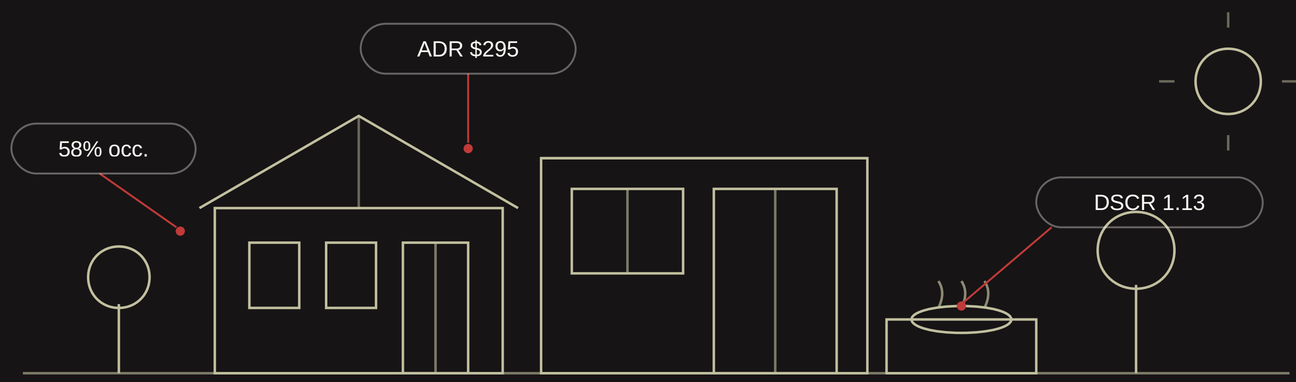
The Short-Term Rental *Buyer's Playbook*

From first search to first guest: how to find, underwrite, finance, furnish, insure, and operate an STR that actually pencils — and the tax strategy that changes the math entirely.



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2026 EDITION
LAST UPDATED JUNE 2026

START HERE

Why short-term rentals, *and why now*

A well-bought short-term rental earns three ways at once: cash flow, appreciation, and a tax treatment no other entry-level asset class matches. The catch is the word *well-bought*. This playbook is the process.

1.77M PROJECTED US STR LISTINGS IN 2026 (AIRDNA)	**+1.5%** FORECAST ADR GROWTH IN 2026	**~55%** NATIONAL OCCUPANCY — MARKET SELECTION IS EVERYTHING	**'21** AIRDNA CALLS 2026 THE BEST ENTRY YEAR SINCE 2021

Supply growth has cooled from its 2021–2022 peak of 20%+ to roughly 4–5% annually, while demand keeps climbing. AirDNA's 2026 outlook calls this the best year to enter the asset class since 2021 — not because everything works, but because the gap between good markets and bad ones has never been wider. Averages won't save you. Underwriting will.

The process, in nine steps

1	**Pick the market**	Regulation first, revenue second. A market that pencils on paper can be two zoning votes from collapse.
2	**Pick your agent**	An STR-savvy agent is your analyst, regulatory guide, and vendor bench — not just a door-opener.
3	**Underwrite the deal**	A full pro forma before you tour, not after you fall in love.
4	**Finance it**	Second-home, conventional investment, or DSCR — the right loan depends on how you'll use and document the property.
5	**Insure it correctly**	A homeowners policy will not cover paying guests. Get STR-specific coverage before your first booking.
6	**Furnish for revenue**	Furnishing is a revenue decision, not a decorating one. Budget 8–12% of year-one revenue.
7	**Run the tax play**	Cost segregation plus 100% bonus depreciation can return a third of your down payment in year-one tax savings.
8	**Build the stack**	PMS, dynamic pricing, smart lock, noise monitor, direct booking site. Set up once, automate forever.
9	**Operate & optimize**	Reviews compound. Pricing compounds. So do mistakes — systems beat hustle.

HOW TO USE THIS PLAYBOOK

Read it once end-to-end before you make an offer. Then bring it to your agent and work the steps together — every section ends with the questions worth asking. The investors who get hurt in this asset class skip steps 1, 3, and 5. While you search, subscribe to **STR Daily Deal** (dailydeal.substack.com) — three vetted, fully underwritten STR deals in your inbox every morning.

STEP 01 · FINDING THE DEAL

Finding a deal *worth underwriting*

Most buyers start with a property. Start with a market. The property is replaceable; the market's regulation, demand drivers, and supply trend are not.

Screen the market before the house

FILTER	WHAT PASSES	WHAT FAILS
Regulation	STRs legal by right or via attainable permit; rules stable for 3+ years	Permit moratoriums, pending bans, primary-residence-only rules
Demand drivers	Two or more independent draws: lake + events, skiing + summer trails, hospital + university	One seasonal draw, one employer, one festival
Supply trend	Listing growth below demand growth; stable or rising RevPAR	Supply up 15%+ with flat demand — your ADR is about to get repriced
Price-to-revenue	Projected gross annual revenue ≥ 10% of purchase price	Sub-8% gross yield — almost impossible to cash flow with debt

The 10% test

GROSS ANNUAL REVENUE		PURCHASE PRICE		TARGET
$50,000+	÷	**$500,000**	≥	**10%**

Not underwriting — that's Step 3 — but this thirty-second screen kills 80% of bad deals before you waste a weekend on them.

Pull projections from market data tools — AirDNA, Rabbu, AirROI — then sanity-check against 5–10 real comparable listings: same bedroom count, similar amenities, actual calendars.

Where deals come from

- **The MLS, filtered properly.** Listings with "STR-permitted," "turnkey rental," or transferable permits. Existing rentals with bookings convey revenue history — and sometimes future reservations.
- **Underpriced amenities.** The market prices bedrooms; guests pay for hot tubs, views, game rooms, and walkability. Properties where you can add what guests pay for are where returns hide.
- **Your agent's deal flow.** Agents who specialize in investor clients see permit-eligible properties and quiet listings before they hit your saved search. This is a real, structural advantage.
- **The STR Daily Deal newsletter.** Three new deals every morning, each passed through the full underwriting in this playbook — revenue projection, expenses, and the verdict. Free at **dailydeal.substack.com**.

ASK YOUR AGENT

- What is this market's exact permit process, cap, and renewal risk — and can you show me the ordinance?
- What did comparable STRs within a mile actually gross last year — not projections, actuals?
- Which submarkets here are oversupplied right now?

STEP 02 · CHOOSING YOUR AGENT

An agent who can *underwrite, not just unlock doors*

This is the highest-leverage decision in the entire process. A generalist agent can show you the house. An investor-focused agent can tell you what it will earn, what the city will let you do with it, and when to walk away.

What separates an STR specialist

CAPABILITY	✕ GENERALIST AGENT	✓ STR-SPECIALIST AGENT
Revenue analysis	Forwards you a Zillow link	Hands you a written pro forma — ADR, occupancy, seasonality, full operating expenses — before the tour
Regulation	"You should check with the city"	Knows the ordinance, the permit queue, and what's on next month's council agenda
Vendor bench	Knows a home inspector	Introduces lenders who underwrite STR income, STR insurance brokers, cost seg firms, cleaners, and photographers
Honesty test	Every house is "a great opportunity"	Has told clients "this one doesn't pencil" — and can tell you about the last time

Six questions to ask before you sign anything

1 How many investor transactions did you close in the last 12 months — and how many were short-term rentals?

2 Can you produce a written, numbers-backed pro forma before we tour? Show me one you've done.

3 Walk me through this market's STR ordinance from memory. What would make you tell a client not to buy here?

4 Which lenders, insurance providers, and cost segregation firms do you refer — and why those?

5 When did you last advise a client to walk away from a deal?

6 Do you own or have you operated a short-term rental yourself?

> *"The right answers are specific. The wrong answers are enthusiastic. An agent who responds with a branded, scenario-modeled underwriting report — base case, downside case, regulatory risk flagged — is doing institutional-grade advisory work. That's the standard to hold them to, and it's worth a full commission.*

WHY THIS MATTERS MORE THAN YOUR LENDER OR YOUR PMS

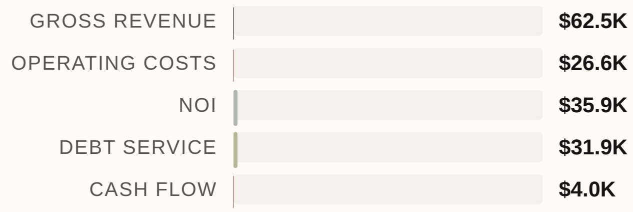
Every other decision in this playbook is reversible. You can refinance a loan, switch insurers, and change pricing tools in an afternoon. You cannot un-buy the wrong house in the wrong market. The agent is the one advisor positioned to stop that mistake before it happens — choose one equipped to do it.

STEP 03 · UNDERWRITING

The pro forma *is the decision*

If the deal only works in the spreadsheet's best-case tab, it doesn't work. Below: a complete year-one pro forma for a representative $500,000 purchase — every line a real cost first-time buyers routinely omit.

SAMPLE PRO FORMA — 3BR, $500,000	YEAR 1
Gross revenue (212 nights × $295 ADR, 58% occ.)	$62,540
Channel/OTA fees (~3%)	($1,876)
Property taxes	($5,000)
STR insurance	($2,400)
Utilities, internet, streaming	($4,800)
Software (PMS, pricing, noise)	($1,400)
Consumables & restocking	($1,800)
Maintenance & landscaping (~1.2%)	($6,200)
CapEx reserve (5% of revenue)	($3,127)
Net operating income	**$35,937**
Debt service ($400K, 30-yr, 7.0%)	($31,934)
Pre-tax cash flow	**$4,003**



Self-managed; cleaning fees passed through to guests. Professional management adds 15–25% of revenue. Cash invested: $100K down + ~$15K closing + $30K furnishing = $145K.

The four numbers that matter

Cash-on-cash return. Pre-tax cash flow ÷ total cash invested. Here: $4,003 ÷ $145,000 = **2.8%**. Modest on its own — which is the honest part. The total return adds ~$4,100 in year-one principal paydown, appreciation, and the tax savings on page 9, which can exceed the cash flow several times over.

DSCR. NOI ÷ annual debt service = **1.13**. Lenders want 1.0–1.25+; below 1.0 you're feeding the property monthly.

Break-even occupancy. The occupancy where cash flow hits zero — here roughly 54%. If break-even sits above the market's average, you are underwriting hope.

Downside case. Re-run everything at ADR −10% and occupancy −10%. If the downside case forces you to sell, the deal is too thin or the reserves too small. Hold 6 months of PITI minimum.

THE STANDARD TO DEMAND

Your agent should hand you this analysis — written, branded, with sources and a downside scenario — before you tour. If you're building it alone from scratch, you've hired the wrong advisor. For worked examples, see the three deals underwritten this way every morning at dailydeal.substack.com.

STEP 04 · FINANCING

Financing: *three doors in*

STR buyers in 2026 use three loan types. The right one depends on your income documentation, how you'll use the property, and how fast you plan to scale.

	Second-home loan	Conventional investment	DSCR loan
DOWN PAYMENT	**10–15%**	**20–25%**	**20–30%** (STRs often 25%+)
RATE	Lowest of the three	Mid — investment premium over primary	RATE (JUNE 2026): **~6.1–7.5%** fixed; 0.75–2.0 pts above conventional
QUALIFIES ON	Your W-2 / DTI; rental income not counted	Your W-2 / DTI; some rental income may count	The property's income — DSCR ≥ 1.0–1.25
KEY CONSTRAINT	Must personally use the home part of the year; occupancy rules are strict — misrepresenting use is fraud	DTI caps how many properties you can buy	Prepayment penalties (3–5 yrs) common; entity-friendly; scales with the portfolio, not your salary
BEST FOR	A vacation home you'll also rent	First 1–2 properties, strong W-2	Self-employed buyers & anyone scaling past property #2

What STR lenders actually look at in 2026

DSCR lending tightened on short-term rentals: most lenders now want **documented rental history or a market-rent appraisal** rather than taking an AirDNA projection at face value — though STR-specialist lenders will underwrite to projected STR income with stronger reserves. Expect **660–700+ credit, 6–12 months of reserves**, and pricing that improves with every 5% of additional down payment and every 0.1 of DSCR above 1.0.

Three moves that improve your terms

- **Buy the DSCR up, not just the rate down.** A larger down payment that pushes DSCR above 1.25 often improves pricing more than paying points.
- **Match the prepay penalty to your plan.** A 5-year prepayment penalty for a lower rate is fine — unless you plan to refinance after stabilizing revenue in year two.
- **Get quotes from an STR-specialist lender and a conventional broker.** The spread between the best and worst quote on the same deal is routinely half a point. VaultSTR's lender comparisons at vaultstr.com cover who actually underwrites STR income.

> **ASK YOUR AGENT**
>
> Which lenders in their bench have actually closed STR deals in this market — and will the property's projected DSCR clear 1.1 at current rates? An agent running your numbers can answer before you apply anywhere. This is general information, not lending advice; confirm terms with a licensed loan officer.

STEP 05 · FURNISHING

Furnishing is a *revenue decision*

Guests book photos, sleep on mattresses, and review both. Budget furnishing like the capital investment it is: roughly 8–12% of expected first-year gross revenue, or $15–25 per square foot.

What it costs — 3-bedroom benchmark, 2026

BUDGET	$8K–$15K
MID-RANGE	$18K–$35K
PREMIUM	$35K–$65K+

Bars show range against a $0–$70K scale. Each additional bedroom adds roughly $2,500–$6,000 depending on tier. Mid-range is the right answer for most investors — commercial durability pays for itself; budget builds belong in low-ADR markets only; premium where ADR supports it.

Spend here first

- **Mattresses and bedding.** Sleep quality is the most-mentioned item in five-star reviews. Hotel-grade mattresses, white duvets, two pillow types per bed. Never furnish beds from the clearance aisle.
- **The hero amenity.** One photo has to stop the scroll: hot tub, fire pit, game room, a view framed properly. In most markets a hot tub lifts ADR and occupancy enough to pay for itself inside a year.
- **Durability in high-touch zones.** Performance fabrics, solid-wood dining, commercial-grade everything in the kitchen.
- **Professional photography.** $300–$800 for the highest-ROI line item in this entire playbook. Shot after staging, before launch — never phone photos.

Save here

- Wall art, rugs, and decor — high-impact looks at low price points are everywhere.
- Secondary-bedroom dressers and nightstands.
- Anything guests don't touch, photograph, or review.

KEEP EVERY RECEIPT

Furniture, appliances, and equipment are 5–7-year property — eligible for 100% bonus depreciation in year one (page 9). A $30,000 furnishing package is also a $30,000 first-year deduction. Itemize everything.

Timeline: closing to listing in 3–6 weeks

BEFORE CLOSING
Order long-lead items — sofas, mattresses, dining — to arrive the week you get keys.

WEEKS 1–3
Assemble, install smart lock and noise monitor, stage every room.

WEEKS 3–6
Professional photos, listings live, soft-launch at a slight discount to seed reviews. Every unfurnished week is negative carry.

STEP 06 · INSURANCE

The policy *most buyers get wrong*

A standard homeowners policy excludes business activity — and renting to paying guests is business activity. Hosting on a homeowners policy means a guest injury or a kitchen fire during a stay can be denied outright. Fix this before the first booking, not after.

What a real STR policy must include

Commercial general liability ($1M+)	Guest slips on the deck stairs; their attorney doesn't negotiate with hope. $2M aggregate is standard from STR specialists.
Business income / lost revenue	If a covered loss takes the property offline for four months, the policy replaces the bookings — not just the drywall.
No occupancy restrictions	Some policies void coverage if the home sits vacant or is rented "too often." STR-specific policies don't.
Guest-caused damage	Theft, vandalism, and the party that ignored your house rules.
Amenity liability	Hot tubs, pools, fire pits, bikes, kayaks — each needs to be disclosed and scheduled, or claims involving them can be denied.

What it costs, who sells it

Budget **$1,500–$3,500 per year** for a typical single-family STR — more in coastal, wildfire, or high-liability markets. Compare a specialist quote against a standard landlord policy with an STR endorsement — in most markets the specialist wins on coverage and ties on price. Full provider reviews live at vaultstr.com.

Proper Insurance · Vrbo-endorsed leader, from ~$2K/yr

Steadily

Obie

PLATFORM "PROTECTION" IS NOT INSURANCE

Airbnb's AirCover is a conditional damage-reimbursement program, not an insurance policy. It is discretionary, claim-by-claim, and covers nothing that happens off-platform — including your direct bookings. Treat it as a backstop, never as coverage.

Three moves that prevent denied claims

- **Disclose the STR use in writing.** The fastest route to a denied claim is an insurer discovering the rental activity from the claim itself.
- **Require a COI from your cleaner** and any vendor working on-site regularly.
- **Re-shop at every renewal.** The STR insurance market is competitive in 2026; loyalty is rarely rewarded.

Insurance information here is general education, not advice. Confirm coverage specifics with a licensed insurance professional in your state.

STEPS 07 & 08 · COST SEGREGATION & TAX SAVINGS

Cost segregation and *the STR tax advantage*

This is where short-term rentals separate from every other entry-level real estate asset. Used correctly, the tax treatment can return a meaningful share of your down payment in year one — against your W-2 income.

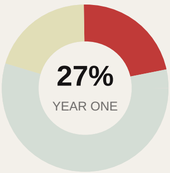
How the strategy works

1. The STR exception. When average guest stays are **7 days or less**, the IRS treats the activity as a business rather than a passive rental. Losses can then offset active income — including W-2 wages — without real estate professional status.

2. Material participation. The most common test: **100+ hours** in the year *and* more hours than any other person (including your cleaner). Self-management makes this achievable; full-service property management usually breaks it. Keep a contemporaneous time log — in an audit, the burden of proof is yours.

3. Cost segregation. An engineering-based study reclassifies **25–30%** of a typical STR's purchase price from 27.5-year property into 5-, 7-, and 15-year property. Studies run $1,500–$5,000 for residential STRs.

4. 100% bonus depreciation. The One Big Beautiful Bill Act (July 2025) made 100% bonus depreciation **permanent** for qualified property placed in service after January 19, 2025. Everything the study reclassifies — plus your furniture — deducts in full, in year one.



- **~27% reclassified** — deducted in full, year one
- 58% straight-line over 27.5 years
- 20% land — never depreciable

WORKED EXAMPLE — $500,000 STR

Purchase price	$500,000
Less land (non-depreciable, ~20%)	($100,000)
Depreciable basis	$400,000
Reclassified to 5/7/15-yr (~27%)	$108,000
Furnishings (5–7-yr property)	$30,000
Year-one bonus depreciation	**~$138,000**
Tax savings at 32% bracket	~$44,200
Tax savings at 37% bracket	~$51,100

Illustrative only. Reclassification percentages vary by property; savings depend on your income, filing status, and state.

Estimate your own savings

Purchase price × 80% × ~27% reclassification + furnishing budget = estimated year-one deduction. Multiply by your marginal tax rate. That figure — often 30–40% of a 20% down payment — is real cash that changes the underwriting on page 5. Compare cost segregation providers at vaultstr.com.

KNOW THE TRADE-OFFS BEFORE YOU FILE

Depreciation taken now is recaptured at sale (1031 exchanges can defer it). Large paper losses don't suit every situation — and the 7-day and participation tests have sharp edges. Run this with a CPA who works STR returns *before* year-end, not at filing. This page is education, not tax advice.

STEP 09 · OPERATIONS

Operating: *build the stack once*

A one-property STR runs on four pieces of software and two pieces of hardware. Set them up before launch and the property largely runs itself.

LAYER	WHAT IT DOES	LEADING OPTIONS & COST
PMS	One calendar, one inbox, automated messaging across Airbnb, Vrbo, and direct	Hospitable, OwnerRez, Lodgify (~$25–$80/mo for 1–2 listings); Hostaway/Guesty as you scale
Dynamic pricing	Reprices each night automatically based on demand, events, and comps — typically 15–30% more revenue than static rates	PriceLabs (~$20/listing/mo, the most-used), Beyond, Wheelhouse
Direct booking site	Commission-free repeat bookings on a site you own; pairs with guest email capture	Built into most PMSs — turn it on at setup, not "later"
Hardware	Keyless entry with per-stay codes; decibel-based noise monitoring (not recording)	Smart lock + Minut/NoiseAware — both pay for themselves at the first prevented party

The first 90 days

DAYS 1–30

Launch & rank

Open 10–15% under market to win your first ten reviews fast. Respond to every inquiry inside an hour — response time feeds ranking. Watch view-to-book rate weekly.

DAYS 31–60

Price & fix

Let dynamic pricing off the leash as reviews land. The second guest mention of "mattress" is a purchase order, not feedback. Start the direct-booking email list.

DAYS 61–90

Audit & log

Compare actuals to the page-5 pro forma, line by line. Adjust minimum stays to your booking window. Log your hours — the material participation clock is running.

THE BOTTOM LINE

Buy the market before the house. Demand a written pro forma before every tour. Finance to a DSCR above 1.1, insure for business activity, furnish for photographs, run the cost segregation math with a CPA, and automate operations from day one. Investors who follow that sequence don't need luck.

ABOUT THIS REPORT

This playbook was prepared by **VaultSTR**, the underwriting and research platform used by real estate agents who advise investor clients. Tool comparisons and market data draw on VaultSTR editorial research across property management software, pricing, lending, and insurance — all of it at **vaultstr.com**. For deal flow, **STR Daily Deal** delivers three fully underwritten properties every morning, free at **dailydeal.substack.com**. Ratings are independent; some categories include affiliate partners.