


Starting an Airbnb:

A Comprehensive Guide
for First-Time Hosts
and Investors

SEPTEMBER 2024



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Every Step of The Way

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Introduction

IS AIRBNB THE RIGHT FIT FOR YOUR PROPERTY?

Whether you're considering buying a property to use as an Airbnb or converting an existing rental property into a short-term let, there are many factors to evaluate before making a decision. Airbnb offers a unique opportunity for property owners to potentially generate higher returns compared to traditional rentals, particularly in high-demand locations or popular tourist areas.

However, managing an Airbnb requires more hands-on involvement, comes with unique costs, and has specific tax rules that you need to understand.

This guide is designed for beginners — property owners (or aspiring property owners) like yourself who want to explore the potential of Airbnb hosting but may not yet know what to expect.

We'll walk you through key considerations such as understanding occupancy rates, estimating your revenue, and weighing the additional costs associated with short-term lets. Additionally, we'll explore the tax advantages and obligations that come with qualifying your property as a Furnished Holiday Let (FHL).

Finally, we'll cover practical aspects like insurance requirements, mortgage or lease restrictions, and local regulations to ensure you start off on the right foot. By the end of this guide, you'll have a clearer picture of whether Airbnb is the right investment opportunity for you and your property.

Understanding Occupancy Rates and Market Demand

One of the key factors in determining whether Airbnb is a good investment for your property is understanding occupancy rates and market demand. These elements will help you estimate how often your property will be rented and the potential income you could generate.

WHAT TO EXPECT WITH OCCUPANCY RATES

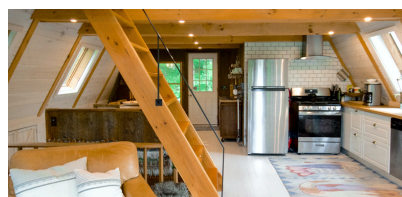
Occupancy rates can vary widely based on location, property type, and seasonality. Globally, the average occupancy rate for Airbnb properties typically ranges between **55-60%**, with higher-performing listings achieving 65% or more. Top-performing properties, especially those in prime locations or managed by full-time hosts, can reach occupancy rates as high as 80%, though this is exceptional.

In the UK, the average occupancy rate for all Airbnb properties, including part-time listings, is around **48%**. Properties that are managed full-time and achieve less than 50% occupancy are generally considered underperforming. In London, however, the average occupancy rate significantly outperforms the national average, typically ranging between **70-75%**, with some central properties peaking at **80%** occupancy annually.

It's important to consider seasonal fluctuations. Properties near holiday destinations or popular event locations may experience high demand during peak seasons but could see much lower occupancy during off-peak times. Planning for these fluctuations and adjusting pricing can help you maintain stable income throughout the year.

HOW TO GAUGE MARKET DEMAND

Before diving into Airbnb hosting, it's important to research local market demand. Tools like AirDNA or Inside Airbnb offer valuable data on occupancy rates, demand trends, and average daily rates for specific areas. Look at comparable properties in your location to gauge how often they are booked and at what price.



Factors influencing market demand include:

- Proximity to tourist attractions: Properties close to landmarks, beaches, or city centres tend to have higher occupancy rates.
- Local events and seasons: Festivals, sports events, or seasonal tourism can increase demand significantly.
- Property features and amenities: Unique properties or those offering desirable amenities (e.g. a hot tub, scenic views, or modern décor) tend to attract more bookings.

By understanding both local demand and potential occupancy rates, you can begin to forecast your property's revenue potential, which we'll explore further in the next section.



One of the main attractions of running an Airbnb is the potential to earn higher returns compared to traditional rentals. However, it's crucial to accurately assess the revenue you can generate and balance this against the additional costs associated with running a short-term let.

REVENUE POTENTIAL

When estimating your revenue, the key factors to consider are the nightly rate you can charge and your expected occupancy rate. As mentioned earlier, occupancy rates can vary widely, so it's important to be realistic based on your property's location and market demand.

For example, let's say your property achieves an average occupancy rate of 65%. If your nightly rate is £100, you would generate approximately:

- £65 per night of availability (based on occupancy),
- Which, over a month (30 days), equates to £1,950 in gross revenue.

Of course, in high-demand locations or during peak tourist seasons, you may be able to charge a higher nightly rate and increase your overall revenue. For properties in London, for instance, nightly rates can reach as high as 150-200% during peak times, significantly boosting income potential.

Whilst figures like this might make letting to a long-term tenant seem much less appealing, keep in mind that running an Airbnb is not as passive an income as long-term lets. Making it more passive will incur additional costs.

COST CONSIDERATIONS

No matter whether you decide to rent your property via Airbnb or to a long-term tenant, many of the underlying costs remain the same. These typically include:

- mortgage interest,
- property management fees,
- insurance,
- repairs and maintenance.

Every property needs to be insured, kept in good repair, and managed in some capacity, regardless of the business model.



RATES AND UTILITIES

One key difference between Airbnb and long-term tenancies is who is responsible for rates and utilities. In a traditional long-term rental, these costs — such as property rates, electricity, gas, and water — are typically borne by the tenant. As the property owner, you may only cover utilities in rare cases or in short-term lease agreements.

However, with an Airbnb property, the responsibility for these expenses usually shifts to you. As the host, you'll need to cover all utilities, which could fluctuate significantly depending on guest usage. Moreover, depending on your location, you may also be liable for business rates or additional local taxes associated with short-term letting. It's important to budget for these recurring costs, which could be higher than in a long-term tenancy scenario.

ADDITIONAL COSTS SPECIFIC TO AIRBNB

When running an Airbnb, there are several costs that are specific to short-term lets. These include:

Cleaning and Turnover Costs: With every guest turnover, the property needs to be cleaned and prepared for the next stay. Outsourcing cleaning services can cost £50-£100 per turnover, depending on the size and location of your property. For hosts managing frequent and/or multiple turnovers, these costs can escalate significantly. However, Airbnb does allow Hosts to charge a cleaning fee on top of the cost of the stay to recoup some of this cost. Cleaning fees vary widely, and guests often expect a fee that aligns with the size and luxury level of the property.

Airbnb Service Fees: Airbnb charges hosts a service fee, typically around 3-5% of the booking total. This fee is deducted from your earnings and should be factored into your financial projections.

Marketing and Advertising Costs: While Airbnb provides built-in exposure, many hosts choose to diversify by listing their property on other platforms like Booking.com or Vrbo. These platforms often charge their own service fees, and you may need to invest in advertising or paid listings to maximise visibility and bookings.

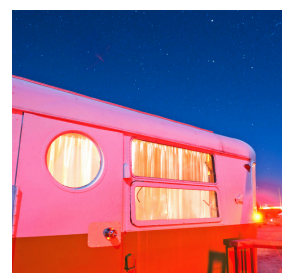
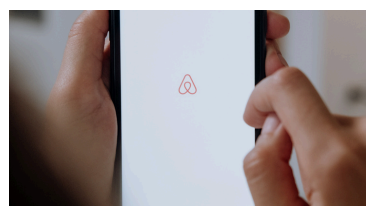
Property Management Fees (specific to Airbnb): If you prefer a hands-off approach, you may consider hiring a property management company to handle bookings, guest communication, and turnovers. This typically costs 10-20% of your gross revenue, depending on the level of service provided.

Other Costs: Be aware of other costs that may arise in setting up and maintaining your short-term let. For example, you may need to engage an accountant to file your tax return. You may also have fees to pay to local or national authorities. In Northern Ireland for example, all tourist accommodation provider must receive Tourism NI certification. In some cases, you may also need to apply for planning permission for change of use of your property. Listed buildings may also need special consent to be held out as short-term lets.

SUMMARY

Overall, while Airbnb can offer the potential for higher revenue, these additional costs mean that your net earnings may fluctuate more than they would with long-term letting. You may be able to reduce some of these costs by handling tasks such as cleaning, turnovers, or guest communication yourself. However, it's important to consider whether you're willing to spend the time on these tasks or would prefer to outsource them and pay for the convenience.

In contrast, long-term tenancies generally require far less involvement. Once the tenancy is established, your time commitment tends to be minimal, with fewer turnovers and less frequent maintenance or management tasks.



Tax Implications and the Furnished Holiday Let (FHL) Rules

One of the most important aspects of deciding whether to rent out your property as an Airbnb or a long-term rental is understanding the tax implications of each option. For Airbnb hosts, the Furnished Holiday Let (FHL) rules offer several tax benefits that could make short-term letting a more attractive option. However, there are specific criteria that need to be met for a property to qualify as an FHL, and the tax treatment for long-term rentals differs significantly.

WHAT QUALIFIES AS A FURNISHED HOLIDAY LET (FHL)?

To benefit from the more favourable FHL tax rules, your property must meet several conditions:

- The property must be available for rent for at least 210 days per year
- It must be actually rented out for at least 105 days per year
- The property needs to be furnished and suitable for regular use
- It must be located in the UK or European Economic Area (EEA)
- The property should be rented to holidaymakers, not just friends and family
- Each tenant's occupancy should not exceed 31 days at a time, except in extraordinary circumstances.

Meeting these criteria allows your property to be classified as an FHL, which provides some important tax advantages compared to traditional rental income.

TAX BENEFITS OF FURNISHED HOLIDAY LETS (FHLs)

FHLs are treated as a business, rather than an investment, which opens up several tax reliefs:

- **Capital Allowances:** You can claim capital allowances on furniture, fixtures, and equipment used in the property. This could significantly reduce your taxable profits compared to a long-term rental, where only a wear-and-tear allowance is available.
- **Profit Qualifies for Pension Contributions:** Unlike traditional rental income, profits from an FHL can count towards your pension contributions, potentially boosting your retirement savings.
- **Business Rates Instead of Council Tax:** In some cases, FHLs are subject to business rates rather than council tax, which may result in lower costs depending on your local authority's policies.
- **Entrepreneurs' Relief and Business Property Relief:** Should you choose to sell the property, FHLs may qualify for Entrepreneurs' Relief, allowing you to pay a lower rate of capital gains tax. Additionally, Business Property Relief could reduce the inheritance tax liability on the property.

COMPARING TAX TREATMENT WITH LONG-TERM TENANCY

By contrast, income from a traditional rental property is taxed as property income under normal rules. While you can still deduct certain expenses like mortgage interest (subject to limitations), repairs, and maintenance costs, traditional rentals do not qualify for the same range of tax reliefs as FHLs.

In recent years, changes to mortgage interest relief have limited the ability to offset interest costs fully against rental income for traditional lets. Now, landlords receive a basic rate tax deduction instead. This could reduce the tax efficiency of a long-term rental compared to an FHL, especially for higher-rate taxpayers.

VAT AND OTHER CONSIDERATIONS

If your short-term letting income exceeds the VAT threshold (currently £90,000), you may be required to register for VAT. This could add an extra layer of complexity, especially if you plan to list your property on multiple platforms.

Understanding the tax implications is essential in determining the profitability of your property investment, whether through Airbnb or long-term letting. Always consult with a professional to ensure you're compliant and taking advantage of available reliefs.



Practical Considerations for Airbnb Hosts

Before deciding to list your property on Airbnb, there are several practical and logistical factors that need to be addressed. While Airbnb can be a lucrative option, certain legal, financial, and operational requirements must be met to ensure your hosting experience runs smoothly and remains compliant with regulations.

INSURANCE

Running an Airbnb requires more than standard home insurance. You'll need specific short-term let insurance to cover the unique risks associated with hosting guests. This insurance typically includes:

- Public liability: Protects you if a guest gets injured on your property.
- Property damage: Covers accidental damage caused by guests.
- Coverage for theft, accidental and malicious damage
- Loss of income: Some policies cover you if your property becomes uninhabitable due to an insured event, such as fire or flood.
- Legal expenses cover
- Home emergency cover

It's important to check with your insurer to ensure you have adequate coverage, as many standard home insurance policies do not include short-term lets.



Whilst Airbnb *do* offer a “**Host Guarantee**” as a backup when costs for losses and damages can't be recovered from guests, the company stresses that this is **not insurance** and hosts should not consider it as a replacement or stand-on for independent insurance.

MORTGAGE AND LEASE RESTRICTIONS

If your property is mortgaged, you must check whether your mortgage agreement allows for short-term letting. Many mortgage lenders have restrictions that may prevent you from using your property for Airbnb. You may need to switch to a buy-to-let mortgage or seek permission from your lender.

Similarly, if your property is leasehold, review the terms of your lease agreement. Some leaseholds prohibit subletting or short-term rentals, and breaching these terms could result in penalties or legal action from the freeholder.

TENANCY AND HOMEOWNERS' ASSOCIATION RULES

If your property is part of a tenancy or homeowners' association, there may be additional restrictions on short-term letting. Some associations have rules in place that limit or forbid the use of properties as short-term rentals. Be sure to check whether you need permission before proceeding, as failure to comply with these rules could lead to fines or other consequences.

LOCAL REGULATIONS AND PERMITS

Airbnb hosting is subject to various local regulations, which can differ significantly depending on your location. Some cities or towns require you to obtain permits or licences to legally operate a short-term rental. Common regulations include:

- **Registration:** Some local authorities require you to register your property as a short-term let.
- **Limit on days:** There may be a cap on the number of days per year your property can be rented out.
- **Health and safety standards:** You may need to ensure your property complies with certain fire, health, and safety regulations.
- **Planning permission & Change of Use:** Some local authorities will insist on planning permission for change of use depending on the extent to which the short-term holiday let changed the character of the use of the property, and the degree to which it impacts on its surroundings

Examples of local regulations in the UK include:

- **London:** The "90-night rule" applies, which limits short-term rentals to 90 nights per calendar year for entire home listings, unless hosts have specific planning permission to exceed this limit (Airbnb automatically enforce this limit on their platform for London listings).
- **Northern Ireland:** All tourist accommodation providers must receive certification from Tourism NI before they can legally operate



Practical Hosting Tips

Beyond legal and financial considerations, there are many practicalities to hosting that can make your life easier as an Airbnb host:

Security

- Invest in a digital smart lock or keyless entry system. This reduces the hassle of key exchanges and allows guests to check in at their convenience, especially helpful for late arrivals.
- Consider installing security cameras outside the property for monitoring without violating privacy laws. This can deter unwanted behaviour and provide peace of mind.

Guest Communication:

- Set up automated messaging through the Airbnb platform for check-in/check-out instructions, house rules, and local tips. This saves time while keeping communication clear. Third-party tools like Hospitable or Smartbnb can also help.
- Provide a house manual in the property with essential information, such as how to use appliances, emergency contacts, and Wi-Fi instructions. Guests appreciate having everything they need in one place.

Cleaning and Turnover Efficiency:

- Stock up on essential cleaning supplies and create a standardised checklist for each turnover to ensure consistency.
- Keep a set of backup linens and towels on hand in case of quick turnovers or unexpected guest needs.
- Consider offering guests an early check-in or late check-out for a fee. This can generate extra revenue while also giving you more control over your cleaning schedule.

Utilities:

- Install smart thermostats to control heating or cooling costs. Guests may not always be mindful of utility usage, so automation helps prevent excess usage.
- Provide energy-efficient appliances and LED lighting to help reduce running costs.

Supplies for Guests:

- Stock the property with basic necessities (toilet paper, toiletries, coffee/tea, etc.). Guests appreciate small touches that make their stay more comfortable.
- Create a small welcome basket with snacks, drinks, or local goodies. This adds a personal touch that may lead to better reviews.

Noise Control:

- If you're in an apartment or a residential area, consider adding noise-monitoring devices (like Minut) that alert you if noise levels exceed a certain threshold. This can prevent issues with neighbours.

Maintenance Scheduling:

- Create a regular maintenance schedule for tasks like HVAC servicing, plumbing checks, or deep cleaning. Staying ahead of maintenance will reduce emergency fixes.
- Keep a list of reliable local tradespeople on hand for any urgent repairs.

Emergency Preparedness:

- Provide guests with clear instructions on what to do in case of emergencies (fire exits, first aid kit location, emergency contact numbers).
- Make sure smoke alarms and carbon monoxide detectors are regularly checked and in working order.

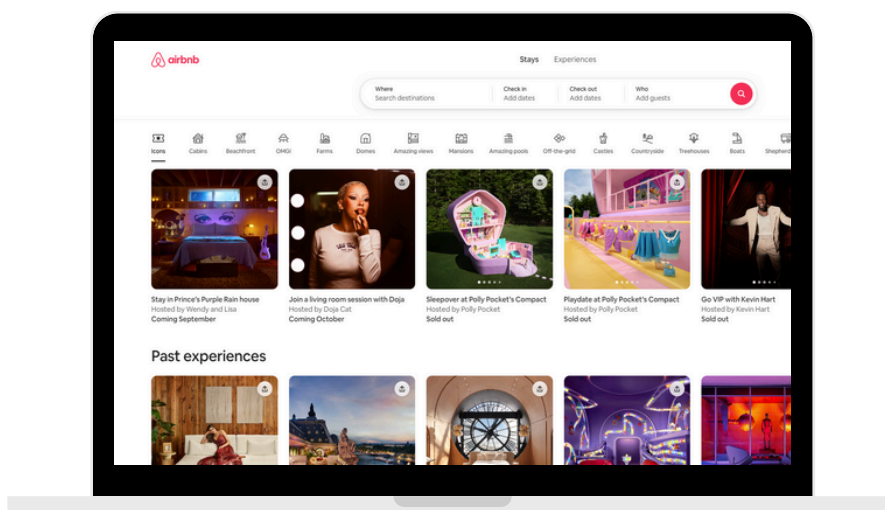
Local Area Guide:

- Create a local guidebook with recommendations for restaurants, attractions, public transport, and nearby conveniences (grocery stores, pharmacies). This helps guests feel more at home and enhances their experience.

Child-Friendly Amenities (if applicable):

- If you plan to host families, consider providing a high chair, travel cot, and basic childproofing for added convenience. These small touches can make your property more appealing to families.

By considering these practical tips, you can streamline your Airbnb operations and enhance the guest experience, leading to better reviews and repeat bookings. These small details can make a big difference in how smoothly your Airbnb venture runs.



Comparison: Airbnb Vs. Long-Term Tenancy

	AIRBNB & SHORT-TERM HOLIDAY LETS	LONG-TERM TENANCY
INCOME POTENTIAL	Higher potential revenue, especially in high-demand areas and peak seasons	Steady, predictable monthly income over the lease term
OCCUPANCY RATES	Varies by season, location, and market demand; typically less consistent	High, as tenants usually stay for 6-12 months or longer
MANAGEMENT INVOLVEMENT	High involvement: frequent guest communication, cleaning, turnovers, and reviews	Low involvement: minimal interaction after tenancy is established
COSTS	Cleaning, utilities, Airbnb service fees, turnover costs, marketing if listed on multiple platforms	Tenant often covers utilities; lower turnover costs; occasional repairs
TAX TREATMENT	May qualify as a Furnished Holiday Let (FHL) with tax reliefs like capital allowances, pension contributions, and more favourable CGT rates	Rental income taxed as property income; limited deductibility for mortgage interest
INSURANCE NEEDS	Requires specific short-term let insurance, including public liability and property damage coverage	Standard landlord insurance typically suffices
MORTGAGE AND LEASE RESTRICTIONS	Mortgage lenders may restrict or prohibit Airbnb use; lease agreements might also limit short-term lets	Generally accepted by mortgage lenders and allowed under most lease agreements
LEGAL COMPLIANCE	May require local permits or licenses, and there may be limits on the number of nights you can let the property	Standard tenancy agreements governed by landlord-tenant laws, no special permits typically required
MAINTENANCE	Higher wear and tear due to frequent guest turnover and varying levels of care	Less frequent but potentially more extensive maintenance between tenancies
GUEST/ TENANT SCREENING	Quick turnover limits ability to screen guests thoroughly; relies on reviews and Airbnb's system	Detailed tenant vetting process at the start of the tenancy; references and credit checks
FINANCIAL RISK	Income can be volatile due to occupancy fluctuations; high seasonality	More stable, with fewer income fluctuations
UTILITY COSTS	Host usually covers utilities like electricity, water, and internet	Tenants typically pay for their own utilities
FLEXIBILITY	More flexibility to use the property for personal use between guests	Locked into longer-term contracts with tenants, limiting personal use
LEGAL DISPUTES	Disputes often resolved through Airbnb's internal system or small claims court	Governed by tenancy laws, with structured processes for disputes (e.g., deposit disputes)

Conclusion: Is Airbnb Right for You?

Deciding whether to use your property as an Airbnb or opt for a traditional tenancy requires careful consideration of both financial and practical factors. Both options have their advantages, but the right choice ultimately depends on your personal goals, location, and willingness to manage the day-to-day operations.

WEIGHING THE PROS AND CONS

Airbnb can offer higher rental income, especially in high-demand areas, and certain tax advantages through the Furnished Holiday Let (FHL) rules. However, it also requires more hands-on management, frequent cleaning, and ongoing involvement with guest communications and turnover.

If you're willing to invest time — or hire property management services — it can be a profitable venture, particularly in tourist-heavy locations or during peak seasons.

On the other hand, a long-term tenant provides a more stable, hands-off approach. With fewer turnovers and less involvement in maintenance and management, it offers a consistent monthly income. However, the rental income is generally lower, and the tax reliefs available for long-term lets are less generous compared to FHLs.

NEXT STEPS

When considering Airbnb, ask yourself the following questions:

- Do I have the time or desire to manage a short-term rental?
- Does my property's location support a high enough occupancy rate?
- Am I prepared for the fluctuations in income and the associated extra costs?
- Do I need the tax advantages offered by FHLs, or would a steady income from a long-term rental be more beneficial?

Your answers to these questions will help guide your decision on which option is best for you.

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