Ocean Blue Cottages – 4 Bedroom Home Projections

Investment Overview

Ocean Blue Cottages presents a compelling short-term rental opportunity driven by strong mid-to-large group demand and a highly desirable location just one block from dedicated beach access.

Our analysis benchmarks comparable cottage-style communities (such as Lost Dunes and West Side Cottages), adjusting for layout efficiency, walkability, and proximity to the beach. Performance in this segment continues to be driven more by bedroom/bath count and livable design than direct beachfront positioning. The inclusion of a heated community pool further strengthens year-round booking appeal.

Revenue Potential

Based on AirDNA data, DataRabbu, internal performance tracking, and normalized community comps:

- **Year 1 (Ramp-Up):** $95,000 – $110,000
- **Year 2 Stabilized:** $100,000 – $120,000

This reflects typical STR ramp-up dynamics where reviews, ranking, and pricing power improve materially after the first full year.

Key Value Drivers

- Limited supply of well-designed 4-bedroom rentals in walkable beach communities
- Strong appeal for family and multi-group bookings
- One-block proximity to beach access (high conversion driver)
- ***Heated community pool extends seasonal demand***
- Efficient layouts maximizing occupancy and usability
- Lower operating complexity vs larger 5-bedroom assets

Estimated Annual Expenses

- Management: ~$13,500
- HOA: $3,500 – $5,000
- Utilities: ~$5,000
- Maintenance: ~$2,000
- Cleaning: ~$8,500
- Insurance: ~$2,400
- Property Taxes (~0.4%–0.5%): ~$3,200 – $4,000
- Sales/Lodging Tax: ~$13,500

Total Operating Expenses (Excl. Debt): ~$51,000 – $53,900

Return Profile (Example Purchase)

Purchase Price: $799,000
Closing Costs (~3%): ~$24,000
Total Cost: ~$823,000

Down Payment (20%): ~$160,000

Performance Snapshot (Stabilized)

- **Gross Revenue:** $110,000 – $120,000
- **Net Operating Income (NOI):** ~$58,000 – $69,000

Debt Structure (Base Case)

- **Loan Amount:** ~$639,000

- **Rate:** ~6.5% – 7%
- **Annual Debt Service:** ~$47,000 – $52,000

Cash Flow (Base Case)

- **Annual Cash Flow (After Debt):** ~$11,000 – $22,000

Cash-on-Cash Return (Base Case)

- **Levered Cash-on-Cash: ~10% – 14%**

This places the deal at the **upper end of “good”** under today’s 2026 STR lending environment.

Refinance Upside – The Hidden Driver of Returns

One of the most important underwritten levers in today’s STR market is **rate compression over time**.

If the property is refinanced down **1.0% in interest rate** (for example, from ~6.75% → ~5.75%), the impact is material:

What changes:

- Annual debt service drops roughly **$6,000 – $8,000**
- Cash flow increases by the same amount (pure bottom-line lift)
- Cash-on-cash return typically improves by **~3–5 percentage points**

Refinance Scenario Impact

- **Base Case Cash-on-Cash:** ~7% – 14%
- **Post-Refi (–1% rate):** ~10% – 18%

Bottom Line

Ocean Blue Cottages sits in a fundamentally strong demand segment with:

- $100K–$120K stabilized revenue potential

- 7%–14% initial cash-on-cash returns in today's rate environment
- Clear upside into ~10%–18% returns through refinancing alone
- Durable demand drivers (layout, walkability, group size) vs beachfront dependence

In the current 2026 STR market, the investment thesis is less about initial yield maximization and more about:
(1) stabilization → (2) refinancing → (3) long-term cash flow expansion.

2026 Market Reality – STR Return Environment (U.S.)

Current short-term rental performance expectations have reset due to higher interest rates, insurance, and acquisition costs. In today's environment:

- **Below 5% Cash-on-Cash:** Weak deal (often not competitive vs safer assets)
- **5% – 8%:** "Okay" / acceptable in strong appreciation or ultra-stable markets
- **8% – 12%:** Good / solid investment range for financed STRs
- **10% – 15%:** Strong / institutional-quality target range

Key takeaway: Deals that underwrite below ~8% today generally require either appreciation upside, value-add execution, or refinancing strategy to become attractive long-term holds.

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