



Roger Wade Photography

RENTING YOUR LOG HOME

If you're building a vacation log home, the idea of renting it out to others when you're not using it may be appealing. Why not have your log home earn its keep?



BEFORE THROWING YOUR DOORS open to strangers, it's helpful to do your homework. There are plenty of printed and online sources of information, but we've pulled the highlights into this convenient package:

CHOOSING A PLACE

Build where you want to spend your vacation (or eventually your retirement) and potential renters will most likely enjoy the area as well. That said, keep in mind that travelers are drawn to homes near amenities like ski slopes, lakes or cultural attractions.

Pay attention to codes and regulations. Will your local municipality or other governing body (like a homeowners' association) allow you to rent your property?

In some cases, in order to legally rent it, you may need extra safety measures, like fire sprinklers, that are not common to a residence. Your builder should be able to advise you, but be sure you understand these rules before you design.

DESIGNING A RENTAL

Your home will need to fulfill your needs, first and foremost, but there are some factors to consider if you plan to rent it out. Size only matters in that your home should be on par with other properties in the area. If most guests travel to your destination in large groups of friends or family, a larger home might be more attractive (and be able to command higher rental fees). But don't break your budget on a home you can't afford to build or maintain year after year.

People who have experience renting their homes and rental agencies offer these tips:

- Make sure you have locking storage space in the home where you can safely leave your things. Consider storage for everything from personal linens and clothing to sports equipment and garden tools.
- Plan for bedrooms that can accommodate queen- or king-sized beds, because renters often prefer them. (If families will be renting, you can also design a bunk room space for children.)
- Pick durable finishes and appliances that can stand up to wear and tear, or choose less-expensive options but plan to replace them more often.
- A rental home isn't a hotel—so you can plan for guests to share bathrooms. When considering your bedroom and bathroom count, make the decisions based on your family's preferences first.
- Access to your home will be critical. Renters will want to easily park their cars and unload their belongings. Whether that parking is in a garage or out in the open is up to you.



LINE UP YOUR TEAM

As you plan to rent, look into the resources available to you. If you don't live close enough to the home to stop in every week to clean, change linens and mow the lawn, an agency, property manager or housekeeping service will be a must. Some rental agencies offer a wide range of services like routine maintenance, landscaping, cleaning and

even booking. You will pay for those services, obviously, so you'll need to weigh your available time against the income you'd like to receive.

To find trustworthy help, talk to other home owners in your area, ask local business owners or your builder for recommendations. The agency or property manager you choose should maintain a strong local and online presence to help market your

log home. Your computer will be part of your team, too. With online booking services like Airbnb and VRBO becoming increasingly popular, you will be able to show your home to would-be renters from around the world.

Often, just the fact that your home is made of logs will help it appeal to renters—many of whom may have a log home dream just like you.



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THE LOGISTICS OF RENTING

Be sure that the area where you plan to build allows rentals. Some municipalities may require you to hold a business owner's license. Local officials will be able to direct you to the proper permitting process.

When it comes to keeping it secure, there are the normal measures we all know, such as motion sensitive lights and monitored security systems. These are good ideas for any home – primary or secondary. But you may want to take things a bit further in a rental.

Consider web-based monitoring cameras. They allow you to keep an eye on your home 24/7 and some even offer convenient features, such as activity alerts and built-in speakers so you can interact with visitors if need be. Plus, if you aren't in your home, you can give the impression that it's occupied.

Also, consider installing one of the new bluetooth-enabled deadbolts on the market. These innovative products turn your smartphone into an electronic key. You can give an e-key to renters, allowing them digital access to your house for a specified period of time. Once their time expires, the e-key will no longer work. (You also can provide special access for contractors or property managers, too.) This eliminates the worry of key transference and duplication and really secures your investment.

DETERMINE YOUR FINANCIAL OBJECTIVES

Finally, the million-dollar question is, how much do you want to make? Is your goal to completely offset the cost of your mortgage? To cover your mortgage and make a little extra on top? Or to just pull in a little extra



spending money when you can?

Like comps affect the re-sale value of a home, other rental properties in your area will dictate the threshold that the market will bear. Find out what you can expect to make per week based on other similar properties, and keep that figure in mind as you establish your budget. Just remember that rental income is not a guarantee. Have contingencies.

To simply break even, Kristine Karpinski, author of "How to Rent Vacation Properties by Owner," developed this simple formula:

If your monthly mortgage is less than or equal to 1 week of peak rental for your area and you rent the home for 12-17 weeks of the year, you should cover your yearly mortgage and even some extra costs like utilities and association dues. So as an example, if your monthly mortgage is \$2,000 and you rent your home for \$2,000 per week for 12 weeks of the year, you should be able to cover your annual mortgage. Rent it for 17 weeks and you've also covered operational costs.

There are tax rules surrounding rental properties, and they can get a little complex; but here are the overarching highlights of claiming your second home on your taxes:

- If you rent your home for 14 days or less per year, you don't have to report that income to the IRS, no matter how much you charge per week and you can still deduct your interest on your taxes, just like a primary home.
- If you rent it out for more than 15 days and you occupy it less than 14 days per year, it's considered a business rental property and you must claim that income. You can deduct rental expenses (including mortgage interest, property taxes, insurance premiums, fees paid to property managers, utilities, and 50% of depreciation), but you have to factor in the amount of time the property is used for personal use versus rental use. And, as a rental property, up to \$25,000 in losses might be deductible each year.
- If you personally use the property more than 14 days or 10% of the days you rent it out (whichever is

greater] the property is considered personal and rental loss/depreciation cannot be deducted. If family members use your property, those are considered personal days unless you collect a fair-market fee.

MARKET YOUR INVESTMENT WISELY

Log homes and cabins enjoy a hot rental market, and you want to promote it to your primary audience. Creating a Facebook page and "liking" other log-home-focused and regional-attraction sites will get you noticed on social media, but be sure to set up a simple website where you can describe your home in detail with photos, provide a snapshot of nearby amenities, outline your rental policies, offer a calendar of availability, list your rates and, finally, allow people to contact you to make a reservation.

Be sure to respond to inquiries promptly for the best return on your investment and be sure to screen each guest to ensure they are the type of person you would feel comfortable spending time in your home, just like you would.



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