



EXPERIENCE, EXPERTISE AND ENERGY!

### **Income and Expenses for Outer Banks Vacation Rentals**

Owning a home on the Outer Banks of North Carolina is an incredibly rewarding experience for many families and may be a profitable investment for investors. When you decide that the time has come for your family to enjoy your own home at the beach, it is important to budget expenses properly if you plan to rent on the weekly market. Make sure that the numbers work for you. Read on to find out more about typical income and expense scenarios for Outer Banks vacation rental property.

#### **Income**

The gross annual rental income for Outer Banks homes can range from more than \$300,000 to less than \$10,000.

#### **Number of Weeks Rented**

For all vacation homes, income is dependent upon the number of weeks for which a home is rented and the weekly rates. A number of factors determine how well a house rents. A home's location and floor plan are important factors. The weekly rates, the quality and quantity of advertising, and the home's condition are key factors that the owner can control. Generally speaking, if a property is renting for more than 15 or 20 weeks a year, it is doing well. Some very popular homes (usually oceanfront) may rent for up to 30 or more weeks each year. Many owners use their home personally only in the fall and spring. By avoiding using their home during the prime summer weeks, the property generates more income.

#### **Property taxes for Outer Banks homes are surprisingly low.**

##### **Weekly Rates**

A good full service real estate agent should be able to help you evaluate a home's performance in the rental market and make educated pricing recommendations. A full service agent will have access to rental data and keep abreast of trends in the weekly rental market. Owners should objectively compare their home and pricing strategy to other homes of similar size and location. Weekly rental pricing varies widely depending on the season and expected demand for a given home. Homes on the Outer Banks may rent from \$800 per week to over \$20,000 per week.

##### **Advance Rent Distribution**

Many Outer Banks homes will be booked for up to a year in advance. It is not uncommon for guests to be required to send large deposits to hold their reservations. The accepted practice on the Outer Banks is to give the owners up to half of all income collected before a visitor arrives. For many owners, this means that disbursement checks for advance rent begin arriving at the beginning of February. For spring buyers it could mean that deposit income for summer rental weeks is credited to them on closing day.

##### **Expenses**

###### **Taxes**

North Carolina property taxes are surprisingly low when compared to other areas in the country. The tax is based on the assessed value of the home and the tax rate for the town. A home with a market value of \$500,000 may be billed \$1500 to \$2500 or more annually (depending on the assessed value and town). Your agent will be able to determine the previous year's tax bill for any home that you consider purchasing.

###### **Insurance**

There are generally three types of insurance policies for homes on the Outer Banks: hazard insurance, wind (hurricane) insurance, and flood insurance. Rates vary widely depending on coverage, home and location.

##### **Property Management Fee**

Property management companies may collect 15% to 22% of a home's gross income for their services. Rates vary by company, home and services provided. When you consider that the property management company may advertise, book reservations, collect rents, prepare the house before check-in, coordinate minor maintenance issues, and clean the home each week, rates for professional management are very reasonable.

##### **Utilities**

Electric, water, cable, telephone, and gas bills are paid by homeowners. Gas bills for heated pools may be offset by "heated pool fees." Homes that are on central sewage systems also pay for that service.

##### **Association Fees**

Many communities require contributions which may cover maintenance of community amenities. Fees are based on the level of service provided. A community with ocean access may ask for a voluntary contribution of \$50. Upscale neighborhoods with trolleys, multiple pool complexes and manicured common areas may charge \$4000 or more annually.

##### **Vendors and Additional Services**

Homes with pools and hot tubs must be serviced each week for cleaning and inspection. Your cost will vary depending on the pool, vendor, and services provided. Expect to pay \$2000-\$3500 annually for this service depending on the number of weeks rented and location and size of the pool and hot tub.

It is wise for out of town owners to have standing contracts with the following vendors: Air conditioning (HVAC) repair and maintenance service, extermination service, carpet cleaning service.

It is also important to budget and schedule the following services regularly: spring cleaning, septic system check and pump, exterior power-washing, deck cleaning, landscaping clean up. The following items should also be checked regularly for possible replacement: outdoor grills, pool furniture, bedspreads, kitchen cookware, etc.

An Outer Banks vacation home offers many families a unique opportunity to invest in highly desirable real estate and use weekly rental income to offset the costs of ownership. If you are considering investing in a home on the Outer Banks, it is important to gather accurate information and make educated decisions. You need an experienced, local REALTOR on your side to help you ask the right questions and find the best home for you.

This article provides general background information about typical income and expenses of Outer Banks vacation rental properties. The information is subject to change and is not guaranteed or all inclusive.

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