Remedy Rent

A Service of Greenhill Capital llc

Short Term Rentals

Table of Contents

What Are Short-Term Rentals?

Short term rentals or STRs are properties leased for a shorter period of time, usually a few days to a few months. Tenants can be vacationers or temporary workers that prefer to stay in larger accommodations than a hotel can provide, and can be as big as whole home or small as a rented room with shared spaces. Clients are attracted to STRs for many reasons including privacy, the comfort and use of the accommodations like a hot tub, pool, living room, office space, and locations closer to attractions or destinations that a hotel can provide. Property owners are responsible for all accommodations and safety on the property, refreshing single use items and supplies, cleaning and maintaining the property. Some property owners rent out a second home or condo to recoup costs or make a profit. In the beginning of the industry creation these properties were typically in or around high tourist areas and located around major attractions. These days you can find short term rental properties in almost every town and city in the USA, and popularity is growing around the world. What RemedyRent does for property owners is takes the burden of self-managing the property out the hands of the individual property owner, and makes the process easier to convert the property into an investment. The prospect of extra income or even a main source of income from an STR is an attractive proposition for most, though the time that it involves is overlooked in most ventures and quickly becomes a full time job. RemedyRent can remove this obstacle and make sure your investment is just that, and investment.

Are Short-Term Rentals a Good Investment?

STRs are growing at such a fast pace that they are quickly disrupting the real estate market. The returns on investment in an STR verses a traditional lease can be in some cases 300-500% higher in some markets, making it a very attractive investment. When you compare two similar properties in the same neighborhood one an STR, and the other traditional, the STR will bring in two to three times the profit. When considering an STR as an investment there are many variables to consider, including location, maintenance, cleaning, landscaping, state and local laws, and extra insurance to cover the types of situations that an STR can bring. The wear and tear on the property can be less than a traditional rental in some markets, and much higher in others. For example, rentals in and around national parks are usually families who vacation to tour the area and rarely spend much time in the actual unit. Whereas STRs in locations around hot spots for spring breakers can attract parties and incur damages that some wouldn't consider an attractive option. However, proper screening of tenants and proper marketing, including requiring longer stays in select markets can help alleviate those situations. Having the correct insurance and damage plans, local companies on speed dial so to speak, and installing noise meters are all part of a proper plan to a successful STR investment.

Below is a chart comparing the long term investment of a single family rental property through traditional leasing and the same property using a short term rental income strategy.

You can use this interactive calculator any time for free at RemedyRent.com/RentalCalculator.

Keep in mind this example is calculating a single family 2 bed room property purchased for $350,000 at today's current market rental rates in Pigeon Forge Tennessee as of writing this book. The vacancy rate is obtained through statistical data generated from the top three STR listing sites from studios to 4 bedroom houses via airdna.co. It is as accurate as statistically possible. It is also assuming the property was just purchased and need no repairs, a 3% inflation rate and we are starting this venture in year one of the investment. If you already own your home free and clear, or have built equity your returns would differ. It is also important to note that all situations are different for everyone's unique situation, cleaning and maintenance costs etc.

Remedy Rent
A Service of Greenhill Capital llc

Traditional Lease Agreement

Figure A.

For the 20 Years Invested

Return (IRR):	**18.37%** per year
Total Profit when Sold:	**$679,566.20**
Cash on Cash Return:	**930.91%**
Capitalization Rate:	**6.89%**
Total Rental Income:	$765,805.67
Total Mortgage Payments:	$340,492.53
Total Expenses:	$117,423.54
Total Net Operating Income:	$648,382.14

First Year Income and Expense

	Monthly	Annual
Income:	$2,500.00	$30,000.00
Mortgage Pay:	$1,418.72	$17,024.63
Vacancy (5%):	$125.00	$1,500.00
Property Tax:	$164.17	$1,970.00
Total Insurance:	$100.00	$1,200.00
Maintenance Cost:	$83.33	$1,000.00
Other Cost:	$16.67	$200.00
Cash Flow:	**$592.11**	**$7,105.37**
Net Operating Income (NOI):	$2,010.83	$24,130.00

Figure B.

First Year Expense Breakdown

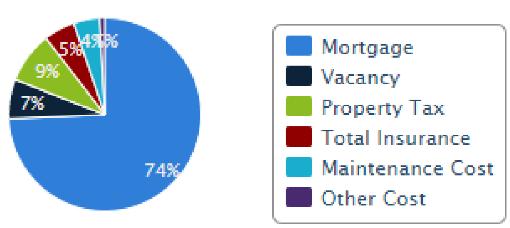


Figure C.

Breakdown Over Time

Year	Annual Income	Mortgage	Expenses	Cash Flow	Cash on Cash Return	Equity Accumulated	If Sold at Year End	
							Cash to Receive	Return (IRR)
Begin				-$73,000				
1.	$28,500	$17,025	$4,370	$7,105	9.73%	$85,017	$56,177	-13.31%
2.	$29,355	$17,025	$4,501	$7,829	10.73%	$100,557	$70,851	8.80%
3.	$30,236	$17,025	$4,636	$8,575	11.75%	$116,638	$86,041	15.75%
4.	$31,143	$17,025	$4,775	$9,343	12.80%	$133,280	$101,766	18.53%
5.	$32,077	$17,025	$4,918	$10,134	13.88%	$150,504	$118,044	19.74%
6.	$33,039	$17,025	$5,066	$10,949	15.00%	$168,331	$134,897	20.25%
7.	$34,030	$17,025	$5,218	$11,788	16.15%	$186,782	$152,346	20.40%
8.	$35,051	$17,025	$5,375	$12,652	17.33%	$205,882	$170,412	20.38%
9.	$36,103	$17,025	$5,536	$13,543	18.55%	$225,653	$189,119	20.26%
10.	$37,186	$17,025	$5,702	$14,460	19.81%	$246,120	$208,491	20.10%
11.	$38,302	$17,025	$5,873	$15,404	21.10%	$267,310	$228,551	19.91%
12.	$39,451	$17,025	$6,049	$16,377	22.43%	$289,247	$249,326	19.71%
13.	$40,634	$17,025	$6,231	$17,379	23.81%	$311,961	$270,842	19.52%
14.	$41,853	$17,025	$6,417	$18,411	25.22%	$335,480	$293,128	19.33%
15.	$43,109	$17,025	$6,610	$19,474	26.68%	$359,834	$316,210	19.14%
16.	$44,402	$17,025	$6,808	$20,569	28.18%	$385,053	$340,121	18.97%
17.	$45,734	$17,025	$7,013	$21,697	29.72%	$411,169	$364,890	18.80%
18.	$47,106	$17,025	$7,223	$22,859	31.31%	$438,218	$390,549	18.65%
19.	$48,519	$17,025	$7,440	$24,055	32.95%	$466,232	$417,133	18.51%
20.	$49,975	$17,025	$7,663	$469,964	34.64%	$495,248	$444,677	18.37%
Total	$765,806	$340,493	$117,424	$679,566	930.91%			

Short Term Rental

Figure D.

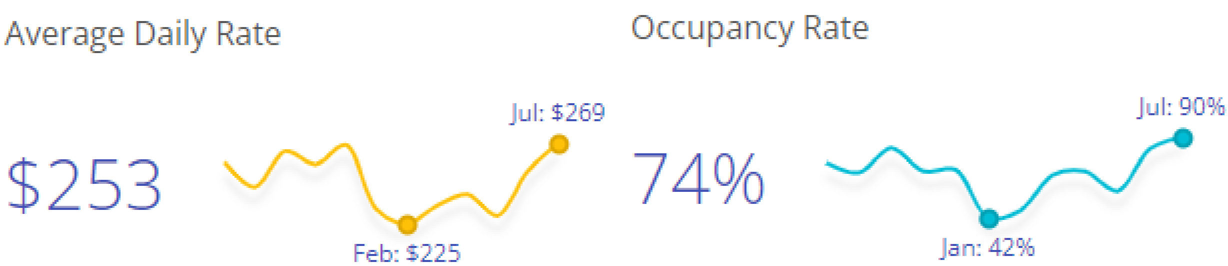


Figure E.

For the 20 Years Invested

Return (IRR):	**58.12%** per year
Total Profit when Sold:	**$1,545,739.19**
Cash on Cash Return:	**2,117.45%**
Capitalization Rate:	**16.10%**
Total Rental Income:	$1,836,193.51
Total Mortgage Payments:	$340,492.53
Total Expenses:	$321,638.38
Total Net Operating Income:	$1,514,555.13

First Year Income and Expense

	Monthly	Annual
Income:	$7,695.41	$92,344.92
Mortgage Pay:	$1,418.72	$17,024.63
Vacancy (26%):	$2,000.81	$24,009.68
Property Tax:	$164.17	$1,970.00
Total Insurance:	$175.00	$2,100.00
Maintenance Cost:	$391.67	$4,700.00
Other Cost:	$266.67	$3,200.00
Cash Flow:	**$3,278.38**	**$39,340.61**
Net Operating Income (NOI):	$4,697.10	$56,365.24

Figure F.

First Year Expense Breakdown

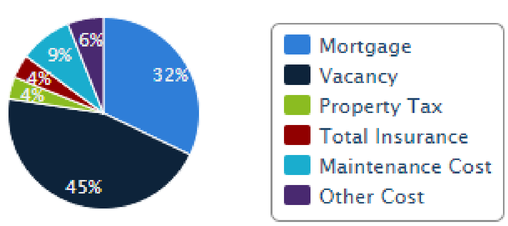


Figure G.

Breakdown Over Time

Year	Annual Income	Mortgage	Expenses	Cash Flow	Cash on Cash Return	Equity Accumulated	If Sold at Year End	
							Cash to Receive	Return (IRR)
Begin				-$73,000				
1.	$68,335	$17,025	$11,970	$39,341	53.89%	$85,017	$56,177	30.85%
2.	$70,385	$17,025	$12,329	$41,032	56.21%	$100,557	$70,851	53.64%
3.	$72,497	$17,025	$12,699	$42,773	58.59%	$116,638	$86,041	59.02%
4.	$74,672	$17,025	$13,080	$44,567	61.05%	$133,280	$101,766	60.35%
5.	$76,912	$17,025	$13,472	$46,415	63.58%	$150,504	$118,044	60.45%
6.	$79,219	$17,025	$13,877	$48,318	66.19%	$168,331	$134,897	60.16%
7.	$81,596	$17,025	$14,293	$50,278	68.87%	$186,782	$152,346	59.78%
8.	$84,044	$17,025	$14,722	$52,298	71.64%	$205,882	$170,412	59.41%
9.	$86,565	$17,025	$15,163	$54,377	74.49%	$225,653	$189,119	59.10%
10.	$89,162	$17,025	$15,618	$56,519	77.42%	$246,120	$208,491	58.84%
11.	$91,837	$17,025	$16,087	$58,726	80.45%	$267,310	$228,551	58.64%
12.	$94,592	$17,025	$16,569	$60,998	83.56%	$289,247	$249,326	58.49%
13.	$97,430	$17,025	$17,066	$63,339	86.77%	$311,961	$270,842	58.38%
14.	$100,353	$17,025	$17,578	$65,750	90.07%	$335,480	$293,128	58.30%
15.	$103,363	$17,025	$18,106	$68,233	93.47%	$359,834	$316,210	58.24%
16.	$106,464	$17,025	$18,649	$70,791	96.97%	$385,053	$340,121	58.19%
17.	$109,658	$17,025	$19,208	$73,425	100.58%	$411,169	$364,890	58.16%
18.	$112,948	$17,025	$19,785	$76,139	104.30%	$438,218	$390,549	58.14%
19.	$116,336	$17,025	$20,378	$78,933	108.13%	$466,232	$417,133	58.13%
20.	$119,826	$17,025	$20,989	$526,489	112.07%	$495,248	$444,677	58.12%
Total	$1,836,194	$340,493	$321,638	$1,545,739	2,117.45%			

As you can see above the short term rental produces a 233.6% higher monthly gain. While the assumed equity accumulated and cash out on exit, assuming a 3% appreciation, which we have recently seen sky rocket, however this number is erroneous as would remain the same at $495,248 and $444,677 respectively, the total 20 year income generated on the traditional lease is $765,806, while the STR generated $1,836,194; 239.77% higher. The initial rate of return on the short term rental in year one is 30.85% while a LTR or traditional lease agreement would be negative,
(-13.31%). In year 20 the IRR on the STR 58.12% while the LTR would be 18.37%.

Even though the monthly maintenance costs, cleaning, insurance and other costs are higher the gains justify the investment by a legion.

How do I manage my second home as a Short Term Rental?

If you are considering using your second home or vacation condo as an income generator, or you just want to generate income when you're not using it, there are many options to self-manage your listings and run the business. Running a STR IS A BUSINESS. You want to make sure you're capitalizing on the investment through monitoring trends and pricing strategies. You must also make sure the amenities stack up to your competitors. If you're not offering what your competitors are your higher end clients are forced to choose other's rental listings. If your offering services that no one in the area is looking for, you may be wasting the effort and loosing profits.

There is a lot to consider when just starting out and it can become overwhelming, this book will attempt to break down the barriers and get you comfortable with knowledge on the subject, and moving forward to generate income as passively as possible. RemedyRent is a property management company with over 10 years of managing rentals. There is no "one fits all service" as everyone's situation is unique. Each state, city and town have unique laws and ordinances related to short term rentals and it is important these laws are followed. Many gurus and social media content generation companies and individuals post all sorts of information and instructions claiming to be able to skirt local laws, they cannot, and you cannot. It is only a matter of time before your potential asset becomes a liability. RemedyRent can help assess your property and determine if it is a good fit for a short term rental venture.

Choosing the correct insurance company that deals specifically in short term rentals is one of the most important aspects of the business. You want to make sure you are covered in the event of theft and damage, accidents and medical expenses from tenants, as well as covering the property from fire, water, and weather.

An attorney that specializes in short term tenant laws is a must, as situations are rare they do occur. RemedyRent provides insurance and a legal team to cover any situation, and covers the tenants accidents and medical, and covers the landlord, property and legal issues.

The first decision to make is how involved with your investment you want to be. Scheduling clients across the multiple sites and marketing can be very time consuming. Scheduling cleaners and following up, making sure the property is maintained to a high standard and maintain the appliances and equipment. Cleaning linens and dishes, checking for damage, and maintaining the landscaping. All of these hands on services can be paid for individually and you'll need to make sure the companies providing the services are up for the task, can handle the STR type services, and are correct in their pricing. A property management company like RemedyRent can take care of this type of work alleviating the need to be hands on in your investment.

When it comes the collecting of payments, making sure the fees associated are correct is important. Over charging hosts can and does occur.

To recap, an STR business is successful with the correct location, management, and pricing strategy.

Growth of STRs

STR Growth after the pandemic was analyzed and the following article by AirDNA.co explains this in great detail. It is included at the end of this book.

When people think of travel and picture in our head our accommodation, it used to be that we would picture a nice hotel, if we're lucky enough, we have a condo, or a time share. The STR craze has disrupted this entire way of thinking. Now for the price of a hotel travelers can rent an entire house to stay in, and options range all the way to upscale villas.

The short term rental market was created through home sharing apps and services online that provided a housing swap service. That service bloomed into what we see today where anyone can list their house online and start generating income. Created by millennials, used by boomers and all of the like to create small businesses and large enterprises.

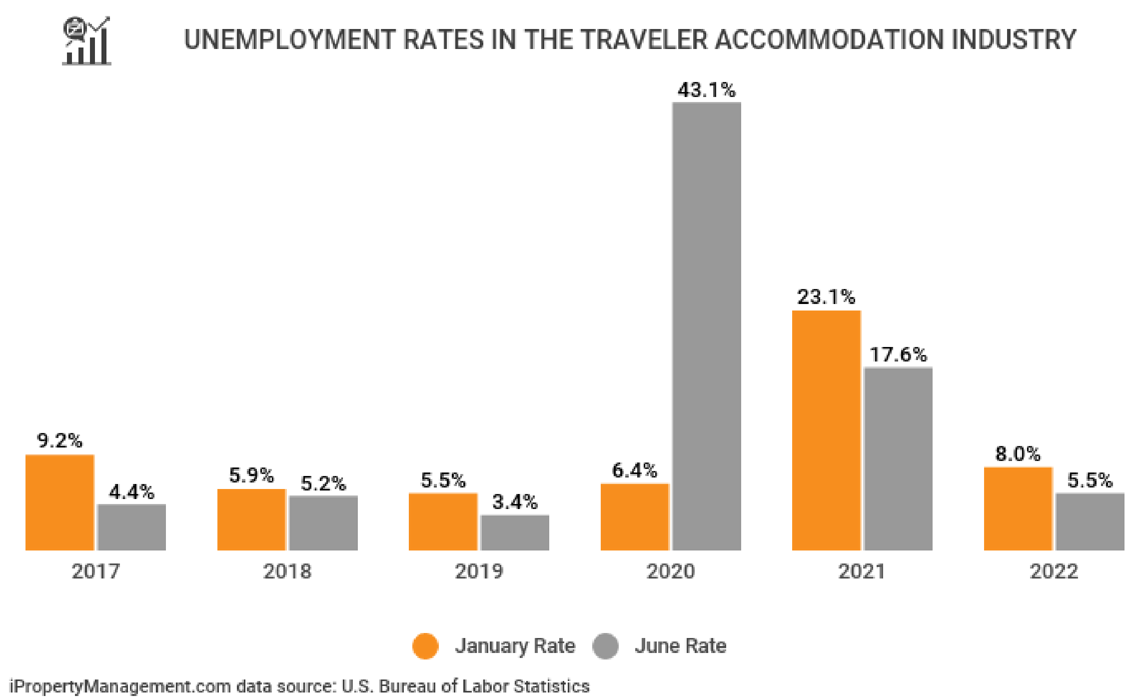
Though the world market is growing the United States vacation rental industry is the most lucrative compared worldwide; valued at $15.1 billion by the end of 2021 or 20.0% of the global market. The average vacation rental management company spends $4,094 monthly on digital management tools. Projections indicate the potential for the domestic market to generate $17.66 billion or 21.8% of global market revenue in 2022.

Vacation Rental Industry Management Statistics

The vacation rental industry represents a growth market in traveler accommodation. Market valuations for 2021 generally average $15 billion.

- There are an estimated 1,985,280 professionally managed vacation rental properties nationwide.
- An estimated 25,000 vacation rental management companies operate in the U.S.
- The number of vacation rental companies in the U.S. increases at an average annual rate of 8.70%.
- U.S. vacation rental companies represent an estimated 66.5% of vacation rental companies in North America.
- Globally, there are 140,674 vacation rental companies.
- 20% of global vacation rental properties are in the United States; 35% are in Europe.
- 450 million people worldwide use vacation rentals.
- 70% of vacation rental companies are small, managing 1-19 units.

- 20% of all vacation rental companies are medium-sized and manage about 20-99 units.
- 10% of companies are large companies that manage over 100 units.



Vacation Rental Industry Trends

Statistics show longer stays in larger units/properties were growing in popularity even before the pandemic hit in March 2020; in subsequent months and years, more private accommodations and less time spent en route became a matter of practicality.

- The vacation rental industry's market value increased 22.76% from 2020 to 2021.
- The rate at which travelers booked vacation rentals increased 240% from 2011 to 2019.
- 86% of consumers plan to book a vacation rental some time in 2022.
- Market research indicates a compound annual growth rate of 8.49% from 2022 to 2026.
- 600,000 American households have used online platforms, such as AirBnB, to rent out homes, condos, apartments, and/or rooms to short-term guests.
- Airbnb stays represent over 5% of vacation rental stays.
- 23% of Americans report engaging with short-term rental platforms.

Vacation Rental Industry Financial Trends

Vacation rental revenue growth outpaces pre-pandemic rates while a growing percentage of expenses go toward management software, platform memberships, and online advertisement.

- Industry revenue in 2021 exceeded 2020 revenue 26.2%.
- The user penetration rate was 15.3% in 2021.
- The average use per user is projected to total $300.
- Projections that the U.S. vacation rental industry would generate $15.338 billion in revenue in 2021 were nearly accurate; the market fell short by just 1.55%.

Post-COVID Vacation Rental Trends

Statistics indicate that travelers have greater interest in domestic and rural stays in the wake of COVID and are more likely to communicate entirely online.

- 61% of families are more likely to visit a rural or “outdoorsy” destination than an urban one.
- 59% of families are more likely to drive instead of fly on their next trip.
- Private room accommodation has decreased in popularity by 99%.
- Cabins have increased in popularity by 80%.

- Villas and bungalows increased in popularity 61% and 60%, respectively.

Vacation Rental Investor & Buyer Statistics

Vacation rental buyers and investors may purchase a property for personal use, rental revenue, or a combination of the two.

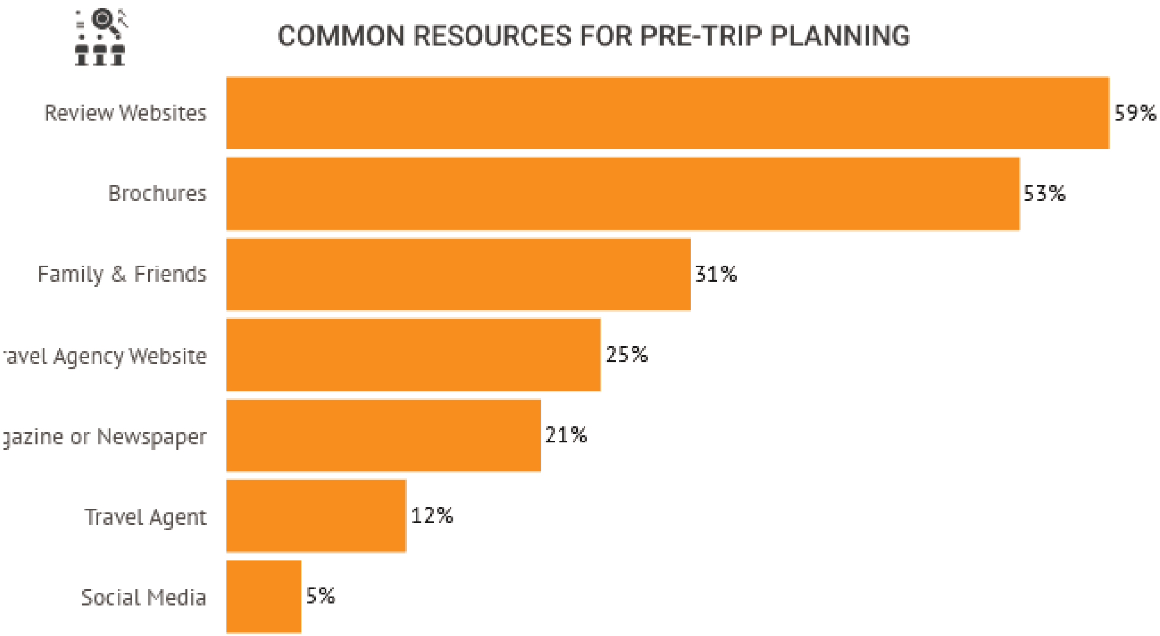
- 42% of investors and 39% of vacation home buyers pay all cash for their property purchase.
- 63% of investors and 52% of vacation buyers buy detached single-family homes.
- 33% of vacation home buyers purchase in a resort area, 24% purchase in a rural area, and 18% in a small town.
- Another 33% of vacation home buyers purchase in a beach area, 21% purchase on a lakefront, and 15% purchase in the country.
- 34% of investors purchase in a suburb or subdivision, 24% in a small town, and 19% in an urban area or central city.
- 49% of vacation home buyers plan to use their property as a family retreat.
- 45% of investment property buyers purchased to generate income through renting the property (as opposed to flipping it or seeking price appreciation)
- 6% of vacation home buyers bought their property to generate income through renting.

- 30% of vacation property owners and 32% of investment property have shown interest in renting their homes as short-term rentals.

Vacation Rental Host & Owner Statistics

Vacation property owners, managers, and hosts lease property to short- and long-term guests.

- 43% of hosts who lease their primary residence manage all aspects of the rental.
- 38% of hosts who lease a secondary residence manage all aspects of the rental.
- 2.25 million or 25% of second homes are used both as a rental property and professionally managed.
- 31.6% of homeowners who use online platforms to advertise spend four or more hours creating their listing.
- 77.9% of homeowners welcome guests to their property via email only.
- 63% of homeowners reply to travelers within 60 minutes of receiving their inquiry.



Vacation Rental Guest Statistics

As travelers return to their vacation rentals, many of their needs and expectations have changed.

- The average rental price at popular destinations is $186 per night for a single and $978 per night for a family-sized rental.
- 53% of all travel is booked online.
- 67% of travelers think it’s cheaper and easier to book on a brand website rather than a third-party website.

- 71% of travelers with children say access to cooking their own meals is a major reason they choose a vacation rental.
- 83% of travelers prefer to spend their vacations near water.
- 74% of travelers prefer to be on the coast.
- 51% prefer mountainous vacations.
- Travelers over 40 are five (5) times more likely than travelers under 40 to plan a trip longer than two (2) weeks.

Vacation Rental Guest Generational Differences

Millennials (and increasingly, Generation Z) are most likely to choose short-term rentals instead of hotels for their stays.

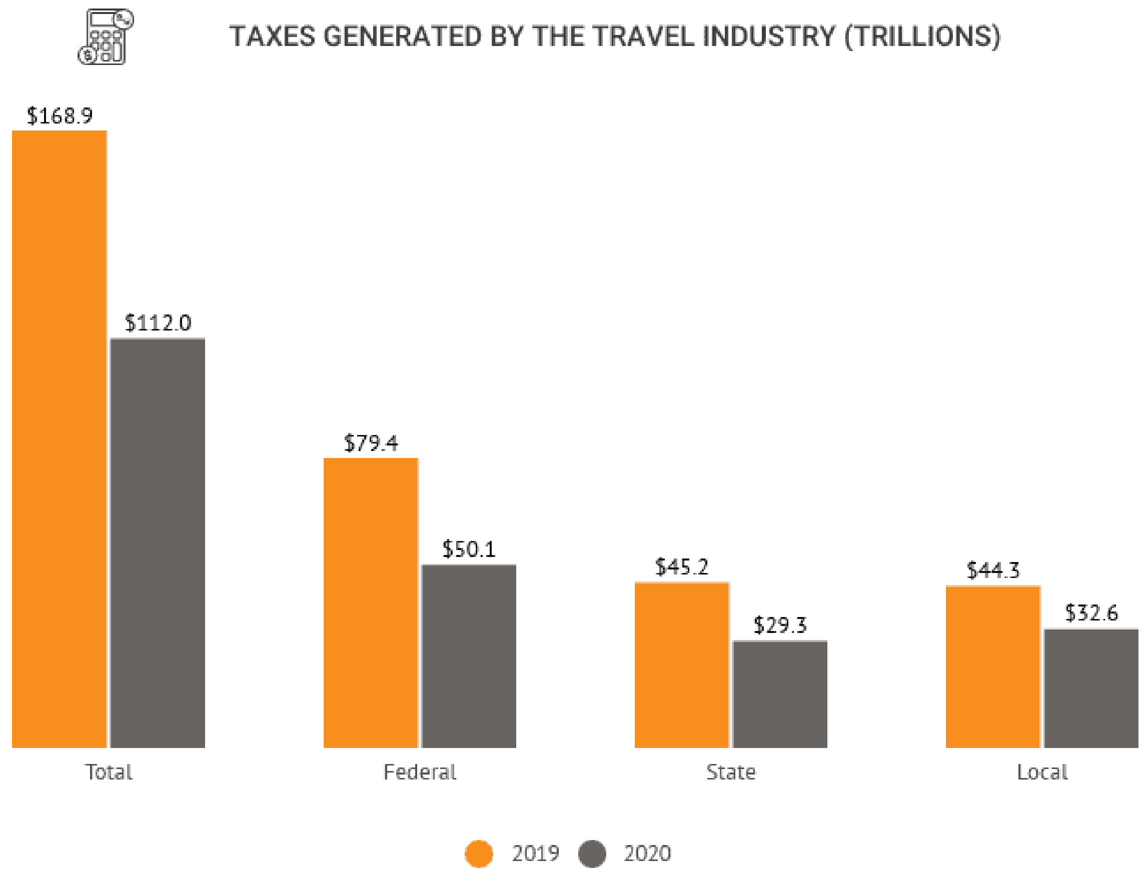
- Millennials make up 40% of leisure travelers who book online.
- Generation Z or Gen Z is most likely to travel with friends (35%) instead of traveling alone or with immediate family.
- Prior to 2020, Gen Z spent their average vacation time in cities (more than 60% of the time), far surpassing rural and suburban destinations.
- 81% of Gen Z travelers have already stayed in a vacation home, cabin or condo at some point in their lives.

Remedy Rent
A Service of Greenhill Capital llc

Vacation Rental Guest Travel Plans

Though experts expect online booking to increase to 79% of all vacation reservations, many travelers still use traditional resources to plan trips.

- Around Independence Day, Nantucket is more expensive than all other popular summer tourist destinations, at $978 per night.
- Travelers can save up to 70% by booking stays in the off-season.
- 95% of visitors have their travel plans influenced by brochure information.
- 83% plan to visit a business or attraction highlighted in a brochure, map, or guide.
- 78% of travelers consider altering their travel plans as a result of a brochure.
- 53% of travelers use brochures to plan their trip before they arrive.
- 59% of people review websites, online forums, etc. before going on a trip.
- 31% turn to family and friends for recommendations when planning a vacation.
- 25% of people use a travel agency website.



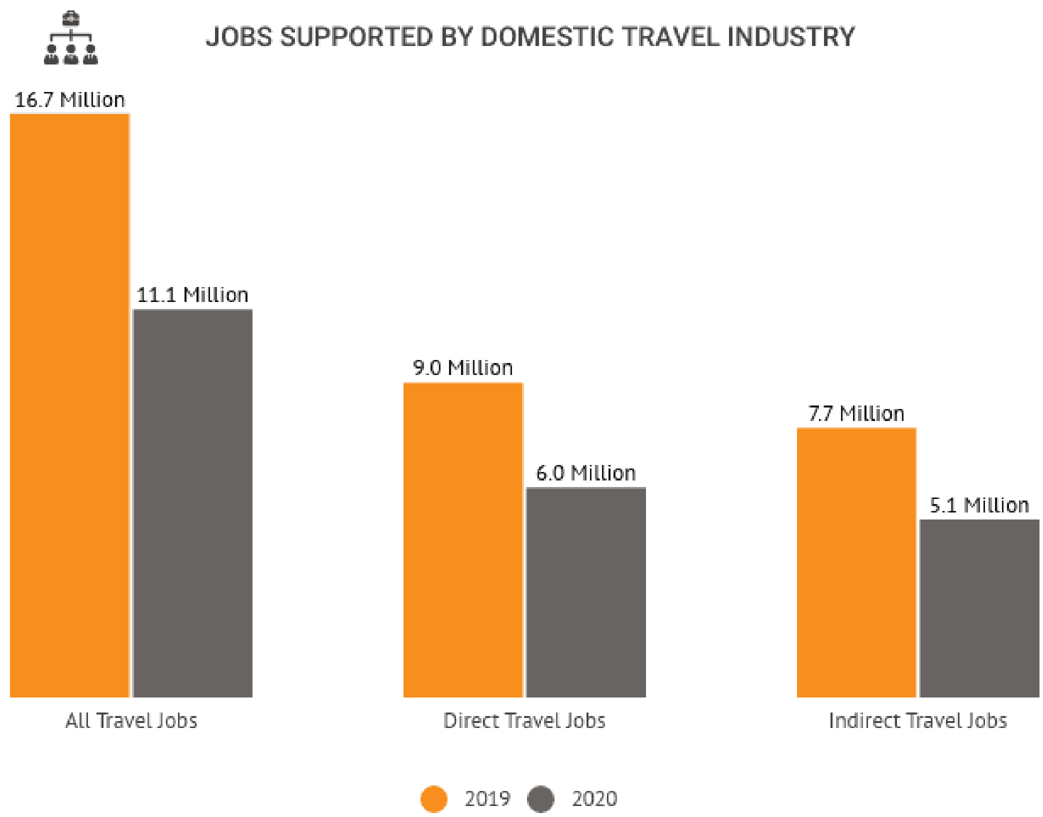
Vacation Rental Industry COVID Effect

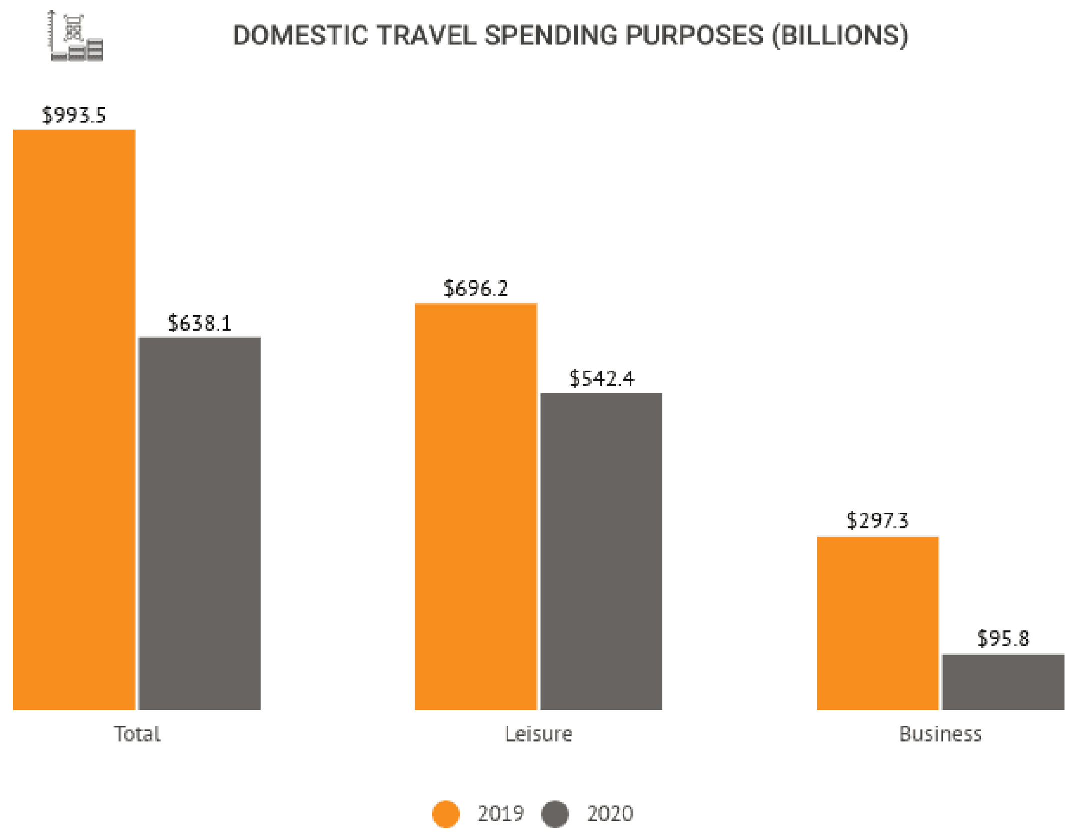
Lockdowns had far-reaching consequences though the industry showed signs of a rebound as early as May of 2020.

- National travel and tourism lost $1.1 trillion in economic output in 2020.
- In April 2020, the industry had a 48.9% unemployment rate.

- Short stays (between 1 and 7 days) accounted for 79% of bookings prior to March 2020.
- This dropped to 30% in March 2020, but grew to 59% by December 2020.
- 10% of U.S. travel bookings were for short-term rentals prior to March 2020.
- Throughout 2020, their share rose to over 25%.
- As lockdowns went into effect in March 2020, booking cancellations rose by 534%.
- By late-May, online searches for vacation information were 100% higher than they were the previous year.

Remedy Rent
A Service of Greenhill Capital llc



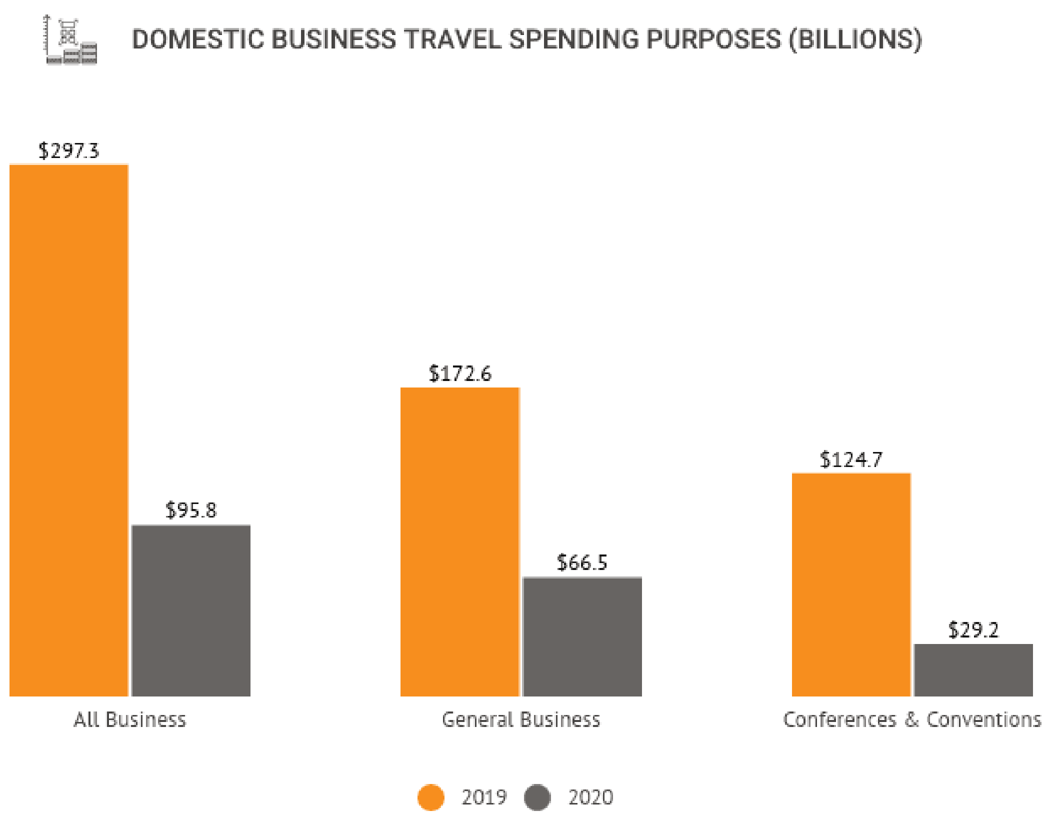


COVID Effect on Vacation Rental Industry Employment

Vacation industry unemployment was high at the end of 2021's second financial quarter, though employees experienced more salary growth than many other industries throughout 2021.

- Domestic travel declined 36% in 2020.
- 65% of jobs lost in 2020 were directly or indirectly supported by the travel industry.

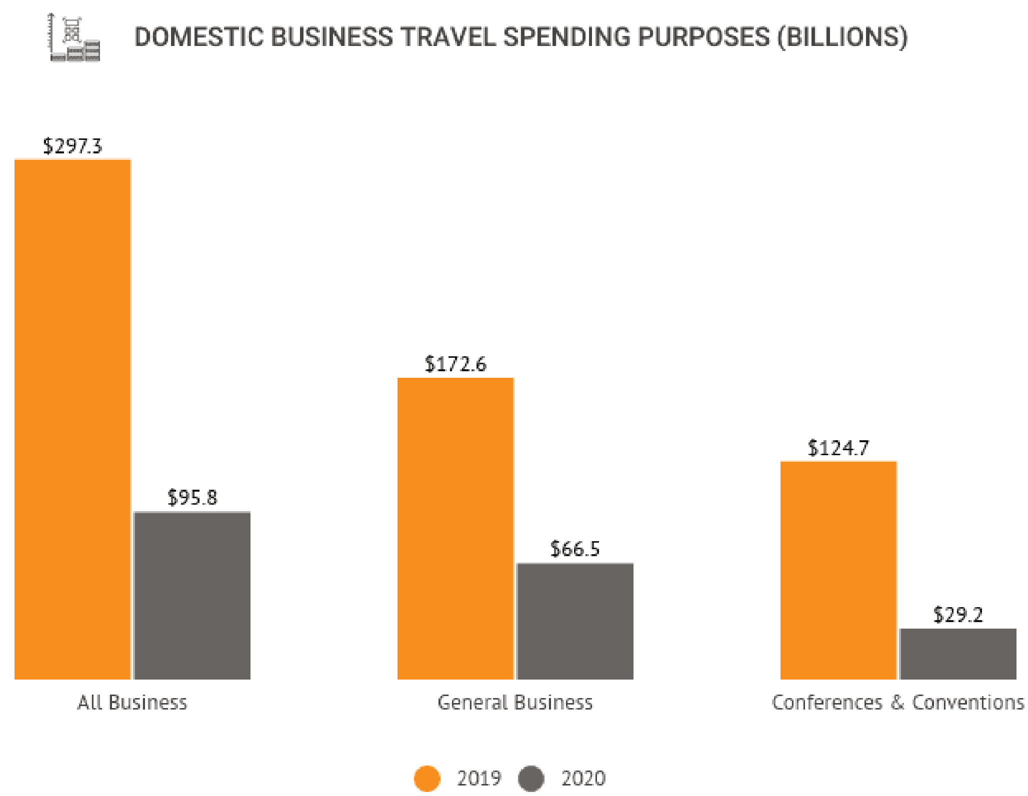
- During the same period, average weekly working hours increased 5.5%.
- In 2020, workers represented by unions earned an average weekly wage that was 21.2% higher than the average full-time worker's.
- From April 2020 to April 2021, unemployment declined 71.8% year-over-year.
- Lodging managers earned an average $26.75 per hour in 2020.



COVID Effect on Vacation Rental Industry Finances

Historic losses in 2020 affected the entire industry.

- Domestic travel spending declined 36% from 2019 to 2020.
- International travel spending declined 79%.
- The economic output from travel declined 42% or $1.1 trillion.
- 35% of jobs lost in 2020 were direct travel jobs.
- 65% of jobs lost in 2020 were travel-supported (directly or indirectly).
- Before 2020, 11% of the workforce worked in travel-supported jobs.
- 6% of the workforce was directly employed by the travel industry.
- In 2020, travel-related tax revenue declined 34%.
- Local jurisdictions received an 11% greater share of the total tax dollars generated by the travel industry.



Property Taxes & Types

As short-term and vacation rental becomes a more popular way to supplement income, tax legislation continues to define terms and restrictions.

- A **minimal-rent residence** refers to a personal residence that is rented out for a period of less than 14 days per year, any revenue generated is not subject to income tax. Expenses, however, are not eligible for a business write off.
- **Rental property** refers to any property that is designated a business for tax purposes and rented out for more than 14 days per year. Further, the property owner may not use the property for personal purposes for 14 days or more per

year. Any revenue is subject to income tax, but the property owner may write off all relevant business expenses.

- **Medium-** and **heavy-rent residences** refer to personal residences that are designated based on a ratio of personal-to-rental use. A medium-rent residence is a personal residence where personal days are either in excess of 14 days *or* are greater than 10% of the total number of rental days. Heavy-rent refers to a personal residence where personal days are both in excess of 14 days *and* less than or equal to 10% of the total number of rental days.

Sources

https://ipropertymanagement.com/research/vacation-rental-industry-statistics

1. U.S. Bureau of Labor Statistics (BLS), Industries at a Glance: Accommodation: NAICS 721
2. Internal Revenue Service (IRS), Topic No. 415 Renting Residential and Vacation Property
3. IRS, Residential Rental Property (Including Rental of Vacation Homes): For Use in Preparing 2020 Returns
4. U.S. Census Bureau, North American Industry Classification System (NAIS): Sector 72–Accommodation and Food Services
5. 2022 NAICS: 721
6. Vacation Rental Market Association, Industry Research Data
7. New Vacation Rental Stats from the National Association of Realtors
8. VRM Intel, How 2020 Played Out: Analyzing Performance in 10 Key Vacation Rental Destinations

9. U.S. Travel Association, Fact Sheet: Travel's Dramatic Losses in 2020

10. Grandview Research, Industry Analysis: Vacation Rental Market

11. Statistia, Vacation Rentals Worldwide

12. Statista, Vacation Rentals in the United States

13. Hostfully, Market Report: Outlook on the Holiday Season Amidst the Pandemic

14. The State of The U.S. Vacation Rental Industry in 2018

15. Orange County North Carolina, AirDNA: 2021 AirDNA Trend Report

16. Travel Daily News International, Travel and tourism revenues to reach only $385b. in 2021, less than half the pre-pandemic levels

17. CBIZ Vacation Rental Insurance, 4 Vacation Rental Trends to Watch Out for in 2022

18. Research and Markets, The US Vacation Rental Market

19. Hostfully, 2-21 Vacation Rental Industry Stats Report

20. Hospitality Net, 2022 U.S. Short-Term Rental Outlook: Industry Maintains Momentum in an Uncertain Era

21. PR Newswire, Evolve's 2022 Travel Trends Forecast: Travel Returns — But Expectations Have Changed

U.S. Short-term Rentals Thrived Throughout the COVID-19 Pandemic.

Can the Trend Hold as America Heads Back to Work?

ABOUT THIS REPORT

The "new normal" of travel is here. A lot has changed since the pandemic began and, with travel restrictions easing and more people heading back to the office and school (at least part-time), the lodging landscape looks very different.

This report explores how travel, travelers, and the short-term rental (STR) space have changed, and provides three outlook scenarios based on this data and economic and social factors shaping the new normal.

METHODOLOGY

Building on 10+ years of forecasting the hotel industry, AirDNA's economists developed the short-term rental industry's first econometric forecasting models to help industry participants better understand what the future may look like.

These models incorporate expectations of U.S. economic growth through employment and GDP forecasts as well as how underlying changes in the housing market may impact the available supply of vacation rental properties.

This methodology revealed that, while STR demand has hit astonishing levels in many markets, we're yet to see whether or not the industry recovers demand back to the level it would have achieved if it had maintained its 2019 growth rate.

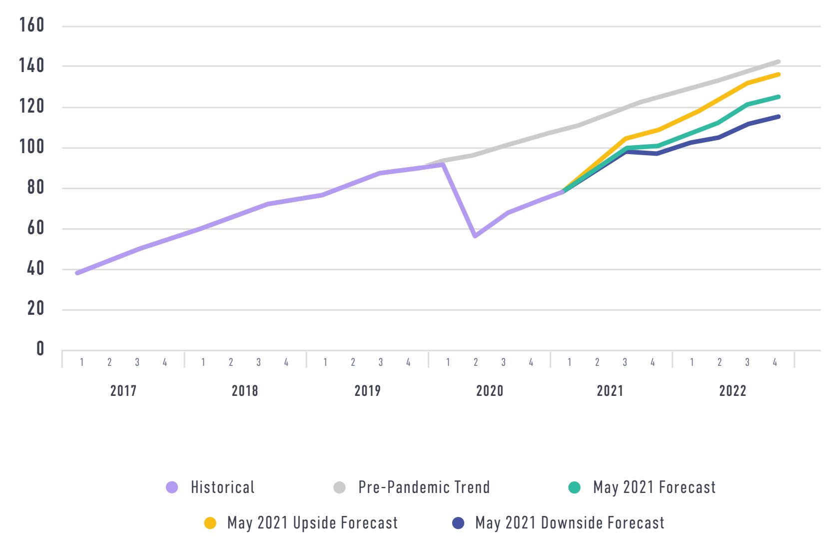
While significant progress has been made, our baseline outlook calls for another 2+ years to achieve it, though it could be reached sooner if certain scenarios play out. This report will outline these scenarios and how their assumptions would impact the U.S. short-term rental industry.

Can Short-term Rentals Continue to Thrive as Americans Head Back to Work?

Short-term rental (STR) demand exceeded all expectations in 2021. How so?

- *Demand surged in small-town and destination markets throughout the United States*
- *In Q1, the U.S. hit a new bookings record each month leading up to April 2021 when demand (nights) surpassed 2019 levels for the first time since February 2020*
- *This milestone marked the end of recovery and the beginning of the next phase of expansion for the U.S. short-term rental industry*

Projecting Vacation Rentals' Trajectory: Three Possible Scenarios



Occupancy Rates Hit All-time April High

Peeling apart the highest-ever April occupancy rate (61.6%) for U.S. STRs, we find that demand has recovered in four out of the six location types that AirDNA tracks.

- *67% more listing nights sold in 2021 than 2019 in small cities/rural markets*
- *25% more demand in both destination/resort locations (mountain/lake and coastal)*
- *Eight percent demand growth in mid-size cities 13% lower demand levels of demand in suburban markets*
- *41% lower levels of demand in the 50 largest U.S. cities based on population*

Occupancy Rates: April 2021 Compared to April 2019

Old Supply Trends Held, Another Emerged

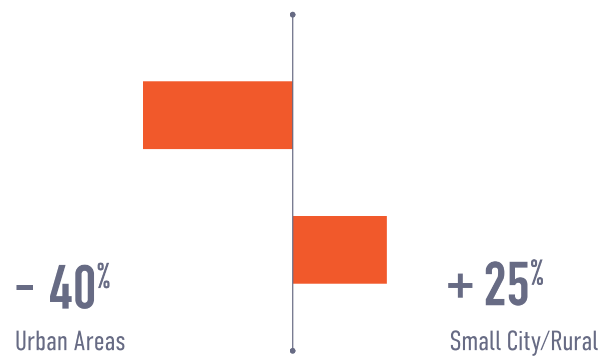
Historically, owners add units during high-demand periods and remove them when demand dissipates. This trend generally held over the past year:

- *40% fewer available nights in urban areas*
- *25% more nights available in small city/rural locations*

Destination/resort areas have somewhat bucked this trend.

- *Demand remained high, though many markets' availability declined*
- *Destination markets near major cities see increased demand for single-family housing*
- *Many owners removed properties, preferring to use second homes themselves*

Available Nights During 2020



AIRDNA

Short-term Rentals' Economic Health Tied to COVID Cases' Decline

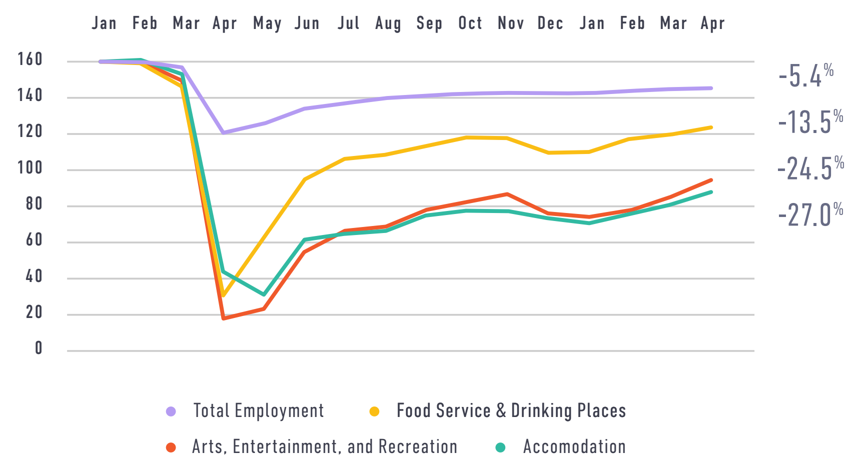
Recovery in demand for short-term rentals has been the result of many factors. Vaccine rollout and subsequent COVID-19 case decline remain the most important.

- *As of May 24th, all states have seen major declines in the rate of new cases since winter*
- *All have eased economic restrictions or have fully re-opened*
- *Travel's recovery will be dependent on easing safety concerns and reopened businesses*
- *High consumer incomes and high savings rates mean people have the means to travel*

The U.S. government provided unprecedented stimulus to American workers and businesses. This support enabled many businesses to continue operations and workers to keep their jobs throughout the past year.

- *Through April 2021, the U.S. had only lost 5.4% of employed workers*
- *It had recovered over 14 million jobs over the past year*

U.S. Employment Change Since Februrary 2020



The Hospitality Industry's Disproportionate Recovery

The leisure and hospitality industry is yet to see major recovery in overall employment. The overall decline in accommodation employment has roughly mirrored the recovery in hotel performance and closely aligns with short-term rental demand in large U.S. cities.

Each of these sectors remains dependent on cities reopening, attractions like Broadway theaters, sports arenas, and concert halls returning to full capacity, and business travelers getting back on the road.

- *Pent-up demand restaurants, travel, and entertainment will rebound strongly in 2021*
- *Real GDP is forecast to increase 6.5% in 2021 and taper off to 4.4% growth in 2022*
- *The biggest recovery risks are new COVID-19 variants and slowing vaccine uptake*

With consumption roaring and government unemployment benefits expiring, most economists expect employment to recover to pre-pandemic levels by the end of 2022, which is significantly earlier than any prior estimates.

AirDNA's U.S. Short-term Rental Outlook Scenario Assumptions

	BASELINE	UPSIDE	DOWNSIDE
Listings	Strong new unit growth in high-demand areas, but not nearly as fast as demand. Available listings recover to 2019 levels by 2023 in urban areas.	The high demand for short-term rentals brings in hundreds of thousands of new hosts, allowing more people the opportunity to stay in STRs. Supply accelerates.	High demand for single-family homes outside of major cities pushes more prices higher and reduces investment in short-term rentals. Supply growth stalls.
Length of Stay	A hybrid work model allows many workers more flexibility to work from home more often. Extend trips because the norm as more and more travelers combine business and leisure trips.	Flexible travel is here to stay. A significant portion of the population continues to work remotely, giving them flexibility to work from anywhere and live on Airbnb. Mid-term stays grow as incremental new demand.	The flexibility of remote work and school ends, bringing workers home. Lengths of stay shrink, and mid-term stay demand returns to pre-pandemic levels.
Demand	STRs retain most of the gains made vs. hotels for leisure travel and maintain gains in destination markets. Demand begins to recover in major cities in late 2021 with most markets recovering to pre-pandemic demand levels by the summer of 2022.	Added flexibility extends peak travel periods. Short-term rentals take more share from hotels as a preferred lodging choice. Vaccination rates accelerate globally, leading to more inbound travel and a rapid recovery of urban demand.	As global travel opens back up, Americans begin to travel overseas before inbound travel recovers for the U.S. This leads to less demand for destinations and a slower recovery in U.S. cities.
Rental Rates	Limited new supply and strong demand allow most STR operators to continue gradually raising rates, increasing the revenue earned per unit.	Even with new supply added, the scarcity of available units allows operators to raise rates and indefinitely keep them at elevated levels.	Demand growth doesn't meet expectations. Increase competition among hosts and hotels leads to discounting and overall lower revenue per unit.

Expectations for the Short-term Rental Industry

New demand in small city/rural and destination/resort markets dominated 2020 and 2021. 2022 will focus on a return to the great American cities.

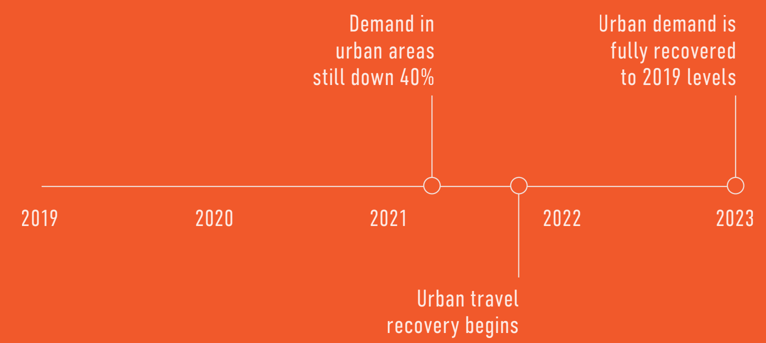
- *Through April 2021, demand was still down over 40% compared to 2019 in urban areas*
- *We expect urban travel to begin recovering in Q3 and Q4 2021 and in earnest in 2022*
- *We predict urban demand to fully recover to 2019 levels by 2023*

Urban STRs could see an even quicker rebound if business travelers prefer their own space and added amenities like a kitchen and separate living space. There may also be additional demand as remote workers plan trips back to headquarters.

International travel remains a recovery risk. In markets like New York, San Francisco, and Miami, as much as 30% of historical demand could be attributed to international guests.

- *Vaccinated Americans could travel overseas before foreign guests can enter the States*
- *This could create an imbalance of travel that could temporarily impair U.S. performance*
- *It may take some time for vaccination rates to catch up around the rest of the world*

The Return of Urban Travel



Will Schools' and Offices' Reopening Restrict Travel Flexibility?

Throughout the pandemic, many fortunate Americans have been able to work or go to school remotely. This provided them flexibility to "travel anytime, anywhere, and stay longer" as Airbnb pointed out in a recent call.

- *This appealed to digital nomads looking for unique places to live and explore new areas*
- *Flexibility and people's willingness to live anywhere hugely benefited short-term rentals*
- *Airbnb notes that 24% of its nights booked were long-term stays (defined as stays of 28 days or more), up from 14% in 2019*

Our outlook is optimistic: more companies will have a hybrid option, meaning more flexibility to work remotely more often.

However, we don't expect remote work to remain the norm once safety is no longer a concern for most in-office workers.

- *Added flexibility means an increase in combined and extended business-leisure trips*
- *Widely adopted remote lifestyles will further support travel, especially longer STR stays*
- *In Q1 2021, the average length of stay was 25% higher than pre-pandemic, mainly due to longer stays in large and mid-sized cities*
- *We expect LOS to shorten but remain materially higher than 2019 levels*

AirDNA's Industry Outlook

High levels of demand and a delayed expansion of available supply of new STR units will mean at least two years of elevated occupancy levels for U.S. properties. In 2020, STR demand contracted by 16.1% for the year. A significant portion of that demand was for private and shared rooms or 1- or 2-bedroom apartments listed on Airbnb and primarily located in large metropolitan areas.

- *Demand shifted to larger homes in destination markets, with higher average rates, leading to overall 2020/21 ADR growth*
- *This same factor, but now in reverse, will cause ADRs to decline in 2022 as demand returns to the cities and smaller properties*
- *2022 rate contraction still means the average rate will be 7.5% higher than in 2019*
- *Total revenues will increase by 42% over the four-year period*

U.S. Short-term Rental Forecast (2019-2022)

Metric	2019	2020	2021 F	2022 F
Available Listings	1,175,437	1,039,948	1,138,111	1,370,903
Listings, % Change	11.0%	-11.5%	9.4%	20.5%
Demand, % Change	20.9%	-16.1%	27.5%	23.4%
Occupancy	53.5%	53.2%	58.9%	57.9%
Average Daily Rate	$214.30	$233.84	$248.06	$230.33
ADR, % Change	1.3%	9.1%	6.1%	-7.1%
RevPAR	$114.59	$124.50	$146.22	$133.40
RevPAR, % Change	3.8%	8.6%	17.4%	-8.8%

AIRDNA

No Vacancy: Summer Rentals in Short Supply

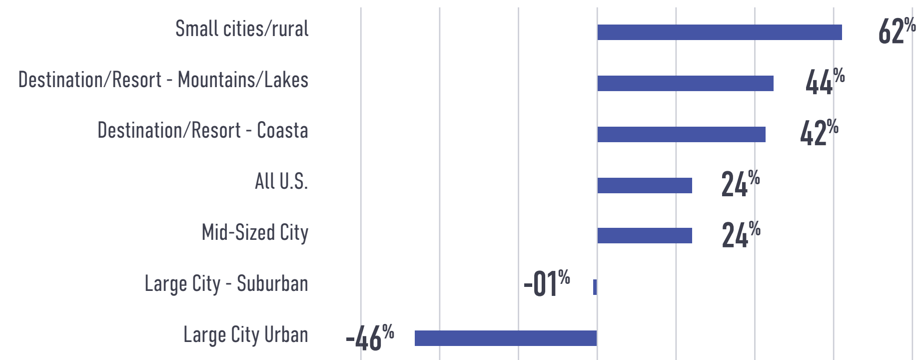
So far, new supply has struggled to keep pace with rising demand. New campaigns from both Airbnb and Vrbo should help, but will not be enough to satisfy the record demand for this summer.

- *As of May, ~52K new units have been added on either Airbnb or Vrbo*
- *Overall, this is 10% lower than a typical year over the same period*
- *AirDNA expects many new listings on both platforms throughout the summer into 2022*
- *The average unique available listings count on both is expected to increase by 20.5% in 2022 to over 1.3 million listings*

Bookings already show a strong summer for most markets in the U.S. As expected, destination/resort markets will capture most of that demand.

- *Domestic travel to beaches and mountains remains popular*
- *In mid-May, demand nights in these markets are up over 40% relative to the same time in 2019*
- *Small cities/rural areas are already pacing 62% higher for this summer than in 2019*

U.S. Summer 2021 Demand Booking Pace Relative to 2019, as of May 20th



AIRDNA

Cities' Slumps Mean Fewer Guests

A recovery in large cities is just beginning to take shape. Since the beginning of the year, each week's new bookings have looked slightly better when compared to 2019.

- *At the beginning of the year, bookings in large cities were 45% lower than 2019's pace*
- *In May, bookings are only 15% below 2019's pace*
- *The deficit of new bookings continued to compound and summer bookings are currently about 46% lower in urban areas than in 2019*
- *Lead times for stays in large cities will remain short, as there continues to be plenty of availability and little incentive to book far in advance*

Booking Pace: 2021 Compared to 2019

45% ▼
Large Cities

15% ▼
Month of May

46% ▼
Summer:
Urban areas

The "New Normal" of Travel is Here

Will increased flexibility to live and work anywhere change the short-term rental sector forever? Probably not, but there are plenty of tailwinds for the sector that should help it get back to its pre-pandemic trend growth rate.

- *In the longer term, the short-term rental industry will continue to professionalize and expand its share of total lodging spend*
- *Brands like Vacasa and Sonder will grow and Airbnb and Vrbo's competition will intensify*

While the industry will somewhat normalize with the return of international travel, the short-term rental sector has strengthened consumer trust and sentiment during the pandemic, which will only speed its recovery rates compared to its lodging counterparts.