

HOW TO INVEST PASSIVELY IN AIRBNB'S

'You received a new booking!'



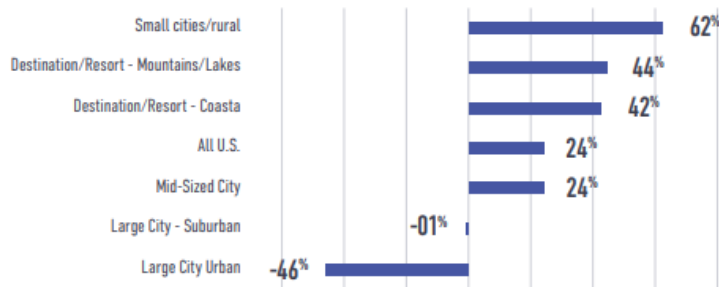
For AirBNB owners that phrase is music to our ears when we see the email come through. Since AirBNB was founded back in 2008, the short-term rental phenomenon has continued to grow. Further fueled by the new mobile worker economy paired with 'revenge travel' trends due to Covid, the AirBNB investment model is performing stronger than ever.

While many of us are familiar with AirBNB and have seen the growth and popularity of this concept, many don't realize the speed and trajectory at which AirBNB as well as Corporate Rentals have become it's own asset class and has a huge demand from investors trying to capitalize on this model. Driven by pent up travel demand coming out of COVID combined with the increasing ability for employees across the country to work remotely, AirBNB and it's property owners have been seeing record levels of occupancy levels, rental rates and revenue.

Even corporate rental sites such as FurnishedFinder.com are seeing a wave of popularity as well. According to research firm AirDNA, Q1 2021 was a record in both occupancy and revenue for U.S. short term rentals. In particular, smaller U.S. cities saw a 67% increase compared to 2019. Their experts predict an additional 20% growth across the board for short term rentals in 2022.

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U.S. Summer 2021 Demand Booking Pace Relative to 2019, as of May 20th



Access the full report here: (<https://airdna-website-reports.s3.amazonaws.com/industry-reports/AirDNA-Outlook-Report.pdf>)

AirBNB investing is a unique vehicle and there can be several challenges to success. Location is a huge factor, which not only includes understanding travel demand and demographics, but also understanding local ordinances and steering clear of anti-AirBNB zoning laws, municipalities, fees and regulation.

Also understanding that you're providing a hospitality service, so ensuring your management team, marketing, reviews, cleaning, etc. are exceeding expectations is key. Scaling a portfolio can also take much longer compared to multifamily, storage and other asset classes, given that most AirBNB properties are single family residences.



However with the right experience, team and property, investing in AirBNB's can be very advantageous and also offer a way to add a new level of diversification to a real estate portfolio. So how do you get started investing? Up to this point the main path for investors has been a 'do it yourself' model.

Do it yourself Model (Active)

This involves researching markets, finding the property, underwrite/research, purchase, renovate (if needed), furnish, put management team/cleaning team in place, manage bookings, etc. While this model can be successful, it is both labor and capital intensive. For those of us with a full-time job, setting aside the time needed to find and manage an AirBNB can be onerous, especially with limited or no experience. In addition, coming up with the financing and liquidity needed for down payment, furnishings, etc. is one of the main limiting factors for investors trying to get into this space.

Passive Model

When investors think of investing passively, they typically think of the commercial syndication model and investing as a limited partner. Usually, this model is utilized with large apartment communities, developments, storage and other commercial asset classes that require a large pool of limited partner capital. Creating a syndication for a single AirBNB purchase would add far too much cost and complexity for a much smaller asset with smaller capital requirement, which is why we rarely see this done. So does that mean there's no hope for investors to be able to participate passively in an AirBNB investment? Fortunately, the answer is no.

The solution lies in utilizing a fund structure. Within a private real estate fund, investors can invest passively while the fund manager deploys the fund's capital into an AirBNB property, just as it would an apartment or other larger commercial asset. The fund manager takes on the responsibilities described above in the active model, leaving the fund investor as a limited partner with ownership interest – aka a passive investor. The passive investor would receive their share of cash flow, returns, tax benefits and receive a year-end K1 just like any other private real estate fund.



Saber Equitys' Approach

In addition to our experience in commercial real estate, we also hold AirBNB properties within our personal portfolios and have seen the demand for this asset class grow from our investors. We also have strategic relationships with other owner/operators of AirBNB's who we are actively discussing partnerships with their existing properties or new acquisition properties to be able to offer to our investors within our Diversification Fund. We are excited about the prospect of providing an additional asset class for our investors.

We're being incredibly diligent in the markets we look at, and review criteria such as travel statistics, attractions, major employers, universities, seasonality, local regulations and a host of other factors. We also have a number of tools that help us analyze comparable properties to estimate revenue and occupancy, in addition to our local resources. Feel free to reach out if you'd like to hear more about our favorite markets and why.

The unique value our fund provides is that investors can allocate their capital into the deals and projects of their choosing, thereby building their own custom portfolio. We also offer smaller tranches of investment, in some cases as low as \$5k vs. the typical deal minimums of \$50k or \$75k that is prevalent in our industry.

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In summary, we are actively involved in this space and upon finding an opportunity, investors will be able to participate directly as a passive investor through our fund. As with every deal, we will provide a summary of the project, projected returns, and other valuable information. Given the feedback we've received so far, we expect these opportunities will fill quickly, so please don't hesitate to schedule a meeting with us to learn more.

By
Saber Equity