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RESEARCH



the future of
FLORIDA VACATION RENTALS

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2020

THE IMMEDIATE IMPACT

For many, travel is a much-needed escape from the daily routine. But when the coronavirus pandemic hit, not only were daily routines turned upside down, travel was disrupted immediately. In the vacation rental industry in Florida, no one knew what to expect. As the dust settled, the most profound changes were seen in demand and booking behavior; renters made last-minute reservations and demand soared. The growth was sustained through 2021, but what comes next? Using surveys of hosts and renters, by Downs & St. Germain Research, as well as data on vacation rental performance from Key Data Dashboard, we discuss what the last year and a half has looked like, make cautious predictions about what comes next, and provide recommendations based on our research.

The COVID-19 pandemic hit Florida vacation rentals swiftly in March of 2020. At the very beginning, the impacts were not all bad - as international travel was halted and cruises were canceled, many domestic travelers rebooked trips to Florida, which remained open as other destinations closed. However, the flurry of last-minute bookings disappeared as cases picked up, the World Health Organization declared a global pandemic, and Governor DeSantis issued a stay at home order on April 1. The next few weeks were tenuous - property managers were forced to disregard their stringent cancellation policies to preserve goodwill with renters, revenue disappeared, and no one knew what would happen next. From mid-March through late-May, the adjusted paid occupancy rate, which measures the number of guest nights out of nights available to be rented, was negligible. When Florida did re-open, hotels were allowed to operate but vacation rentals were not until a few weeks later. But then the proverbial floodgates opened. For leisure destinations, new last-minute reservations came pouring in and the occupancy rate increased quickly. Urban and resort markets, like Orlando and Miami, remained closed for longer.

2020

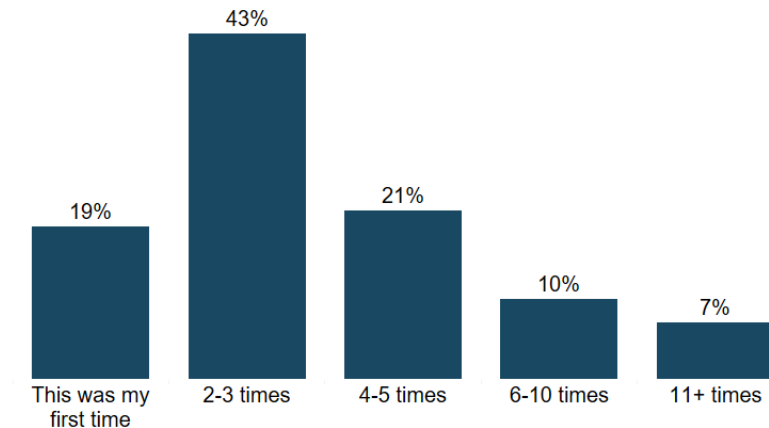
THE IMMEDIATE IMPACT

TRAVEL TRENDS

Once travel to Florida returned, vacation rentals became a popular choice. The average Florida vacation rental received 5% more guest reservations in 2020 than in 2019. The largest year over year increase came in June, with 53% more reservations in 2020 than in 2019. Many of those guests were first-time renters: of renters surveyed, 19% said that their recent vacation was their first stay in a vacation rental and 43% had stayed in a rental only two or three times. The pandemic seemed to give many people a reason to try vacation rentals for the first time - it's easier to be socially distant in a private rental unit than in a hotel. Of those who rented a vacation home between July of 2020 and July of 2021, 60% would have normally stayed in a hotel and 47% said they selected a vacation rental due to COVID. This was even higher among business travelers; 60% chose a vacation rental even though they'd usually stay in a hotel. However, those first-time renters were not dramatically different from long-time renters. Of Airbnb hosts surveyed, 67% said their visitors were not different than usual.

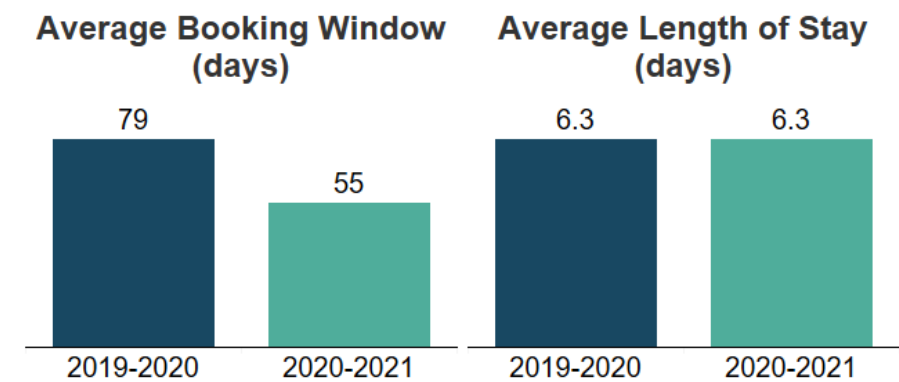
The average booking window, or the time between a guest making a reservation and arriving, has been dramatically impacted by the pandemic. The most dramatic year-over-year decreases in the booking window occurred in May and June. As destinations reopened, pent-up demand was released and travelers booked last-minute trips. The average booking window for 2020 was 55 days, representing a 30% decrease from 2019's average booking window of 79 days. In other words, the average renter booked their stay about three weeks closer to arrival than in the previous year. The average length of stay for guests also changed immediately but unlike the booking window, stay lengths returned to normal fairly quickly. The narrative early in the pandemic was that people were renting homes and staying for a month to work from 'home' in a new destination. However April was the only month with a much longer stay length. In April of 2020, the average guest stay length was 10.3 days, nearly double the 5.6 day average in April 2019. For the year overall, the average stay length was 6.3 days, exactly the same as in 2019. Of all guest stays in 2020, 8.2% were longer than two weeks, a meager increase over 7.7% in 2019.

How Many Times Have You Stayed In A Vacation Rental Home?



Source: Downs & St. Germain Research Florida Vacation Rental Survey

2020 Florida Vacation Rental Booking Trends



Source: Key Data's professional property management partners.



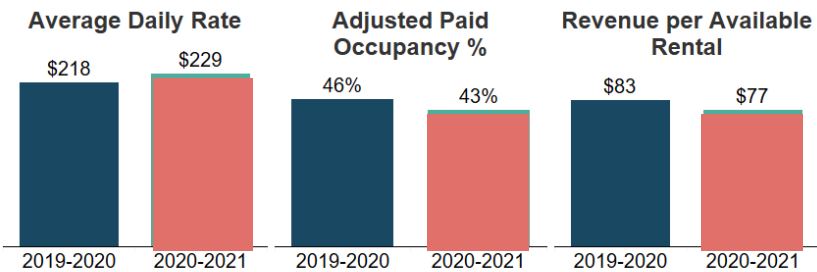
2020

THE IMMEDIATE IMPACT

RENTAL PERFORMANCE

Many destinations and vacation rentals experienced a strong summer, but the lost spring break revenue was still a concern. Thankfully, fall travel was more popular than in 2019 and the Adjusted Paid Occupancy rate was 9% higher in 2020 from September through December. Travelers had increased flexibility from remote work and school and the strong fall season helped vacation rental owners and managers recover. By the end of the year, statewide occupancy rate was 42.7%, down less than five points from 46% in 2019. The statewide average daily rate (ADR), or the average rent paid per guest night booked, was \$229, a moderate increase over \$218 in 2019. The largest increases in rates occurred during October and November, when demand for rentals was higher than normal. However, the 5% year-over-year increase in ADR did not quite offset the lower occupancy rate. Revenue per available rental (RevPAR), which measures the average revenue earned per rental night, was lower than in 2019 through July. For all of 2020, RevPAR was \$77, down from \$83 in 2019. Annual revenue did vary greatly by market, however, with urban and resort markets still experiencing lower-than-normal occupancy rates and demand while beach destinations recovered strongly.

2020 Florida Vacation Rental Performance



Source: Key Data's professional property management partners.

2021

RECOVERY + GROWTH

After a tumultuous 2020 and amid a lingering pandemic, the 2021 travel outlook remained uncertain. As COVID case counts waned during the spring, travel became more and more popular. Demand for vacation rentals in particular skyrocketed during the first half of the year. Air travel returned and most destinations experienced full recovery and even growth, a key distinction from 2020 when performance varied greatly by destination. By November 2021 revenue per available rental in Florida was 58% higher than in 2019. This is substantially larger than the nationwide growth rate of 39%. The state's relatively lax approach to pandemic management, the perception of beach vacations as being relatively safe, and the continued halt in international travel, likely contributed to the abundant success of Florida vacation rental markets.

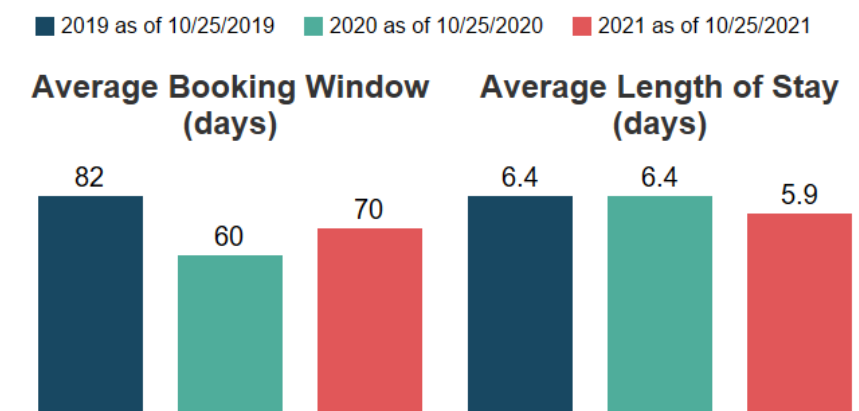
TRAVEL TRENDS

Demand and reservation activity was even stronger in 2021 than during the latter half of 2020. The annual number of guest reservations per property was 38% higher than in 2019 as of November 2021. Those first-time renters stuck around, with 87% of all renters saying they would stay in a vacation rental home again. This trend was true for business travelers as well, 80% of whom would stay in a vacation property again.

The average stay length continued to hover around normal levels, although it has been slightly shorter than in 2019 for much of the year. For 2021 guest stays booked by November, the average stay length was 5.9 days, down from 6.4 days in 2019. This has varied seasonally. During the summer, the average length of stay was very similar to 2019. However, the stay length was shorter during the off seasons, perhaps due to fewer snowbirds traveling from other countries and from more domestic travelers making shorter trips.

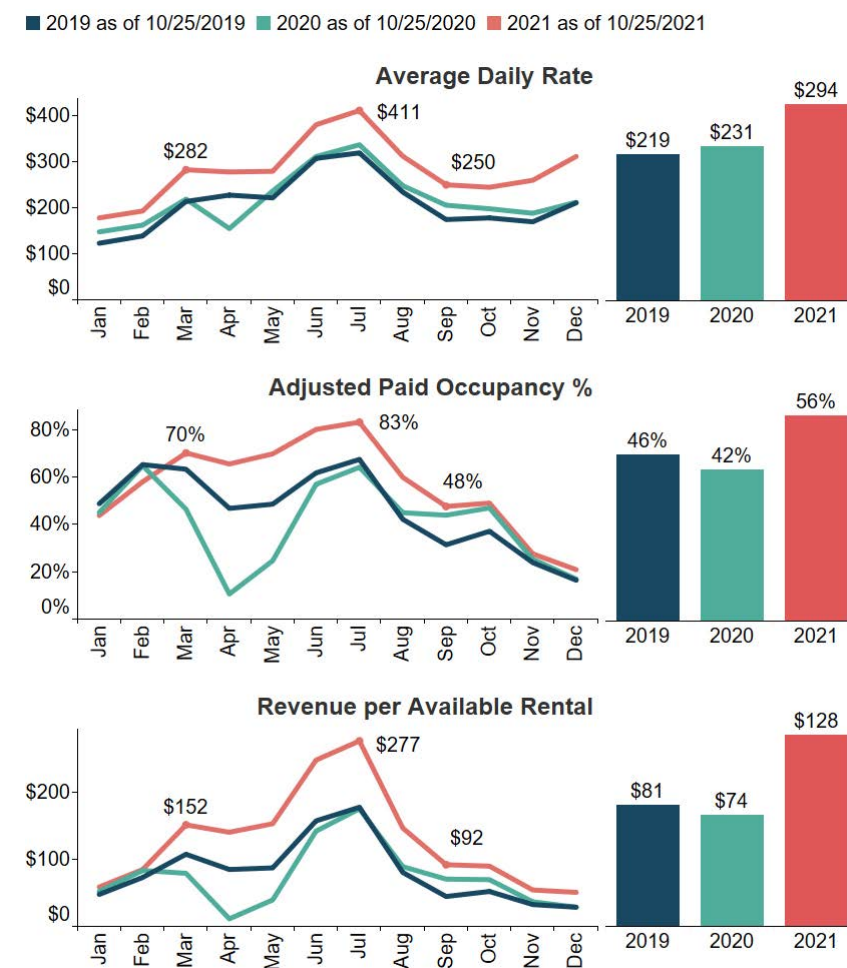
The average booking window has increased from 2020 but remains shorter than in 2019. For 2021 stays reserved by November, the average booking window is 70 days. This is about two weeks shorter than 2019, when the average renter booked their stay 82 days away from arrival. This is also a slight increase from 2020, when the booking window was 60 days. As with stay lengths, seasonal variations were prominent in the booking window trends. In March of 2021, the average booking window was 38% lower than in 2019 (78 days in 2019 to 48 days in 2021). July stays were actually booked about 7 days earlier than in 2019 - high occupancy rates made last-minute rentals hard to find.

2021 Florida Vacation Rental Booking Trends



Source: Key Data's professional property management partners.

2021 Florida Vacation Rentals Performance



Source: Key Data's professional property management partners.

2020

THE IMMEDIATE IMPACT

RENTAL PERFORMANCE

The increased reservation activity and demand naturally led to higher occupancy rates. Florida vacation rental occupancy stood at 56% for 2021 as of November. This is much higher than in 2019, when the occupancy rate was 46% for the year as of November. Year over year growth was fairly consistent throughout the year; In March, the adjusted paid occupancy rate was 7% higher than in 2019. In June and July it was 15-20% higher. Off-season travel remains popular and the occupancy rate is pacing 5-15% above 2019 levels through the fall season.

The increases in demand and occupancy allowed property managers and hosts to increase vacation rental rates. ADR for 2021 as of November is at \$294. This is a very large increase from \$231 in 2020 (+26%) and an even larger increase from \$219 in 2019 (+33%). The growth in ADR has varied throughout the year. In March, the ADR for Florida rentals was \$282, 30% higher than in 2019. In July, which is peak season for most of the state, the ADR was \$411 and 27% higher than in 2019. In September, ADR was \$250, a massive 44% increase over 2019.

The large increases in rates and occupancy have driven revenue growth; 2021 RevPAR as of November is at \$128, a 58% increase over 2019. In March, RevPAR was \$152, which represented a 40% increase over 2019. In July, RevPAR was \$277, 51% higher than in 2019. The shoulder season growth that occurred in 2020 seems to be sticking around; September RevPAR was \$92, 107% higher than in 2019. In other words, vacation rental properties are bringing in much more money for their owners, destinations, hosts, and property management companies. A 58% increase in revenue helped to balance the books for those who endured the early days of the pandemic.

2022

WHAT DOES THE FUTURE HOLD

With 2021 mostly behind us, as COVID lingers, and as offices and schools reopen, the future of Florida's vacation rentals remains uncertain. In 2021, the average guest stay was booked 2.5 months away from arrival, which means outlooks can change very quickly and future performance is hard to predict. Despite the uncertainty, reservations already on the books and recent trends enable the making of cautious predictions for the future. Surveys of recent renters also reveal opportunities for vacation rental stakeholders to help make sure demand sticks around.

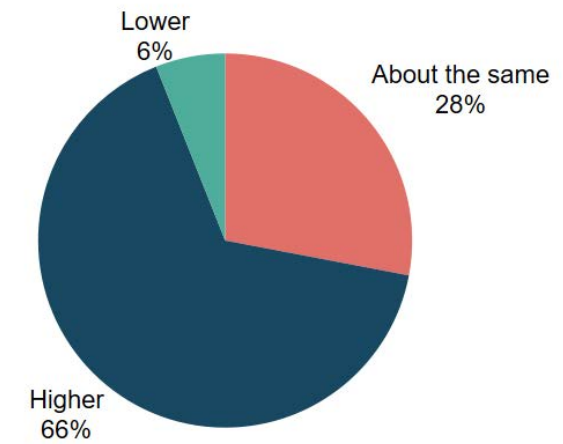
TRAVELER SENTIMENT

The number of new reservations made per month is returning to normal, indicating waning demand. Reservations were up 78% over 2019 in March, 24% in June, and 10% in August. But reservation activity, like most aspects of the industry, is seasonal. Most reservations are made within a few months of peak occupancy season, which is the summer for Florida rentals. A slowdown in reservations in the fall doesn't spell danger for the next summer. Of Airbnb hosts surveyed, 66% expect to see higher demand in a year and 28% expect it to remain the same.

The average stay length continues to hover around normal levels. For arrivals between November 1 and March 31 on the books as of November 2021, the average stay length is 12.5 days. This is slightly shorter than 12.9 days in 2020 and 13.4 days in 2019. 54% of surveyed hosts said they expected a longer average length of stay in the next 12 months while 43% expected it to stay the same. Professionally-managed properties are seeing the opposite, with shorter stay lengths over the next six months, perhaps due to fewer snowbirds booking long winter stays and other travelers filling in the occupancy gaps. Changing stay lengths can dramatically impact the bottom line. Longer stay lengths mean more money from the same guests for both vacation rentals and destinations. For destinations, encouraging longer stays means more revenue without finding new guests. For rental hosts and managers, longer stays require fewer cleanings and fill up calendars with less effort.

The average booking window is indicating a gradual return to normal booking behavior. For stays in the next six months, the average booking window is currently at 180 days. This is still slightly lower than in 2019 but has begun to stabilize. Booking windows tend to be similar from year-to-year. When they change dramatically, it can be challenging for managers and hosts, especially with regards to pricing. For example, managers may drop rates when properties stay unbooked close to the stay date. When booking windows are drastically shorter, however, prices should stay high longer to capitalize on last-minute demand.

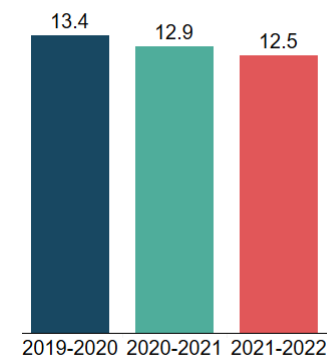
A Year from now, do you think demand for your Airbnbs will be higher, lower, or about the same as the past 12 months?



Source: Downs & St. Germain Research Florida Vacation Rental Survey

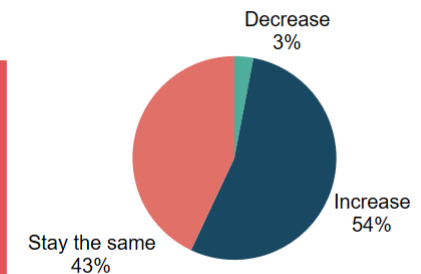
Future Stay Lengths

Length of stay (days) for November - March arrivals as of October 25



Source: Key Data's professional property management partners.

Do you expect the average length of stay for your renters to increase, decrease, or stay the same in the next 12 months?



Source: Downs & St. Germain Research Florida Vacation Rental Survey

2022

WHAT DOES THE FUTURE HOLD

RENTAL PERFORMANCE

The occupancy rate for Florida vacation rentals remains higher than normal for the foreseeable future. The Adjusted Paid Occupancy Rate for the next six months (November 1 through March 31, 2022) is at 30% as of November. This is 9% higher than the same time period in 2020 and 4% higher than the same time period in 2019. Occupancy rates will remain high as long as demand is sustained and increasing inventory does not undercut demand.

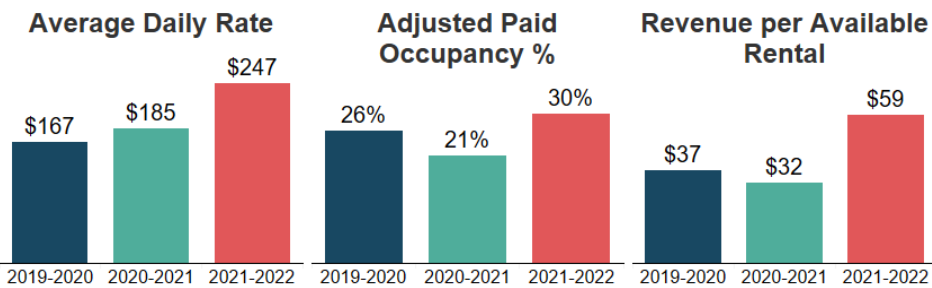
Despite increases in occupancy, there are many questions as to whether the growth in ADR will be sustained. The 34% increase in Florida's ADR from 2019 to 2021 was much higher than usual and made possible by extremely high demand. 63% of hosts surveyed think they'll be able to charge higher rates a year from now. 23% said about the same and only 14% said lower. Reservations on the books as of November for arrivals in the next six months have been booked at an ADR of \$247. That is a 34% increase from \$185 the same period last year and a 48% increase over the same period two years ago. Higher rates will be sustained by continued demand and high occupancy rates. If those level out, rates will likely return to a more normal level.

Due to increased occupancy and rates, the average Florida vacation rental already has double the normal amount of revenue on the books for the next six months. Over the next six months, RevPAR is currently at \$59, compared to \$32 in 2020 and \$37 in 2019. The increased RevPAR of the last 15 months means more money in the bank for managers, owners, and hosts. This allows for saving, unit upgrades, increased marketing spend, or new acquisitions.

The large performance gains for vacation rentals have not gone unnoticed by investors and second (or would-be second) homeowners. Vacation rental inventory has grown around the country, including in Florida. 40% of hosts surveyed said they'll likely own or manage more rentals next year. 50% said they'd manage the same number. For professional managers on Key Data's program, the average increase in inventory from August 2020 to August 2021 was 16.5%. The number of properties managed declined for 33% of managers but increased for 59% of management companies. When asked about the number of rentals in their market a year from now, 39% of residents expected more rentals and 51% expected the same number. A rapid increase in supply, if not balanced with continually increasing demand, may cause occupancy, rates, and thus revenue to drop.

Florida Vacation Rental Performance

November - March as of October 25 each year



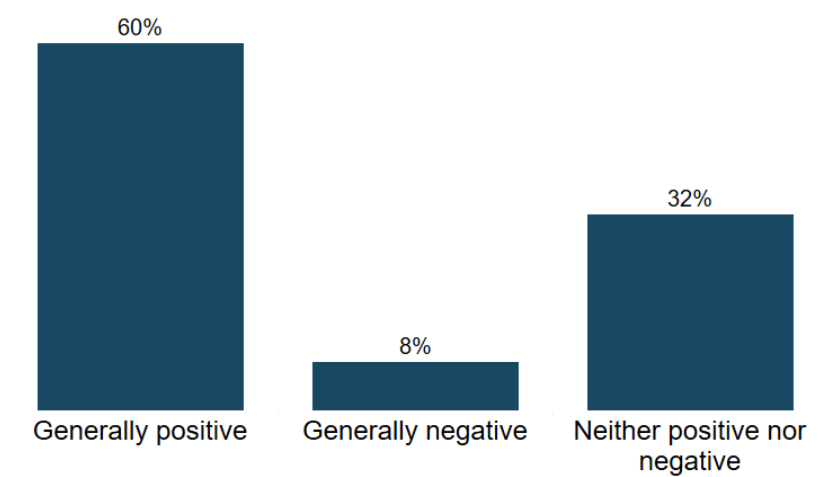
2022

WHAT DOES THE FUTURE HOLD

COMMUNITY SENTIMENT + RENTAL REGULATION

Vacation rentals have also been highly politicized in many markets and pushback from residents is common. Vacation rentals are often blamed for limited workforce housing, changing neighborhood character, and noise violations. Cities in Florida and around the United States are introducing legislation to cap occupancy rates, limit the number of rentals allowed to operate, or simply banning short-term rentals altogether. However, 60% of residents surveyed had a positive view of rentals in their community. 32% had a neutral view and only 8% had a negative view. As rental inventory grows, fair regulation will become increasingly critical. In addition, many owners and property managers have been able to tout themselves as locals who are personally invested in the community. As large investment companies develop rental properties and national management companies acquire the local mom-and-pop shops, this argument may lose its strength.

What Is Your Perception Of Having A Vacation Rental In Your Community?



Source: Downs & St. Germain Research Florida Vacation Rental Survey

2022

WHAT DOES THE FUTURE HOLD

OPPORTUNITIES FOR GROWTH

Vacation rentals recovered much faster from the early stages of the pandemic than hotels. Vacation rental booking activity soared even as hotel booking activity remained suppressed. The two accommodation types are very different but do compete, even more today. Ensuring that the travelers who booked a vacation rental over a hotel in the last year and a half do so again will be important for retaining high demand as hotels become popular again.

Capturing a larger share of business travel will help vacation rentals retain their momentum. Though most of the surveyed travelers were traveling for leisure (89%), the 7% traveling for business is not inconsequential. Of those business travelers, 80% would usually stay in a hotel. Among business travelers who chose a vacation rental in the last year, 60% did so because of COVID. As the pandemic becomes less of a concern for these individuals, vacation rentals will need to address their strengths and weaknesses compared to hotels to retain their business.

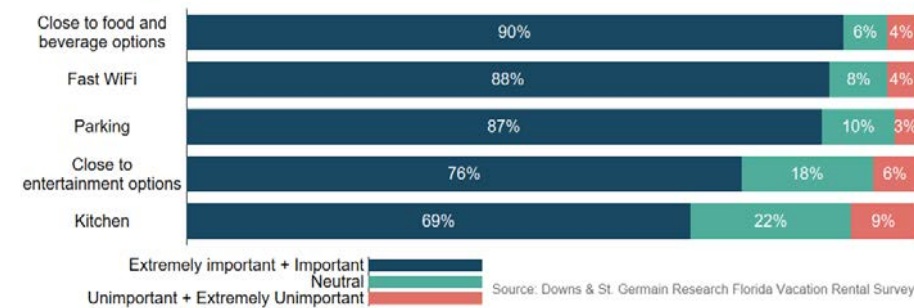
When it comes to the amenities that are the most important to travelers, vacation rentals are ahead of, or even with, hotels. 90% of surveyed renters said it's important for their accommodations to be close to food and beverage options. While hotels may have a slight lead in city centers, houses and lower density leisure markets and condominiums in urban markets are likely just as convenient to restaurants and bars. 88% of renters wanted fast wifi - easy to provide in a private rental - and 87% valued parking. Vacation rentals are the clear winners for kitchens, which 69% of renters were looking for.

Other areas where rentals excelled included space, privacy, personal touch, and uniqueness. To build upon these strengths, rental owners and managers can augment their marketing efforts with information about their properties' amenities like wifi and kitchens. Special attention can also be paid to personal touches through items like welcome baskets or guide books.

However, there are weaknesses for vacation rentals as compared to hotels. 10% of renters associated the word safe with vacation rentals, compared to 32% for hotels. There are many technology options for increasing safety and security. Booking processes may also be a hurdle, with 7% of renters saying vacation rentals are easy to book, compared to 29% of hotels. This may be more of a perceived hurdle than a real one, however, since new renters may be more used to the hotel booking process. Reliability is also an area where rentals can improve - 10% of travelers described vacation rentals as reliable, compared to 36% for hotels. Uniform industry expectations for cleanliness, renter communication, and unit quality would go far towards increasing reliability.

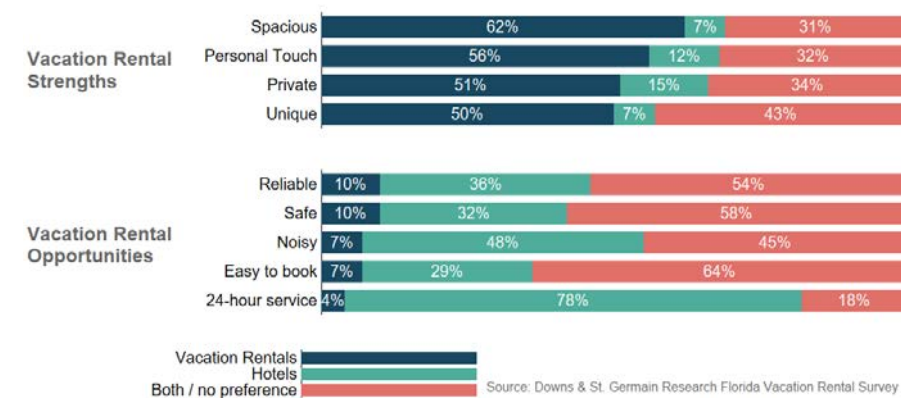
How Important Are The Following Amenities In Selecting Accommodations?

Highest rated options displayed



Source: Key Data's Professional Property Management Partners

Which Type Of Accommodations Do You Associate The Following Adjectives?



Source: Key Data's Professional Property Management Partners

2022

WHAT DOES THE FUTURE HOLD

IN CONCLUSION

The last two years have been a whirlwind for the Florida vacation rental industry—from uncertainty about the future to unexpectedly good performance and back to uncertainty about the future. Vacation rentals must continue to evolve to stay ahead. While the next few months spark optimism, there's no way to know exactly what will happen next. Managers and hosts will need to respond and adapt to changes in booking behavior, rental performance, and traveler sentiment.

DSG-Research.com

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