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New to Investing? Considering a Vacation Rental? Read These Tips First

When looking to grow your income, the [real estate market](#) may seem like an easy option. Investing in a vacation rental may seem like an even easier move to make, as these properties really can be simple to acquire and manage. You just need to know the right steps to take in order to maximize your property's profitability and make the entire process a solid financial venture. The following tips can help you get started.

Financing Your Investment Can Take Some Finesse

If you are a first-time homeowner, in addition to being a first-time real estate investor, you may be thinking of using FHA loan options to finance your purchase. These loans offer low down payments and less stringent credit requirements but are likely unavailable to you in this situation; FHA loans cannot be used to finance most investment properties.

Instead, a standard home loan may be your best bet. If, however, you've got your sights set on a multi-unit property, then you can use an FHA loan to buy your vacation property. As long as

you live in one of the units and rent the rest out to travelers, you will still be well within legal regulations.

As you're arranging your finances and starting your vacation rental business, it might behoove you to establish an LLC to purchase the property. Millionacres explains you can [purchase rental properties](#) through an LLC in certain circumstances. This would serve the dual purpose of protecting your personal assets, and it also provides tax advantages and flexibility. If you're setting up an LLC, you can do that through an online service, such as [Zenbusiness](#), in a handful of simple steps.

Choosing The Right City Can Be a Major Challenge

Before you start looking at individual properties, you need to narrow your investment to a particular location. If you live in Hawaii, for example, you might choose to purchase a property close to a popular tourist destination. Planet Ware notes this might be [hot spots](#) like Waikiki Beach with views of Diamond Head State Monument, the Polynesian Cultural Center, or Hana Road.

Think about what would be interesting to travelers, as well as what would be feasible for you. If you're hiring a [property manager](#) to tend daily details, proximity might not be a concern. But if you're planning to tackle the ongoing affairs personally, a location closer to home might be a must-have.

Finding the Right Rental Property Can Be a Process

Taking out a loan for an investment property is a major financial move, so you need to make sure the property that you purchase is a sound investment. Experts at Fit Small Business say one solid way to ensure this is to look for a vacation home in areas you already know.

Maybe you know of a place that is becoming a hotspot for tourists or a neighborhood near a popular university. These spots can be goldmines for smart short-term rental investors, since you are almost guaranteed to always have travelers who are interested in your home. Really take some time to decide whether a property is right for your investment goals.

Staying Informed of Current Vacation Rental Rules Takes Work

Many cities are toughening up regulations around short-term rental properties. In addition to government fees, renters may also face restrictions about what kind of homes can be rented out as vacation properties. With a little research, though, you can find out what cities are particularly vacation rental-friendly and which ones are less so; your real estate agent can help you determine whether a location you're considering has restrictions you should know about.

Rental property owners also need to stay updated on any [tax law](#) changes that could impact their profits from short-term rental homes. Current laws are favorable, but that can change from year to year, so do your homework.

Owning a short-term rental can boost your income. You just need to know the steps to take to make a property profitable. Be sure you know the risks as well so you can make an informed decision about whether to invest in a vacation rental property.