you, of course.)

   You need to find out what the rental rules, bylaws, and restrictions are in any real estate market you're considering. Say you're thinking of buying in Panama or Colombia: Did you know that the authorities restrict short-term rentals in residential buildings in some cities in those countries? Investigate if any local or country-wide laws will stop you renting short term. And, check that there aren't any rules specifically aimed at foreign buyers: some Caribbean islands ban foreigners from buying homes to rent out.

   And, if you're buying in a condo building or a private community, check that the bylaws allow you to rent your property out.

   Plus, if you're thinking of renting a property for commercial use, check that you are legally allowed to do so. There may be zoning or permitting restrictions (or rules in a private community) that stand in your way.

2. **Investigate Occupancy Levels.** If you're thinking of renting your home to the short-term market, calculate what a reasonable occupancy rate will be (i.e. how many nights you can expect to rent your home out per year.) Is there a booming tourist market? Is there big demand for the type of real estate you're buying?

   To figure this out, don't rely on tourist numbers—they can be wildly misleading. Tourist numbers include locals returning home, cruise ship passengers, people visiting friends and family etc. That means people who may never rent real estate out short-term, but who might make up a big chunk of tourist numbers.

   Instead, take a look at local hotel occupancy rates. That can give you some indication of where the market is at present.

3. **Check the Competition.** Unless you find a market where there's a shortage of all real estate or rental types, you're going to face competition. A little competition can be healthy, but you need a market with strong demand for your type of real estate with (ideally) few competitors. For short-term rentals, that means a lack of decent, affordable hotel rooms and short-term rental condos. For long-term rentals you should look for areas with a shortage of rental condos or houses or a gap in the market. For example, you may find a demand for three-bed houses close to a good school or a shortage of office space in a city with a growing economy.

   Check the current number of hotel rooms and rental units in the market and check supply in the pipeline. In a slow market, where owners can't sell, many switch to renting. If that slow market has thousands of condos due for completion and thousands of hotel beds in the pipeline, your rental yield will suffer.

4. **Go Where There's Rental Demand Year-Round.** In some of the markets on my beat, you can do very well from a short rental season—that's the case in places like the Algarve in Portugal, or Rocha in Uruguay. Each has a short summer season (though the Algarve's is lengthening all the time) but strong yields for those summer seasons. In Rocha, a contact is currently building condos for short-term rental. As I write, he's targeting a 12% to 16% gross yield from a season that runs from December through the first week of March, with another kick in Easter week.

For the most part, however, it's best to go where you have a wide and perennial market of potential renters to keep your rental yield high. Locations that attract a combination of tourists and business travelers, or domestic and foreign tourists are usually good for this.

If you're renting short term, look for places with year-round appeal. It's harder to make a decent profit if your high season only lasts for two months. For long-term rental, look for areas where a growing economy and business opportunities bring in executives and professionals for longer periods.

5. **Find Out What You'll Pay in Taxes.** Tax is a reality wherever you go—a harsher reality in some places than others. What I mean is that tax on rental income varies widely from country to country. You need to know before you buy what you'll pay on any income you make.

   Don't be completely dissuaded if the tax rate appears high. For example, you'll pay 0% in some Caribbean tax havens, but the flip side might be the sky-high price you pay for your home which depresses your yield; conversely, you might pay up to 30% in Costa Rica but command a much better overall yield on your rental property.

   And, there can be ways to bring your tax bill down. Find out if you can offset expenses against that tax. In addition, check for any taxes you might not be expecting. Look up local property tax rates and ask if there are any other taxes (wealth tax, luxury tax, school tax) that apply to your property.

   One more thing to consider: If you plan on sending the rental income back to your home country, ask if you'll have to pay any extra taxes for wiring money outside the country.

   And, note that you may still have tax obligations in your home country.

6. **Know Your Costs.** Because you're paying close attention to this chapter, you already know that to maximize your rental yield, you need to buy low. The price you pay for your home or commercial space determines your rental yield—the less you pay for your property, the higher your rental yield.

   But, that's not where the cost estimations end. You need to factor in more than the purchase price to assess if a particular market and real estate type are right for you.

   Compare short-term and long-term rentals, for example. Short-term rentals generate more rental income, but they also carry higher running costs. You'll need to furnish and equip the property. You'll pay for the utilities, cleaning costs, and management fees.

   In some markets, you won't need to furnish long-term rentals and the renter covers the cost of utilities. Plus, you'll pay a lower property management fee for a long-term rental. That bumps up your yield.

   All of these things contribute to what will be your net profit (i.e. the profit you are left with after you pay taxes and other costs).

   To help you calculate the net profit on any real estate you're considering, I put together *this simple spreadsheet*. Download the spreadsheet, plug in your

figures, and it will automatically calculate your net rental yield.

7. **Buy What's in Demand.** It's always important to buy in the right location but that's only half the story. With a rental investment, you need to buy the right type of real estate in the right location for the rental market you're targeting.

   Buyers often get carried away and purchase a luxury, ocean-view penthouse. It won't generate a decent yield if there's no demand for that type of unit, though.

   In cities, you'll find that certain locations appeal most to short-term renters. They're usually spots where you don't need a car to get around, close to financial districts, shopping, entertainment, and nightlife. You'll maximize your profit in these locations by purchasing a one- or two-bed condo and renting to tourists or business executives.

   I've met folks who generate a healthy profit from small studios in downtown locations. But a cramped studio or a tiny one-bed condo won't work in a neighborhood that only appeals to long-term renters and families.

   To get a good overview of the local market—and what type of units are in hot demand and generate the most income—speak with as many real estate agents and property management companies as possible. You can also check out the classified section in newspapers, online rental sites, and ask locals that you meet.

When to Look a Rental Gift Horse in the Mouth

Most folks believe that something that's "guaranteed" is a safe bet with almost zero financial risk. With the sense of security a guarantee gives us, we're more likely to act quickly. But that sense of security also means we often forget to scrutinize the terms of the deal.

There are few guarantees in the world of real estate. Markets change…currencies fluctuate…today's trendy hot spot can become tomorrow's tired has-been. So, whenever you're promised a guarantee, alarm bells should start to ring.

A guaranteed rental yield is usually offered with pre-construction property. The developer tells you they'll build your condo. Once it's move-in ready, you hand the keys back to the developer or a rental operator they nominate. They then take care of everything. They'll find renters, deal with utility bills and maintenance, and pay all the running costs. The owner is paid a fixed income that's a percentage of the purchase price he paid for the property.

I've seen guaranteed yields in some locations as high as 10%. That's very tempting. Pay $200,000 for a condo and get $20,000 a year in income—for doing absolutely nothing.

Developers like guaranteed rental yields because they boost sales. Buyers love guaranteed yields because they're a true hands-off investment.

From ski apartments in Austria to beachside pads in Thailand, you'll see developers luring buyers with guaranteed rental yields. For a buyer committed to paying off bank or developer finance, a guaranteed yield is attractive. They know how much income they'll get and exactly when it will be paid. They don't deal with the hassle of finding tenants or need to worry about void periods. In fact, they don't need to do anything after they purchase the property, other than sit back and wait for the rent checks to roll in.

That's the theory. In practice, it rarely pans out like that.

A guaranteed rental yield is only as good as the group offering it. That's fine if the group has a strong track record of rental management or they're using a seasoned hotel or rental operator.

You might wonder why a hotel chain would get involved in a deal like this. For some, it's an easy way to get a chunk of extra rooms. They don't need to find funding or face the headache of building those rooms. In a market with high occupancy and a shortage of rooms, that's an attractive proposition. The hotel chain likely has a good handle on the tourist market in the area and knows it can fill the rooms, pay the owner the guaranteed yield and still come out on top with a profit.

Sometimes it's the developer who needs a place for folks to stay. If he's planning multiple phases and running fly-buy trips for potential buyers, he may want those potential buyers to stay on-site. To do so, he may offer a guaranteed yield to owners of already-delivered units in his project. Again, it's a win-win. The owner gets a steady income stream. The developer gets a place for fly-buy groups to stay.

However, there are some major potential downsides with guaranteed rental yields. They're often touted in slow markets to try bump up sales. And in markets where pretty much every developer jumps on the guaranteed yield market, you just know a bunch of those developers won't have a clue how they're going to generate the 10% yield they're promising.

Of course, there's a shortcut, an easy way to cover the developer's back. Pad the price. Let's say the developer guarantees you $15,000 a year for three years. That's $45,000 in total. But you might find similar condos nearby selling for $190,000. The developer is charging you $235,000 for your condo, $45,000 more…which equals the amount he'll pay you as the "guaranteed rental income". He's paying you back from money you paid him upfront.

You're also usually limited on personal use. Guaranteed rental yields normally only give you, the owner, a few weeks or months a year to spend in your property. They usually won't allow you to stay in peak season. That might not sound like a deal-breaker if you're a pure investor. But think about how you'd feel if you've purchased a ski condo because you love to ski, only to find you can't use it in the winter months.

If you're offered a guaranteed rental yield, here's a checklist you can use to see if it stacks up or not:

1. Always check comparables to determine if you're paying fair market value—or an inflated sticker price.
2. Look at the local rental market to see if the yield you're offered is realistic. If it's way out of line with current rental rates, you're probably paying an inflated purchase price.
3. If the local rental market is strong, ask yourself if you could generate much better yields by doing it yourself.
4. Check the small print to make sure the yield is genuinely guaranteed, with no get-out clauses.
5. Find out who is guaranteeing the yield. Is it a well-funded, established developer;

a respected and savvy hotel or rental operator; or a start-up that's got zero experience? If you're told that a "big name" hotel will manage rentals and pay you, check that is really the case.

6. Get a clear handle on what, if any, fees you'll have to pay during the term of the contract. Understand what is covered and what isn't – maintenance, monthly HOA fees, utility bills, whatever.
7. Determine what happens at the end of the guarantee period. Is it likely you can extend the deal or not? If you decide to go it alone, will you have to pay a hefty penalty? Also ask if you'll get your unit back in as-new condition.
8. Find out what happens if you want to back out before the end of the guarantee period. And check that you can hire your own rental manager if you think you may want to do that at some stage.
9. Figure out how much time you can spend in the property yourself and if you'll pay a penalty or lose some rental income for doing so.
10. Always have an attorney check your contract. You should have two – a purchase agreement that covers buying your property and a separate one for the guaranteed rental yield.

A Final Note

Creating a portfolio of income-generating properties is a big part of my own personal strategy. But still, I don't expect to be earning big right out of the gate. I've seen enough successful and unsuccessful rental investors to know that one of the key things to rental success is *time*.

I'm going in with the understanding that it takes time to get an income generating portfolio to maximum potential. And, I won't rely on the income to cover my costs, at least not in the early stages.

As someone who is in this business for two decades, I recommend you take this approach, too.

One of the biggest mistakes I see investors make is that they buy some real estate, offer it out to renters for six months and then get disheartened or even angry that they're not making more money. Some will consider walking away at that moment…when they really haven't given themselves enough time to see how their rental will do.

That's not fair on yourself…or your real estate. You didn't start running before you could walk; you won't create a consistently strong income right from the get-go either.

But once your real estate starts to make you money consistently, you'll have an income stream that could maintain you and enrich you long into your retirement. All from following the tips and steps in this report.

Happy renting!

Rental Managers on the RETA Beat

Mexico

Playa del Carmen:

- *Happy Address* (www.happyaddress.mx). Phone: +529841476866 Email: booking@happyaddress.mx

Tulúm and Akumal:

- *OlaHola* (www.olahola.mx). Phone: +52 984 688 275 Email: info@olahola.mx
- *Gate 48* (gate48vacations.com). Phone: +52 19846882693 Email: reservations@gate48pm.com

Cabo San Lucas:

- *Discovering Mexico Real Estate* (www.discovering-mexico.com). Phone: +526241736146

Huatulco:

- *Bayside* (www.baysiderealestatehuatulco.com/rentals-and-tours/). Phone: +529585874543 Email: info@baysidehuatulco.com

Portugal

The Algarve (Southern Portugal):

- *Ideal Homes Rentals* (www.idealhomesrentals.com). Phone: +351914129704 Email: info@idealhomesrentals.com

Brazil

Fortaleza (Northeast Brazil):

- *Escala Imoveis* (www.escalaimoveis.com.br). Phone: +55 85 999 910 729 Email: hanna@escalaproperties.com

Colombia

Medellín:

- *Casa Col* (http://en.casacol.co). Phone: +57 302-285-3252 Email: reservas@casacol.com
- *Paradise Realty Medellin* (www.paradiserealtymedellin.com). Phone: +14152404698 Email: james@paradiserealtymedellin.com

Belize

Placencia:

- *Mannsfeld and Associates* (www.realestateplacencia.com). Phone: +501 523-3063 Email: boris@realestateplacencia.com

Panama

Panama City:

- *Panama Sol Realty* (www.panamasolrealty.com) Phone: +507 2639705 Email: info@panamasolrealty.com
- **Coronado:**
- *Panama Sol Realty* (www.panamasolrealty.com) Phone: +507 2639705 Email: info@panamasolrealty.com
- *Kathy Canton Realty Panama* (www.kcpanama.com). Phone: +5072153690 Email: kathy@kathycanton.com

Costa Rica

Southern Zone:

- *Jaguar Property Management* (www.jaguarpropertymanagement.com). Phone: +11 506 87056022 Email: jaguarpropertymanagement@gmail.com

Jacó:

- *Remax Jaco Beach* (www.remax-ocr.com). Phone: 714-369-8133 Email: hannah.m.fletcher@hotmail.com

Dominican Republic

Las Terrenas:

- *Dreams 2 Realty* (www.dreams2realty.net). Phone: +1 809 707 9150 Email: toniindr@gmail.com

Ecuador

Salinas:

- *Spondylus Ecuador* (www.spondylusecuador.com) Phone: 098 9631656 Email: gpinoargote@yahoo.com