



SHORT-TERM RENTAL INVESTOR GUIDE

SMOKY MOUNTAINS + EAST TENNESSEE

Evaluate the numbers. Avoid costly mistakes. Buy with confidence.

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INCOME | GROWTH | LONG-TERM VALUE | GENERATIONAL WEALTH



Before You Buy the Cabin, Buy the Numbers

A beautiful property is not automatically a good investment.

The Smoky Mountains can be an incredible place to own a short-term rental. But a beautiful cabin, mountain view, game room, hot tub, or impressive gross revenue number does not automatically make a property a good investment.

THE CORE IDEA

A successful short-term rental should be evaluated as both real estate and a business.

BEFORE MOVING FORWARD, UNDERSTAND THE COMPLETE PICTURE

- What can the property realistically earn?
- What does it actually cost to operate?
- Is short-term rental use legally permitted?
- What is the current permit and occupancy status?
- Are there HOA or deed restrictions?
- How difficult is the property to access?
- What will insurance cost?
- Will you self-manage or hire a management company?
- What repairs or capital improvements may be coming?
- How much cash is required to purchase and operate it?
- What happens if revenue is lower than projected?
- What is your exit strategy if your plans change?

TONYA'S RULE

THE MATH HAS TO MAKE SENSE.

If the deal only works when every assumption goes perfectly, the deal probably does not work.

A 5-MINUTE DEAL SCREEN BEFORE YOU FALL IN LOVE WITH THE PROPERTY

1 LEGAL

Can it legally operate the way you plan to use it?

2 REVENUE

Is projected income supported by history and realistic comps?

3 EXPENSES

Have you included management, utilities, taxes, insurance and reserves?

4 DOWNSIDE

Does the deal still work if revenue comes in 10%-20% lower?

THE FIRST PASS SHOULD ANSWER ONE QUESTION:

Is this deal worth deeper due diligence?

You Do Not Have to Live Here to Invest Here

Remote and international buyers are a normal part of the market.

Many Smoky Mountain investors begin their search from another state - and some purchase from another country. Today, much of the buying process can be coordinated remotely through video tours, digital signatures, inspections, lenders, title and closing professionals, property managers, contractors, and local service providers.

WHAT AN ONLINE LISTING MAY NOT SHOW YOU

- How steep the driveway feels in person or whether parking is practical.
- How difficult winter access could be and whether the average guest would feel comfortable arriving after dark.
- Whether surrounding properties affect the guest experience.
- How far the property actually feels from attractions once mountain roads are considered.
- Whether the layout supports the advertised occupancy and guest experience.
- What may be happening around the property that photographs carefully avoid.

LOCAL KNOWLEDGE MATTERS

I grew up in this area. I look beyond the listing description and consider roads, terrain, tourism patterns, access, neighborhoods, lakes, cabins, development and how individual East Tennessee markets behave.

WHAT CAN BE COORDINATED LOCALLY WHILE YOU ARE AWAY

VIDEO

Property + road walkthroughs

VENDORS

Inspectors + contractors

DETAILS

Permit + occupancy questions

HANDOFF

Cleaners + management setup

REMOTE-BUYER PLAYBOOK



FOR INTERNATIONAL INVESTORS

Additional tax, financing, banking, ownership-entity and future-sale considerations may apply. A qualified U.S. real estate attorney and CPA should be part of the team.

The 10-Step STR Buying Process

A clear process helps keep emotion from outrunning due diligence.

1

Establish Your Investment Goal

Cash flow, personal use, appreciation, tax strategy, generational wealth - or a combination.

6

Analyze Every Expense

Estimate the entire operating cost - not simply the mortgage.

2

Establish Your Budget & Financing

Work with a lender who understands vacation homes and investment properties.

7

Decide How It Will Be Managed

Self-manage or hire professional management. Put that decision into the numbers now.

3

Choose the Right Market

Compare Gatlinburg, Pigeon Forge, Sevierville, Wears Valley, Douglas Lake, Knoxville and surrounding areas.

8

Calculate the Returns

Evaluate NOI, cap rate, cash flow, cash-on-cash return and total cash required.

4

Verify Rental Eligibility

Confirm zoning, permits, occupancy, HOA and deed restrictions before relying on rental projections.

9

Complete Due Diligence

Inspect the property, verify regulations, obtain insurance pricing and investigate access and utilities.

5

Analyze Revenue

Review actual rental history, comparable properties, seasonality, occupancy, ADR, amenities and competition.

10

Close With an Operating Plan

Know how the property transitions into your ownership and what must happen before the first guest arrives.

Understanding the STR Math

Revenue is the beginning of the analysis - not the end.

A property generating \$100,000 per year does not mean the owner made \$100,000. The goal is to understand what remains after the property is operated and financed.

Revenue-to-Price Ratio

Annual Gross Revenue / Purchase Price

Useful as a quick screening tool, but it is not ROI. It ignores operating costs and financing.

Net Operating Income - NOI

Gross Rental Revenue - Operating Expenses

NOI is the income left after normal operating expenses. Mortgage principal and interest are generally excluded for cap-rate analysis.

Cap Rate

NOI / Purchase Price

Lets investors compare property performance without the buyer's financing structure.

Cash-on-Cash Return

Annual Pre-Tax Cash Flow / Total Cash Invested

Measures what the investor's actual cash is producing after financing and operating costs.

REVENUE GETS ATTENTION. PROFITABILITY BUILDS WEALTH.

Self-Manage or Hire a Management Company?

This decision can materially change your cash flow.

SELF-MANAGEMENT

Self-management may reduce management expense and give you greater control over pricing, guest communication and operations. But it is not passive.

YOU MAY HANDLE

Pricing | Listings | Guest messages | Reviews | Cleaners | Maintenance | Supplies | After-hours problems | Refunds | Calendars | Taxes | Licensing

PROFESSIONAL MANAGEMENT

For investors who do not want to operate a hospitality business every day, professional management may be the better fit.

18% - 23%

A PRACTICAL PRO-FORMA RANGE TO TEST
until actual management quotes are obtained

ASK WHAT THE FEE ACTUALLY INCLUDES

- Dynamic pricing and revenue management
- Guest communication and after-hours response
- Airbnb / Vrbo listing management
- Cleaning and maintenance coordination
- Marketing and photography
- Supply management and owner statements
- Tax remittance or administrative support
- Maintenance markups or technology fees
- What happens to reviews if you switch managers?
- Is the percentage based on rent only or total guest charges?

WHY IT MATTERS

If your projection only works because you assumed zero management expense, but you later hire a manager at 20%, the investment can look very different.

WHAT A 20% MANAGEMENT ASSUMPTION DOES TO GROSS REVENUE

\$80K

\$16K management

\$64K remains before utilities, taxes, repairs, insurance, etc.

\$100K

\$20K management

\$80K remains before utilities, taxes, repairs, insurance, etc.

\$120K

\$24K management

\$96K remains before utilities, taxes, repairs, insurance, etc.

Illustrative example only. Actual management agreements and fee structures vary by company and property.

SELF-MANAGEMENT IS NOT FREE EITHER - YOUR TIME, SYSTEMS AND LOCAL SUPPORT HAVE VALUE.

The Expenses Investors Often Miss

The mortgage is usually the easiest expense to identify.

UTILITIES

Guests do not pay the electric bill. Budget realistically for electricity, gas, water, internet and trash.

SEPTIC / WELL

Understand capacity, condition and maintenance requirements when the property is not on municipal utilities.

INSURANCE

Vacation rentals, hot tubs, pools, fireplaces, steep access and other characteristics may affect cost and coverage.

ROADS / DRIVEWAYS

Private roads, gravel, drainage, retaining walls, snow and shared-road arrangements can add cost.

REPAIRS & MAINTENANCE

Roofs, HVAC, plumbing, appliances, decks, exterior wood, furniture and amenities all wear.

HOA FEES

Review what is included, restrictions, reserves and potential assessments - not just the monthly fee.

FURNITURE & REPLACEMENTS

Mattresses, linens, cookware, TVs, decor, games and outdoor furniture eventually need replacement.

PERMITS / COMPLIANCE

Permits, inspections, business licenses and required safety upgrades are part of operations.

HOT TUBS & AMENITIES

Amenities can improve bookings but also create cleaning, repair and replacement expenses.

PROPERTY TAXES

Do not automatically assume the seller's current tax bill will be your future tax bill.

PEST CONTROL

Mountain living comes with nature. Regular pest control belongs in the budget.

REPLACEMENT RESERVE

Every investment property should have reserves. Eventually, something will break.

Choosing Your Market

There is no single best market - there is a best fit for your strategy.

GATLINBURG

National park access, downtown attractions and year-round tourism. Verify zoning and Tourist Residency rules.

PIGEON FORGE

Entertainment and family-travel demand. Access, sleeping capacity, parking and amenities matter.

SEVIERVILLE

A broad mix of cabins, resort developments, traditional housing and access to attractions.

WEARS VALLEY

Scenic cabin experience, mountain views and proximity to the national park with a quieter feel.

DOUGLAS LAKE

Lakefront and lake-access opportunities. Consider seasonality, lake levels and water-related maintenance.

KNOXVILLE

A different demand mix that can include eligible STRs, furnished mid-term rentals, student housing and long-term rentals.

MATCH THE MARKET TO THE INVESTMENT STRATEGY

TOURISM-LED

Gatlinburg / Pigeon Forge / Sevierville

Underwrite attraction access, guest experience, amenities, occupancy and seasonality.

EXPERIENCE-LED

Wears Valley / Douglas Lake

Views, privacy, water access, road access and seasonal demand can matter as much as distance.

DIVERSIFIED DEMAND

Knoxville

Evaluate nightly STR eligibility plus mid-term, student and long-term rental alternatives.

ASK BEFORE CHOOSING A MARKET

Is my priority maximum tourism demand, personal-use appeal, a unique guest experience, or multiple rental exit strategies? How much seasonality can I tolerate? Will I self-manage? And which regulations apply to this exact parcel?

Don't Overlook Knoxville

One market can support several different rental strategies.



Knoxville deserves consideration for investors who want more than one possible rental strategy. The Smoky Mountain market is heavily tourism driven. Knoxville can have multiple sources of housing demand tied to the University of Tennessee, employers, medical centers, events and relocation.

POTENTIAL DEMAND SOURCES

- University of Tennessee students and families
- Visiting faculty and university-related travel
- Football, sports, concerts and major events
- Business and corporate travelers
- Medical professionals and travel nurses
- Corporate relocations
- Construction and project workers
- People relocating to East Tennessee

WHY KNOXVILLE CAN UNDERWRITE DIFFERENTLY

UNIVERSITY

Students, parents, faculty + events

EMPLOYMENT

Business, projects + relocation

HEALTHCARE

Medical professionals + temporary stays

THREE DIFFERENT KNOXVILLE RENTAL LANES

NIGHTLY STR

Under 30 days

Permit-dependent. Verify the exact property and zoning before underwriting nightly income.

MID-TERM

30+ day stays

Can serve traveling professionals, relocations and temporary housing needs.

STUDENT / LONG-TERM

Lease-based

A separate strategy tied to location, lease structure, parking, bedrooms and year-round housing demand.

THE ADVANTAGE: MORE THAN ONE POSSIBLE EXIT OR RENTAL STRATEGY

The exact property, regulations and numbers determine which strategy is actually available.

Regulations Can Make - or Break - the Deal

Never assume that “in the Smokies” automatically means “legal Airbnb.”

VERIFY BEFORE YOU REMOVE CONTINGENCIES.

GATLINBURG

Short-term rentals inside city limits generally require a Tourist Residency Permit. Verify zoning, permit requirements, fire/building requirements, legal occupancy and business licensing. Current city rules prohibit STR operation in certain residential zones including R1A and R2A. City of Gatlinburg: (865) 436-1400.

UNINCORPORATED SEVIER COUNTY

Properties outside incorporated city limits may fall under the county STR Unit Permit Program. Verify the original permit date, certificate of occupancy, legal occupancy, previous inspection records, current permit status and whether proposed occupancy changes trigger additional requirements.

KNOXVILLE

The City of Knoxville requires permits for rentals of less than 30 days. Residential Type 1 permits are owner-occupied; eligible non-owner-occupied STRs use Type 2 permits in qualifying non-residential areas. Location near UT does not automatically establish nightly-rental eligibility.

Fire & Life-Safety Compliance Matters

An STR accommodates paying guests. Safety requirements matter.

Depending on jurisdiction and property characteristics, inspections may evaluate the following items. Requirements can vary based on the property age, remodeling history, occupancy, square footage, number of stories and jurisdiction.

- Smoke alarms
- Carbon monoxide detectors
- Fire extinguishers
- Emergency exits
- Evacuation plans
- Electrical conditions
- Address visibility
- Chimneys and fireplaces
- Heating systems
- Occupancy limits
- Pools
- Hot tubs and other amenities

DO NOT BUY FIRST AND ASK QUESTIONS LATER.

PUT SAFETY UPGRADES INTO THE NUMBERS BEFORE YOU BUY.

A property needing significant life-safety improvements may still make sense. Know the scope and cost during due diligence - not after closing.

THREE THINGS THAT CAN CHANGE THE SAFETY BUDGET

OCCUPANCY

More guests can increase life-safety requirements.

SIZE + STORIES

Larger or taller homes may require additional systems or review.

AMENITIES

Pools, hot tubs, fireplaces and specialty features add inspection and maintenance considerations.

SAFETY DOCUMENTS AND QUESTIONS TO REQUEST DURING DUE DILIGENCE

PRIOR INSPECTIONS

Ask for available fire, building or STR inspection records.

LEGAL OCCUPANCY

Verify how many guests the property is legally approved to accommodate.

OPEN ITEMS

Ask whether any correction notices, violations or required upgrades remain outstanding.

SYSTEMS

Confirm alarms, extinguishers, fireplaces, electrical and HVAC are appropriately maintained.

LARGE / HIGH-OCCUPANCY HOMES

Ask whether size, stories or occupancy trigger additional life-safety requirements.

BUDGET

Price required improvements before the inspection or contingency period expires.

SAFETY IS BOTH A COMPLIANCE ISSUE AND AN UNDERWRITING ISSUE.

What a Local Agent Sees That a Spreadsheet Cannot

Numbers matter. But numbers do not drive the mountain road.

ACCESS

Is the road steep or narrow? Could the average vacationer comfortably arrive after dark?

PARKING

A cabin advertised to sleep 12 needs enough practical parking for the guests who will actually stay there.

LOCATION

Ten miles can feel very different depending on the road. Distance and drive time are not the same thing in the mountains.

VIEWS

Is the view year-round, seasonal or potentially affected by future construction?

LAYOUT

Bedroom count is only part of the story. Gathering spaces, bathrooms, decks and privacy matter.

AMENITIES

Hot tubs, pools, game rooms, theaters and fire pits can improve bookings - and increase operating expense.

COMPETITION

You are entering a hospitality market. Why will a guest choose this property instead of the alternatives?

DO NOT ASK ONLY: "IS THIS CABIN BEAUTIFUL?"

ASK: "WHY WILL A GUEST CHOOSE THIS PROPERTY?"

Your STR Due-Diligence Checklist

A practical checklist to use before, during and after contract.

BEFORE MAKING AN OFFER

- ☐ Establish your investment goal
- ☐ Determine financing strategy
- ☐ Decide whether you will self-manage
- ☐ Budget for professional management if needed
- ☐ Confirm STR use is allowed
- ☐ Verify zoning
- ☐ Review HOA and deed restrictions
- ☐ Review rental history
- ☐ Analyze comparable rentals
- ☐ Estimate realistic revenue
- ☐ Estimate operating expenses
- ☐ Obtain preliminary insurance pricing
- ☐ Evaluate road and driveway access
- ☐ Understand utilities, septic and well systems

DURING DUE DILIGENCE

- ☐ Complete professional home inspection
- ☐ Review roof, HVAC, electrical and plumbing
- ☐ Inspect decks and structural components
- ☐ Inspect septic when applicable
- ☐ Test well water when applicable
- ☐ Review fireplaces and chimneys
- ☐ Evaluate hot tub or pool condition
- ☐ Confirm legal occupancy
- ☐ Verify certificate of occupancy
- ☐ Verify STR permit status
- ☐ Request previous inspection information
- ☐ Review HOA financials and restrictions
- ☐ Review seller rental statements
- ☐ Identify capital expenditures
- ☐ Verify insurance availability
- ☐ Calculate NOI and cap rate
- ☐ Calculate cash flow and cash-on-cash return
- ☐ Run a downside scenario
- ☐ Build reserves into the projection

BEFORE CLOSING

- ☐ Understand permit-transfer requirements
- ☐ Confirm furniture and personal property
- ☐ Determine how future reservations will be handled
- ☐ Select management or self-management systems
- ☐ Establish cleaners / maintenance contacts
- ☐ Create bookkeeping systems
- ☐ Confirm utilities and complete final walkthrough
- ☐ Maintain operating reserves

KEEP A COMPLETE DEAL FILE

Permit / zoning confirmations | inspections | rental statements | insurance quote | HOA documents | management quotes

STR Red Flags

A red flag does not always mean walk away. It means slow down and investigate.

PROJECTED REVENUE WITH NO SUPPORTING DATA

Ask where the projection came from and what assumptions are built into it.

STRONG GROSS REVENUE BUT WEAK PROFIT

Revenue means little if operating expenses consume most of it.

STR MARKETING WITHOUT PERMIT VERIFICATION

Marketing language does not override zoning, permit rules or HOA restrictions.

HIGH ADVERTISED OCCUPANCY

Verify legal occupancy - not simply how many beds fit inside.

LARGE REVENUE INCREASE WITH NO EXPLANATION

Determine what changed: renovation, pricing, management or an unusual season.

DEFERRED MAINTENANCE

A property can generate strong revenue while quietly accumulating expensive repairs.

DIFFICULT ACCESS

Guests may forgive rustic. They do not always forgive frightening.

NO COMPLETE EXPENSE HISTORY

Build your own conservative assumptions instead of filling gaps with optimism.

NO MANAGEMENT EXPENSE IN THE PROJECTION

If you will need professional management, model it before you buy.

THE DEAL ONLY WORKS WITH AGGRESSIVE REVENUE

Run a downside case at 10%, 15% and 20% below projected revenue.

Build the Right Team

A successful investment does not end at closing.

REAL ESTATE AGENT

Helps identify, evaluate, negotiate and complete property due diligence.

STR-EXPERIENCED LENDER

Helps structure financing appropriately for the investment strategy.

HOME INSPECTOR

Evaluates the physical condition of the property.

INSURANCE PROFESSIONAL

Confirms availability, coverage and pricing before closing.

PROPERTY MANAGER

Handles pricing, guest communication, operations and maintenance coordination if you do not self-manage.

CPA / REAL ESTATE TAX PROFESSIONAL

Advises on depreciation, cost segregation, entity structure, deductions and your individual tax situation.

REAL ESTATE ATTORNEY

Can advise on entities, contracts, estate planning and issues affecting international investors.

LOCAL CONTRACTORS & SERVICE PROFESSIONALS

Help keep the property safe, operational and competitive.

YOU DO NOT NEED TO BECOME AN EXPERT AT EVERYTHING.

You need a team that understands the market.

The Goal Is Not Just Revenue

A good acquisition can support a much bigger long-term strategy.

Depending on the investor and property, a well-selected investment property may provide more than rental income.

CASH FLOW

PROPERTY APPRECIATION

DEBT REDUCTION

TAX BENEFITS

PERSONAL VACATION USE

PORTFOLIO DIVERSIFICATION

LONG-TERM EQUITY

GENERATIONAL WEALTH

But none of those potential benefits turn a poor acquisition into a good investment.

BUY THE RIGHT PROPERTY.

VERIFY THE REGULATIONS.

UNDERSTAND THE EXPENSES.

RUN CONSERVATIVE NUMBERS.

BUILD THE RIGHT TEAM.

LET THE MATH MAKE THE DECISION.

READY TO INVEST IN EAST TENNESSEE?

YOUR INVESTMENT STARTS WITH THE RIGHT INFORMATION.

You do not have to know everything before beginning your search - and you do not have to live in Tennessee. Whether you are purchasing from another part of Tennessee, another state, or another country, my role is to help you understand the property, location, numbers, regulations and due-diligence process before you make a decision.

I grew up in this area, and I combine that local perspective with my background in property management and construction to help investors look beyond the listing photos. If a property makes sense, I want you to understand why. If the numbers do not make sense, I want you to understand that too.

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