

WHY & HOW TO BUY A VACATION RENTAL

A Florida Emerald Coast Guide to Buying, Evaluating & Operating Short-Term Rental Property

A vacation rental can be both a lifestyle asset and a business.

The right property may give an owner personal use, long-term appreciation potential and rental income. But successful ownership starts with disciplined property selection, realistic numbers, legal rental eligibility, appropriate financing, insurance and a clear operating plan - not simply buying a beautiful beach property.

Panama City Beach • 30A • Destin • Florida Panhandle

Designed for buyers considering a beach house, condo, second home or investment property that may be offered as a short-term vacation rental.

Educational material only. Rental rules, taxes, licensing, financing, insurance, HOA restrictions and investment results vary by property and can change. Consult the appropriate professionals and governmental authorities.

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A NOTE ON ACCURACY

Information contained in this publication is believed accurate at the time of publication but is subject to change without notice. Rental rules, taxes, licensing, financing, insurance, HOA restrictions and investment results vary by property and can change. Information cited throughout this guide reflects conditions in mid-2026 and is presented for general orientation only.

Nothing in this publication constitutes legal, tax, insurance, or investment advice. All example calculations are illustrative only and are not a guarantee of actual rental performance. Real estate and investment decisions should be made in consultation with licensed professionals including an attorney, a certified public accountant, a licensed insurance agent, and a mortgage lender. Readers should independently verify current market data, rules and figures relevant to their own transaction.



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A NOTE ABOUT THIS GUIDE

Portions of the background research, brainstorming, and conceptual development for this guide were created with the assistance of artificial intelligence tools, including Claude® by Anthropic and ChatGPT® by OpenAI. These tools were used to help organize ideas, explore topics, and assist in the research and writing process.

This guide is intended to serve as a helpful resource for buyers considering a beach house, condo, second home or investment property that may be offered as a short-term vacation rental on Florida's Emerald Coast. While every effort has been made to provide accurate and up-to-date information, market conditions, pricing, regulations, and local details can change over time.

The information contained in this guide is provided for general educational and informational purposes only. It should not be considered legal, financial, tax, investment, insurance, construction, lending, or other professional advice. Readers are encouraged to consult with qualified professionals in the appropriate fields to obtain the most current information and guidance for their specific situation.

My hope is that this guide serves as a valuable starting point – helping you evaluate vacation rental ownership with more clarity and confidence as you begin your own search.

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Core principle: Buy the property based on verifiable numbers and rules. Treat projected rental income as an assumption to test - not a guarantee.

1. Why Buyers Choose Vacation Rentals

Vacation rentals are attractive because one property can serve several goals at once. An owner may use the home personally, rent it during high-demand periods, build equity over time and hold a tangible asset in a destination they enjoy.

For buyers on Florida's Emerald Coast, the appeal is easy to understand: beaches, warm-weather travel, family vacations, fishing, boating, events, military and regional travel demand, and a large drive-to visitor base from the Southeast. Yet location alone does not make a property a good investment.

Potential Benefits

Rental income: Guest revenue may offset some or all ownership costs.

Personal use: Owners can reserve dates for themselves, subject to tax and financing considerations.

Equity and appreciation potential: Long-term property values may rise, although appreciation is never guaranteed.

Diversification: Real estate can add a physical asset to an investment mix.

Tax considerations: Certain expenses and depreciation may be relevant depending on use and ownership structure; consult a qualified tax professional.

Future flexibility: A property might later become a second home, long-term rental or primary residence if rules and circumstances permit.

The Tradeoff

A vacation rental is not passive simply because guests book online. It is a hospitality business attached to real estate. Cleaning, maintenance, guest communication, pricing, reviews, taxes, licensing, insurance and capital repairs all affect results.

Think in two columns: 'Would I enjoy owning this property?' and 'Does the business case make sense?' A strong purchase should survive both questions.

2. Lifestyle Asset vs. Investment Property

Before searching, decide which objective leads the purchase. A buyer who wants six weeks of prime-season personal use may choose differently from an investor focused on maximum annual revenue. Personal use during the highest-demand weeks can materially reduce gross rental income.

Lifestyle-first: prioritize view, beach access, layout, community and personal enjoyment; accept that returns may be secondary.

Balanced: seek a property you enjoy while targeting enough rental income to offset meaningful ownership costs.

Investment-first: prioritize legal rental eligibility, demand, bedroom count, guest capacity, revenue history, expenses and return metrics.

3. Start With the Market - Then Choose the Property

Vacation rental performance is hyperlocal. Two condos across the street can produce different results because of view, floor, amenities, parking, beach access, HOA rules, furnishings, reviews and management. Start by identifying the guest demand and rental rules of the specific submarket.

On the Emerald Coast, compare areas such as Panama City Beach, 30A/South Walton, Destin/Miramar Beach and the eastern Panhandle separately. Each has different property prices, seasonality, guest profiles, HOA structures and local requirements.

What to Research

- Historical occupancy and average daily rate for comparable rentals
- High, shoulder and low seasons
- Major demand drivers and events
- Drive time and walking distance to beach access
- Competing rental inventory
- Local rental registration and zoning rules
- HOA or condominium rental restrictions
- Parking and guest capacity
- Planned construction or special assessments
- Insurance and flood exposure

4. How to Analyze Rental Income

Begin with actual property history when available, then compare it with similar active and historical rentals. A seller's best year should not automatically become your forecast. Ask for monthly rental statements, booking calendars and management reports when available and appropriate.

Gross Rental Revenue

A simple revenue model is:

Average Daily Rate x Occupied Nights = Gross Room Revenue

Example: an average realized rate of \$300 across 180 occupied nights produces \$54,000 in gross room revenue before fees, taxes and expenses.

Occupancy Rate

Occupancy equals occupied nights divided by available nights. A property can command a high nightly rate but still underperform if it sits empty. Conversely, maximizing occupancy by discounting too heavily can hurt revenue and increase wear.

Use Three Scenarios

Conservative: lower occupancy/rates and higher expenses.

Base case: reasonable performance supported by comparable evidence.

Upside: stronger execution or demand - useful for perspective, but never the only case supporting the purchase.

5. Understanding Expenses and Net Cash Flow

Gross revenue is not profit. Vacation rentals have operating costs that ordinary homeowners may not encounter at the same level.

- Mortgage principal and interest
- Property taxes
- Homeowners, wind and flood insurance as applicable
- HOA/condominium dues
- Property management fees
- Booking/platform or merchant fees
- Cleaning and linen costs not fully passed to guests
- Utilities, internet and streaming
- Repairs and routine maintenance
- HVAC, appliance and plumbing service
- Pest control and landscaping
- Pool service where applicable
- Licenses, registrations and accounting
- Furniture, housewares and replacement reserve
- Special assessments and capital projects
- Owner-use opportunity cost

NOI and Cash Flow

Net Operating Income (NOI) generally means property revenue minus operating expenses before debt service and certain owner-specific costs. Cash flow then considers mortgage payments and other cash obligations. Be consistent about which expenses are included when comparing properties.

A property can show attractive gross revenue but weak cash flow because of a high purchase price, expensive insurance, large HOA dues or substantial management costs.

Reserve for the unexpected. Beach rentals experience heavy guest use and a harsh salt-air environment. Furniture, HVAC equipment, appliances, exterior components and electronics may require more frequent replacement than in a lightly used second home.

6. Financing a Vacation Rental

Financing depends on how the property will be used and how the lender classifies it. A true second-home loan is not interchangeable with an investment-property loan. Occupancy, personal use and rental intent matter, and lenders can have specific requirements for condominiums and short-term rentals.

Discuss down payment, reserves, debt-to-income requirements, projected rental income treatment, condo eligibility, insurance requirements and interest-rate differences with an experienced lender before writing an offer. Do not represent an investment property as a second home merely to obtain different financing terms.

7. Condo vs. Single-Family Vacation Home

Both can work well, but their economics and responsibilities differ.

Factor	Condo	Single-Family
Maintenance	Exterior/common areas often handled by association	Owner generally controls and funds more maintenance
Amenities	May include pools, elevators, fitness, security and beach service	Private pool, yard or parking can differentiate the rental
HOA cost	Often significant; review reserves and assessments	May be lower or absent, but owner bears direct costs
Rental rules	Association rules can be highly specific	HOA/local rules still matter; often more operational control
Insurance	Master policy plus unit-owner coverage; understand deductibles	Owner typically insures entire structure
Guest appeal	Views, resort amenities and walkability can be strong drivers	Space, privacy, parking, pet-friendliness and private amenities can stand out

8. HOA & Rental Restrictions

Never assume short-term rentals are allowed because you see rentals in the neighborhood or building. Verify the current declaration, bylaws, rules, amendments and local regulations. Existing owners may have grandfathered rights that a new buyer will not receive.

Look for minimum rental periods, annual rental caps, registration requirements, age restrictions, guest limits, parking rules, pet restrictions, transfer fees, management requirements and pending rule changes. For condominiums, also study budgets, reserves, structural reports where applicable, insurance, litigation and special assessments.

9. Florida Licensing & Taxes

Florida treats many whole-unit short-term rentals as public lodging establishments. Florida DBPR states that if an entire unit is rented more than three times in a calendar year for periods of less than 30 days or one calendar month, whichever is less, or is advertised as regularly rented to guests, a vacation-rental license is generally required. Vacation rentals are licensed as condominiums or dwellings depending on property type.

The current DBPR application materials also require items such as a Florida sales-tax number or proof of exemption, and vacation-rental addresses are maintained through the license holder's online account. Local city or county registrations may apply in addition to state requirements.

Transient Rental Taxes

Florida Department of Revenue guidance states that rentals of living or sleeping accommodations for six months or less are generally subject to Florida sales tax and applicable surtax. Counties may also impose local option transient rental or tourist development taxes. Administration can vary, so determine which taxes the platform collects and which remain the owner's responsibility.

Do not buy first and investigate legality later. Before closing, verify state licensing, local registration, zoning, HOA/condo rules, tax accounts and any occupancy or safety requirements for the exact property.

10. Insurance, Storm & Flood Considerations

Insurance is a major underwriting item for Florida coastal property. Obtain property-specific quotes during the inspection/due-diligence period. Ask whether the policy permits short-term rental activity and understand windstorm/hurricane deductibles, flood coverage, liability limits, loss-of-rents coverage and any exclusions.

For condominiums, review both the association master policy and the coverage you will need for the unit. A large master-policy deductible or inadequate association coverage can create owner exposure. For single-family homes, evaluate roof age, wind mitigation, elevation/flood information, shutters or impact protection and insurability before closing.

11. Property Management vs. Self-Management

Professional management can reduce the owner's workload but comes at a cost. Management agreements vary widely, so compare services rather than just the percentage fee.

A manager may handle pricing, listing distribution, guest communication, cleaning coordination, maintenance calls, reviews, tax support and owner statements. Ask who controls the listing and reviews, whether there are maintenance markups, how owner stays are handled, what happens to future bookings if you terminate, and whether the contract is transferable when the property sells.

Self-management can preserve more gross revenue but requires availability, systems and hospitality discipline. Owners need reliable cleaners, maintenance vendors, automated messaging, dynamic pricing, bookkeeping and emergency coverage.

12. Amenities That Can Improve Rental Appeal

Amenities should fit the target guest and submarket. Spending money on features guests do not value will not necessarily produce a return.

Common demand drivers can include:

- Gulf or water views
- Easy, verifiable beach access
- Pool or resort amenities
- Multiple king bedrooms or useful bunk space
- Enough bathrooms for guest capacity
- Reliable parking
- Updated kitchen and attractive furnishings
- Outdoor living space
- Fast Wi-Fi and smart TVs
- Washer/dryer
- Beach gear or storage where permitted
- Golf-cart eligibility in communities where legal and practical
- Pet-friendly policies where allowed
- Elevator access for upper-floor condos
- EV charging or other convenience features where appropriate

Photography, cleanliness and reviews are also 'amenities' in the guest's mind. A well-positioned property with excellent presentation can outperform a similar property that is poorly marketed or maintained.

13. The Offer & Due-Diligence Process

Once you identify a property, the contract and due-diligence period should give you enough opportunity - where negotiated and applicable - to investigate the physical property and the rental business.

- ☐ Request available rental statements and booking history.
- ☐ Review existing reservations and determine whether they transfer with the sale.
- ☐ Read the property-management agreement and termination terms.
- ☐ Confirm short-term rental eligibility with the association and local authorities.
- ☐ Order appropriate property inspections.
- ☐ Obtain insurance quotes before the applicable deadline.
- ☐ Review survey, flood information and elevation data where relevant.
- ☐ Review HOA/condo documents, budgets, reserves and assessments.
- ☐ Confirm furniture and personal-property inclusions in writing.
- ☐ Verify parking, beach access and advertised amenities.
- ☐ Have your lender approve the specific condo/project if financing.
- ☐ Build a fresh rental forecast based on your ownership and management plan.

Existing Bookings

A rental property may be sold with future guest reservations. Determine which bookings will transfer, who holds guest deposits, whether the management company must remain in place, how revenue is prorated and what obligations the buyer assumes. These details should be documented rather than assumed.

Furniture & Turnkey Sales

Many vacation rentals are sold furnished, but 'furnished' can mean different things. Create or review an inventory/exclusion list. Items used to generate rental income - beds, linens, kitchenware, televisions, patio furniture and decor - can have real replacement cost.

14. Investor Red Flags

Be cautious when the deal depends on unusually optimistic occupancy, ignores HOA or insurance costs, assumes every owner can rent short-term, relies on unverified 'potential income,' or requires perfect performance simply to break even.

Other warning signs include repeated special assessments, weak condominium reserves, major deferred maintenance, unclear beach access, insufficient parking, unpermitted improvements, poor guest reviews, management contracts that are difficult to terminate, or a seller who cannot substantiate advertised rental history.

15. Buyer Checklist & Final Strategy

- ☐ Define whether your goal is lifestyle, balanced use or investment-first.
- ☐ Get financing preapproval that matches the intended occupancy/use.
- ☐ Choose a specific rental submarket and target guest.
- ☐ Verify short-term rental legality before relying on income.
- ☐ Analyze at least conservative, base and upside revenue scenarios.
- ☐ Include every realistic operating expense.
- ☐ Obtain property-specific insurance estimates.
- ☐ Review HOA/condo financial health and rental rules.
- ☐ Inspect the property and budget for near-term capital items.
- ☐ Compare professional management options before purchase.
- ☐ Confirm licensing, sales tax and local tourist-tax responsibilities.
- ☐ Keep adequate cash reserves after closing.
- ☐ Use a CPA/tax adviser to discuss ownership structure, personal use and tax treatment.
- ☐ Make the purchase work without depending on guaranteed appreciation or guaranteed rental revenue.

The best vacation-rental purchase is not necessarily the property with the highest advertised revenue.

It is the property where purchase price, rental eligibility, guest demand, expenses, financing, insurance, management and your personal goals fit together with a reasonable margin for the unexpected.

Official Florida Resources

Florida Department of Business & Professional Regulation (DBPR) - Vacation Rental licensing, applications, fees and lodging requirements.

Florida Department of Revenue - Sales and use tax and local option transient rental/tourist development tax guidance.

Because local requirements differ across Florida counties and municipalities, buyers should also verify the current rules with the county/city and the applicable homeowners or condominium association for the exact property.

Important Disclaimer

This guide is for general educational and real estate informational purposes only. It does not constitute legal, tax, accounting, lending, insurance, investment, property-management or regulatory advice, and it does not promise or guarantee rental income, occupancy, appreciation, cash flow or investment return. Rules, taxes, fees, insurance markets, lending guidelines, HOA restrictions and licensing requirements can change. Consult qualified professionals and the appropriate governmental authorities before purchasing or operating a vacation rental.