

Travelers are booking trips online again, but they mostly want the same thing: Not a hotel

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By [Levi Sumagaysay](#)

Alternative lodging to hotels in close enough proximity to drive have been a hot commodity, helping Airbnb and Vrbo, but Booking and analysts foresee a larger rebound ahead



Airbnb and its competitors are seeing a travel rebound.

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ABNB **-1.09%** **BKNG** **-0.55%** **EXPE** **-0.64%**



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As more people get vaccinated against COVID-19 and stay-at-home restrictions are lifted, there is little downside for online-travel companies — especially if they have a certain kind of inventory.

“There’s nowhere to go but up,” said Sucharita Kodali, an analyst with Forrester. “People will be going back on vacations again.”

Airbnb Inc., Booking Holding Inc. and Expedia Group Inc. all reported quarterly earnings in recent weeks, and had a similar read on the current situation, with slight variations. Airbnb **ABNB, -1.09%** Chief Executive Brian Chesky said on the company’s earnings call last week that he expects a “travel rebound of the century.” Booking **BKNG, -0.55%** CEO Glenn Fogel is feeling pretty good about an industry recovery, too, but because vaccination rates aren’t equal and the company has a big presence outside the United States, he told MarketWatch in an interview this month that “the world recovery will take years and we have to recognize that.”

The reason for the slight difference in the CEOs’ statements: The recovery is far from complete, and travelers currently are continuing to prefer to stick close to home, targeting more rural destinations and booking alternative accommodations to hotel rooms. That type of activity points to Airbnb and some of its competitors in the near term.

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Naved Khan, an analyst for Truist, told MarketWatch that due to pent-up demand for travel, “this is a case of a rising tide lifting all boats.” But as the pandemic continues, “consumers still continue to prefer alternative lodging.”

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Based on its analysis of app usage trends and searches, Truist Securities said the number of weekly active users of Airbnb's app rose quarter over quarter, and that online search interest for Airbnb and competitor Vrbo, which is owned by Expedia **EXPE, -0.64%**, has exceeded 2019 levels since mid-January. Both Airbnb and Vrbo offer mostly bookings for apartments and homes, as opposed to hotel rooms.

Because of what he sees as continued preference for the inventory that makes up the bulk of Airbnb's offerings, Khan said he expects the company's 2021 revenue to surpass that of its revenue in 2019, while he doesn't necessarily expect the same for Booking or Expedia.

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Kodali agrees with that sentiment about Airbnb, calling the company "absolutely well positioned."

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Booking CEO Fogel said his company has a big selection of alternative accommodations in Europe, something he wants to increase in the U.S. "We've been doing it for a very long time," he said. "We had that before there was an Airbnb."

He also pointed out what he sees as Booking's advantage over Airbnb: "We don't believe in going back and forth with the host. Once you press book, you're done. You don't need to keep talking about it."

See: [Booking revenue cut in half as COVID-19 pandemic continues to affect travel](#)

Booking and Expedia are trying to make sure they cover all bases. Expedia reportedly is trying to poach Airbnb super hosts for its Vrbo business. Expedia's "signs of life" prompted Susquehanna Financial Group to raise its revenue estimate for the company by 41% in 2021, and by 26% in 2022, analyst

Shyam Patil wrote in a recent note.

Read: [Expedia stock surges as results top Street view](#)

Next step for Airbnb and its competitors is to prepare for the uptick in travel. For now, most analysts envision that will continue to mean mostly domestic travel, as people keep going on getaways close to home. That will change as international and city travel also start to come back. The European Union announced Thursday that it is easing restrictions for vaccinated foreigners.

“As city travel revives between 2021 and 2022, [Airbnb] stands to benefit from having a pretty good inventory in urban destinations,” Khan said.

As for business travel, which according to a recent American Hotel & Lodging Association [survey](#) is not expected to recover to pre-pandemic levels until 2023 or 2024, Airbnb may have an advantage over hotels in that respect. The company said on its earnings call that in the first quarter, more than 24% of stays were for more than 28 days — meaning people may be booking Airbnbs and working remotely away from home.

On the other hand, Khan pointed out hotels’ possible benefit over Airbnb when people travel for leisure: “Maybe you’re going to a place where you do want the resort or an all-inclusive package.”

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However the travel recovery plays out, one challenge for alternative accommodations — which affects Airbnb most of all — is regulation.

“If cities put the kibosh on number of renters, or regulate the number of renters in order to bolster their hotel industry, that’s the bigger problem,” Kodali said.

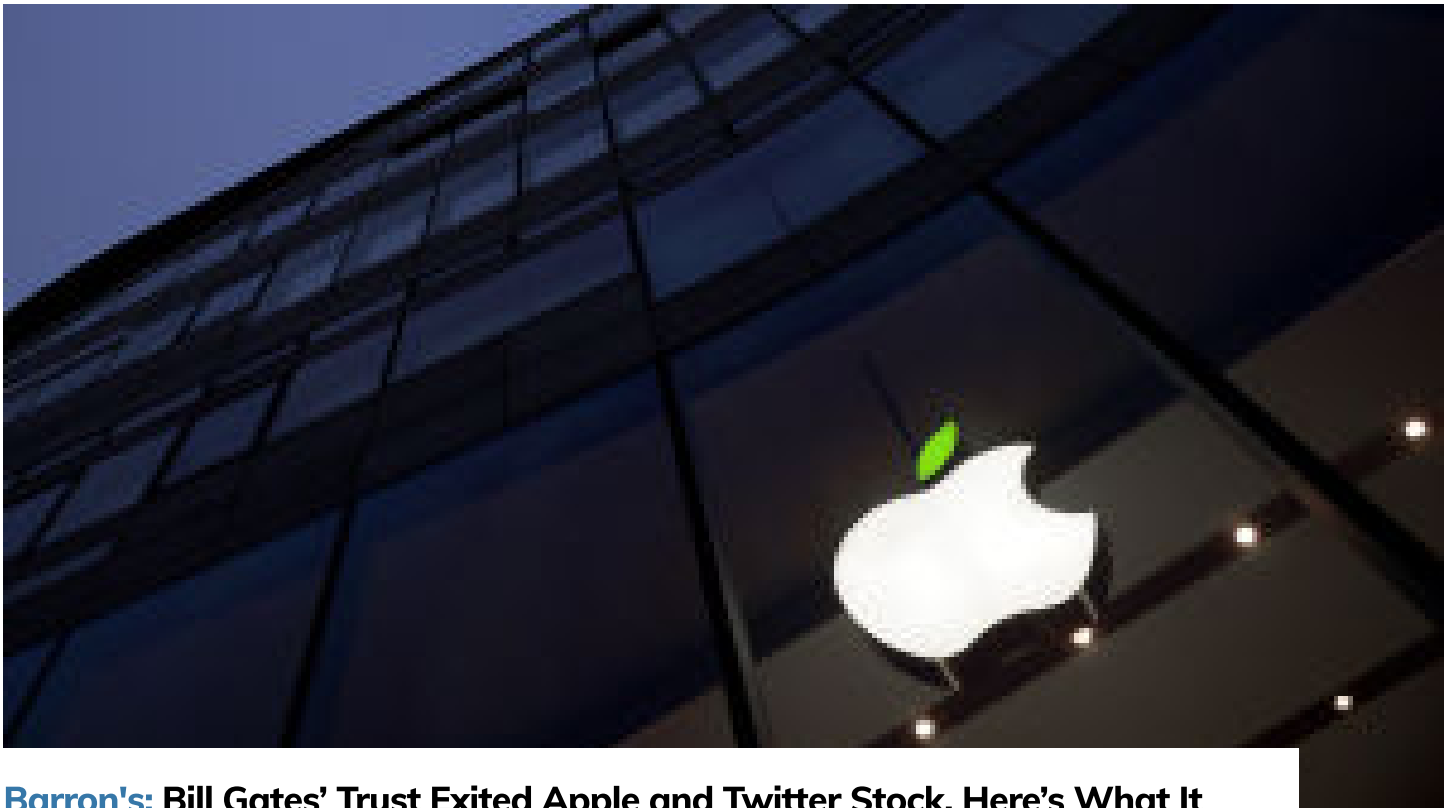
Khan agreed, pointing to limits on short-term home rentals in places like San Francisco and New York.

“On the flip side, if cities are trying to look for sources of revenue, could Airbnb convince them they will be a good partner?,” he added. “Maybe [the pandemic and its effects on the economy] will open up doors that had been partially closed.”

Despite analysts’ optimism about Airbnb, the company’s stock is faring worse than its competitors as of Thursday trading, and its market capitalization has fallen lower than Booking’s. Airbnb stock is down more than 6% year to date and has fallen 31.9% in the past three months. (It went public in December.)

Expedia shares are up 26.6% year to date and have risen 5.5% in the past three months, while Booking

shares have risen more than 3% so far this year and gained 0.3% in the past three months.



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