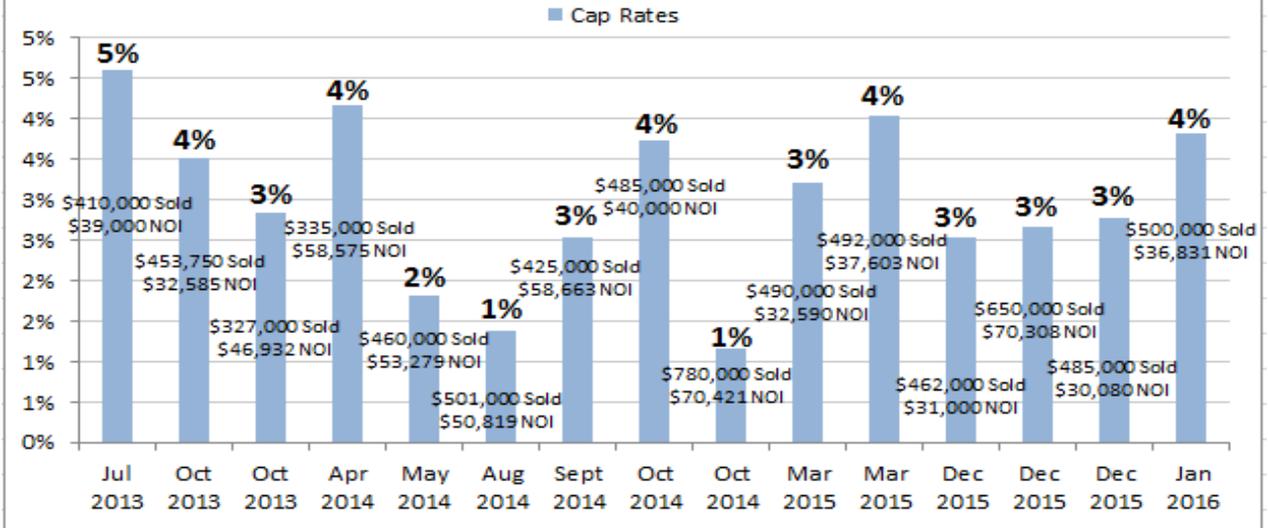




Vacation Rental Cap Rate Study

Sanibel Condominium Cap Rates



Cap rates are only relative to commercial property, right? Well, not necessarily. Capitalization rates are simply an expression of the relationship of income and price (net operating income/sales price). And while residential income producing properties are most often measured through gross rental multipliers, you can look at a residential property through the expression of a cap rate as well.

This month, we've taken this nuanced approach to analyzing cap rates for a sampling of 15 residential condominium units on

Sanibel Island. Projects such as Sundial, Sanibel Arms, Pointe Santo, and others offer condo units that can generate a tremendous amount of income for unit owners. And while the buyers and sellers don't typically refer to transacting these units based on cap rates, it's interesting to see how these cap rates stack up to alternative investments.

The average cap rate for one of these Sanibel condo units is 3.00%+/- . Contrast that rate with alternative institutional grade property cap rates like a local

Wawa, Starbucks, Walgreens, or Mattress Firm. Rates for this type of investment span between 3.5% and 5%. However, consider that with your 3% cap rate on a Sanibel condo, you also get a few weeks a year of owner usage. Or if you just want to lease the unit year-round, you could boost the income enough to compete in the 3.5% to 5% range.

It's a different way of looking at seasonal rental property, but with the right perspective, these units can be very nice investments.

QUICK STATS

Average Cap Rate: 3%
Average Sale Price: \$483,717
Average Gross Income: \$45,912

For more information, contact us at:
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