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TRANSFORMING RESIDENTIAL HOMES INTO 6-FIGURE PROFIT CENTERS

**1. I often get asked what is the #1 thing you can do to alleviate headaches running successful short-term rentals (STRs)?**

I remember first starting out... I was a crazy man trying to make things perfect. I quickly realized how easy it was to run an STR and almost eliminate all my stress. “Under Promise and Over Deliver.” So how is this done so you look like a hero?

- I make sure the house is always super clean, and supply plenty of towels, wash clothes, soap, shampoo, detergent, mop, broom, and toilet paper.
- I leave notes (laminated) on how to fix the most common problems guests encounter. I put the notes right where the problems were most likely to occur.
- I provide guests with a warm heartfelt note prior to them arriving, during and after their stay!
- I stopped collecting security deposits and went to the honor system
- I took out the proper insurance (comprehensive \$300+/- a month depending on value of home) to not only cover my homes content, structure, liability, and future loss of income.
- I charge every guest a damage waiver fee (\$199 to \$299 all depending on size of property) not a Deposit. I actually make between \$1,500 to \$2,500 a month per property just on collecting this fee. This offsets any small things that need to be replaced.
- I automate 80 – 90% so it appears I am doing a lot when it is actually the system that is in place making my homes run at peak efficiencies.
- I put in place a cleaning and staging crew that is 2<sup>nd</sup> to none.

I have never filed another claim (knock on wood). If they did break something I would conveniently call them up and thank them for staying. If there were any damage I would work it out, and if they complained or said they didn't do it, I would just let it go and thank them again for coming.... Keep in mind I have a master insurance policy in place and can collect on large ticket items, so this is an added safety feature I have in place, just in case.

After I did this, my life got much simpler and most guests provided 5-star reviews.

My philosophy is simple: provide your guests with more than they expect, kill them with kindness, automate whenever possible and your life and your journey will be of overwhelming abundance. It doesn't mean it will always be easy.

You can find more on this topic at: <http://luxhomepro.com/property-formula/>

**2. How do I find properties that make the most money?**



This is actually very simple. Look at the booking channels themselves, input your area and specs for booking, then click search. Make sure you clear the calendar so you see all the comps. Then expand or dial in the map based upon what you see. Once you've identified the hot properties, open them up and look at their pricing, calendar, bookings, reviews to help dial in your competition. Once you've identified properties, location and pricing it's now it is time to go to work to find a property.

### 3. **How do I improve my reviews?**

Top 4 things I do are the following:

- Hire and train a professional cleaning crew that will A) clean to your exact specifications and B) stock, place and stage the property exactly how you want your guests to see it.
- Provide guests great pre-, during and post booking emails that are very strategic and heartfelt. This way from the moment they arrive to the time they depart, they feel you went the extra mile to make their stay special.
- Don't over exaggerate about the property... what you see is what you get. Strategically place laminated signs in areas that people seem to have issues with, such as
  - > a blown fuse box
  - > flashlight location
  - > hot water heater
  - > water turn off valve
  - > blown circuit in the bathroom reset button
  - > information regarding the hot water heater and why it is getting colder
  - > how to adjust the thermostat (program thermostat to actually show 3 degrees lower than it really is, shows 72 degrees actually is 75) this can be done with the Honeywell programmable thermostats)
  - > how to operate the hot tub
  - > how to operate the TV
  - > what day is trash day
  - > your expectations of the guest
  - > no smoking home
  - > how they should leave the home when their stay is over
  - > numbers to call if you have an emergency



**4. How can I prevent guests from complaining?**

My guests don't complain (very rarely do I have this, unless something breaks). Solve the problems before guests arrive so there's almost nothing to complain about. You only have to complain once for me to correct it, so it never becomes an issue again. So if you're proactive the short list will quickly disappear as long as you're willing to fix or explain each issue in advance.

**5. What can I do to keep the noise down and control my guests?**

Place noise aware devices that alert you of any constant loud noise after hours. This way you can address the issue immediately. In addition, place surveillance cameras in the front of the home to help alleviate any potential parties. By posting this in the house rules, you only need one phone call to remind them, and if it doesn't immediately stop have them quickly removed from the property with NO refund.

**6. What is the best way to approach a homeowner about renting their home?**

I am a firm believer in putting together a professional presentation, and then providing them a compelling offer they can't refuse. If your demeanor is professional, and you have all the corresponding documents they'll request upfront, your odds of securing the property increase 100%. If you're not prepared don't set up an appointment. You only have one chance to make a first impression. Make it count.

**7. Which booking engine is best?**

Use as many as you can plug into to spread out your net, attract more guests and generate more bookings. You never want to be dependent on just a single booking engine. (If they turn you off, you're basically out of business.) Effectively managing several booking channels, calendars and properties is another reason you need to automate your business. The average profitable listing just running 2 booking channels will take 20 hours a week to run. That is craziness. I run million dollar homes, and they take me about 2 hours a week each. This is accomplished by having all the proper systems in place.

**8. What features of my business can I automate?**

You can automate or semi-automate the following:

- > All inquiry responses



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- > check-in
- > checkout
- > bed configuration
- > increased guests adjustments
- > type of wine they want
- > inquiry follow ups
- > maid service
- > handyman service
- > special offers
- > review requests
- > accounting issues
- > pricing and listings updates
- > new photo posts and updated copy
- > all special incentives for booking the property
- > updating all codes, thermostats, hot tub, etc.

## **9. How can I find a great cleaning crew?**

Contact the short term rental companies, YELP, look at ads on Groupons, and talk to them about their cleaning crews. Ask them questions, and get referrals. Hire a service, as opposed to individuals. That way, if one employee is sick, gets to my property fast. My crews are well trained, my expectations are set, and I know they get paid to make all my homes look perfect. With daily turnover, it's critical your home(s) are ready to go within 4 hours with 3 people busting butt. I pay a little more but it is well worth it!

## **10. What makes a perfect home for vacation rentals?**

Location, size and amenities! I look for all 3 and I control homes that make SIX figures yearly. Don't waste your time looking for smaller homes – there's just too much competition, and you'll have to lower your rates just to break even or make a few dollars. If you're in the business to making money, provide your guests a very positive memorable experience. It's hard to provide that level of service in a 3 bedroom condo or apartment.

## **11. I have a home and want to turn it into a vacation home, how do I start?**



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First I look to see if it complies to all the rules and regulations. Then look to see if the numbers work for that particular property. If they do then proceed with my advanced marketing strategies.

If not, look to see what you'd need to do to get a different property in an area that's more conducive to making a profit. I can't tell you the number of people who try to fit their home into the round box... If you can sell your property and make a lateral move into an area that is more prone to generate the income you're looking for it might make sense. But of course, that's totally up to you. Numbers don't lie... be sure you double check all the numbers before securing any property.

**12. How can I find out quickly what the rules and regulations are in my area?**

Immediately call 2 to 3 short term rental companies that work the area. If the information comes back positive, then proceed with open eyes. Always get a second opinion. I always lean towards the path of least resistance. Don't buck the system, but comply to make your life a whole lot easier.

**13. How do I work around the 30 day STR rules and regulations that are in my area?**

In a word: don't. My rule of thumb is this: if a 30 day STR rule is in place and I want to work that area, I'd only work with homeowners that are ok with the policy AND act only on a co-host and consulting basis. Otherwise you will find yourself getting into nothing but trouble or a property that will end up costing you a lot of money.

**14. What is the best automation tool out on the market?** That is a really difficult question as everyone's wants and needs are different. In addition, new companies are popping up every day. I use Guesty.com to manage all my backend and connect to all my booking channels. However, that's not to say there isn't something better out there. I am comfortable with what I use, the price point works for me, it makes my life a lot easier, and does everything that I need it to do.

**15. Where do I go to buy STR insurance, and is it a good deal?**

I look for an all inclusive STR policy that covers everything from full replacement cost of dwelling, furniture, liability for guests and myself, lost of income in case the property has to be taken off the market because of something that prevented me from renting it.... There



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may be something cheaper, but I am very comfortable with my agent and the coverage on my homes. My broker is:

David Brown | Sales Representative  
CBIZ Insurance Services, Inc. | Vacation Rental Insurance  
Policyholder Service: (855) 945-5221 | Direct (888) 883-5696  
vacationrentalinsurance.cbiz.com

## 16. How can I increase my bookings?

By doing the following you'll to maximize bookings. If you do it right you will actually find yourself in the top 5% in your area.

- Promote across multiple booking channels
- Include compelling headlines for prospects to click on your property
- Provide breath taking pictures of your property and the area
- Share specials exclusive for your property
- Position with great pricing
- Concentrate on concise responses in a timely manner, pay attention to detail. Follow up with all inquiries and come up with a special they can't resist.

## 17. My home is killing me, there has got to be a better way?

Setting things up properly and automation. By doing it right the first time, setting up the guests with clear expectations and automating as much as the process as possible will give you a huge edge over your competition. Try it. You will be quickly surprised just how easy it is...

## 18. I have guests calling me day and night about the smallest things, and it is driving me crazy. How can I stop this?

Use automation. Write up answers to all these nagging questions and issues. Help them solve the problem on their own and your phone will stop ringing. I used to be in the same boat. Once I figured it out and dialed it in, those phone calls stopped and the reviews went through the roof. Keep it light and airy, have fun. Your guests will love it, and will respect you so much for doing so...



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### 19. How do I get paid at time of booking instead of when the guests check in?

I found this out early on. Most people can't live on future income, especially when it is 6 months out or longer.... So what are you to do if you're trying to make this a full time gig, and need money to live on? My suggestion is make sure you set up your own booking site and tie it into a merchant account, which is really easy to do.

Also make sure you sign up for Homeaway and VRBO, and once you get your first booking ask them to change your payout method to Advance Pay. It takes about 7-10 days to get approved. Once approved, your money will be sent to you within 4 days of booking the reservation. Now you can re-group and ramp up your business much more quickly.

Airbnb will be following this trend over the next 6 months. You may want to call the customer service line at Airbnb and ask them for more details on advance pay. This way you can stay in the loop.

### 20. How do I increase profitability on my properties?

There are some easy tricks to increase both income and profit, here they are:

- Set your base pricing down to 4, 6 or 8 people all depending on the size of the property. This will generate a lot more views and bookings. As an example: I have a group of 15 coming into town and searching for the best properties. They put in the dates and because I have my pricing set for 8 people my listing pops up on top, then when they add their additional guests my pricing goes up which is in line with my competition. It gets me a ton more views and inquiries, which lead to more bookings.
- Charge an additional \$25 to \$40 per guest per night all depending on the season or event. This will significantly increase your revenue.
- **Test** the cleaning fee as this a great extra source of revenue to help pay for incidentals.
- Don't charge a Damage Deposit, instead use a Damage Waiver. I now collect \$199 to \$299 per stay as a Damage Waiver. This means the money goes all to me and is never returned. It's far better than a Damage Deposit, which if something goes wrong, it will take about 8 hours of your time (over several weeks) to successfully get your money via a claim, too much brain hemorrhage for me...
- Use a comprehensive insurance plan that covers the home from head to toe. It will also pay out for loss of income if the property is shut down due to repair work. This policy costs me about \$200 - \$350 per property every month. My homeowners love it, as it



further insures the property, and best of all I have it all paid by my Damage waiver, which is an extra \$1,500 to \$2,500 per property. It's a game changer!

## 21. How to buy a property utilizing the existing mortgage in place?

This is more advanced and should really be discussed with an expert. I always get my attorney or title company involved. They will work with the existing homeowner and “wrap the mortgage.” I generally combine this with the pre-leasing and advanced pay option. I then close 3 – 4 months down the road which allows me to pre-book and generate a ton of cash (30K – 100K in advance payments, this feature must be in place). Once I am ready to close I have built up a sufficient war chest of capital to close and pay the owner, furniture and take over the property. I only do this on high-end homes. I would imagine it would work for lower priced homes, but the cash flow isn't nearly the same.

## 22. Can I use foreclosure properties for an STR?

I use a combination strategy that works really well. Here's an overview:

- Find a property that would be perfect for a STR that is in foreclosure
  - > Make sure the rules and community supports STR's
- Talk to the homeowner about taking it over. You will allow them to stay in the property for the next few months while you generate the cash through your advanced booking strategies.
  - > You will have to get their permission (signed contract) to do so, and make sure you are working with the lender to confirm all the necessary information on bringing the note current
  - > Have your attorney or title company prepare all documents
- Once the homeowner agrees, then virtually stage the property and immediately get the property rented (open up calendar for 12 months) as an STR starting 3 months out.
  - > I only use this strategy if you can verify that this is a highly profitable area.
- Advance booking and Payment strategy: You absolutely get signed up for advanced payments (after your first booking) through your booking channel and then begin your marketing.
  - > Once the bookings are in place, and the cash is generated and deposited into your account you will then go to closing.



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- Bring the property current (\$10K – \$50K) depending on how far in arrears the property is...
- Wrap the existing note, bringing the mortgage current, and then take over the payments. All of this can be handled with your title company, attorney in the states that allow you to do so.
- Now you own the property, have a highly profitable rental, and the excess cash is used to furnish the property as per your virtual staging pics.

There's a lot more detailed information that we would need to discuss. But this gives you a general outline of how I approach it.

### **23. How can I easily identify 6 figure profitable homes without leaving my home?**

I do this very simply by opening up the vacation rental sites and doing the following:

- Enter the specific location you want the property be in.
- Enter your criteria home (5 Bedrooms, sleeps 16, 4 baths, 750+ a day, etc..)
- Search. You'll immediately see the valuable properties. Then dive deeper by looking at their bookings, reviews, pics etc...
- Once you determine this a winning area and can validate the anticipated revenue, it's time to find a similar home. There are a variety of negotiation options to secure the ideal property.
  - > Rental
  - > Lease
  - > Lease option
  - > Foreclosure Rescue Model
  - > Partnership option
  - > Cohost model
  - > Wrap option

Using my advanced marketing techniques and automation strategies I'm confident I can match or beat out my competition. Keep in mind the home is only a competitor once. Once it is booked your guests will no longer see that property for that specific date...

### **24. How do I protect my home and maximize profits?**



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I put in a number of items that will help ensure the safety and well being of the home.

- A strict no party policy which is clearly outlined in the house rules
- A wireless and keyless entry system
- A noise awareness system that alerts you if things get too loud, especially after hours. Strategically place them in areas around the house that will help you hear what the neighbors may hear
- Surveillance cameras placed at the front of the home to help identify any potential problems
- Have a ZERO tolerance policy and hire someone to enforce this (\$150 when they go over to enforce the action)
- Tell your neighbors your policy, and if they have a problem encourage them to contact you directly. Most will be very happy to hear you take a very proactive stance to protect the neighborhood. It isn't always perfect, but it controls the majority of craziness that may go on if you don't take these steps.
- Automate this process to keep things easy

## 25. What is the best way to attract guests to my home?

Keep it simple. Here are the key strategies:

- Use professional photos and videos in all listings, staged with the best lighting possible with both night and day shots. Only use the best pictures that sell the property.
- Use compelling, story-telling headlines. See what is working with others... Use the entire space, BE BOLD, maybe use an emoji (🌞, ❤️, 🍷)
- Use compelling pricing strategies. My listings are 10% under the competition when first starting out.
- Respond quickly. Provide detailed responses to questions, and always use scarcity in closing to get them to book. Over deliver on this and you will blow your competition away.

## 26. What areas should I focus on when creating my listing?



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- **Pictures** – get these professional done! This makes all the difference in your success. Turn the pics into a video and identify with the audience. Tie all of this together to set your property apart and give prospective guests a special feeling that yours is the property they want to book!
- **Headlines** – make sure you entice those to want to see more... Test several headlines to determine what gets the greatest clicks and traction.
- **Pricing** – Price your properties slightly under the competition, at least at first when trying to build up reviews. This way your property will have a 50% higher booking within a month, and then start dialing the pricing up.
- **Freebies** – Provide your guests with an extra reason to book your property. For example, if you're in a golf area, perhaps you give them a discount link to book their 1<sup>st</sup> round. I can't tell you the number of times when it came down to 3 homes and my goodies are what separated my home from the pack.

#### 27. What is the average fee people can charge for co-hosting?

Co-hosting is typically based upon area and seasonality. I have seen charges range from 10% to a high of 55% all depending on the degree of work that host will provide. The average is around 20%. If you use a consultative selling approach you can achieve a 30% share. Review this section in the home study course. We haven't seen anyone else in our market place that trains on co-hosting, and it works super well.

#### 28. How can I get trained to run a successful vacation home?

I strongly suggest that anyone getting into this business or even renting their home should take a course on hospitality and how to handle guest relations. I usually recommend searching for a local school or college that may teach a 2-day course. This is not only good for the homeowner, but it helps lay the groundwork, expectations, and can ultimately provide you some clear direction on exactly what you need to do to prepare your home for a successful STR. By doing this it will clearly give you a competitive advantage over your local competition. I also suggest getting a mentor that is successful in the STR business, and absorb as much information as you can. Modeling successful business will speed up your success and learning curve considerably.