



I want to go back to my little grass shack...

A How to Guide for Purchasing Vacation Rental Property on the Island of Kauai

So you have discovered the beauty of Kauai and have decided to buy your home-away-from-home! Perhaps you intend to offer your new property as a vacation rental to offset some of the costs of ownership?

Kauai is a highly desirable vacation destination with consistent “beach” weather all year long! Visitors embrace the myriad of ocean activities available along with air and land adventures, beautiful hikes, world-class golf courses, food and farm tours and nature exploration. Restaurants serving fresh local produce, an abundance of farmers markets and creative artisans offering Kauai-made products all help to create a thriving tourism market. Friendly residents, coupled with a genuine spirit of Aloha, makes Kauai the perfect island community for your new investment.

This guide will provide you with the knowledge needed to rent your vacation home on Kauai. We wish you great success with your new venture and many amazing and memorable experiences for your future guests!



Choosing a Property that fits your needs

When meeting with your Realtor some of the first things you need ask yourself are:

Do I plan on using the vacation home for personal use and if so, how often? If you are planning on using the property as a part-time personal residence you might take into consideration certain features or locations of the property that someone who is purchasing for investment only might not.

Where on the island do I want to purchase property and is it in a VDA (visitor destination area) and/or is a legal rental with a 'non conforming use permit' if not located in a VDA? There are certain areas of Kauai that allow for legal vacation rentals. You don't need a special permit to have a vacation rental in VDA areas. You will need to check with the county to see if a special use permit has already been given to the property and what yearly renewals are required.

What are the costs associated with owning a vacation rental?

If you are not paying cash for the property you will most likely have a mortgage payment.

In addition to the mortgage there are a few other costs of vacation home ownership to consider:

- **Property Taxes**
- **Insurance** - make sure you are adequately covered for a vacation rental with liability, hurricane and flood insurance coverage.
- **Association Dues** - If you are part of a condominium there will be association costs.
- **Utilities** - Water, Electric, Cable, Internet, Trash, Gardening, etc.
- **Furnishings** - Vacation Renters expect fully-furnished properties to be kept up to today's standards. Expect more wear and tear for a rental in a tropical environment and replace items more frequently i.e. Appliances, electronics, televisions.
- **Cleaning** - Some cleaning costs associated with the property will be paid by the guests. Extra cleaning (frequent laundering of comforters, carpet cleaning, deep cleaning, etc.) is usually covered by the homeowner.

Are you going to manage the property yourself or hire a professional property manager?

How involved do you want to be? Are you prepared to: market your property, respond to guest inquiries, make reservations and take payments, file GET and TAT to the State, handle guest requests and complaints, provide excellent housekeeping and property maintenance on demand? If not, you might consider working with a property manager. Why a professional? For a commission that is taken from your rental income (anywhere from 20-50%), property managers will market your property, take care of your guests and arrange for all required services.

Rent By Owner

Some owners take care of their property and guests themselves and do a great job of it. This can work for the dedicated do-it-yourselfer, the owner who prefers complete control over his or her property and for those who want to avoid paying a commission on their rental income. Your decision regarding whether to use a company or not is yours. It involves your desired level of involvement with your new vacation home. If you are going to run the business yourself without a property manager you will need to hire some services if you are not going to do everything yourself. You will also need to comply with all applicable Hawaii State Laws pertaining to renting your property while you are living off-island.

Housekeeping/Cleaning Services – this is probably the most challenging aspect of renting your vacation home. You need to work with a trustworthy housekeeper or cleaning service you can rely on to get things done without direct supervision. On Kauai there is a shortage of workers so make sure you are offering fair compensation for the work done. Keep in mind this is a job where someone has to be available to work 365 days a year and with increasing last minute reservations the cleaner has to be called upon the same day to ready a property for a check in. Also, the cleaner has to be prepared to do back-to-back cleans if you want to maximize your income. Ask for proof of insurance and get a few references prior to hiring a cleaning company.

Maintenance – it is advisable to contract with a maintenance person or company who can continually oversee your rental property and perform maintenance or repairs as needed. This person should also have contacts with plumbers, electricians and contractors to do the work where licensed specialists are required by your association or if the job is too difficult for your handy person. Ask for proof of insurance and references prior to hiring a maintenance contractor.

Accountant/Tax Advisor – someone who understands investment property and can also pay the GET (General Excise Tax) and TAT (Transient Accommodation Tax) for you if you are not going to file them yourself. These taxes are required to be filed a minimum of once/year and typically monthly if you are making a decent amount of rental income on the property. You have to apply for a tax license from the state.

Guests requests and supplies – If you are not living on Kauai or able to come often, you will also need someone to handle guest requests and purchasing of supplies. Most guests expect requests for items to be handled right away. For instance, if the toaster breaks, you will need a plan of who to call to replace it. Most properties also supply items like toilet paper, paper towels, etc. Some cleaning companies will help with these types of items.

What are your options to rent your property in Hawaii?

- Self-manage the property
- Employ a custodian or caretaker
- Hire a licensed real estate professional in the State of Hawaii, a real estate license is required to sell, buy, lease, and manage real property. The law provides an exception for individuals. An individual can sell, buy, lease, and manage his/her own property without a real estate license.

SELF MANAGE:

If you decide to self-manage your property, you will need to be familiar with, and comply with, all [applicable Hawaii laws](#). For example, under [Hawaii's Residential Landlord-Tenant Code](#), you'll need to find an [on-island agent to act on your behalf](#) if you offer to rent your property and live off-island. The on-island agent doesn't have to be a licensed real estate professional, unless he/she is involved in real estate activities, like renting or offering to rent the property.

If you're off-island, you'll also need to designate [a local contact](#) to assist with the collection of taxes for your rental property(ies). The local contact also serves as the contact in case of an emergency or natural disaster, or to answer any questions, concerns, or property issues that arise. The on-island local contact doesn't have to be a licensed real estate professional, unless he/she is also involved in real estate activities, like renting or offering to rent the property.

EMPLOY A CUSTODIAN OR CARETAKER:

As an alternative, a property owner can hire a custodian or caretaker to manage or care for his/her property(ies). A "custodian" or "caretaker" doesn't need a real estate license, but must be [employed by the owner](#), and can only work as a custodian or caretaker for a single owner. A custodian or caretaker can act as your on-island agent and/or the local contact, if one is required.

HIRE A LICENSED REAL ESTATE PROFESSIONAL / PROPERTY MANAGER

Although you will be charged for their professional services, here are some things to consider:

- [Familiarity with Hawaii's laws & rules](#)

Licensed real estate professionals are familiar with the various laws and rules that relate to managing real property in this State, including Hawaii's Landlord Tenant Code, state tax reporting requirements for transient accommodation operators, and Hawaii's fair housing laws.

- [Experience](#)

Sometimes there's no substitute for experience. Marketing the rental, collecting rent, maintenance and repair issues, responding to tenant inquiries and complaints, handling the cleaning and accounting are all part of the property management process. A reputable company should have contacts with reliable vendors, handymen and licensed contractors. Don't be lured by price alone, all companies have different structures and fees and provide different levels of service.

Many people use a professional property management company because they simply don't have the time and interest in doing it themselves. It can also be more challenging managing a property when you do not live near the property especially due to the time differences between Hawaii and the mainland.



Getting Your Vacation Home Ready for Rental

Vacation rentals should be furnished with nice amenities that guests expect (nice bed and bedding, comfortable, clean and up to date furnishings, charging stations, smart TV's, coffee grinders, etc.).

Kitchens should have everything needed to make a gourmet meal. Visitors often rent vacation homes as opposed to hotels because they want to cook some of their meals at home. Things will be needed to be added fairly frequently as dishes get broken and things rust quickly in Hawaii.

The dining room should seat the maximum number of people that the property can sleep. Many families and friends like to have more formal dining gatherings during vacations.

The bedrooms should have king beds and twin beds that can be converted to a king bed. You should furnish your home with as many sleeping places as possible if you are interested in maximizing your income. Queen beds should be avoided wherever possible. Your beds should have bed bug protectors on the mattresses, high quality bedding, plain lightweight bedspreads (no flowers or busy patterns), lots of pillows and decorative pillows to match the art. Every bedroom should have a smart, flat-screen television. You should also have a charging station in each bedroom.

The living room should have comfortable seating for everyone staying at the property. We recognize that wicker and rattan are synonymous with Hawaii for many people but they do not photograph well and many people believe they are not comfortable. Instead a sectional with a pull out bed and comfortable chairs are advisable (neutral colors). Your living area should have the largest flat screen television possible for the space and a Bluetooth player for music. You should have a charging station somewhere in the living room, dining room or kitchen. Avoid silk plants as they get very dusty and sticky and tend to rust and fall apart.

The bathroom(s) should be spotless, with clean grout and shower doors, new shower curtain and frequently changed shower liner. You should provide plenty of toilet paper, soap, shampoo and conditioner. A lotion is also very much appreciated. Each bathroom should have a hair dryer.

The outside areas are very important in Hawaii. You should have an eating area outside and a sitting area if possible with comfortable seating. It's nice to have plants to add privacy. If allowed a BBQ is a valuable commodity on vacation.



Extras

Consider providing laundry soap and dryer sheets, dish soap, dishwasher soap, paper towels, trash bags, dishtowels, trash bags for the guests' entire stay. Also, guests appreciate if oil, vinegar, spices, plastic wrap, aluminum foil and zip lock bags are left for their use. Pool towels, beach chairs, a cooler and a beach umbrella are needed by almost every guest and should be provided if there is closet space available. A pack and play is a bonus as well.

Technology is very important. Smart locks whenever possible, a text line and a 24-hour, seven-days-a-week phone number for questions and emergencies.

Do not offer anything to your guests that you are emotionally attached to. Even with the most conscientious guests things get broken or lost on occasion. Pick a good spot to make your owners' closet and put a lock on it. This is where you should keep your personal things.

Listing Websites

The major websites are HomeAway (VRBO), Airbnb, TripAdvisor (FlipKey) and booking.com. There are many more localized websites that specialize on Hawaii. HawaiiGaga is one of the most popular. There are hundreds of others. Be careful not to waste too much time on maintaining your information on too many websites, but be open to evaluating new avenues from time to time. Listing websites have become very complicated to manage over the years. To obtain higher rankings you must keep your calendar updated, review guests and respond to reviews, answer guest inquiries immediately, obtain high reviews to get special status (Airbnb Superhost, VRBO preferred partner) and utilize instant booking.

Pricing

Most guests use a price range for their searches so make sure you are priced right to get bookings. If your calendar is full into the next year, you probably are charging too little. You want to maximize your rates for the peak times as there are more and more last-minute reservations (seven days or less before arrival) so don't sell yourself short. You can always drop and raise your prices throughout the year frequently to react to the market. Do searches on the listing websites for like properties and see what your competition is charging. Don't be afraid to experiment with your peak times. This is likely to change a little over the years. Set your minimum night stay. You can change this periodically to fill in some of the gaps.

Photography

One of the most important items for marketing your property! Make sure you describe and photograph your property in great detail. You should have at least two or three pictures of each room, each amenity and the property itself. Caption all of your photos. Drone photography is very popular and shows your guest the proximity of the beach or other important attractions. Keep your pictures up to date. Pay for professional photos. This is not the time to skimp. Make it clear how many people your home accommodates, including beds (size and set up), seating in the dining and living rooms and the list the number of bathrooms and whether they have a shower and/or bathtub.

Calendar

This is vital that your calendar is up to the minute accurate so you don't receive double bookings.

Property Descriptions

Property descriptions for your listing allow the guests to picture themselves vacationing at your home. Keep your sentences clear and complete, don't use abbreviations (remember people from all over the world are going to be reading this), and make sure you have perfect spelling, grammar and punctuation. Make it interesting. Look at how it looks on a smart phone. Remember everything you send your guest or market to your guest will very likely be looked at on a phone so it has to be short enough and concise enough to work on a small screen.

Focus on your property, not Kauai. The guest has most likely already decided on Kauai so they want to know what's great about your property and how close all of the amenities are to it.

Payments

Establishing clear financial policies help both you and your guests enjoy secure, convenient transactions as you rent your vacation home. Some guests can be nervous about sending payments to people they've never met. The easiest way to accept payment is through a credit card, PayPal or an eCheck. Beware of taking risky payment methods like money orders and cashiers' checks. Instant cash wire transfers are also high-risk. Most third-party websites will collect the money for you.

You will also need to get a security deposit or the agreement in writing by the guest that their credit card will be charged if there is damage. There are vendors that you can use to offer travel insurance to your guests. The same companies also offer damage insurance that the guest can purchase.

Rental Agreement

The guest rental agreement should include:

- Payment schedule, including deposit and payments
- The total amount due including any fees and taxes
- The cancellation policy, including any financial penalties for cancelling a reservation
- Conditions for refunding a security deposit if one is collected
- Information on charging for damages on the credit card and the guest's agreement to it
- Any age restrictions and maximum occupancy
- Policies and restrictions on pets and smoking
- Check in and check out times and dates
- Your check out policy or expectations of the guests at departure
- House Rules and if applicable, Association Rules

Handling Keys and Lockboxes

You will need to decide how the guest will have access to the vacation home and provide them with any additional keys that may be needed for amenities (swimming pool, tennis courts, gym, etc.)

The safest and most secure way of protecting your home is with a keyless entry system. Some systems can be connected to your computer system and each guest and employee will have their own unique code. You can also back up the keyless entry with a lockbox in case of an emergency.

A lockbox is also a common way to let your guests and workers into your vacation home. You just give the guest the lockbox code and they access the key to get in. Other keys can be left in the property. It's a good idea to have a second lockbox in case a handyman is needed and the guest forgets to leave the key in the lockbox.

Tips for Success

- List your property on more than one marketing site.
- If at all possible take instant bookings.
- Respond to guest inquiries as quickly as possible. Five to ten minutes is a standard for the best property managers.
- Keep all guest interactions friendly, helpful and professional.
- Create effective listings with great photos, catchy headlines, and detailed descriptions.
- Be available for the guest by providing clear and concise communication and directions.
- Ask each guest for a review. Good reviews are crucial to success.
- Create a list of specific and ongoing tasks for your housekeeper or cleaning service in order to avoid miscommunication.
- Keep extra sets of towels and linens on hand to make things easier for back-to-back rentals.
- Create clear refund and cancellation policies.
- Avoid potential guest overlap issues with strict check in and check out policies.
- Maintain detailed records of all bookings and communication with guests.
- Keep in touch with past guests via a newsletter, mailings and email communications.

The important thing to remember is, if your property is well maintained and you have a management company you trust, you should be able to cover and exceed your basic costs (without a mortgage) and enjoy your home-away-from-home while, hopefully, building equity in a little piece of paradise. A good management company will be able to do that for you; a great management company will exceed your expectations and will be very realistic in their promises.

If you are seriously considering purchasing a rental property on Kauai it would be a good idea to interview the existing property manager (if applicable) to learn what the property might need.

Information provided by Great Vacation Retreats www.alohagvr.com.
Call 808-742-9202 Text 808-427-0818 Email info@greatvacationretreats.com

