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Some are finding that renting out a parking space in the D.C. area can be lucrative



(John Kelly/The Washington Post)

Some Washingtonians have discovered the financial benefits of renting out parking spaces.

That 8-by-12-foot plot — the one with the oil stains and the cracked asphalt that you have put off repairing, the piece of land that sits empty all day while you are at work — could be subsidizing fill-ups at the gas station and morning runs to Starbucks.

In my research, I found many advertisements for parking spot rentals, listed under the “parking and storage” category on Craigslist. I made a few phone calls, and spoke with Dupont Circle homeowner Howard Smith, who says he has used Craigslist for years to advertise and rent parking spots behind his rowhouse.

“I usually get \$200 a month,” Smith said.

Smith said he drafted a one-page lease years ago and it has worked well for him. The agreement states that he is not responsible for any damage to the car, that payment is due on the first of the month and that the car owner must provide an agreed number of days to cancel the lease.

“I take payment by check,” Smith said. “I’ve had no issues getting payment.”

Some parking space owners have attempted to go it alone, like Smith in Dupont Circle. These days, however, there is ample help available to connect drivers and parking spot owners, and to manage payments, in exchange for a fee of roughly 10 to 15 percent per transaction.

“Turn your driveway into cash,” touts the website, Parklee.com.

“Park smarter,” advertises the home page of SpotHero.com.

SPOT, a start-up launched in the Boston market, has already booked more than 1 million hours of parking time, according to its founder and chief executive Braden Golub. It is expanding to more markets, including Washington.

“We help parking spot owners rent for a half-hour up to months at a time,” Golub said.

Golub said individuals make up 50 percent of his app users. The other 50 percent is made up of various types of businesses.

Office buildings, grocery stores and retail can monetize empty parking spots, Golub said.

“Companies may rent parking spots in their office building for employees but don’t use those spots at night,” Golub said. “With our app, they can generate income from those empty spots and pay their own rental expenses.”

Apartment buildings are also entering the parking business to generate extra income.

I found Park Monroe Apartments in Columbia Heights, located two blocks from the Columbia Heights Metro station in Washington, advertising parking spaces on Craigslist. Its list price is \$125 for a month-to-month contract.

Interest in making money from renting parking spots has grown in the past few years. Smith in Dupont Circle has found more competition recently.

“The market for parking spaces seems flooded at the moment,” Smith said. He lowered his asking price to \$180 per month and listed on Parking Spotter — even though he has concerns about using an app.

Smith ended up renting the space in just four days from Craigslist, for \$180 monthly and received a year payment in advance in exchange for providing one month free. No responses came from the Parking Spotter ad.

“There is a risk of renting hourly, I think,” Smith said. “What if someone doesn’t get out of the spot in time?”

“If that happens,” Golub said, “the spot owner can contact us and we will take care of the situation.”

Golub said owners and drivers can communicate with his company through the app to solve issues. In addition, users are verified before joining and get rated after each transaction, which forces good behavior.

With the increase in parking app start-ups, Golub said he considers it validation of the concept rather than a reason to pivot to another industry.

And he doesn’t see ride hailing as a potential fatality of his business concept.

“Even with the increase in ride sharing, there will always be a need to park those cars somewhere when they are not in use,” Golub said. “Even autonomous cars can’t drive around 24/7.”

Is it profitable to purchase parking spots as an investment, with the intent of renting them?

Bethesda-based real estate agent Jim Begg has been investing in and renting parking spots for more than 12 years. He originally purchased one and now owns 21, all in Chevy Chase, Md., near the Friendship Heights Metro.

There are expenses to owning parking spaces in buildings. Begg said he pays a monthly condo fee and property taxes. Yet he is still able to generate enough cash flow to justify the costs.

“I am getting an 8 or 9 percent return on cash with very little or no maintenance,” Begg said.

To determine the return on an investment in a parking space, like any other investment, you must divide the net monthly income (gross income minus condo fees, taxes, insurance, loan payments, etc.) by the out-of-pocket cash to purchase the space.

For example, if you paid cash for a \$30,000 parking spot and your monthly net income is \$100, your return on investment is 3.33 percent. You probably generate one-tenth of 1 percent on that cash if it is sitting in the bank.

Parking spaces go for \$20,000 to \$50,000 in the Washington market. In New York City, a parking space can sell for \$600,000 or more.

Monthly gross rent in D.C. ranges from \$100 to \$300 per month, while in New York City it can be \$800 or more.

As a parking space investor, Begg says that, other than the potential return on investment, certain criteria must be met when purchasing a space.

“Make sure the space is separately deeded,” Begg said. Separately deeded means the space has its own tax identification number and the owner has a deed for that individual parcel of real estate.

“The building must allow you to rent the space to the outside,” Begg continued. “The driver does not have to own or rent an apartment or office in the building.”

“And last,” Begg said, “parking must be accessible 24 hours a day.”

Begg has not tried the many apps available to help rent his spots. He has never required outside help in finding renters, he said. He is not interested in short-term renters.

“One space has been rented for 12 years to the same person,” Begg said. “A rare car aficionado parks his Porsches and Ferraris and has a total of eight spaces.” Begg has found some of his renters at rare car shows.

There are risks of renting parking spaces.

“The same rules apply to renting parking spaces as renting an apartment,” Begg said. “You can’t just kick them out for nonpayment.”

Begg does not own parking spaces in the District. “The rules for evicting a tenant in D.C. are tough,” he said.