

## RURAL ENTERPRISE SERIES

RES-09

### Vacation Cabin Enterprise

Location, location, location. In the vacation cabin business, successful enterprises are in places where people want to be and generally are not far from where the target audience lives. Road, plane, and/or trail accessibility has to be good. Access to a body of water is a selling point, as well as a liability for the landowner.



Smokey Mountain Dream Rentals

#### Skills and Time Needed

Successful cabin-keepers enjoy meeting new people and socializing. You must be able to deal with all kinds of people. You may need to sacrifice some of your privacy, depending on the type of operation, for example, if the vacation cabin(s) is on the same property as your house. Because of this, your whole family must agree to the enterprise because it's their privacy too.

Depending on your target market, the business may be particularly busy at certain times of the year. If you or members of your team are not able to commit the required time to the business, it would be best to re-think your plan. You should have good organizational abilities so that you can keep accurate records of reservations and receipts and expenses. You'll need a system for taking reservations and someone to answer the phone. Somebody must be responsible for cleaning the cabin or supervising a hired cleaner. For a rustic cabin used for weekend stays, it may be possible to clean only at the end of each stay, rather than daily.

If you intend to build a cabin, you'll need the skills and time to do that or the money to hire a crew. You'll

need someone to perform routine and emergency maintenance and someone to take care of the landscaping and snow removal.

#### Legal Concerns and Equipment Needs

Be sure to check with local government officials about any permits that may be necessary. Check the zoning regulations to be sure that you can operate a vacation cabin business on your land. There may be building and fire codes with which the cabin must comply. Be sure to look into additional liability insurance you will need for this new use of your property. It may be wise to develop a set of rules with which guests must comply and mail these to future guests along with the confirmation of their reservation.

Things to consider: policies on smoking, alcohol, pets, children, guests of paying guests, times for arrival and departure and conduct on your land.

The cabins must be outfitted with various appliances, such as coffee makers, TVs, DVD players, irons, refrigerators, stoves, etc., and furniture, depending on the kind of facility you choose. You'll need cleaning, maintenance, and landscaping equipment. You may need to purchase gravel to improve access roads.



Most vacation cabins provide basic appliances such as stove, microwaves and refrigerators. Photo courtesy of Virginia Vacation Cabin Rentals.

## Marketing Concerns

Is there a need for more affordable family vacation facilities in your region? Ask around to other accommodations owners and the local Chamber of Commerce. It is probably best to target a specific audience, depending on the recreational opportunities provided in your area. Do you have cross-country skiing, boating, hunting, or an antiquing center nearby? Play on those recreational resources. How will potential customers find out about your business? It may be worthwhile to compile a Web page or pay someone to do that and link to your state's tourism Web site and other appropriate sites. For example, if a high quality trout stream runs through your property, it would pay to advertise in fishing magazines and Web sites. You should supply contact information on the Web site and have someone available at most times to answer questions and take reservations. It also makes sense to develop an attractive brochure to place at strategic locations around your region. These might include stores (especially those specializing in your chosen niche), restaurants, highway rest areas, visitors' centers, and tourist attractions.

Your most effective means of promotion once you have opened the business may be word-of-mouth. That's why excellent customer service from all the members of your team is imperative.

## Financial Picture

The budget example for this enterprise is based on the following scenario. The landowner owns 100 acres of farm and forestland with good access to the interstate highway. He has a full-time job with an office on the property and is looking for a source of retirement income.

He is investigating the possibility of building a cabin on the property at a very scenic and secluded location. There is a demand for affordable family vacation facilities in the region. He also wants to make per-

sonal use of the cabin. The landowner and his extended family will do much of the work in building the cabin; therefore he has not included this labor as a cost.

The landowner will lease hunting rights along with the cabin for the 2-week hunting season. An estimated 125 nights of rentals per year at a cost of \$100 per night will produce \$13,000 in income (1). Variable costs (4) total \$5955. Fixed or overhead costs (5) will be spread out over 5 to 10 years, depending on the expense. For example, it is estimated that the cost of the building (6) should be spread out over 10 years. Therefore, only 10 percent, or \$1,500, of the \$15,000 in building materials is included in the first-year enterprise budget.

Net annual income over the total costs, or profit (7), is estimated at \$3,345, which is lower than the landowner expected given all the labor and time. Some of the costs could be lowered, such as the \$2,640 for bookkeeping (2), if a family member did this job. This would increase the profitability to \$5,985. Having a family member perform the housekeeping (3) could further increase profitability. Obviously, a landowner who already has a suitable cabin or one that requires minimal work will have a better shot at building a profitable enterprise.

## Informational Resources

Smoky Mountain Dream Rentals, Pigeon Forge, TN. [www.smokymtndream.com](http://www.smokymtndream.com).

Virginia Vacation Cabin Rentals, Love, VA. [www.vacabins.com](http://www.vacabins.com).

## Authors

Jonathan S. Kays, Regional Extension Specialist, Natural Resources

Joy R. Drohan, Faculty Extension Assistant, Western Maryland Research and Education Center



Vacation cabins offer peace and quiet from the hustle and bustle of urban living. Photo courtesy of Smoky Mountain Dream Rentals.

<b>VACATION CABIN ENTERPRISE BUDGET</b>				
<b>INCOME</b>	<b>UNIT</b>	<b>QUANTITY</b>	<b>PRICE/UNIT</b>	<b>TOTAL</b>
(1) cabin rental	night	125	\$100	\$12,500.00
hunting lease	year	1	500	\$500.00
total income				\$13,000.00
<b>VARIABLE COSTS</b>	<b>UNIT</b>	<b>AMOUNT</b>	<b>PRICE</b>	<b>TOTAL COST</b>
Insurance	yr	1	\$500	\$500
Permit	yr	1	50	50
Electricity	mo	12	25	300
Laundry	mo	12	20	240
Advertising	yr	1	200	200
Web site	yr	1	150	150
(2) Labor-bookkeeping	mo	12	220	2,640
(3) Labor-maint., cleaning	night rented	125	15	1,875
Total variable costs				\$5,955
<b>FIXED COSTS</b>	<b>COST OVER 10 YEARS</b>	<b>YR'LY % of TOTAL COST</b>	<b>COST/YEAR</b>	
(5) Cost per year				
(6) Building	\$15,000	10	\$1,500	
Septic	2500	10	250	
Water	3500	10	350	
Electricity	4000	10	400	
Gravel-1000 ft.	2000	20	400	
Home furnishings	2500	20	500	
Appliances	1500	20	300	
Total fixed costs			\$3,700	
Total variable + fixed costs			\$9,655	
(7) Net income over variable + fixed costs			\$3,345.00	