

## 2nd Quarter 2023 Short-Term Rental Report Washington County, Utah

We have received many inquiries from clients interested in purchasing Short-Term Rental (STR) homes and wanting them to cash flow with a mortgage. This was possible with most STR homes during 2018-2021 when home prices and interest rates were lower and the quantity of STR homes was also much lower. Since the end of 2021, we have seen a decrease in demand for STR homes and a significant increase in supply, home pricing and interest rates. All of these factors combined have made it more difficult to find a STR home for sale that has positive cash flow. On average we are seeing a real CAP rate of around 1% to 3.5% for homes under \$1,000,000. For more expensive homes, we are seeing a slightly better return.

When considering owning a STR, it is important to remember the original concept for creation of a STR: that an owner would be able to use the home for their own family use and offset the cost of ownership by renting it out. Over the last 50 years, the average appreciation of a residential home has been around 4.5% a year, even factoring in the 2008 housing crisis. From 2019 to 2022, Southern Utah has experienced a dramatic increase in STR home values of over 100%, which is unsustainable. Between February 2022 and the end of Q2 2023, STR home prices have decreased approximately 17% from their peak.

Below are some current STR housing statistics to give you an idea of the changes in the STR home market since the 2nd quarter of 2022:

### Washington County, Utah STR Housing Statistics 2nd Quarter 2023 Comparison\*

	2022	2023	~% Difference from 2022 to 2023
Total Number Sold:	71	59	17% Decrease
Median List Price:	\$799,900	\$705,000	12% Decrease
Median Sold Price:	\$780,000	\$650,000	17% Decrease
Cash Buyers:	43.66%	37.29%	15% Decrease
Active Listings:	22	134	609% Increase
Absorption Rate:	1 Month	12 Month	11 Month Increase
Number of Completed & Rented STR Homes:	2803	4312	153% Increase
STR Homes Approved to be Built:		724	

\*Source: Whitehead Research & Consulting

### Washington County, Utah STR Rental Statistics\*

	2022	2023	~% Difference from 2022 to 2023
Average Daily Rate:	\$321.00	\$301.00	6% Decrease
Average Occupancy:	57%	40%	30% Decrease
Average Annual Gross Income:	\$66,768.00	\$43,946.00	34% Decrease

\*Source: Key Data Services, VRBO, AirDNA

The data above indicates that the STR market is shifting. Additionally, you may have also heard about new rules or regulations surrounding STR homes in the Southern Utah area. We keep a close eye on the ordinances and policies surrounding STR homes and understand the complexities and nuances involved with buying or selling a STR home. We are committed to helping you through the process. We are also knowledgeable regarding financial strategies available with the sale or purchase of a STR property and are happy to talk with you about the various benefits and strategies. As always, we recommend that you consult with your tax and/or financial advisor prior to any sale or purchase of real estate.

To determine whether or not a specific property can be utilized as a STR, we have added a special feature on our website where you can view only those homes which are approved for short-term rentals. You can find it at: <https://www.whiteheadrealty.com/vacation-rental-info>

Whether you are buying or selling, we would be happy to set up an appointment to help you with a detailed STR "Game Plan" specific to you and your situation. Please feel free to contact David, Spencer, or Connie with any questions or to schedule an appointment.



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## The Whitehead Team

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# Vacation Rental Hot Spots

This map shows the location where rentals are most active. The red areas are the busiest vacation rental locations in the County.

