

# The Share Economy & Rental Income

You may have noticed that the tagline of this site is “we do things differently”.

The “Share Economy” is the perfect example of how Gen Y does things differently. We have taken the idea of rental income and found a way to leverage technology to rent excess capacity in things we already have to our peers. The best example of this is [Airbnb](#), which allows you to list a room or your entire place for rent (regardless of whether you currently own or rent). This is disrupting both the hotel and rental market which has traditionally been dominated by deep pocket investors.

[Airbnb](#) takes all the friction out of the rental process. They handle identity verification, payment, communication, and they even have a peer review process (think of product reviews on Amazon, but for hosts and guests). They make the whole process seamless and stress free, all for a very small fee of 3%.

## My Experience with Airbnb

In January of this year, my wife and I decided to do a little experiment with [Airbnb](#) and dip our toes in the water. At the time we were living in a 25 story high-rise on the 8th floor in a 2-bedroom 1,100 square foot apartment. Since we were living in one of the nicest rental communities in the OC, we figured we would start our asking price at \$135/night (we ignored the suggested rental rate of \$85). We thought, “What the heck, let’s just put it up for a few weeks and see if we get any interest.”

Needless to say we didn’t get any bites...so we ended up lowering the price to \$70/night which was about \$15/night lower than what [Airbnb](#) was suggesting based on comparable rentals in the area. And voila, that same night we were contacted by a guy name Sam in Japan that was coming to the OC for a fitness conference that was being held down the street. The hotel was sold out, so he turned to Airbnb for an affordable alternative. Sam reserved the place for a week and after [Airbnb](#)’s commission we received a \$475 deposit into our account.

I think the most brilliant thing that Airbnb does is guarantee payment without the host ever having to ask his/her guest for money. This truly is a game changer when it comes to rental income.

## **Renting a Room Without Airbnb...**

When we conducted the experiment with [Airbnb](#) we were about 6 weeks from getting the keys to the new house we were buying. At first we thought we would use Airbnb to place 1 of the 5 bedrooms in our new house up for rent to bring in extra income. However, we found that [Airbnb](#) is not as effective when you are looking to rent your space out for a longer term period beyond a week or two. We had also moved inland 60 miles, which drives the demand way down when you are so far away from popular attractions and/or big cities.

So we turned to good ole Craigslist this month and listed the room for \$600/month which would cover about 30% of our mortgage. We were very specific in our listing for what we were looking for in a roommate and in order to weed out people who weren't in what we would consider a strong financial position, we required a \$500 deposit and the 1st and last month's rent up front (\$1,700).

We only got one response and he happened to be the perfect candidate. We spent the last two nights getting to know him and officially took his deposit and got a lease signed. Our new roommate Troy will move in on Sunday the 28th. He is a consultant and travels 50% of the time. And on top of that, he is a really great guy (we got a really good sense after spending about 4 hours with him over the last few days).

I highly recommend that if anyone reading this is contemplating renting out a space in their house (long-term) that you spend some time getting to know them to see if it will be a good fit before you agree to rent the space to them.

We signed a month-to-month lease with Troy as we wanted to give both sides an easy out in the event things didn't work out. But also, Troy was only looking for something for 6-8 months while he gets settled here in Southern California and gets his own place so he can move his daughter from the East Coast to the West Coast.

## Summary

All in all, [Airbnb](#) is an excellent tool to use for short-term rentals whether you have a place to rent out or are seeking a place to rent. We really had a great experience with [Airbnb](#) and would recommend it to others. However, for longer term stays, we found that [craigslist](#) was more conducive to getting the desired outcome. But I look forward to the day that [Airbnb](#) adds functionality to manage a long-term rental with recurring billing. This would effectively disrupt the property management space. If this were to happen we would most likely market both our room and rental condo through multiple channels but manage them through [Airbnb](#). I guess we will save traditional rental income for another post where I can share my thoughts and experience with our rental condo that we have managed by a property manager (and why we no longer manage it ourselves).

Do you have any other resources you are currently using to rent out space in your home? I would love to hear from you in the comments below.

- Gen Y Finance Guy



### Gen Y Finance Guy

**Hey, I'm Dom** - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by

example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)