



LAVANDA

How to Optimise Portfolios with Short Stays

PART 1: UNDERSTANDING SHORT-TERM RENTAL DEMAND





Over a series of 4 articles, we look at why short stays are a key part of the mix for student accommodation portfolios. We investigate when and where they are able to transform a building's economics with accretive NOI, and how to ensure your short stay strategy delivers maximum value to all stakeholder groups.

- **Part 1: Understanding short-term rental demand**
- **Part 2: The case for short stays in tier 2 and tier 3 cities**
- **Part 3: How short stays create value for student accommodation buildings designated for student-only occupancy**
- **Part 4: Short stay best practices for student accommodation operators**

We hope you find these articles informative. If you have any questions at all and would like to speak to one of our student accommodation specialists, please just send an email to **hello@getlavanda.com**



PART 1:

**UNDERSTANDING SHORT-TERM
RENTAL DEMAND**

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A rapidly growing market segment

Following a couple of years of pandemic turmoil, the European short-term rental industry is regaining its momentum. And that's good news for the student accommodation sector.

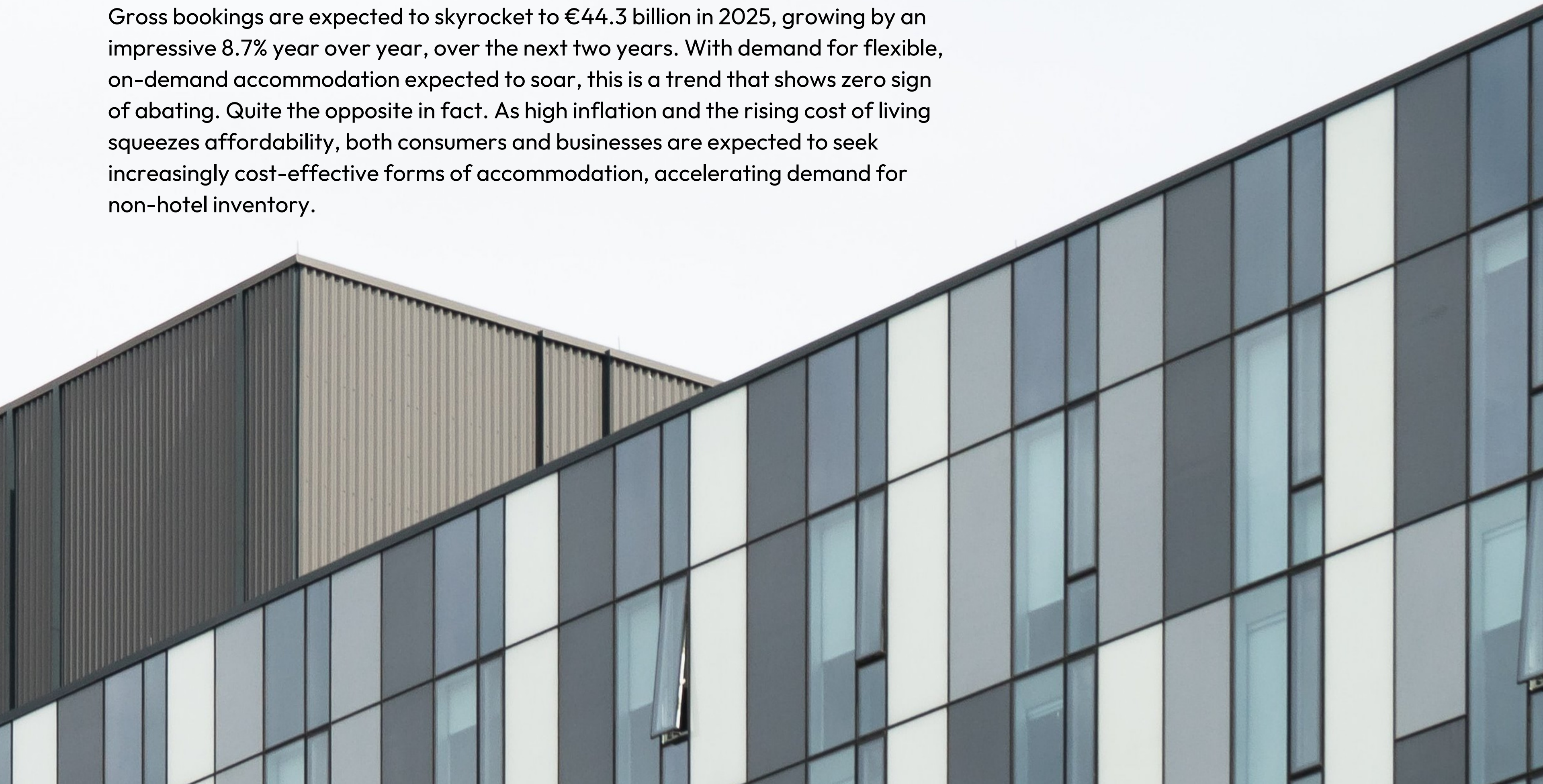
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Having declined by 33% in 2020, the European short-term rental market is now predicted to fully recover to pre-pandemic levels in 2023.

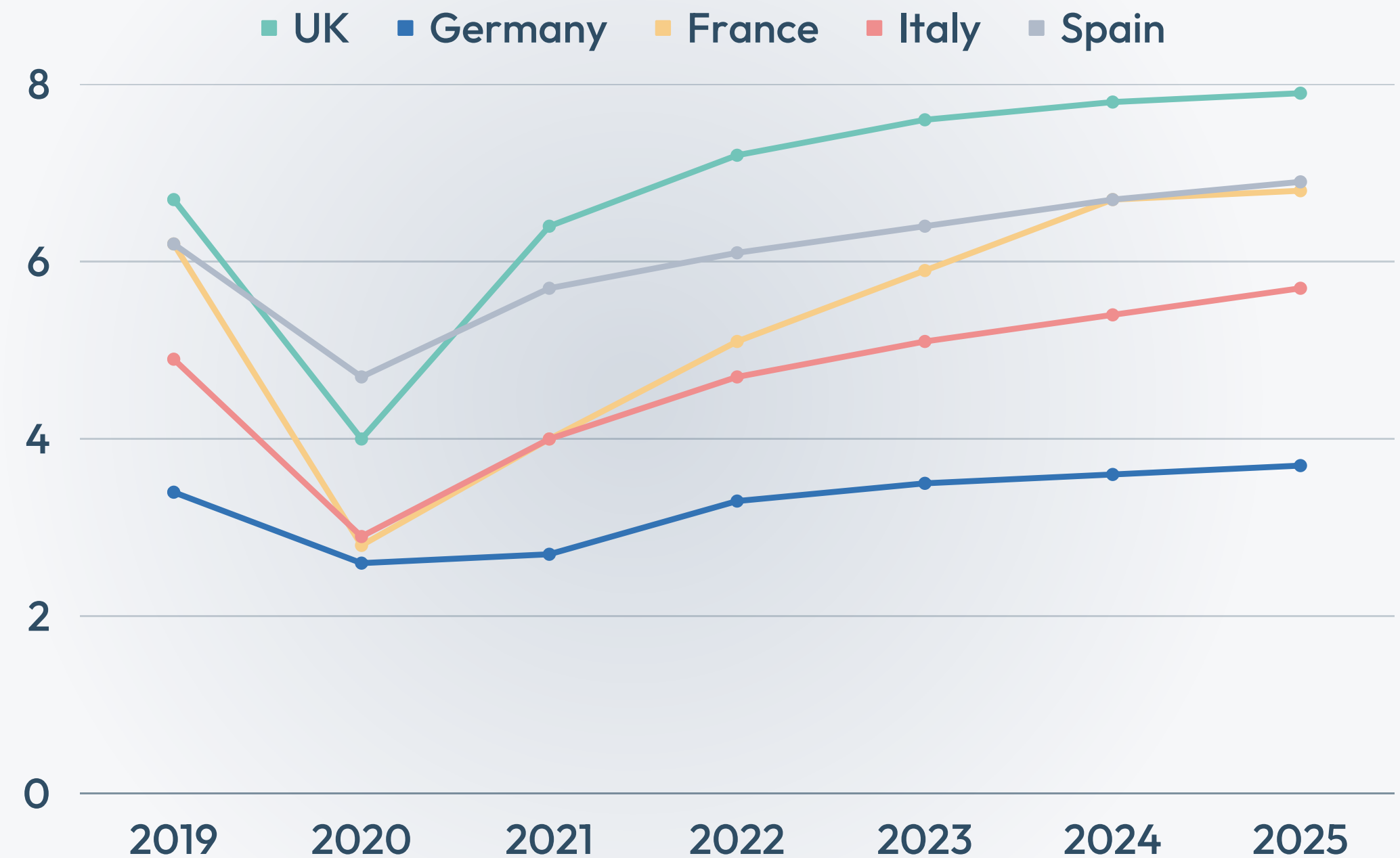
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source: Phocuswright.

Gross bookings are expected to skyrocket to €44.3 billion in 2025, growing by an impressive 8.7% year over year, over the next two years. With demand for flexible, on-demand accommodation expected to soar, this is a trend that shows zero sign of abating. Quite the opposite in fact. As high inflation and the rising cost of living squeezes affordability, both consumers and businesses are expected to seek increasingly cost-effective forms of accommodation, accelerating demand for non-hotel inventory.

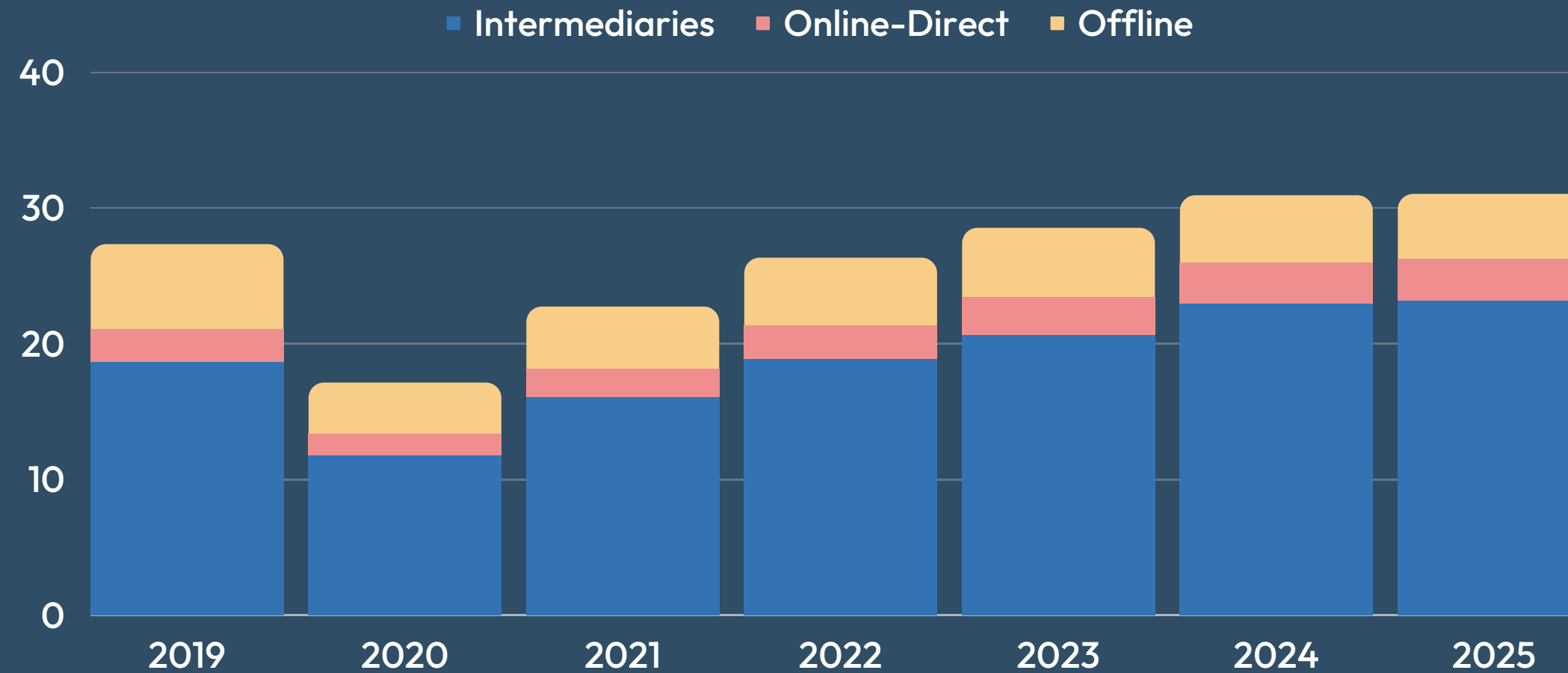


5 core markets make up approximately 70% of European short-term rental bookings with the UK market leading the post-pandemic recovery.



Source: Phocuswright's Niche No More: European Short Term Rentals

Where do bookings come from?



Source: Phocuswright's Niche No More: European Short Term Rentals

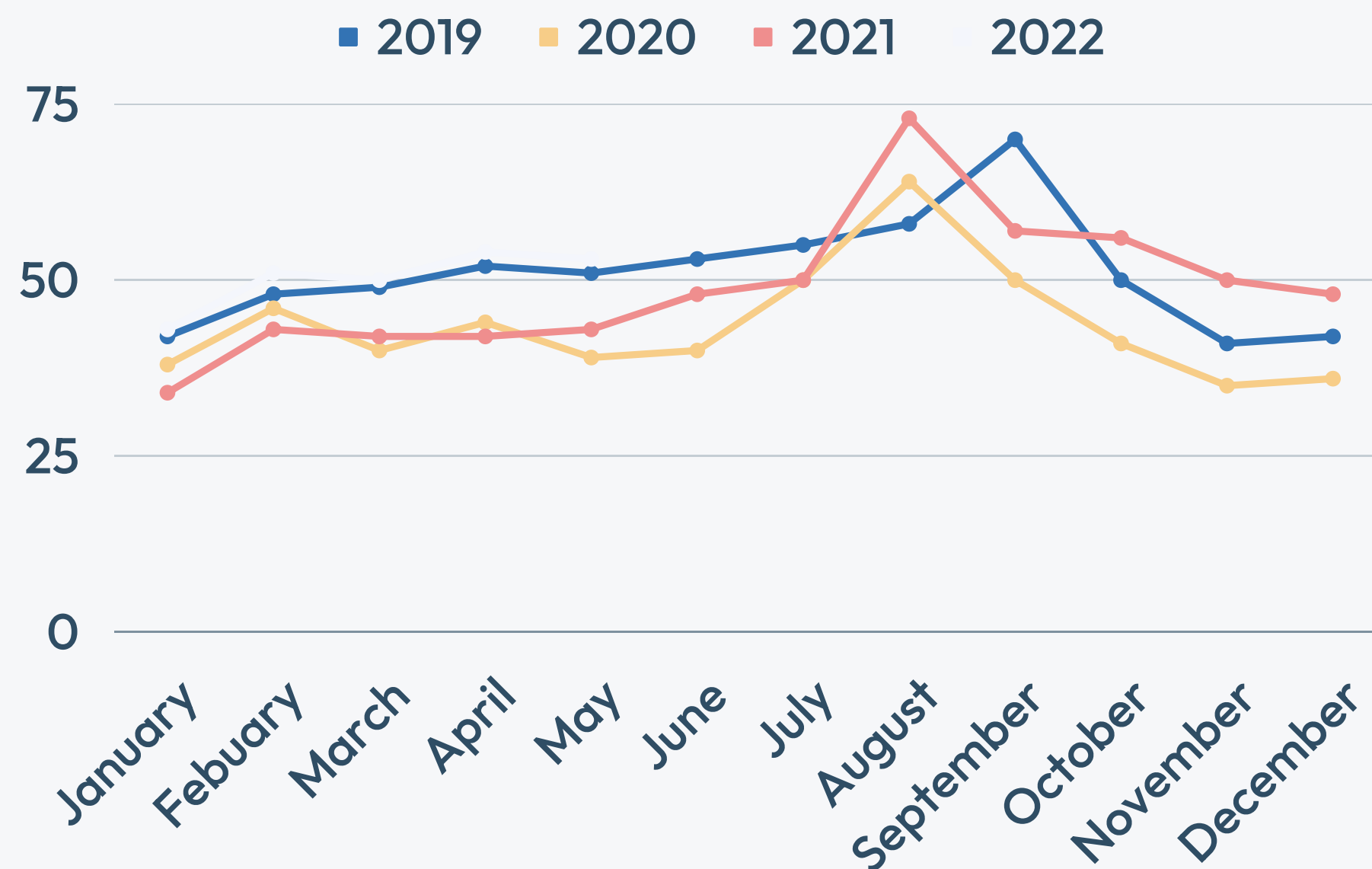
Online bookings account for the vast majority (81%) of short-term rental bookings – a share that is predicted to grow to 85% by 2025. Within this online market, third party intermediaries and OTAs (online travel agents) – e.g. Airbnb and Booking.com amongst many others – are the major group who collectively account for around 70% of total short term rental bookings. Direct online bookings account for just 9% of bookings.



Seasonality

Digging a layer deeper, a key factor in being able to harness short term rental demand effectively is understanding its seasonality.

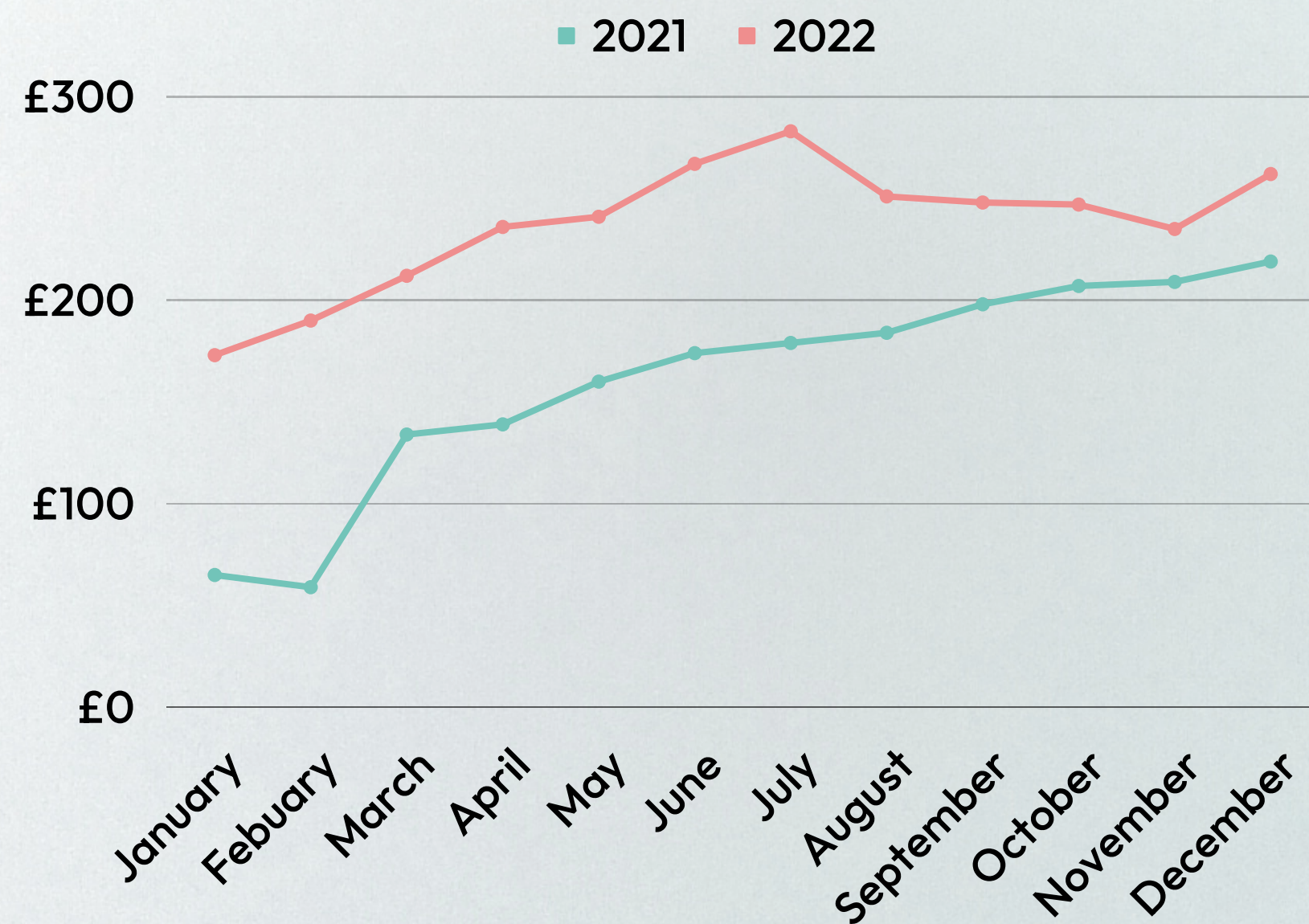
The image below shows monthly occupancy across Europe up until May 2022 (source: Airdna). Airdna scrapes data from Airbnb and VRBO listings, then augments it through data partnerships with property managers, channel managers and individual hosts. Whilst this paints a rich, high-level picture of the seasonality curve - which as you can see follows a similar and largely predictable pattern year over year - it's important to note that it also bundles urban and rural rentals together into a single trend line. In reality this seasonality curve is highly localised, with the key variables being the type of accommodation (studio, 1 bed apartment, 2 bed apartment, etc.) and the relevant geography (town or city).



The 2019 trend line is the baseline to look at, as both 2020 and 2021 were impacted by anomalies linked to the pandemic. The 2022 trend line, although cut short in May, is closely mapping the trends seen in 2019, reflecting a return to normality albeit with higher levels of booking demand. Demand is, broadly speaking, robust throughout the year with a clear peak over the summer (specifically in the months of July and August).

Source: AirDNA

Average London nightly stay rate (all inventory types)



Critically, the peak in booking demand (occupancy) over the summer is also reflected in the nightly rates paid for those bookings. The amount paid per booking increases by as much as 40% over the summer months.

A woman with blonde hair in a bun, wearing a pink button-down shirt, stands by a window with white curtains. She is looking out the window and holding a smartphone in her hands. The background shows green foliage outside the window.

What opportunities exist for student accommodation operators?

With short-term rental demand, robust and predictable month to month, growing rapidly YoY, and with an obvious peak over the summer - this opens up a number of highly lucrative solutions and strategies for student accommodation operators to explore:

Optimise the summer holiday period

By optimising the utilisation and performance of vacant units over the summer months, student accommodation operators can profit from peak seasonal short-term rental demand whilst at the same time offering students more flexible and affordable 42 week leases (as opposed to the more conventional 51-week lease).

The resulting increase in occupancy over the summer drives high-spending footfall to local retail and hospitality businesses at exactly the time of year when many struggle due to the exodus of students from the cities where they study. As a result, optimised “summer strategies” enable accommodation operators to more proactively develop and nurture more balanced, year-round communities. The current recession makes these benefits particularly meaningful and significant for local economies.



Monetise term time voids

Should voids appear across your portfolio during the academic year, these can be neatly occupied and monetised with short stay guests.

Having easy, flexible access to short stays is a hugely valuable tool that supports and optimises the core rental business. It equips student accommodation operators to better navigate potential downside risks, as well as realise significant upside opportunities, and for these reasons is increasingly considered “table stakes” by institutional investors. Operators that don’t have a short stay solution/strategy in place are simply leaving money on the table.





Find out more

Every building and every location is unique.

To understand how your student accommodation portfolio can profit from short stays, our student accommodation specialists can produce a free “Impact Analysis” analysing the business case for each asset.

Just send an email to hello@getlavanda.com or visit getlavanda.com



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