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How will Airbnb, Vrbo, Booking.com and others grow their rental inventory?

By Mitra Sorrells (/Mitra-Sorrells) | December 9, 2020

Airbnb (<https://www.airbnb.com/>)'s entry to the public market is expected Thursday, now at a range of \$56 to \$60 per share according to a securities filing Monday, giving it a \$42 billion valuation.

The timing of the IPO is an indication of the strength of the platform – and the overall short-term rental sector – as one of the relative bright spots in an otherwise dismal year for the travel industry. **According to a report from STR and AirDNA (<https://www.airdna.co/blog/covid-19-impact-on-hotels-and-short-term-rentals>)**, average daily rates for short-term rentals were reported as higher in July 2020 than in July 2019 in the United States, Spain, Italy, France and China.

Airbnb's **S1 filing**

(https://www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm#toc81668_4)

states that from July through September, the platform captured gross booking value of \$8 billion, just 17% below the same period in 2019 and above the 2018 amount of \$7.5 billion.

But the resilience of short-term rentals during the pandemic is, at this point, old news. The question that remains is how the sector will fare in the future. One thing is clear: Industry leaders expect the spike in demand to continue and are now putting a focus on growing the supply of rental properties.

As Airbnb's S1 document states: "If we are unable to retain existing hosts or add new hosts, or if hosts elect to market their listings exclusively with a competitor or cross-list with a competitor, we may be unable to offer a sufficient supply and variety of properties or experiences to attract guests to use our platform."

Meanwhile **Expedia Group (<https://www.expediagroup.com/>)** CEO Peter Kern, in the company's call with analysts to discuss **Q3 financial results (<https://www.phocuswire.com/expedia-group-q3-better-than-expected-vrbo-up-year-over-year>)**, said: "There was a really acute demand spike there [on **Vrbo (<https://www.vrbo.com/>)**]. We do think there's more opportunity to serve them more opportunity, and I think we will continue to try to grow our inventory."

And **Booking Holdings (<https://www.bookingholdings.com/>)** CEO Glenn Fogel said in his company's **Q3 call (<https://www.phocuswire.com/booking-holdings-q3-2020>)**: "People having experienced this [alternative accommodations], now it goes into the consideration set for any type of use, standard holiday or not. And that's why I do believe, in the long run, to continue to build our inventory for the single property type use is very important."

Individual owners vs. property managers

As of September 30, Airbnb says it has more than four million hosts around the world and 5.6 million active listings. As of December 2019, the company says 90% of its hosts were individual hosts, defined as "those who activate their listings directly on Airbnb," and 79% of those have just one property on the platform. The remaining 10% of hosts are property management or hospitality businesses.

The company calls individual hosts "the core of our host community" and says, "Historically, we have seen an increase in the number of, and revenue from, professional hosts on our platform. The uniqueness of listings on our platform will be negatively impacted if the number of individual hosts does not grow at the same rate."

In fact, there may be more to the value of individual hosts than just maintaining "uniqueness of listings." According to a **report from Transparent (<https://seetransparent.com/en/airbnb-ipo/who-are-todays-airbnb-hosts-and-how-loyal-are-they/>)**, Airbnb's hosts with just one property have the highest review scores.

Also in Transparent's analysis: 83% of Airbnb's listings from hosts with just one property are only listed on its site, not on Vrbo, **Booking.com (<http://Booking.com>)** or elsewhere.

Expedia Group's vice president partner success for vacation rentals, Kevin Locraft, acknowledges the value of exclusivity that is more likely to come from owner inventory, but he says that is not his priority.

"There's more demand than we can handle in this space, and so there's more need for all inventory than ever," he says.

"At the end of the day when a traveler comes to any one of our websites, I want them to find exactly what they are looking for. And exactly what they are looking today might be available through an owner, it might be available through a property manager ... and therefore I want it all."

However, Locraft acknowledges the pandemic has made attracting those individual owners more challenging.

"If you are a second-home owner there is economic uncertainty, there's regulatory risks that's going on, there are travel restrictions put in place and then taken away and then put in place in relation to the pandemic. Some people are a little bit weary of opening up their home and not knowing exactly who is going to be staying here. Some owners are actually using their homes as their office or their second home more than they have in the past. Those are the things we are battling against," Locraft says.

"It's not just a dollars-and-cents game, because if it were a dollars-and-cents game there's no better time to be listing your secondary home on Vrbo or Expedia or any of the platforms."

Vrbo uses email campaigns, search engine marketing and advertising on social channels such as Facebook and LinkedIn to reach potential owners with messages about why they should list on Vrbo.

"It has been sort of tried and true that the hook can be economic in nature and that would be enough to pull people in. I think post-COVID it's a little bit different," Locraft says.

"You have to get people comfortable with participating in this category in a particular uncomfortable time. [So] hooks around how we provide the technology and a responsible platform so owners can feel safe about the travelers they are renting to."

In an email statement, Eric Bergaglia, global head of **Booking.com** (<https://www.booking.com/>)'s homes and apartments business, says that the platform is also looking for ways to serve individual hosts.

"Individual homeowners are the hallmark of the transformation of the alternative accommodations space in recent years," he says.

"Because we recognize that renting out your primary or secondary residence is quite different from operating as a professional property manager, we are continuously in dialogue with all of our partners and innovating to meet their specific needs so they can capture more bookings and capitalize on all the short-

term rental industry has to offer. With the strong momentum behind this segment, with 30% of our new bookings in the third quarter coming from alternative accommodation, we are committed to continuing to listen and respond to our partners in order to grow together."

Record vacation home sales

According to a **November report from the National Association of Realtors** (<https://www.nar.realtor/blogs/economists-outlook/vacation-home-sales-are-getting-a-pandemic-boost>), vacation homes sales in the United States rose to 109,100 in the period from July to September, a 44% gain over the same period in 2019 and up from about 60,000 sales in the period April to June.



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Kevin Locraft - Expedia Group

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Vacasa (<https://www.vacasa.com/>) vice president of sales and marketing Shaun Greer says that as more transactions take place with this type of inventory, challenges mount for management companies and listing platforms that need to determine if new owners intend to occupy the property full time or list it for rent, either self- or professionally-managed.

Greer says Vacasa currently manages about 25,000 of the 1.5 million vacation rentals in the United States, making it the largest management company in the country.

To grow its inventory, Vacasa uses content marketing, creating multiple reports each year with data on market performance and occupancy trends – which Greer says partly accounts for a boost in organic leads this year. In the first 11 months of both 2019 and 2020, Vacasa says it took in about 4,000 inquiries, but this year those coming in organically went from 1,168 in 2019 to 1,998 in 2020 – an increase of more than 71%, with the biggest jump coming between June and September.

Vacasa also partners with real estate agents to introduce the Vacasa brand from day one.

"We help them help their clients choose the best vacation home," Greer says.

“We have a little over 3,000 real estate agents that are part of our network ... sometimes our sales rep will go on the buyer meeting with the agent to talk about property management services and the best way to feature the home as a vacation rental.”

Longer stays

One factor that could complicate efforts to grow inventory is the trend toward **longer-term stays** (<https://www.phocuswire.com/alternative-accommodations-pivot-to-long-term-stays?ctxp=>).

Airbnb says long-term stays – defined as at least 28 nights – were already one of its fastest-growing categories in 2019.

And as the COVID crisis unfolded, “Stays of longer than a few days started increasing as work-from-home became work-from-any-home on Airbnb. We believe that the lines between travel and living are blurring, and the global pandemic has accelerated the ability to live anywhere.”

Locraft says Vrbo has seen similar trends, with customers booking stays for multiple weeks as the pandemic eliminated the need to work from an office and moved schooling online for families with children.

Greer says Vacasa is seeing a similar shift to stays of 30 days or more in multiple markets in states such as Florida and Arizona.

While those longer stays may be good for the hosts who get guaranteed income, if the trend persists, it could impact available inventory broadly and, says Greer, impact revenue for management companies and distribution platforms.

“It creates some challenges in that companies like us and Airbnb and others make money off each reservation. We have less bookings happening but still the guests are renting the house out for longer,” he says.

However, Locraft also sees upsides across the board.

“While long stays do take inventory off the shelf for a longer period of time, any stay is a great outcome for all parties involved – guests, partners and Expedia Group,” he says.

“For owners and managers, longer stays can mean less time spent getting the home ready for the next guest. For travelers, it means that fees are a lower percentage of the total price and for Expedia Group, it means we need to find fewer travelers to fill partners’ calendars, so potentially lower marketing costs.”

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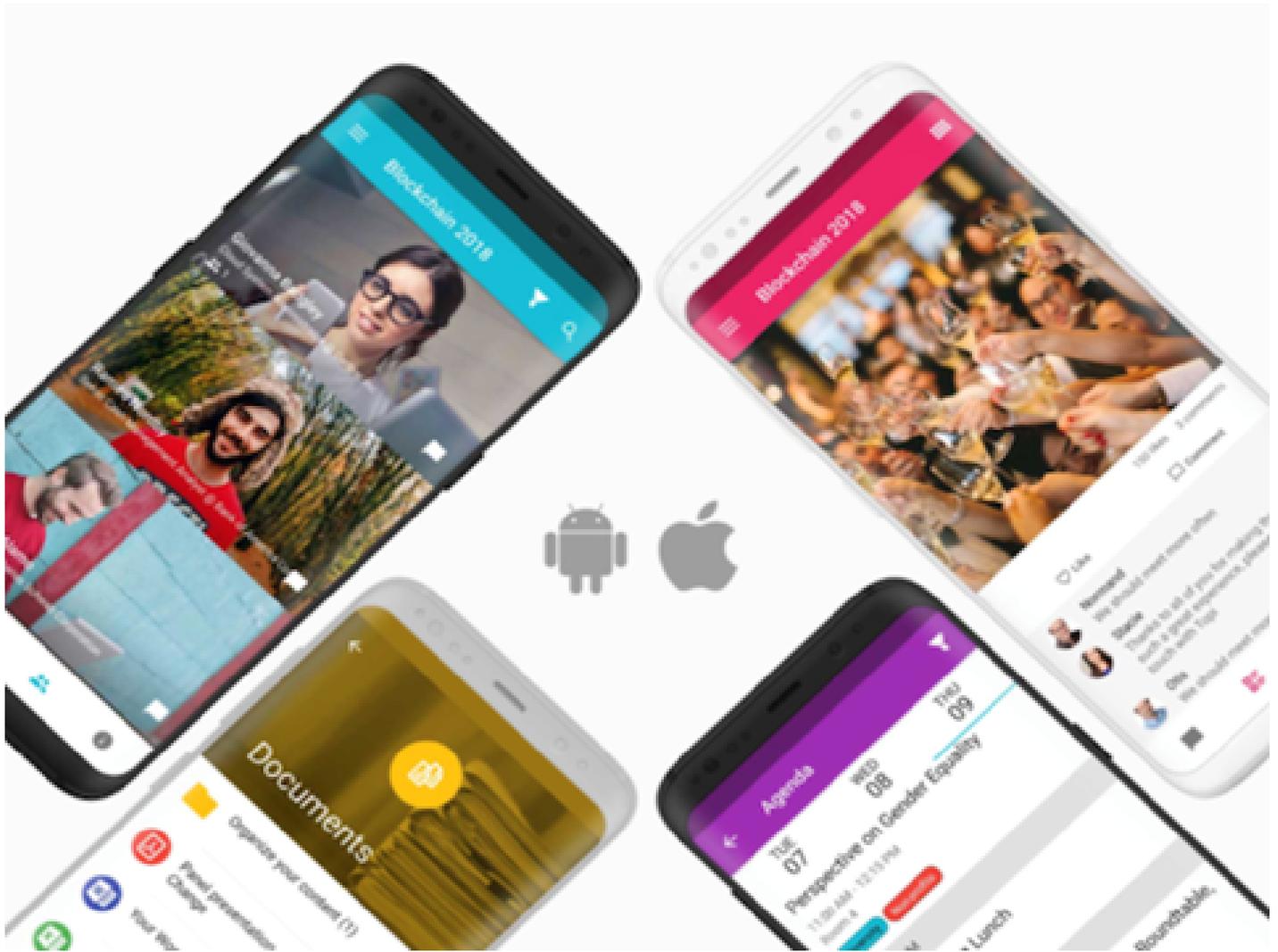


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