Business Plan for

Bachelor Life Estates, LLC

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Objective:

Bachelor Life Estates, LLC ("The Business") seeks to attain a significant return on investment (ROI) through the purchase of non-commercial, residential homes, land, and property for use as short-term rentals in a specific segment of the market.

Methodology:

The Business shall employ AirBNB, VBRO, and other online short-term rental marketplaces to attract a very specific "niche" audience seeking a home with specific amenities, features, and attributes.

Audience / Customer Profile:

The audience being targeted shall be men and women aged 25 – 45. The profile makeup shall be:

- affluent,
- middle-class,
- sociable / gregarious

The target market will be men looking to book a getaway bachelor party (primary target, 75%), or women seeking to book a bachelorette party (secondary target, 20%). A third, less significant target – especially off 'peak season' – shall be large families seeking to "get away" and experience a holiday or family gathering (tertiary target, 5%).

Seasonality of Business and Revenue Projections:

Primary:

The primary season for maximum revenue generation across primary and secondary target customers ("peak season") is Summer. The summer months June, July, August, and September represent the timeframe (specifically the weekends) that short-term bookings shall maximize revenue.

It is in this specific 4-month time-period that a single home, maximized for efficiency and rented at assumed levels*, can earn a revenue between $56,000 - $80,000. This averages out to $5,000 per booked weekend. Expenses, including property taxes, cleaning fees, utilities, property management, are expected to cost no more than 10% of revenue—***leaving a 90% conservative profit margin*** (or $50,400 profit per home)***.***

Secondary:

To be clear, this business shall be profitable (and even excessively profitable) across ALL seasons. The Summer simply represents "obscene" profitability metrics, as relative to the overall short-term rental market—and certainly the long-term rental market. Fall, Spring, and Winter is estimated to be able to generate for a single home, when maximized for efficiency and rented at assumed levels*, between $2,000 - $3,000 per weekend. In other words, the secondary seasons of operation, in 8 months, will generate roughly the same $80,000 in business as in the four months in summer. The profitability for these 'off season' months will represent roughly a 80% profit margin, so a profit of $44,800 per home.

** maximized for efficiency and rented at assumed levels = a home will be customized and improved after purchase, in terms of features, amenities, marketability, and resources AND is (thus) expected to be rented at least 70% of all weekends in a month*

Financials

As demonstrated above, a single home is expected to bring in $95,200 in net profit when rented at or near max capacity (assumption: renting the home at least 70% of the available weekends). Even taking into account an extremely conservative (and improbable) 50% booking rate, this leaves a profit (revenues minus all known and assumed expenses) of $64,000 PER HOME for the business under this business model.

Home Attributes and Amenities

It must not be over-stated that certain features, amenities, attributes, and characteristics should and will be instrumental in the success of this model and the feature-set of each home.

- **6 or more Bedrooms**. First and primarily, each home must have a minimum of six (6) private bedrooms—even if several of these are "retrofitted" from other types of rooms into bedrooms. This is important, as private sleeping arrangements are very typically a criterion of booking.
- **Hot-tub.** Secondly, the home must have a hot tub! As superficial as it may sound, this is a key feature on the "filter" list for many of these short-term rental sites; and, more importantly, the target demographic we seek are looking to see this listed. It is the most requested feature.
- **Outdoor area(s) / seclusion.** The home(s) should be (relatively) remote and not have the appearance or indication of having close neighbors. This is important to two reasons: first, it will ensure noise complaints are a non-issue; secondly, the types of homes being sought by our target demographic are secluded in nature: the guests wish to "get away" from the city life.
- **Large indoor and/or outdoor space for games**. The home(s) must account for the fact that the guests wish to play games (usually alcoholic in nature). So ample room must be possible for outdoor games such as (a) polish horseshoes, (b) cornhole, (c) horseshoes, (d) canjam, and many other similar games. Additionally, and perhaps more importantly, there must be an area of the home which can be safely allocated to "indoor games" such as (a) beruit, (b) flip-cup, (c) 'impossible dream', (d) ping-pong, (e) pool, (f) and other similar indoor games of the like.
- **A large deck (optional, but ideal)**. In addition to (or as substitute for) the outdoor area, a large deck to enjoy groups of 10-15+ persons will ensure high quality of the stay and enjoyment for all guests. Patio furniture and seating must be provided, along with a grill.
- **A robust entertainment system / consoles**. The target audience, being men and women (primarily men) in their thirties enjoy video games, movies, sports, and other forms of entertainment. Building or creating an indoor area (or set of areas) focused on entertainment is important. I recommend as part of this plan providing a minimum of at least two (2) forms of entertainment areas—either/both xBox and/or Playstation and pre-paying for a Netflix subscription, YoutubeTV, as well as installing Roku or Amazon Firesticks in all TVs/systems to allow for easy access to movies and sports.
- **Audio system throughout home**. With the relatively low price of "whole home" entertainment systems like Bose SoundTouch or Sonos, it has proved the final "cherry on top" to allow guests to control music throughout and outside the home during their stay. This seemingly small but important amenity has been instrumental in producing 5-star ratings in Airbnb stays to date.
- **Close(ish) proximity to a golf course, mountain(s), or beach/body of water (optional).** This is completely optional, but also occasionally sought after and requested by roughly 15-20% of guests.

Return on Investment (ROI)

There shall be many ways to construct and manage the ROI analysis on this business model going forward—and the methods preliminarily employed in this Business Plan shall only be the first of many. The financial breakdown and ROI analysis will be an evolving, and certainly the most important, aspect to this plan going forward.

For the sake of simplicity though, the reader will of course note that a key component to this business model is the procurement of one or various homes (“Real Estate”) for the commencement of the operations of the business. In additional, such homes will then need a series of renovations and improvements (“Revamps”) to augment and/or situate said homes for the intended audience.

Looking at the real estate market specifically, along with the key facets of our business plan as clarified above, will inform bifurcating potential acquisition(s) by two main aspects/criteria:

(a) Rural real-estate (note: rural is important because the business model will not adequately work without rural purchases; target guests do not wish to rent from city locations). In addition, local zoning and short-term market regulation often will make the prospect of urban or even suburban short-term rentals onerous.
(b) Number of bedrooms / baths (6 or more total rooms; *note I did not say bedrooms specifically, as other rooms often can be retrofitted into bedrooms, if not in the legal sense*)

Market Today (Pre-Bust) vs Future Market (Post-Bust)

It should not be under-stated that, at the time of the writing of this business plan, real estate prices are at an all-time high. This “premium” in real estate prices should be carefully considered—even if they do not make the ROI detailed in this Plan insurmountable—they do, however, diminish return of investment substantially. Nevertheless, even WITH the rather insane boom currently experienced in real estate, the business model still works and works quite well. **There is a 7-year return on investment**.

That said, if and when the market corrects (perhaps in 2021 or 2022) the purchase and sale of real estate for the Business shall provide for an even ***greater*** return on investment (ROI) than the current numbers demonstrate. It is reasonable to assume that current market rates may drop by as much as 30-40% or more in the next few years, allowing for terrific opportunities in the short-term rentals market and also in The Business.

Based on the CURRENT market rates, the investor/reader will note that several market “Comps” were considered in this analysis—and three (3) have been attached to this zip file for consideration:

- MLS 8 Earle Dr, Lee – Strafford County
  - Sale: $420,000, 5/18/2020
  - Rooms: 8 rooms, 2 baths
- MLS 5 Hickory Lane Somersworth – Strafford County
  - Sale: $385,000, 6/17/2020
  - Rooms: 7 rooms, 3 baths
- MLS 26 Brenda Lane, Rochester - – Strafford County
  - Sale: $455,000, 9/29/2020
  - Rooms: 7 rooms, 2 baths

Return on Investment (ROI) *[cont.]*

ROI Analysis

For the sake of argument, let us assume, based on the sale prices of the comps listed above (420K, 383K, and $455K), that on average the purchase price of a desirable home for use by The Business shall be $419K.

Let us also then assume that it shall take roughly $50K in home renovations to equip said property with the base level of features, amenities, and functionality to make it suitable to the purposes of the Business, as described above and as desired by our customers.

Based, then, on the numbers very conservative numbers presented above ("Seasonality of Business and Revenue Projections") that the following table shall be roughly accurate:

Action	Impact	Balance	Notes
Home Asset Purchase	(-419,000)	(-419,000)	
Renovations	(-50,000)	(-469,000)	
Month 1 Rentals (Jan - Winter)	$ 5,600.00		10K expected with 30% non-booking margin less expenses of 20% = $4,500
Month 2 Rentals (Feb - Winter)	$ 5,600.00		
Month 3 Rentals (Mar - Winter)	$ 5,600.00		
Month 4 Rentals (Apr - Spring)	$ 5,600.00		
Month 5 Rentals (May - Spring)	$ 5,600.00		
Month 6 Rentals (Jun - Summer)	$ 12,600.00		20K expected with 30% non-booking margin less expenses of 10% = $12,600
Month 7 Rentals (Jul - Summer)	$ 12,600.00		
Month 8 Rentals (Aug - Summer)	$ 12,600.00		
Month 9 Rentals (Sept - Summer)	$ 12,600.00		
Month 10 Rentals (Oct - Fall)	$ 5,600.00		
Month 11 Rentals (Nov - Fall)	$ 5,600.00		
Month 12 Rentals (Dec - Winter)	$ 5,600.00	(-397,000)	
Interest on Note (if any) at 2.25%	$ (8,410.50)	(382,210.50)	
Year 2 Net Profit	$ 95,200.00	(287,010.50)	*Year 2 Profit (conservative)*
Year 2 Interest on Note (if any)	$ (6,457.74)	(293,468.24)	
Year 3 Net Profit	$ 95,200.00	(198,268.24)	
Year 3 Interest on Note (if any)	$ (4,461.04)	(202,729.27)	
Year 4 Net Profit	$ 95,200.00	(107,529.27)	
Year 4 Interest on Note (if any)	$ (2,419.41)	(109,948.68)	
Year 5 Net Profit	$ 95,200.00	(14,748.68)	
Year 5 Interest on Note (if any)	$ (331.85)	(15,080.53)	
Year 6 Net Profit	$ 95,200.00	**80,119.47**	**Break even**
Year 7	$ 95,200.00	**$175,319.47**	*Every penny after this point is "gravy." A 136% ROI after 7 years!*

Return on Investment (ROI) *[cont.]*

It should be noted that this demonstration does NOT include the property taxes into the calculation, and this was done intentionally due to the large degree of disparity of tax rates between county, state, and city. If we assume NH, for example, the breakeven is more around the 8- or 9-year mark. If we assume the home is purchased in Maine or NY, the breakeven modifications are negligible.

As it currently stands, below are the expected ROI calculations:

Year	ROI:	Cumulative Profit
7	136%	$ 175,319.47
8	155%	$ 270,519.47
9	174%	$ 365,719.47
10	194%	$ 460,919.47
11	213%	$ 556,119.47
12	233%	$ 651,319.47
13	252%	$ 746,519.47
14	271%	$ 841,719.47
15	291%	$ 936,919.47

This is for a single home. The real impressive metrics occur at the 3, 5, and 10 unit calculations. In addition to the additional passive revenue, there also is tremendous 'economies of scale' to be leveraged at these critical junctions in the business. For example ,short-term property manager(s) and cleaning service(s) can be hired full time to reduce these costs to the business. And/or other expenses can be negotiated down, such as plowing (multiple locations is cheaper and a single location) and even propane and other services can be negotiated under a business/commercial rate vs a residential rate.

SWOT Analysis

Strengths –

- **Extremely lucrative**. The niche market involved allows for rather impressive profit margins and large rental fees for a simple weekend.
- **Manageable and scalable.** The Company, once at a certain maturity level, will permit the same resources and team members (i.e. property manager(s), cleaning person(s), etc) to be leveraged across a large array of properties—assuming they are within a relatively close geographic range.
- **Strong niche market.** Guests seeking a place for bachelor/bachelorette parties are not going away.
- **Value compared to alternatives.** Given the guests are typically 10-15+ persons, the comparable options are cost prohibitive. Compared to the price for renting a mansion (which is possible) or booking 3-5+ hotel rooms, the short-term pricing is amenable.

SWOT Analysis *[cont]*

Weaknesses –

- **Capital Intensive.** The Business is capital intensive and thus why initial investment from friends, family, and like-minded individuals may prove important at the beginning stages (first 3-5 homes).
- **Geography**. The Business, if successful locally, must grow to reach other areas and population centers around NYC, Boston, New Jersey, etc. This will likely mean increased costs for property management
- **Liability and Increase likelihood of Damages**. The target demographic will be drinking on site (likely heavily). This will allow for more 'wear and tear' on the home as well as the likelihood of damage to equipment and furniture. Extensive safety deposits will be needed to mitigate this risk (facilitated through the online services like airBNB). Additionally, liability costs for short term rentals necessitate higher costs for expenses like home owners' insurance. To date, I have found a terrific provider of such insurance (Proper Insurance)—however, it is approximately 15% higher cost than standard home owner's insurance.

Opportunities –

- **Scale**. The success of The Business will allow it to scale easily and achieve economies of scale. Property management expenses will become more competitive. The Company will be able to take advantage of a greater amount of leverage to purchase additional homes and properties.
- **Geographic outreach and expansion.** The concept has proved to work extremely effectively in NH. It is assumed it will be just as (or likely more) effective in other rural areas just outside of large population centers, such as NYC and Boston.

Threats –

- **Cannibalization**. The success of The Business in certain geographic area(s) may cause decreased revenue growth and/or reduced booking(s). A mitigation tactic for this would be to diversify the geographic range for each purchased home, e.g. not purchasing too many homes within a 25- or 50-mile radius.
- **Competition**. Given the tremendous success of this particular niche, timing will be critical; it will only be a matter of time, most likely, before additional players enter the marketplace and put downward pressure on bookings and pricing for the bookings.
- **Local Anti-airBNB Policies / City Legislation.** Given today's anti-freedom political climate, private home and short-term renting through services like Airbnbs are increasingly being legislated and/or made illegal. This is evident in anti-free market towns like Portsmouth NH. However, a mitigation strategy to strongly consider in home purchasing decisions will be to purchase in rural area(s)/town(s) that are unlikely or significantly less likely to succumb to such zoning or onerous legislative pressure.

“SMART” Business Goals

GOAL 1: To purchase two (2) residential properties in 2021, perform renovations by June of 2021, and achieve breakeven on these properties within 7 years.

Specific - To achieve breakeven on residential property investment through short-term rentals.

Measurable – To earn a minimum of 419,000 in revenue within seven (7) years or less for each purchased home

Assignable – Initially the owner(s) of the business will be 100% responsible for the execution of the business plan as outlined above; eventually (within the first two years), The Company shall hire a property manager or property management company to manage and facilitate the execution of the Business Plan.

Realistic - Obtain a minimum of one (1) property within the first 6 months. Purchase another within 6 months following that; purchase a minimum of 2 additional properties within the next 2 years following this. Obtain a minimum of 5 additional properties within the subsequent 3 years.

Time-boxed – The breakeven point for each home (including the payoff of any/all notes) shall be achieved within 7 years or less.

GOAL: To attain a 70%+ occupancy rate on the two (2) properties within the first 12 months and working at profit margin exceeding 80%.

Specific – To achieve a very specific occupancy rate (70%) or higher.

Measurable – 70% is measurable; this works out to be roughly 36 weekends a year (of a possible 52).

Assignable – Initially the owner(s) of the business will be 100% responsible for the execution of the business plan as outlined above; eventually (within the first two years), The Company shall hire a property manager or property management company to manage and facilitate the execution of the Business Plan.

Realistic – Given the success attained at 2 Alex Court, I believe this is a realistic goal.

Time-boxed – Within the first 12 months of the property being listed.

Next Steps

The next steps, as I see them, is to start seeking at least two (2) nearby properties that fit the attributes as described in this Plan.

Specifically, I would like to consider purchasing one (1) property in Maine—perhaps an hour away from Somersworth and closer to the Portland area. This will hopefully be effective in capturing the Portland and surrounding area marketplace for our target demographic. Additionally, property taxes are considerably lower in Maine than NH, making the ROI higher.

Secondly, I believe it prudent to seek to purchase at least one (1) property in/around the Stratham/Newfields/Newmarket/Exeter area. I believe this area and many of the homes in it would encapsulate the requirements for “ruralness” we require; additionally, given that at least two of the principal members/investors in this business are in this area, it seems logical to shop “close to home.”

We will engage with a local and trusted real estate advisor to assist with the mission of finding residential property/homes that meet our requirements, as defined above.