LAVANDA

# The Global Flex Report 2024

Charting the impact of short and medium-term renting on the core operating model of apartment buildings.

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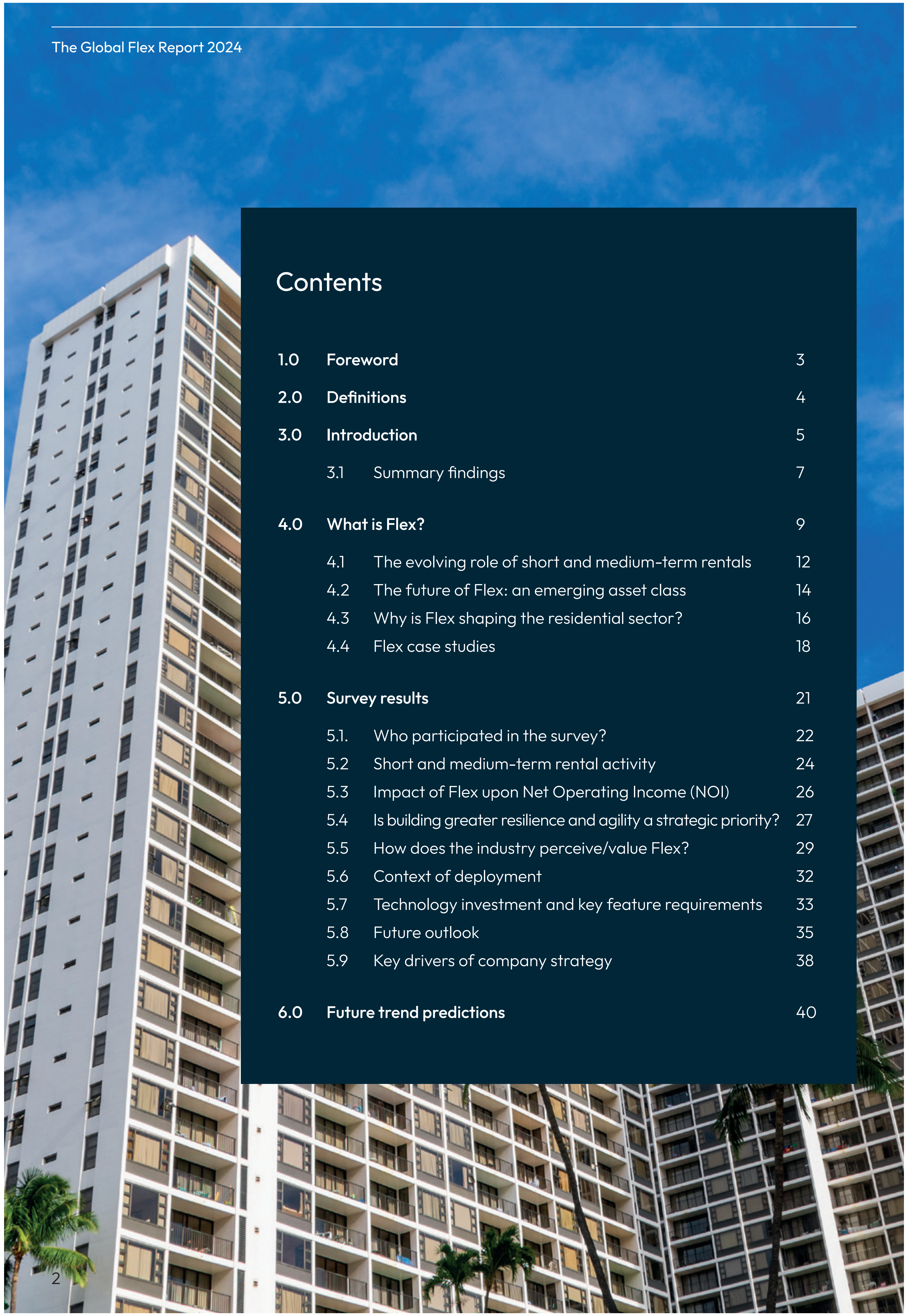

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# 1.0 Foreword

As rental demand and accommodation preferences continue to evolve rapidly post-pandemic, and with technology increasingly shaping the future of the built world, we're excited to launch **The Global Flex Report 2024.**

Some years ago, the term "Flex" started bounding round the residential industry as a kind of euphemism for how apartment portfolios were engaging with alternative leasing strategies, and specifically with short and medium-term renting. It has since matured as a concept to become something of a by-word for building optimisation, though still has important nuances and connotations that can vary in different contexts. One thing is clear: it is a term that notably lacks any clear definition or source.

At Lavanda we live and breathe Flex. It is at the heart of our product development, our customer engagement, our solution offering, our partner ecosystem and our corporate positioning. It is deeply ingrained in our DNA as a business. This vantage on the market has allowed us to witness first hand the accelerating momentum around Flex, and its evolution into a defining industry trend set to shape the future of residential living. So we arrived at an obvious conclusion; it was high time to clearly articulate and define what Flex is all about, and set about tracking the impact that it's having upon the global industry.

The Global Flex Report 2024 is our initial foray into charting the impact of short and medium-term renting upon both the investment and the operating strategies underpinning the global apartment industry. Its purpose is to help all stakeholder groups - residential investors, operators, analysts, journalists and policy makers - track and understand a number of key trends underpinning the living sector:

- **The pace of adoption of emerging Flex operating strategies**
- **The emergence of a new Flex asset class**
- **Key technologies and innovations powering the future of the living sector**

We sincerely hope that you find this report valuable and illuminating. If you have any questions at all, or would like to participate in our 2025 report, please reach out to: **hello@getlavanda.com**

**Fred Lerche-Lerchenborg**
CEO, Lavanda

# 2.0 Definitions

## What is short, medium and long-term renting?

For the purpose of this report, the different types of tenure are defined as follows:

### Short-term

**A single definition across multifamily, co-living, serviced apartments and student accommodation:** Any stay of less than 30 days in fully-furnished accommodation where utilities, television and internet are included in the rent.

### Medium-term

**Definition for multifamily, co-living and serviced apartments:** Any stay of 30+ days up to a maximum of 12 months in fully or partially-furnished accommodation where utilities, television and internet are included in the rent.

**Definition for student accommodation:** Any stay of 30+ days but less than 42 weeks in fully or partially-furnished accommodation where utilities, television and internet are included in the rent.

### Long-term

**Definition for multifamily, co-living and serviced apartments:** Any stay of 12+ months. Accommodation may be unfurnished, partially furnished or fully-furnished. It is also entirely at the discretion of the landlord whether utilities, television or internet are included in the rent.

**Definition for student accommodation:** Any stay of 42+ weeks. Accommodation may be unfurnished, partially furnished or fully-furnished. It is also entirely at the discretion of the landlord whether utilities, television or internet are included in the rent.





# 3.0 Introduction

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The Global Flex Report survey sets out to understand:

1 **The pace at which the residential sector is moving to embrace Flex**

2 **Key drivers and barriers to adoption**

3 **How Flex is shaping digital strategy and technology requirements**

4 **How Flex is shaping company strategy**

**46** real estate institutions surveyed across Europe and the US

**1,339,068** apartment units represented





## 3.1 Summary findings

### Flex adoption is accelerating in multifamily, with rapidly increasing NOI contribution:

- **23%** of multifamily units surveyed increased their short/medium-term rental activity in 2023, however **92%** are expecting to increase activity in 2024.
- **70%** of multifamily units surveyed expect to generate **>10%** of NOI from short/medium-term rental activity in 2024, significantly increasing NOI contribution vs. the last 12 months.
- Multifamily assets are also generally perceived to benefit the most from and have the broadest range of use cases for Flex, namely:
  - Optimising the lease-up phase of a new development.
  - Creating a dedicated serviced apartment offering.
  - Creating a dedicated corporate accommodation offering.

### Flex is already a major contributor to NOI in student accommodation, and still growing in importance:

- **47%** of student accommodation units surveyed increased their short/medium-term rental activity in 2023, with **43%** expecting to increase activity in 2024.
- **88%** of student accommodation units surveyed acknowledged some level of NOI contribution from short/medium-term rentals in 2023, with **22%** stating that it already contributed **>20%** of NOI.
- In 2024, **100%** of student accommodation companies surveyed expect to embrace short/medium-term rentals in some way.
- The primary use case amongst student accommodation respondents is unsurprisingly that of summer short stay programmes – i.e. monetising vacant units outside of the academic year during the holiday period. Other use cases are also emerging, such as optimising lease-ups and offering dedicated short stay accommodation during the academic year.

### Despite being the most nascent asset class, co-living is the most “mature” segment in terms of Flex adoption:

- **42%** of co-living units surveyed expect to increase their short/medium-term rental activity by **25-50%** in 2024, with a further **28%** expecting to maintain their current level of activity.
- **82%** of units surveyed stated that short/medium-term rentals contributed to **>10%** of NOI in 2023, with **26%** stating that it contributed to **>50%** of NOI.

### There are 4 factors shaping company strategy over the next three years:

1. Delivering a best-in-class resident experience.
2. Delivering portfolio growth.
3. Reducing operating costs.
4. Developing greater flexibility, agility and resilience - **72%** of Multifamily, **45%** of Student accommodation and **67%** of Co-living respondents agree that this will continue to be a strategic priority in 2024.

### Offering renters greater flexibility and choice is now considered essential to maximising asset performance:

- "Delivering a best-in-class resident experience" is the number one factor shaping company strategy over the next three years.
- 2024 will see all asset classes invest in improving their digital customer journey and experience.
- Multifamily and Student accommodation operators would typically like to have the ability to rent out up to **25%** of their units on a short/medium-term basis - presumably to enable their assets to better engage rental demand.

### The development of Flex buildings is expected to accelerate over the next 12 months.

- **72%** of Multifamily and **70%** of Student accommodation units surveyed agree.
- This points to Flex developments becoming increasingly acknowledged and accepted as a product/solution within these two specific asset classes.

### There's no one clear driver of Flex, but rather it's being driven by a number of value propositions to different stakeholder groups (renters, operators and asset managers):

1. Filling vacant units to boost NOI, and better satisfying demand from renters are clearly considered to be joint primary drivers of Flex.
2. Greater agility in navigating adverse market conditions, and driving up asset valuations are considered joint secondary drivers.
3. Although still considered a meaningful benefit, increasing the viability of certain sites is considered a tertiary driver.

### A restrictive regulatory landscape, increasing operational complexity and a lack of enabling software are the top 3 barriers to adoption:

Top three barriers to adoption for Flex:

1. The regulatory landscape - i.e. local regulations and/or policy restricting Flex developments.
2. Increased operational complexity, or a lack of specialist operators.
3. Technology, and a lack of enabling software.



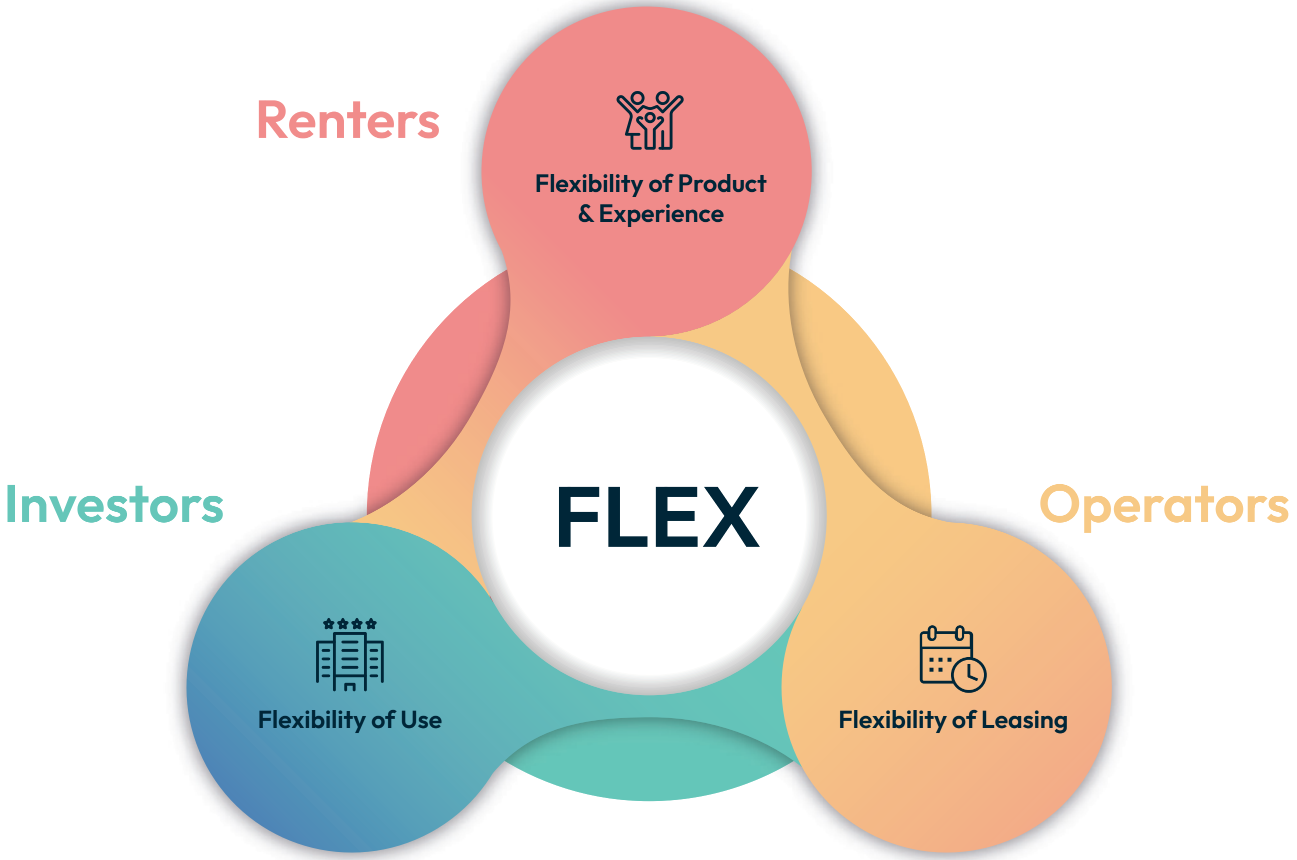


# 4.0 What is Flex?

# 4.0 What is Flex?

"Flex" is a term increasingly used within residential real estate, and generally applied to institutionally-owned apartment buildings.

It's a by-word for building optimisation - referring both to an evolving operating model and strategy geared towards maximising net operating income ("flex operations"), as well as to an emerging asset class professing to outperform alternative living assets ("flex buildings").








### So what's Flex all about?

At a high level, as the name suggests, it's about enabling greater flexibility in the way that an asset is deployed, operated and ultimately experienced by renters. More specifically, it's about realising incremental value from this enhanced flexibility. It typically includes, but is by no means limited to, buildings embracing short and medium-term rental strategies alongside the more conventional long-term renting of units (e.g. on 12+ month leases).

### 1. Flexibility of use

There's an emerging class of residential asset designed from inception to offer some combination of multifamily, co-living, serviced apartment and/or student accommodation within a single, blended community. This type of blended strategy is increasingly favoured by investors due to the fact that it makes for a more diversified asset that's able to "flex" in response to fluctuations in rental demand; capitalising on upside opportunities or mitigating downside risk as may be necessary. The result is a more resilient, optimised, all-weather asset. Due to economies of scale, "flex" strategies are particularly valued for larger portfolios and developments. They're also an important tool for developers seeking to overcome planning restrictions and increase the viability of key sites.

### 2. Flexibility of leasing

At an operational level, it's increasingly best practice for the operator to lease out units across some combination of short, medium and long-term leases. An asset's exposure to short, medium and long-term rental demand can then be dialled up or down at will, allowing individual units to "flex" in response to fluctuations in the market. This gives the operator the ability to realise incremental NOI gains from higher-yielding, hospitality-led short-term rentals as and when seasonal demand permits, as well as attract and convert renters looking for shorter, more flexible leases. Equally the operator is able to quickly redeploy and efficiently monetise any vacant units that may appear throughout the year. The net result is an asset that is significantly more agile and less reliant on a single channel of rental demand.

### 3. Flexibility of product & experience

As people increasingly value convenience and flexibility of choice in their everyday lives, so too have renters come to expect this of their accommodation options. The flexibility of being able to rent an apartment by the day, week, month or year; the option of fully furnished, partially furnished or unfurnished accommodation; being able to choose what floor you'd like to live on, or what amenities you'd be happy to pay for. Offering customer choice, and giving people the ability to customise the accommodation product to their needs and preferences, is proven to attract and convert more renters, whilst at the same time maximising the value of a residential asset.

## Flex at a glance

**1. Flexibility of Use**

- ✓ Multifamily
- ✓ Service apartment
- ✓ Co-living
- ✓ Student

**2. Flexibility of leasing**

- ✓ Long-term
- ✓ Mid-term
- ✓ Short-term

**3. Flexibility of product & experience**

- ✓ Personalised digital journey
- ✓ Rent by: day/week/month/year
- ✓ Furnished/Unfurnished
- ✓ Location within building
- ✓ Amenities, etc

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## 4.1 The evolving role of short and medium-term rentals

**At the heart of Flex lies the evolving role that short and medium-term rentals play in the overall optimisation of residential assets.**

It's important to highlight that short-term renting within institutional real estate is not a new concept by any means, but rather a traditionally niche activity that has matured and grown in importance. Changing consumer demand has created a "pull" effect in the market for new enabling technologies to be developed, and today short-term rentals play an increasingly pivotal significant role in residential asset management.

### Short-term renting: the way we were

Within the Multifamily real estate sector short-term renting has for decades been the preserve of serviced apartment companies. These "master lease" players have sought to capitalise on the leasing arbitrage between a discounted long-term multifamily lease (a typical master lease is 1-3 years) and the high nightly rates available from short and medium-term renting (minimum stays from just 1 night to 3+ months). Master lease players have typically focused on corporate travel as their source of short and medium-term rental demand, with notable examples including companies like Sonder, Blueground, Silverdoor, Extended Stay America and SACO to name a few. Despite typical multifamily vacancy rates of 4%-8%, operators have historically had neither the toolkit, nor the inclination, to adapt their core operations and tap into shorter-term rental demand directly; a major barrier being their perception of the more operationally intensive, higher-risk business models of their master lessees.

Student accommodation, however, is an altogether different story. Due to the fact that demand for student accommodation is fundamentally linked to the academic year, the summer holiday period (from mid June to the end of August) is typically vacant and underutilised. Universities and higher education institutions have long been experimenting with short-term rentals in an attempt to better monetise these assets over the summer months by tapping into peak seasonal short stay demand, with operating models ranging from "DIY" in-house management to various forms of partnership with specialist short-term rental operators. The general quality of this inventory, combined with a lack of dedicated property management tools and, in many cases, the additional challenge of being limited by planning restrictions to student-only rental demand, has meant that the economic impact of such activities has varied wildly from institution to institution. The charitable, non-profit status of many universities and higher education institutions has additionally meant that, despite the highly lucrative potential of their accommodation assets, they are potentially less incentivised to maximise channels of alternative revenue generation versus commercial operators.

### An evolving technology landscape: the arrival of the OTAs

A pivotal moment in the evolution of Flex has been the emergence of the online travel agencies (OTAs); Airbnb, Booking.com, Expedia, HomeAway, VRBO, Tripadvisor, etc. Over the last 25 years, these tech-enabled marketplaces have made it ever easier for people to search, discover and book flexible accommodation anywhere in the world, aggregating the bulk of global short-term rental demand into a relatively small number of dominant platforms.

At the heart of an OTA's growth strategy is connectivity; opening up their marketplaces to additional sources of accommodation inventory (supply) and booking volume (demand) in order to drive transactions. Increased investment by the OTAs in their APIs and connectivity programs has made it possible for property management software (PMS) providers to build increasingly robust integrations with these marketplaces - in turn exposing their accommodation inventory under management to previously inaccessible sources of high-yielding short-term rental booking demand.

Alongside the increasingly transparent regulation of the global short-term rental industry, improved OTA connectivity has meant that institutional residential portfolios can not only access short and medium-term rental demand effortlessly from their core PMS, but they can be confident that all such activity is fully compliant with local regulations.

### A seismic shift in consumer demand

The COVID-19 pandemic of 2020 was a catalyst for a fundamental and sustained shift in the way we work, live and travel. Today businesses continue to embrace the hybrid workplace, and are compelled to offer employees greater flexibility simply to attract and retain talent. Furthermore, many companies are choosing to go fully remote, leading to a rapid rise in "work from anywhere" policies. As a consequence, what we now need from residential buildings and how we interact with them, has evolved. The rise of the "digital native", in combination with cost-conscious corporate travel departments seeking out lower-cost alternatives to hotel accommodation (e.g. Airbnbs, serviced apartments, etc.), has fuelled:

- **Greater demand for more flexible lease structures within buildings.**
- **Greater demand for shared workspaces within residential buildings.**
- **Greater demand for short and mid-term stays, including in tier 2 and 3 cities.**
- **Greater demand for "hybrid hospitality".**

### The birth of Flex

This shift in demand from renters is all-important. In combination with the arrival of new enabling technologies, growing demand for shorter, more flexible leases has given residential operators the confidence they needed to fundamentally evolve their operating strategy. Embracing short and medium-term rentals can not only boost NOI by unlocking higher-yielding revenue streams, it is now actually necessary to better serve renters.

Alongside enabling operators to more efficiently monetise vacant inventory - either optimising the lease-up phase of a new development, or filling voids as they appear throughout the year - it is the ability to flexibly dial up or dial down an asset's exposure to short and medium-term rentals that makes for more agile, more resilient all-weather assets. Critically, it has become increasingly accepted that introducing alternative revenue streams actually reduces the overall risk profile of an asset over the long-term, contributing to a net reduction in cap rate.

The increasing proliferation of Flex operating strategies has profound implications upon the way that residential buildings can now be designed and deployed, giving rise to a new wave of Flex assets that we see coming to the market today:

- **Investors can now benefit from different risk/return profiles within the same asset.**
- **Developers are now better able to navigate complex planning constraints, increasing the viability of potential investment opportunities in their pipeline.**
- **Renters now benefit from having access to a wider choice of accommodation options within the same building or portfolio.**

> **Embracing short and medium-term rentals can not only boost NOI by unlocking higher-yielding revenue streams, it is now actually necessary to better serve renters.**

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## 4.2 The future of Flex: an emerging asset class

### The journey from single class to multi-class investment strategies

Institutional real estate has historically pursued a single class investment strategy, with funds pursuing a specific mandate to invest exclusively into a specific class of real estate asset (e.g. class A multifamily). For a time this highly focused approach benefited investors, enabling them to specialise in the idiosyncrasies of the operating models underpinning these assets, in turn helping them to identify the highest-yielding investment opportunities.

As capital has flooded in, increased competition between institutions has made it trickier to win attractive deals and deploy funds. At the same time, a number of adjacent asset classes have steadily emerged and matured, bearing similar dynamics to their original single class mandates. These emerging asset classes include, for example, serviced apartments, student accommodation, co-living and senior living. A number of pioneering institutions saw an opportunity to broaden their single class mandate to embrace a new multi-class investment strategy; a single fund building a portfolio containing two or more different asset classes (e.g. class A multifamily and Purpose Built Student Accommodation). This broader remit has allowed these funds to source more deals than competitors and deploy capital faster - whilst also benefiting from greater diversification within their portfolios. Where one goes, others soon followed.

### The emergence of the tech-enabled, multi-class operator

Much like the investors they serve, the incumbent operating companies - whether integrated OpCos or third parties - have historically only operated a single class of asset (e.g. class A multifamily). Whilst different residential asset types undoubtedly have much in common (e.g. multifamily and student accommodation), from an operational standpoint there are fundamental differences. Amongst many other things, key points of difference include:

- Having to source different types of tenant
- Managing different lengths and types of tenure
- Providing different levels of hospitality
- Fulfilling different reporting requirements
- Navigating different planning and regulatory constraints

These differences necessitate a different toolkit, and result in a materially different P&L for each asset type. Reliable, reputable, multi-faceted operators simply didn't exist to support the emerging multi-class investment strategy, so initially multiple specialist operators were needed to operate different asset types within the same portfolio. This increased the level of operational risk around the multi-class portfolios being built, and created an unwanted additional management burden for investors.

Seeing an opportunity to accelerate growth by better aligning their services with evolving investment strategies in the market, a new breed of multi-class operator soon emerged. A single operating partner able to:

- Manage different types of asset (e.g. multifamily and student accommodation)
- Manage different lengths of tenure (short-term rentals as well as long-term rentals)
- Deliver higher-touch hospitality, resulting in a premium resident experience

Much of this evolution has been accelerated and powered by emerging technology platforms enabling more scalable and diverse operating strategies. This has consequently relieved the investor of an unwanted management overhead, and given funds greater confidence to execute on a multi-class investment strategy.

### Example: how a Flex asset benefits from blended use

Rather than having a scheme entirely dedicated to multifamily accommodation (for example), demand analysis data might suggest that it makes sense to allocate e.g. 10%-20% of the units to short stay serviced accommodation. These units can then be offered both as a "guest suite" amenity to long stay residents or, for example, as dedicated corporate rental accommodation. The asset is then able to benefit from the incremental NOI upside driven by short stays without radically impacting its core risk profile and cap rate. Equally the diversification of revenue streams makes for a more robust and resilient asset over the long-term.

Flex is an evolving case study in how the convergence of asset classes - driven by consumer demand, and enabled by a new wave of technology solutions - creates a virtuous "flywheel" that benefits all stakeholders.

**More Flex operators = More Flex assets = More Flex products and customer experiences available to renters.**

### Airbnb-friendly Building Programme

Airbnb continues to be a driving force in the evolution of flexible living. Airbnb publicly launched its Friendly Building Programme in November 2022, which has focused on developing partnerships with major US multifamily portfolios including Greystar, Equity Residential and UDR. Today more than 260 buildings have signed up, representing ~100,000 units across 40 U.S. markets.

The programme partners with apartment buildings across the U.S. to curate a list of buildings that permit tenants to sublet to Airbnb guests. Essentially long-term renters can sign a lease with any of the buildings in the programme safe in the knowledge that if they'd like to monetise slack capacity in their apartments then they're able to sublet on Airbnb. Landlords benefit by taking a share of up to 25% of the revenue from any sublet.

Airbnb has seen most interest from multi-family developers who have new buildings to lease. According to Jesse Stein, Global Head of Real Estate at Airbnb, one survey of US developers reportedly found that being "Airbnb-friendly" is one of the top three most popular amenities, as it's a way to differentiate an asset. For the landlord the underlying collateral remains a 12-month tenant, however the programme offers that tenant the ability to obtain the same economic benefits of Airbnb as a homeowner, whilst giving a building manager full transparency into how their residents are hosting and driving incremental income for the asset.

> **One survey of US developers reportedly found that being "Airbnb-friendly" is one of the top three most popular amenities, as it's a way to differentiate an asset.**
>
> Jesse Stein
> Global Head of Real Estate, Airbnb

## 4.3 Why is Flex shaping the residential sector?

**Our core thesis is that market forces will continue to drive adoption of Flex as an operating strategy across the wider residential sector. The Global Flex Report will track this, with a view to helping industry players and analysts better understand how it is shaping strategies and decision making.**

Ultimately, we believe that Flex will evolve to become recognised as a standalone asset class - but why do we believe this, and what gives us this confidence? It's important to walk through the pros and cons of the Flex value proposition, and how these relate to the three primary stakeholder groups - residents, operators and investors.

> Ultimately, we believe that Flex will evolve to become recognised as a standalone asset class

### Residents

Pros:

✓ **Greater flexibility and choice.** Renters can stay in a community for a day, a week, a month or a year in line with their needs. They're also often able to choose between furnished and unfurnished apartments.

✓ **Premium resident experience.** Premium "hybrid hospitality" services are being extended to long-term residents (concierge, cleaning services, linens, etc.)

✓ **New range of value-added amenities that better enable and cater to Flex living.**

- Guest suites - flexible, short stay accommodation allowing residents to easily accommodate visiting friends and family within the same building.
- "Resident passports" enable residents to seamlessly travel, nationally or internationally, and stay in other communities within the same network/portfolio.

Cons:

✗ **Negative perception of short stay guests by long-term residents.** Long-term residents often frown upon more transient guests staying in their community and the potential disruption they cause.This needs to be tackled up front through clear communication and sensitive deployment of short stay units vis-a-vis long-term residents (i.e. placing short stay units on a dedicated floor).

### Investors & Operators

Pros:

✓ **Blended revenue streams = lower risk profile.** By having access to a blend of income streams (short, medium ans long-term), assets become more resilient and lower risk over the long-term.

✓ **Faster lease-up phase.** Significantly accelerate the lease-up phase by occupying units on a combination of short, medium and long-term leases.

✓ **Higher building utilisation rates / reduced vacancy rates.** Monetise empty units and eliminate voids with short stays.





✓ **Reduced resident acquisition costs.** Increased flexibility reduces the barrier to renting, offering prospective long-term residents the ability to move into a building and "try before they buy".

✓ **Increased resident lifetime value.** Free movement within the network/portfolio, enabled by "resident passports", retains loyalty and maximises lifetime value.

✓ **Better able to navigate planning constraints.** Flex buildings are a potentially attractive solution for local planning regulators. Investors and developers are able to apply more versatile, blended operating solutions to target acquisitions, making it easier to navigate specific planning restrictions and increase the viability of certain sites.

Cons:

✗ **Increased operational complexity.** Shorter leases and higher-touch hospitality increase the operational burden on the operator. Dedicated property management software is needed to manage and scale a Flex operation.

✗ **Cap rates remain unproven.** The Flex asset class remains nascent and cap rates still need to be proven in the market. This will happen over the coming years.

### Flex is powering new categories of urban living

A number of flexible living brands have emerged with convenience, comfort and community at their core. In the multifamily space examples include Placemakr, Sentral and Tucker. In the co-living space examples include The Collective, Node Living, Gravity and Folk.

### Unlocking value for Student Accommodation assets

Student accommodation operators increasingly dedicate the summer months - i.e. outside of the academic year - to short stays, enabling assets to benefit from peak seasonal demand and rates. This in turn affords operators the ability to offer shorter minimum tenancy lengths (e.g. 42 or 45 weeks), resulting in more affordable accommodation for students, and making university education more accessible.

# 4.4 Flex case studies

## Case study

### Placemakr
### SoBro - The heart of Nashville TN

placemakr

Placemakr acquired the 32-story SoBro in 2021. SoBro had opened in 2016 and was being operated as a 313-unit multifamily asset. While the building was stabilized, in-place rents were languishing 30% below market. Upon takeover, Placemakr implemented a three-pronged strategy to reposition SoBro as a top-performing flex living asset:

- Converted 205 units into a furnished program. Enabled asset to capitalize on world-class hospitality drivers in area.
- Focused on raising in-place rents. Allowed below-market leases to expire as part of furnished conversion process, enabling asset to capture the top of the resident demand curve to grow rents.
- Staffed a management team with multifamily & hospitality expertise to combine best of both of worlds as “hospitality-infused multifamily”. Leveraged hotel program to create an elevated resident experience with free cleanings and discounted friends & family stays.
- The asset outperforms its multifamily and furnished comp sets – a testament to the strength of the business plan and the Operations team.

| | 2022 | | | 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Multifamily performance** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** |
| Occupancy | 92% | 94% | 95% | 95% | 96% | 92% | 91% | 90% | 88% | 88% | 91% | 89% | 90% | 86% | 93% |
| Blended in-place (p/sq ft) | $2.90 | $2.95 | $2.99 | $3.03 | $3.03 | $3.03 | $3.12 | $3.16 | $3.16 | $3.18 | $3.16 | $3.13 | $3.11 | $3.12 | $3.11 |
| Market penetration[1] | 88% | 87% | 89% | 88% | 96% | 99% | 99% | 105% | 100% | 104% | 106% | 109% | 104% | 101% | 98% |

| | 2022 | | | 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Multifamily performance** | **Oct** | **Nov** | **Dec** | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **Jun** | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** |
| RevPAR | $292 | $191 | $158 | $102 | $188 | $249 | $271 | $261 | $219 | $234 | $177 | $238 | $259 | $165 | $135 |
| Blended in-place (p/sq ft) | $13.49 | $1259 | $12.23 | $8.91 | $10.21 | $12.91 | $12.57 | $13.34 | $11.32 | $12.07 | $10.01 | $13.04 | $13.66 | $9.85 | $9.05 |
| Market penetration[2] | 113% | 106% | 116% | 89% | 109% | 108% | 103% | 100% | 95% | 107% | 97% | 94% | 95% | 88% | 100% |

Footnotes to table:
1. Market rate determined by comp set rent, market conditions, and attributes of individual units 2. RevPAR relative to hotel comp set per custom STR report



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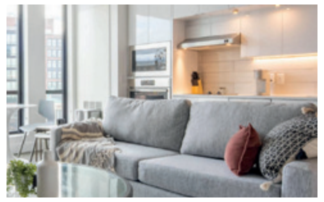
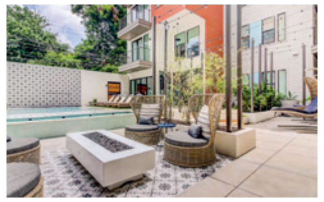
## Selected case studies

| | Company | Location | No. units | Details | |
|---|---|---|---|---|---|
|  | **Homes for Students** | **UK**<br>52 cities nationwide | 39,000 units across 160 properties | Project to maximise occupancy and rental income across UK purpose built student accommodation portfolio, specifically over the vacant summer holiday period, whilst driving significant additional benefits by bringing high-spending footfall to local economies. | Source: Travolution |
|  | **Landing** | **USA**<br>375 cities nationwide | 20,000 apartments | Fully furnished apartments. Minimum booking 30 days with no need to specify an end date during the booking process, and no need for a multi-month contract. Members simply provide Landing with 14 days notice when vacating the apartment. | Source: Serviced Apartment News |
|  | **Sentral** | **USA**<br>15 cities nationwide | 10,000 units across 40 communities | Sentral acquires Align Residential<br>Class A multifamily portfolio offering stays of any length. | Source: Shorttermrentalz |
|  | **Node** | **UK/Ireland/Spain** | 6,000 units<br>+27 projects under development across the world | Modern design-led rooms, apartments and coliving spaces targeting globally minded creatives, professionals and entrepreneurs. All fully furnished and available to rent flexibly. | Source: BTR News |
|  | **Greystar** | **Spain**<br>Madrid | 2,500 units across 3 assets | High quality flexible accommodation with superior amenities including a gym, co-working space, pool, outdoor space and a dedicated concierge service. Forward sale was agreed in May 2022 and has a 4.5% cap rate. | Source: Greystar |
|  | **Axo Student Living** | **UK**<br>London, Coventry, Sunderland, Ipswich | 876 units | Project to maximise occupancy and rental income across UK purpose built student accommodation portfolio, specifically over the vacant summer holiday period, whilst driving significant additional benefits by bringing high-spending footfall to local economies. | Source: Urban Living News |
|  | **UPP** | **UK**<br>Nottingham & Swansea | 816 units | Project to optimise rental income during the summer months by operating flexible rental and short-stay programmes - complementing existing programmes such as summer schools, conferences and events. | Source: Shorttermrentalz |

## Selected case studies (cont.)

| | Company | Location | No. units | Details | |
|---|---|---|---|---|---|
|  | **Hines (aparto)** | **Spain**<br>Esplugues de Llobregat, nr. Barcelona | 520 units in 1 asset | Different types of flexible accommodation comprising studios/shared rooms/1/2 bedroom apartments targeting students and young professionals. | Source: Iberian Property |
|  | **Jamestown** | **USA**<br>Atlanta | 405 units in 1 single asset | Apartment tower Scout Living will offer 405 fully furnished apartments for stays of any length. If the Atlanta asset is a success, Scout living will be expanded to other U.S. cities as well as Europe. | Source: Jamestown |
|  | **Flex BTR portfolio** | **Spain**<br>Malaga & Barcelona | 379 units across 3 assets | 143 flex living units (1/2/2+ bedroom apartments). 236 BTR units (1/2/3 bedroom apartments).<br>€100m forward funding opportunity. Construction to begin in Q3 2024. | Source: BTR News |
|  | **Habyt** | **Germany**<br>Berlin | 236 studios in 1 asset | 236 fully furnished studios offering stays of any length.<br>Habyt plans to expand its Flex concept to other cities worldwide such as Madrid, Málaga, and Milan. | Source: Serviced Apartment News |
|  | **Placemakr** | **USA**<br>Nashville, TN | 89 units in 1 asset | Studio/1/2/5 bedroom apartments offering stays of any length. | Source: Multihousing News |





# 5.0 Survey results

# 5.0 Survey results

**The Global Flex Report 2024 charts the impact of short and medium-term renting upon the investment and operating strategies underpinning the global apartment industry.**

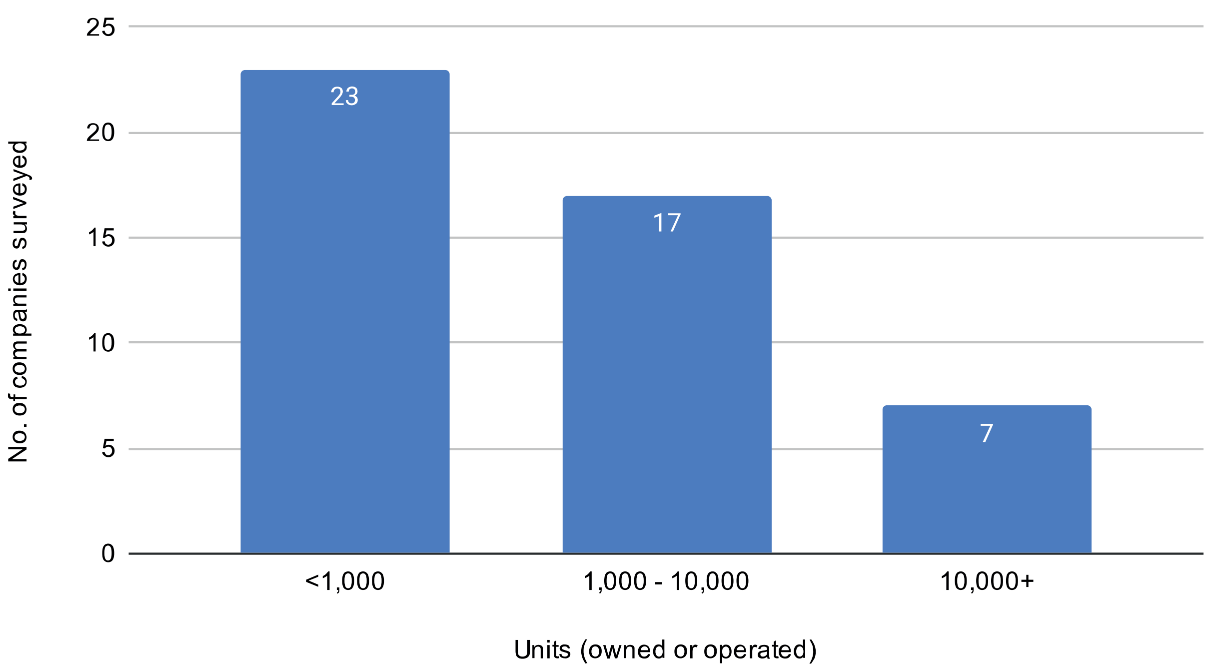
The report sets out to inform residential investors, operators, analysts, journalists and policy makers as they seek to track and understand key trends underpinning the living sector:

- The pace of adoption of emerging Flex operating strategies.
- The emergence of a new Flex asset class.
- Key technologies and innovations powering the future of the living sector.

In total Lavanda surveyed 46 real estate institutions across Europe and the US, collectively representing >1.3 million apartment units.

## 5.1 Who participated in the survey?

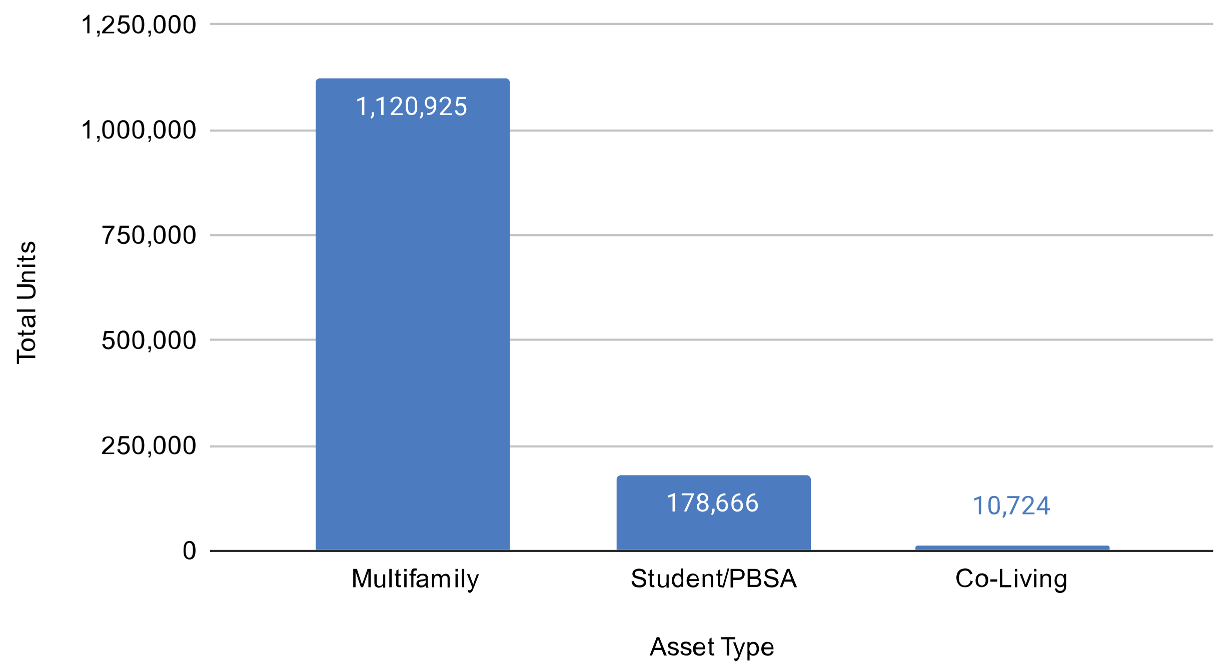
### Size of companies which participated (n=47 in total)








### Distrubution of units by asset type



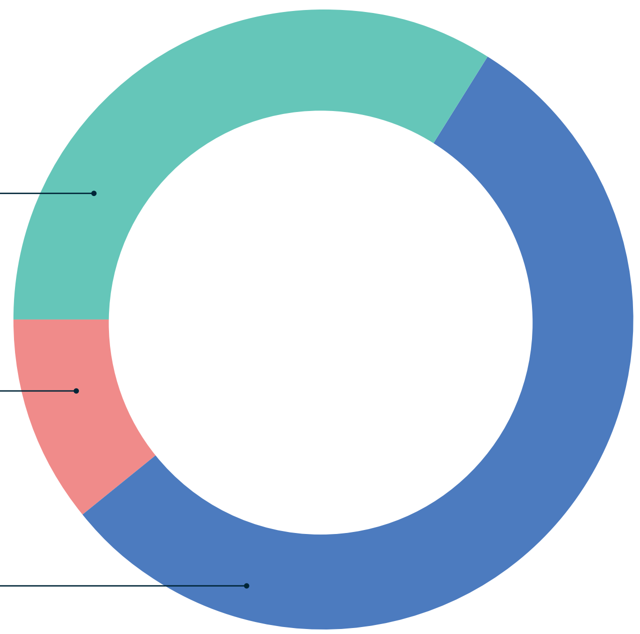

Note: whilst we surveyed operators of ~10,700 co-living units, this sample size remains too small to draw any robust, meaningful conclusions from. We've nevertheless chosen to share these results. Given our vantage point on the industry, we do however believe that they are broadly indicative of the underlying trends that we see within the co-living sector, and we hope to build upon this initial data set in future reports.

### Does your company invest in residential real estate, operate residential real estate or a combination of the two?

**Operator**
0.34%

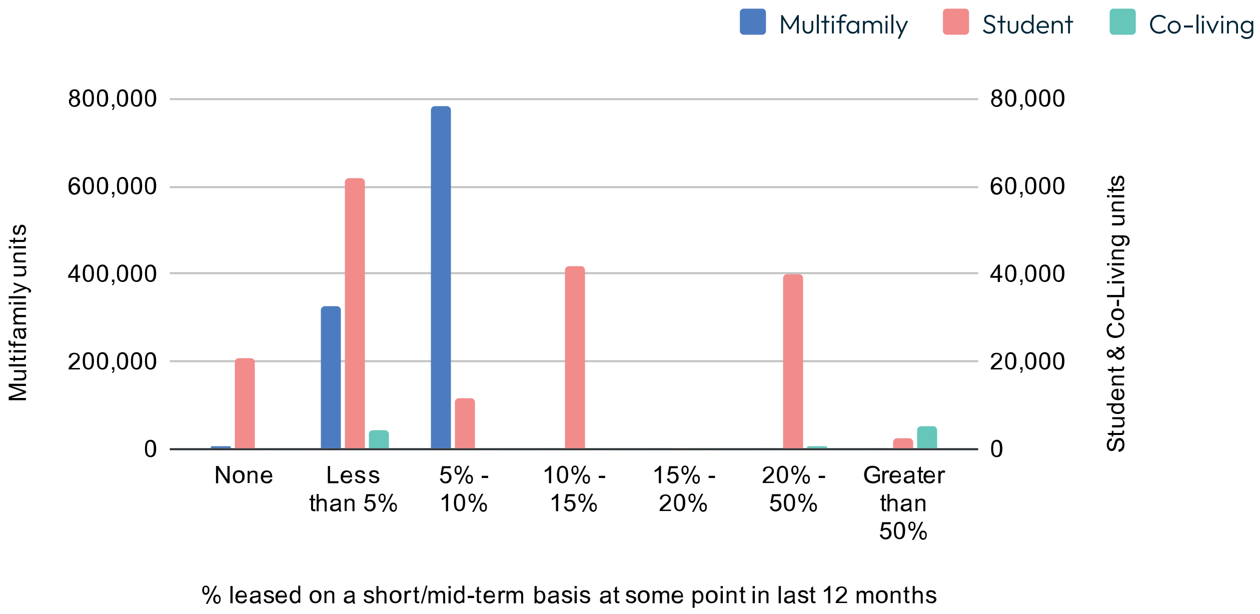
**Investor**
10.6%

**Both**
55.3%

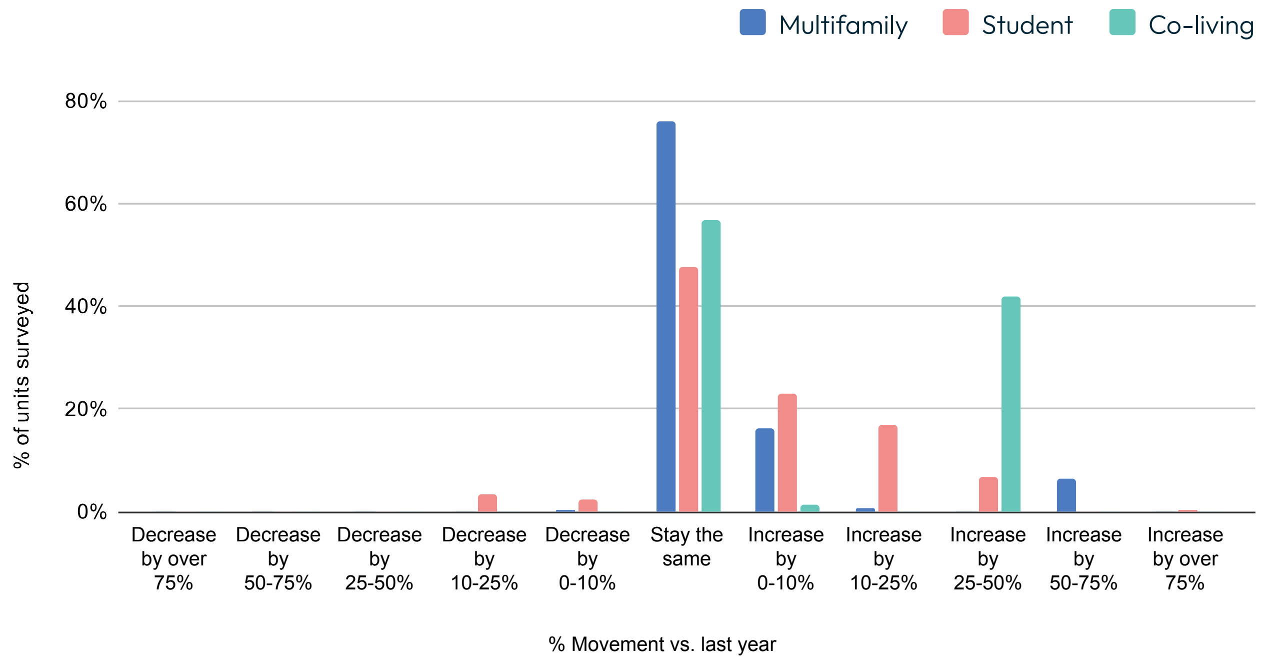


## 5.2 Short and medium-term rental activity

### What % of units have been leased on either a short or medium-term basis at some point within the last 12-months?



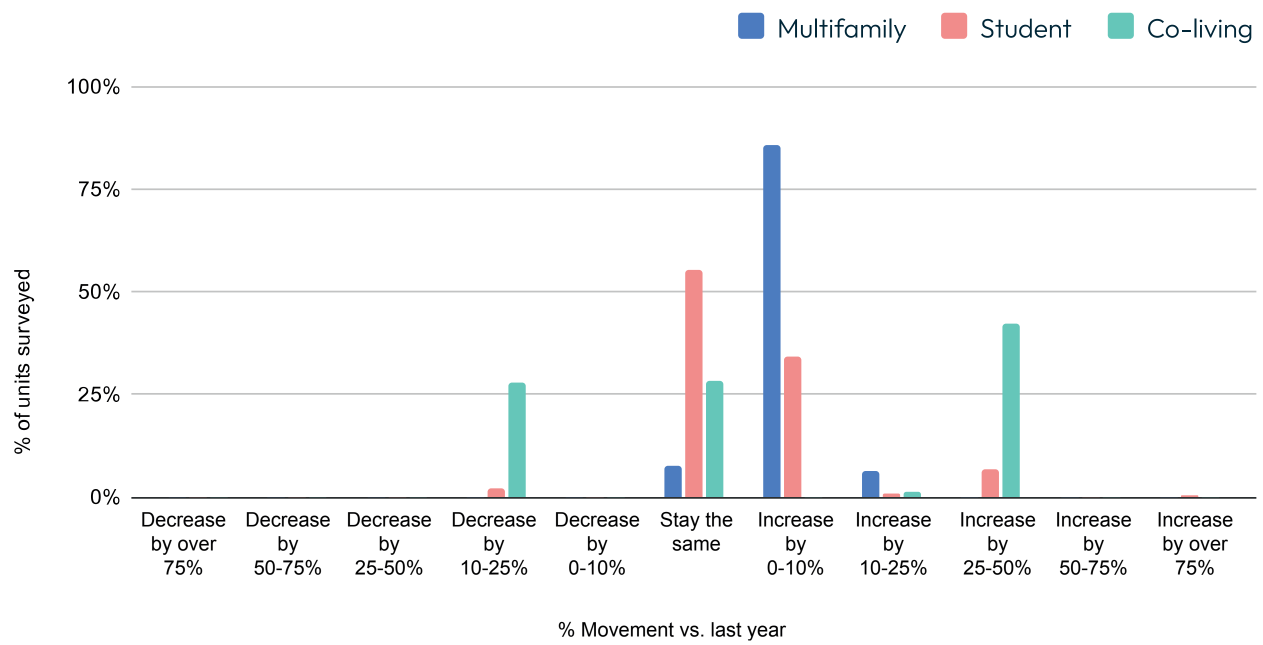

### Did this % increase, decrease or stay the same versus the previous year?








### Will this % increase, decrease or stay the same for the coming year?




### Insights:

**Flex adoption is accelerating in multifamily:**

- **23%** of multifamily units surveyed increased their short/medium-term rental activity in 2023, however **92%** are expecting to increase activity in 2024.

**Student accommodation is showing greater maturity:**

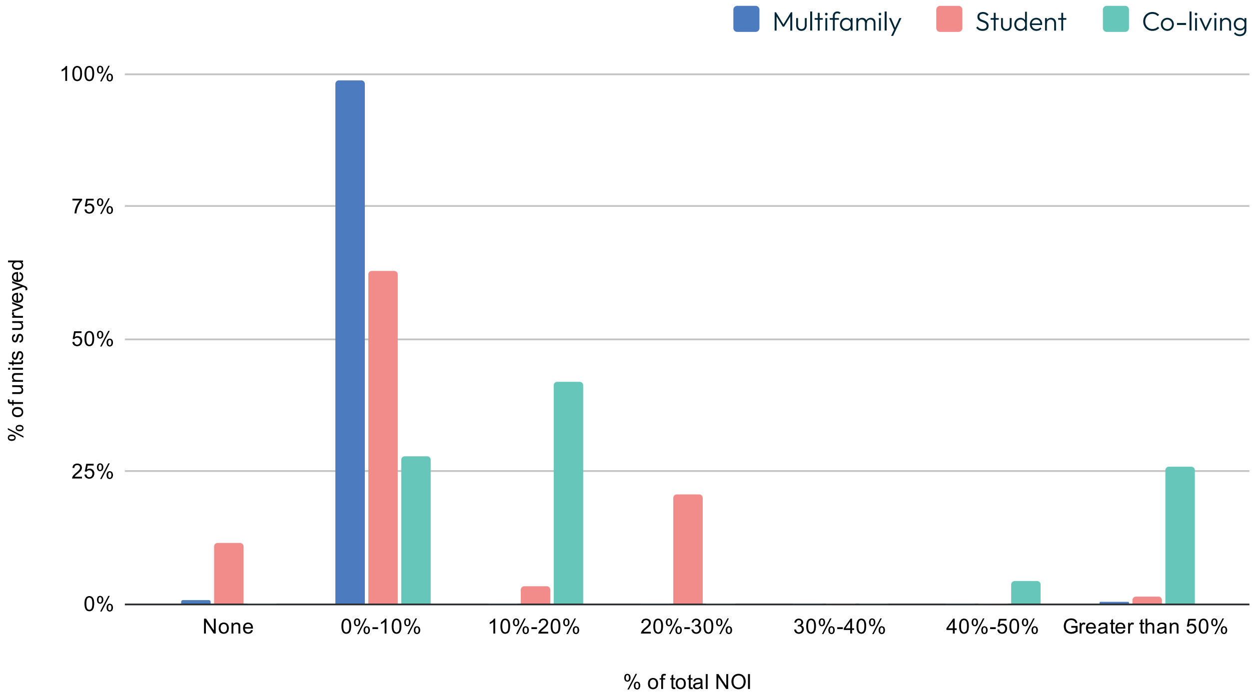
- **47%** of student accommodation units surveyed increased their short/medium-term rental activity in 2023, with **43%** expecting to increase activity in 2024.
- The majority of student operators have been experimenting with short/medium-term rentals in the last few years, illustrating the relative maturity of adoption within this asset class.

**Co-living is showing a positive trend towards increasing adoption:**

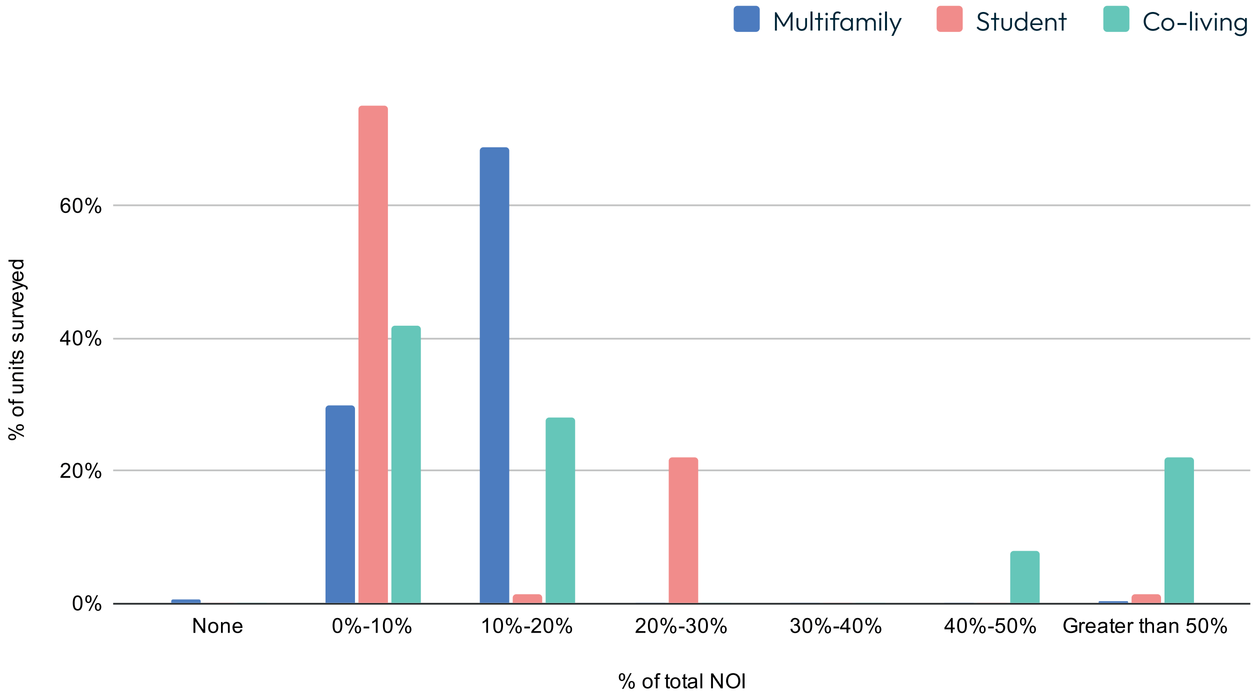
- **42%** of co-living units surveyed expect to increase their short/medium-term rental activity by **25-50%** in 2024, with a further **28%** expecting to maintain their current level of activity.

## 5.3 Impact of Flex upon Net Operating Income (NOI)

### Over the last 12-months, what % of NOI came from short and medium-term rentals?




### Over the next 12-months, what % of NOI do you expect to come from short and medium-term rentals?






The Global Flex Report 2024

### Insights:

**Rapidly increasing NOI contribution in multifamily:**

- **70%** of multifamily units surveyed expect to generate **>10%** of NOI from short/medium-term rental activity in 2024, significantly increasing NOI contribution vs. the last 12 months."

**Already a major contributor to student NOI, and still growing in importance:**

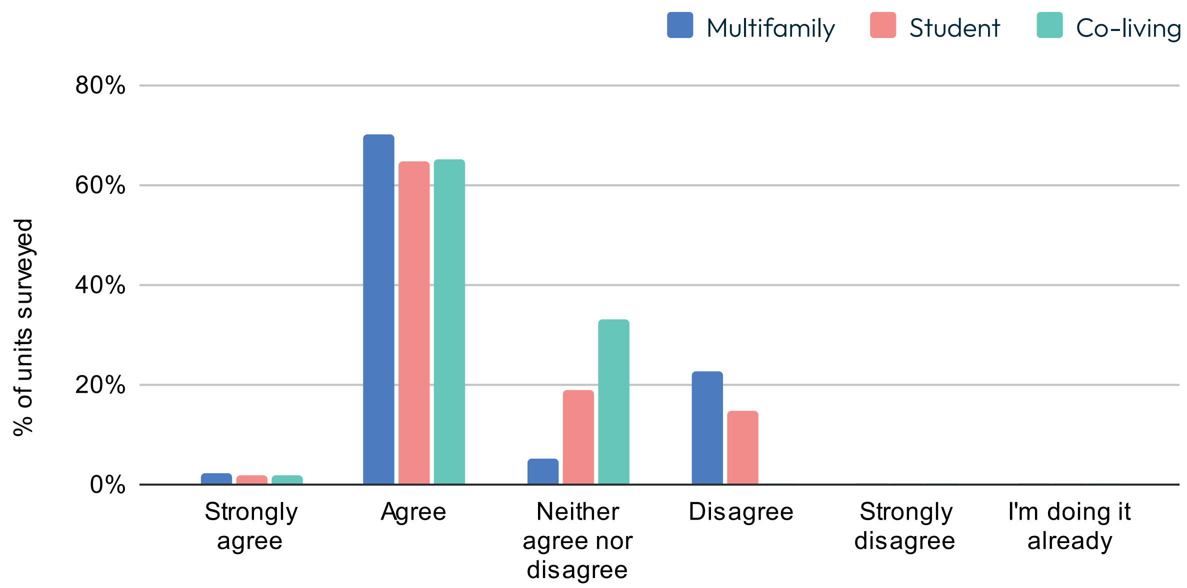
- **88%** of student accommodation units surveyed acknowledged some level of NOI contribution from short/medium-term rentals in 2023, with **22%** stating that it already contributed **>20%** of NOI.
- In 2024, all student accommodation companies surveyed expect to embrace short/medium-term rentals in some way.

**An established contributor to co-living NOI, albeit softening slightly in 2024:**

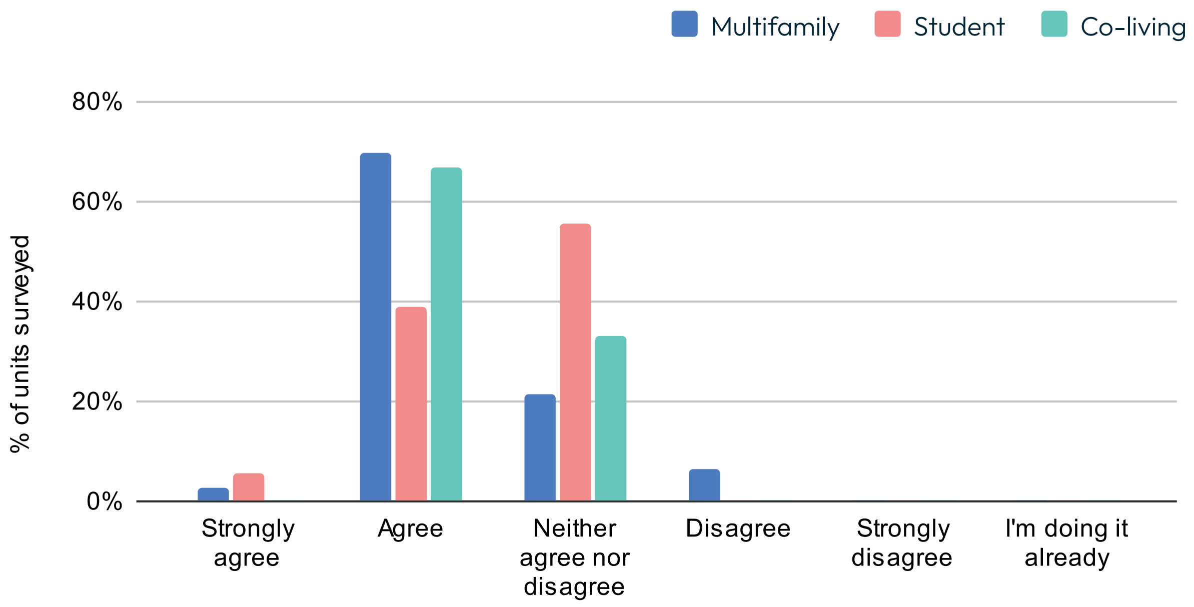
- **82%** of units surveyed stated that short/medium-term rentals contributed to >10% of NOI in 2023, with **26%** stated that it contributed to **>50%** of NOI.
- Only **58%** of units surveyed expect short/medium-term rentals to contribute to **>10%** of NOI in 2023, with **22%** expecting an NOI contribution of **>50%**.

## 5.4 Is building greater resilience and agility a strategic priority?

### It has been a strategic priority to build greater resilience into my portfolio over the last 12-months.



### It is currently a strategic priority to build greater flexibility, agility and resilience into my portfolio over the next 12-months?




### Insights:

**Flexibility, agility and resilience has been a strategic priority over the last 12 months, and this isn't set to change materially in 2024.**

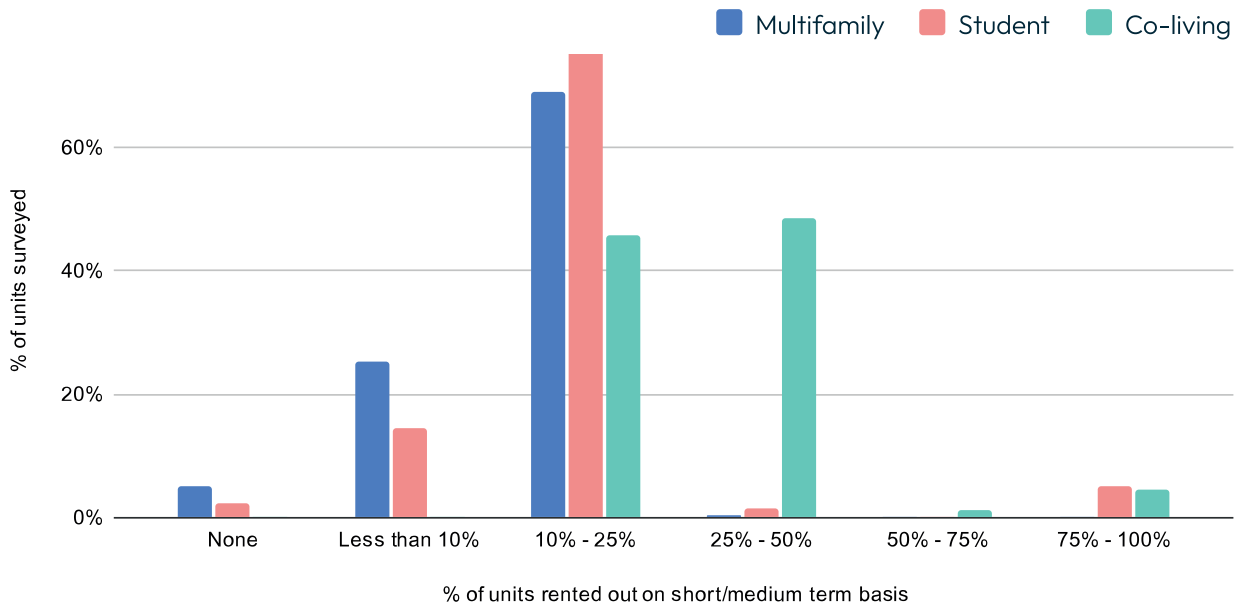
- **2%** of Multifamily, **66%** of Student accommodation and **67%** of Co-living respondents agree that flexibility, agility and resilience has been a strategic priority in 2023.
- **2%** of Multifamily, **45%** of Student accommodation and **67%** of Co-living respondents agree that flexibility, agility and resilience is a strategic priority in 2024.





## 5.5 How does the industry perceive/value Flex?

### What % of units would you ideally like to have the option of being able to rent out on a short or medium-term basis?




### Insights:

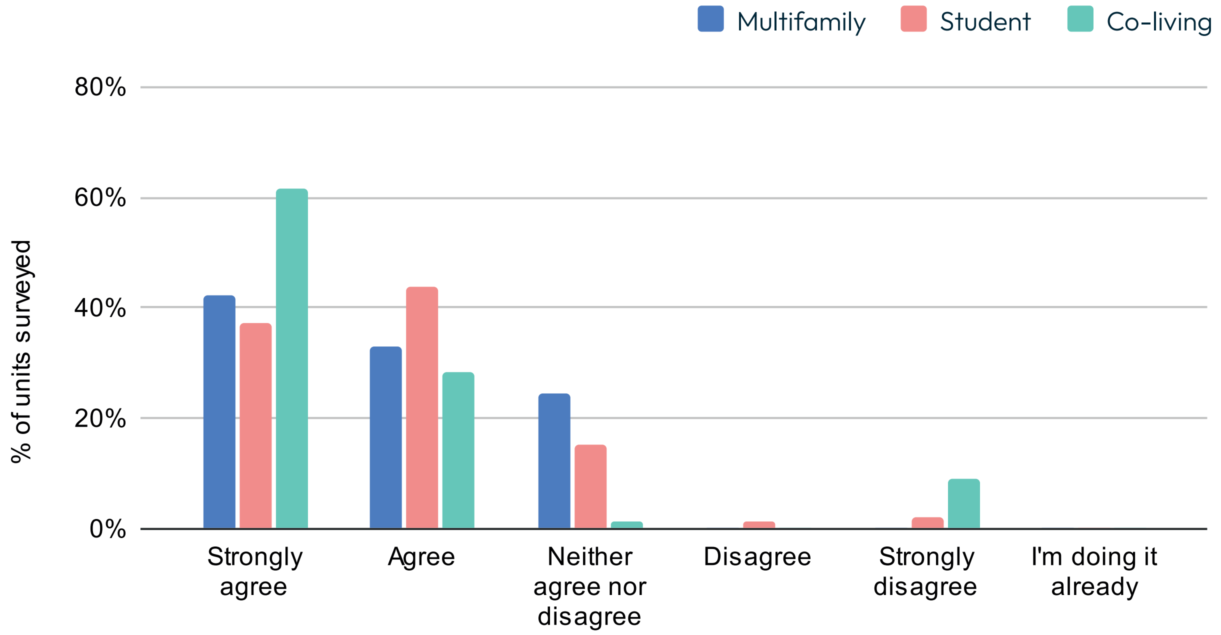
**Multifamily and Student accommodation operators would typically like to have the ability to rent out up to 25% of their units on a short/medium-term basis:**

- The majority of multifamily units **(69%)** and student accommodation units **(77%)** surveyed stated that they would ideally like to have the option of renting out between **10%-25%** of their units on a short/medium-term basis should they wish.
- **25%** of multifamily units and **15%** of student accommodation units surveyed stated that they would prefer to rent out **<10%** of their units on a short/medium-term basis.

**Appetite for short and medium-term renting is notably stronger in co-living:**

- **46%** of co-living units stated that they would ideally like to have the option of renting out between **10%-25%** of their units on a short/medium-term basis should they wish.
- However a further **48%** stated that they would prefer to have that option over **25%-50%** of their units, and a further **5%** would prefer to have the option over **>50%** of their units.

## Offering renters greater flexibility, choice and the ability to customise their accommodation/living experience is essential to maximising the performance of an asset.




### Insights:

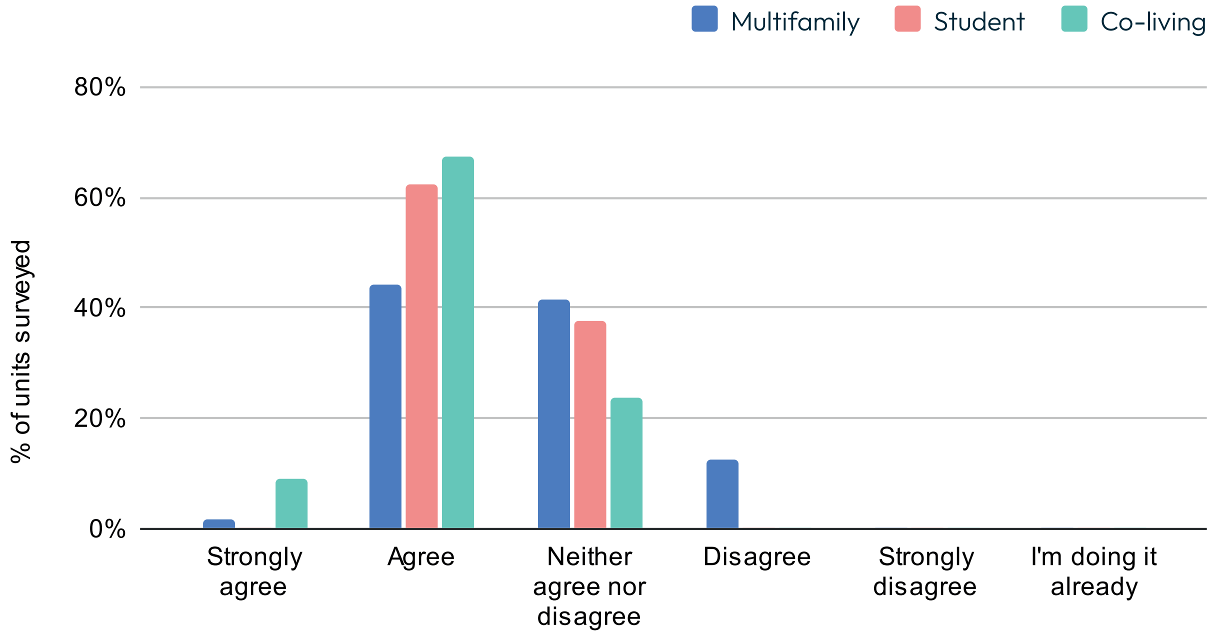
**Offering renters greater flexibility and choice is increasingly considered essential to maximising asset performance:**

- **33%** of multifamily units surveyed agree, with a further **42%** strongly agreeing. **25%** are indifferent.
- **44%** of student units surveyed agree, with a further **37%** strongly agreeing. **15%** are indifferent.
- **28%** of co-living units surveyed agree, with a further **62%** strongly agreeing. Interestingly **19%** strongly disagree, so there appears to be greater polarisation within the cohort of co-living respondents.





## Flex buildings are potentially an attractive solution for some local planning regulators and could increase the viability of certain sites.




### Insights:

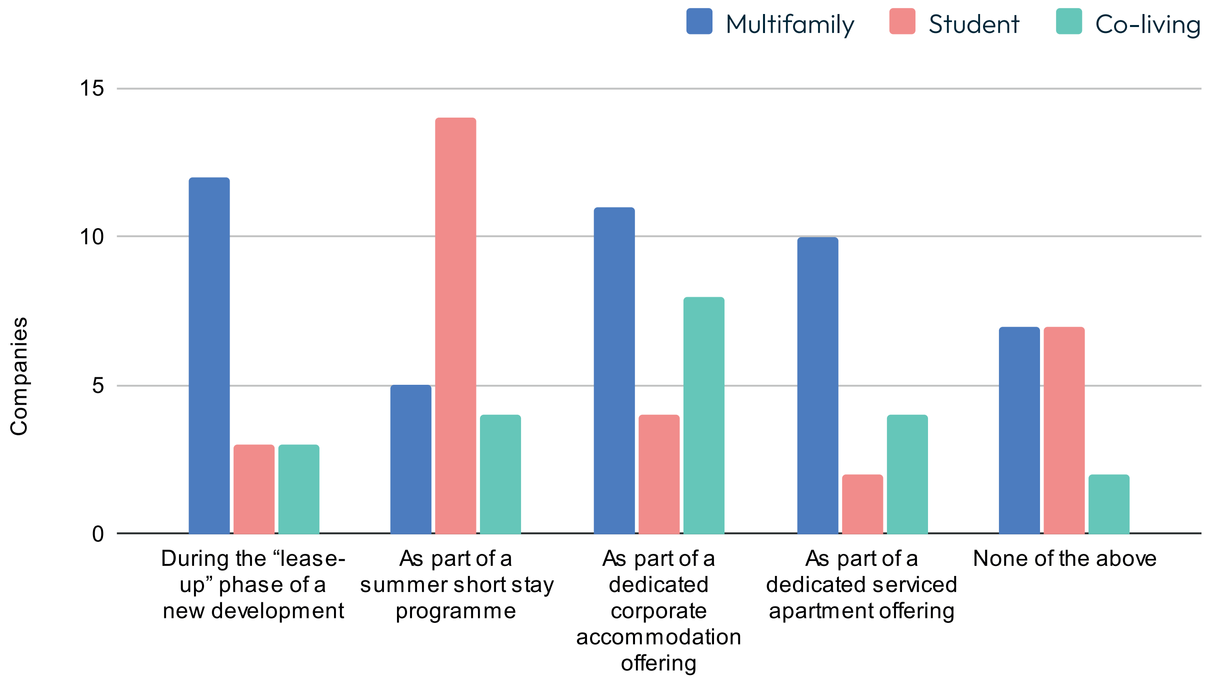
**Flex is generally considered to have a positive role to play in increasing the viability of certain sites:**

- **46%** of multifamily units surveyed agree, **41%** are indifferent, and only **13%** disagree.
- **62%** of student accommodation units surveyed agree, **38%** are indifferent. None disagree.
- **76%** of co-living units surveyed agree, **24%** are indifferent. None disagree.

The fact that this opinion appears to be more strongly supported by student and co-living operators is unsurprising as short and medium-term renting seems to be more integral to those business models (i.e. a stronger preference for Flex to be deployed across a greater % of units).

## 5.6 Context of deployment

### In what context have you deployed short or medium-term rentals in the last 12-months?




### Insights:

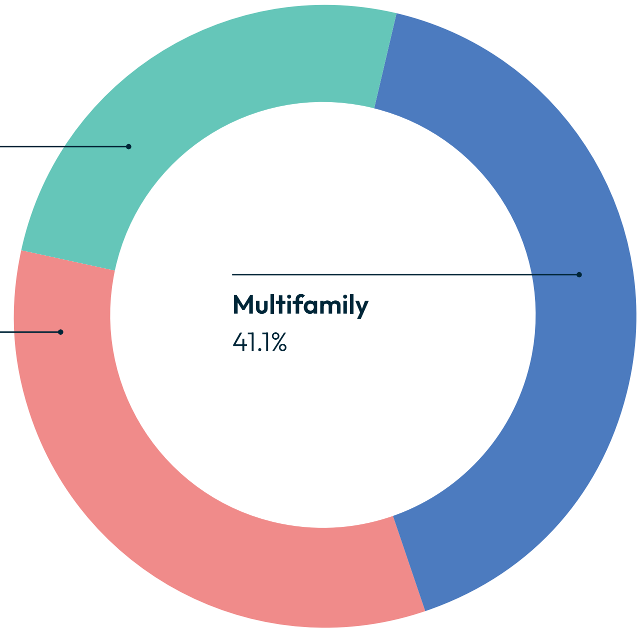
Multifamily assets appear to have the broadest range of use cases for Flex.

- Multifamily respondents highlight 3 emerging use cases for short/medium-term renting:
  1. Optimising the lease-up phase of a new development.
  2. Creating a dedicated serviced apartment offering.
  3. Creating a dedicated corporate accommodation offering.
- The primary use case amongst student accommodation respondents is unsurprisingly that of summer short stay programme – i.e. monetising vacant units outside of the academic year during the holiday period. Other use cases are, however, emerging and it will be interesting to see how these develop in coming years.





### Which residential assets do you believe most benefit from some form of Flex?



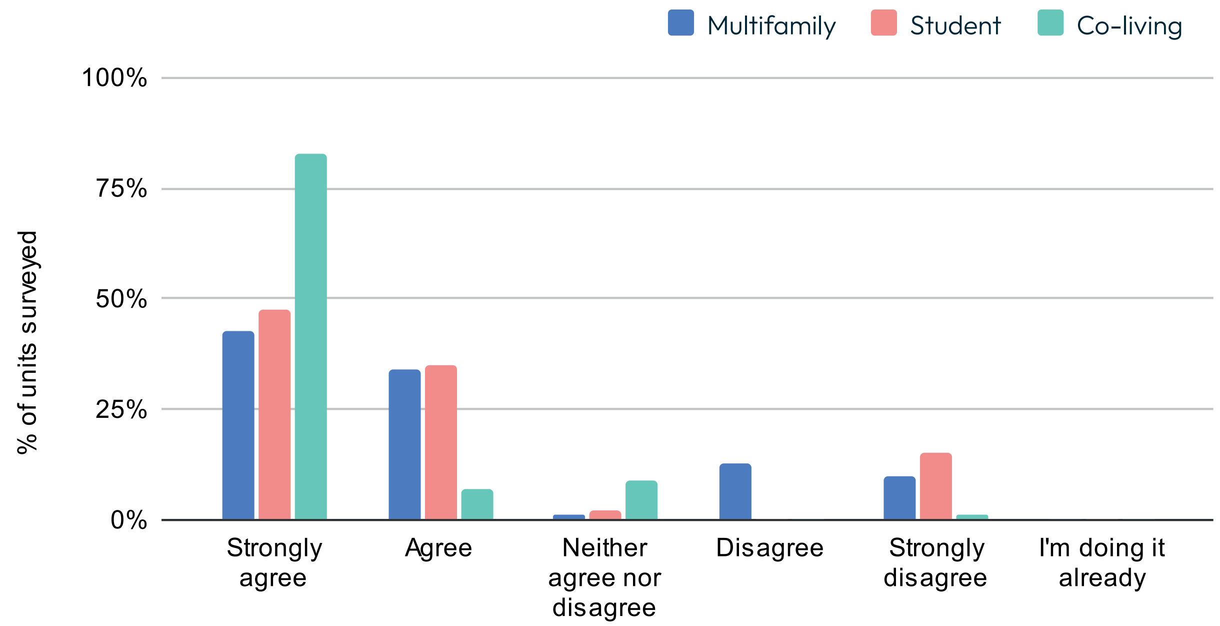

### Insights:

**Multifamily assets are narrowly perceived to benefit the most from Flex:**

- **41%** of all units surveyed voted that multifamily benefited the most from Flex, with **34%** voting for student accommodation and **25%** for Co-living.
- This is likely linked to the fact that respondents perceive Multifamily assets to have the broadest range of use cases.

## 5.7 Technology investment and key feature requirements

### My company will invest in improving our digital customer journey and experience within the next 12-months.

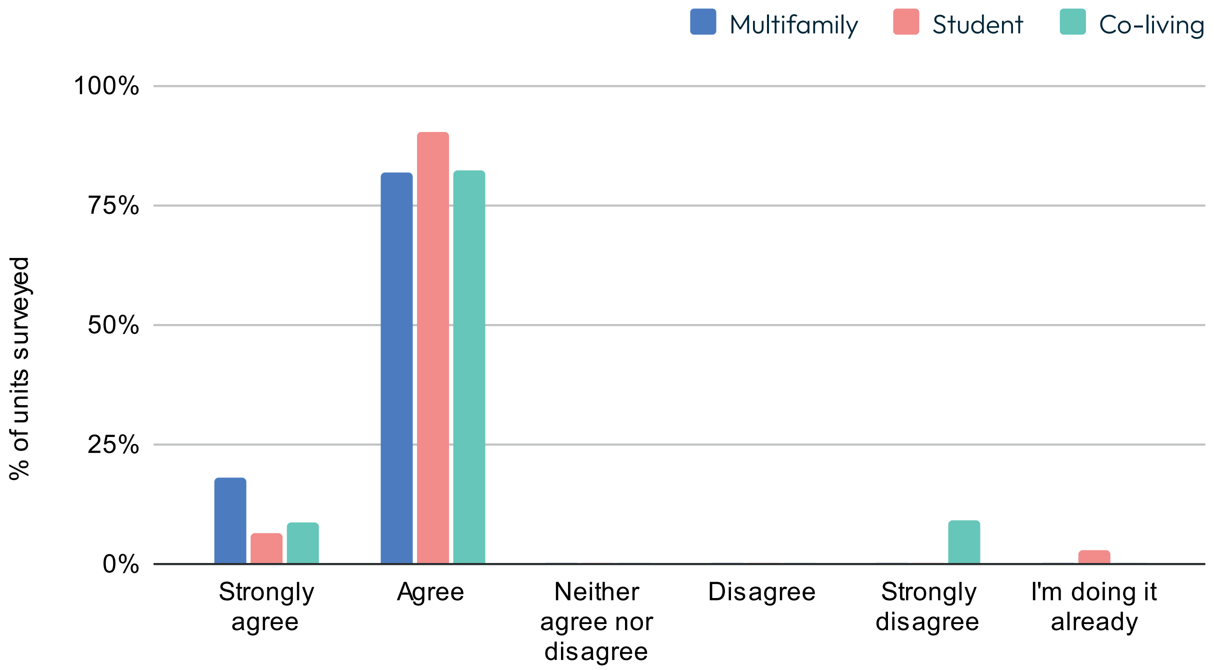


### Insights:

**A resounding majority of respondents expect to invest in improving their digital customer journey and experience in the next 12 months:**

- A total of **77%** of Multifamily units surveyed agree  (**34%** agree and a further **43%** strongly agree).
- A total of **83%** of Student accommodation units surveyed agree (**48%** agree and a further **35%** strongly agree).
- A total of **90%** of co-living units surveyed agree (**7%** agree and a further **83%** strongly agree).

### I would like to be able to price units individually in line with any amenities on offer.




### Insights:

**Pricing optimization is in high demand:**

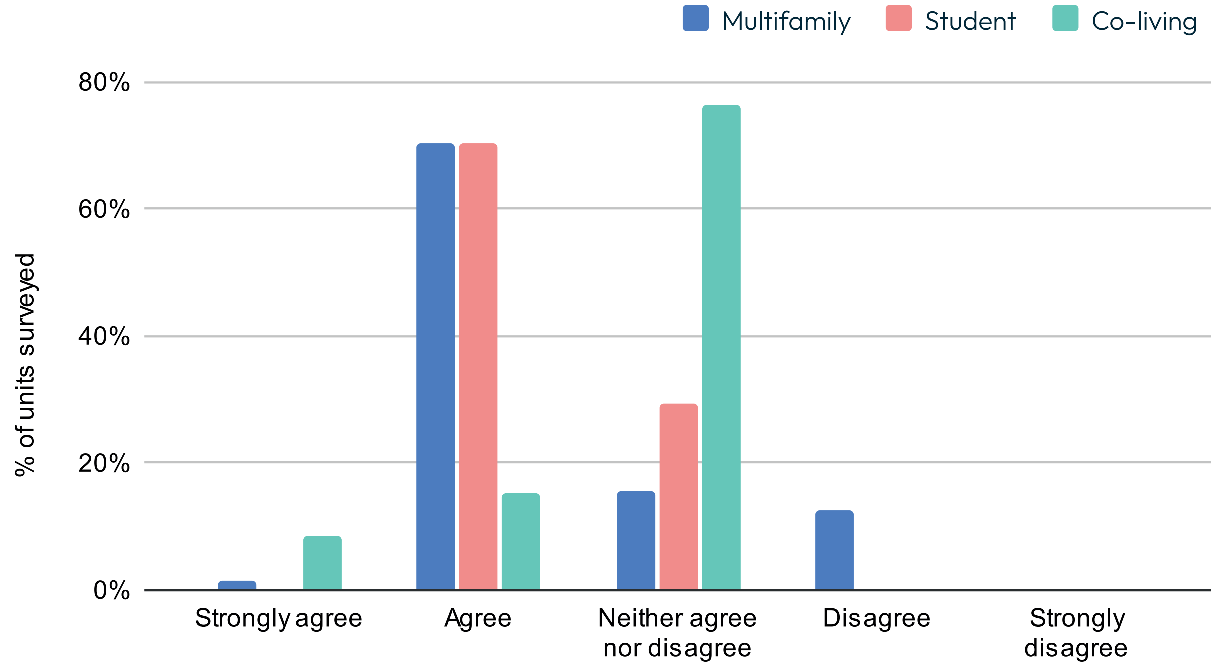
- **100%** of Multifamily units surveyed agree.
- **97%** of Student units surveyed agree (the remaining **3%** are already doing it).
- **91%** of Co-living units agree.





## 5.8 Future outlook

### The development of Flex buildings will accelerate over the next 12-months.




### Insights:

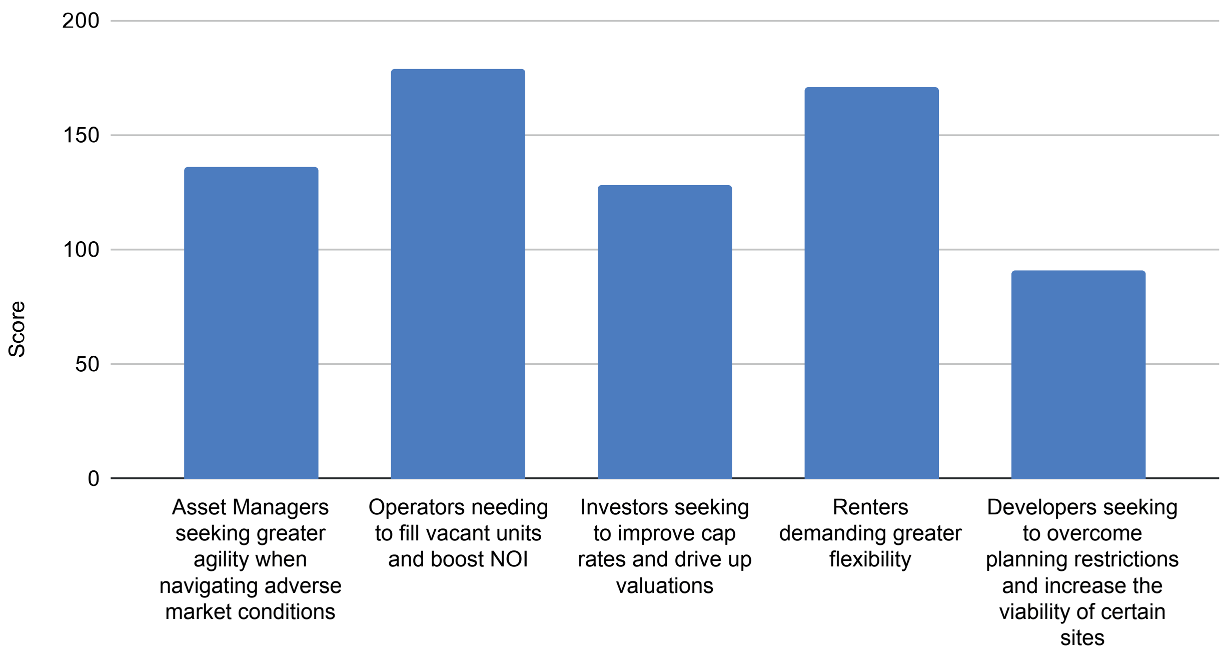
**The majority of Multifamily and Student accommodation units surveyed believe that the development of Flex buildings will accelerate over the next 12 months:**

- **72%** of Multifamily units surveyed agree.
- **70%** of Student accommodation units surveyed agree.
- Only **24%** of Co-living surveyed agree.

The vantage point and opinion of the individual asset classes on this is interesting however. The fact that the majority of Multifamily and Student units surveyed agree that the development of Flex buildings will accelerate over the next 12 months; this likely points to an underlying trend that those respondents are already seeing within their market segment. Equally, that Co-living respondents are largely indifferent; this possibly points to the fact that there is no evidence of further acceleration of Flex within their market segment - potentially because it is already considered part and parcel of the majority of co-living assets.

Thes-e results support the fact that the Co-living segment is a relatively “mature” adopter of Flex, whereas the Multifamily and Student segments are only just experiencing the tip of the iceberg.

## What do you believe are the key drivers of Flex?




### Insights:

There's no one key driver of Flex, but rather it's a combination of different value propositions to different stakeholder groups (renters, operators and asset managers).

**The top three drivers of Flex, as voted for by all respondents:**

1. Filling vacant units to boost NOI, and better satisfying demand from renters are clearly considered to be joint primary drivers.
2. Greater agility in navigating adverse market conditions, and driving up asset valuations are considered joint secondary drivers.
3. Although still considered a meaningful benefit, increasing the viability of certain sites is considered a tertiary driver.



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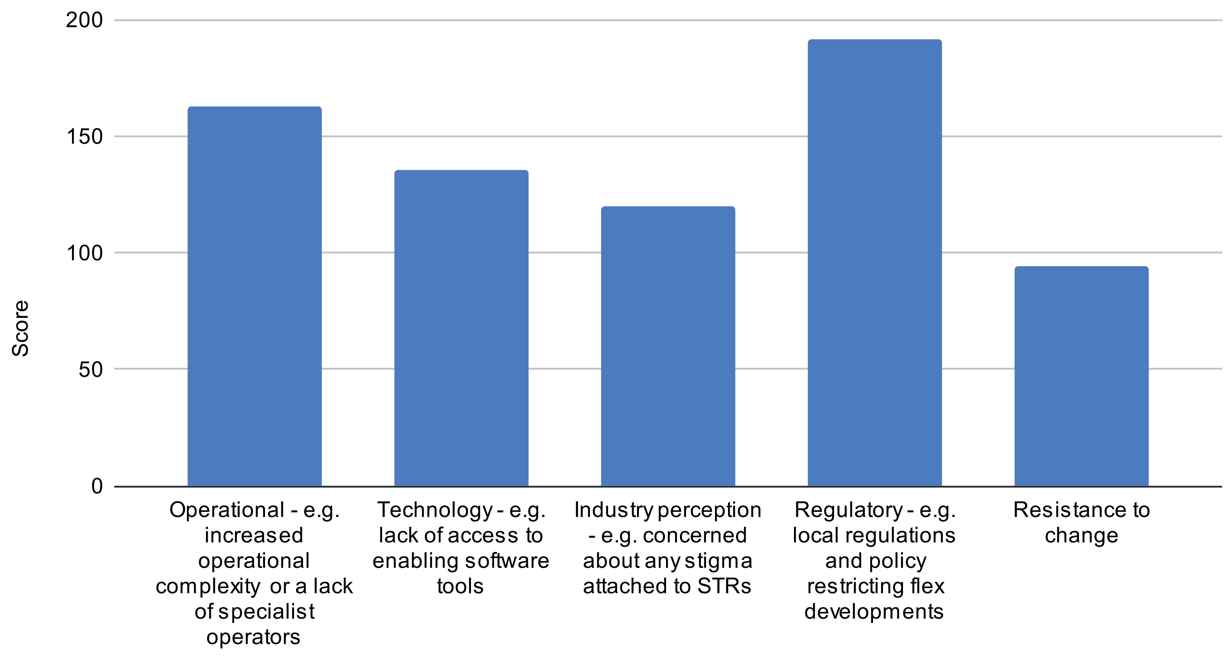
## What do you believe are the major barriers to adoption for Flex?




### Insights:

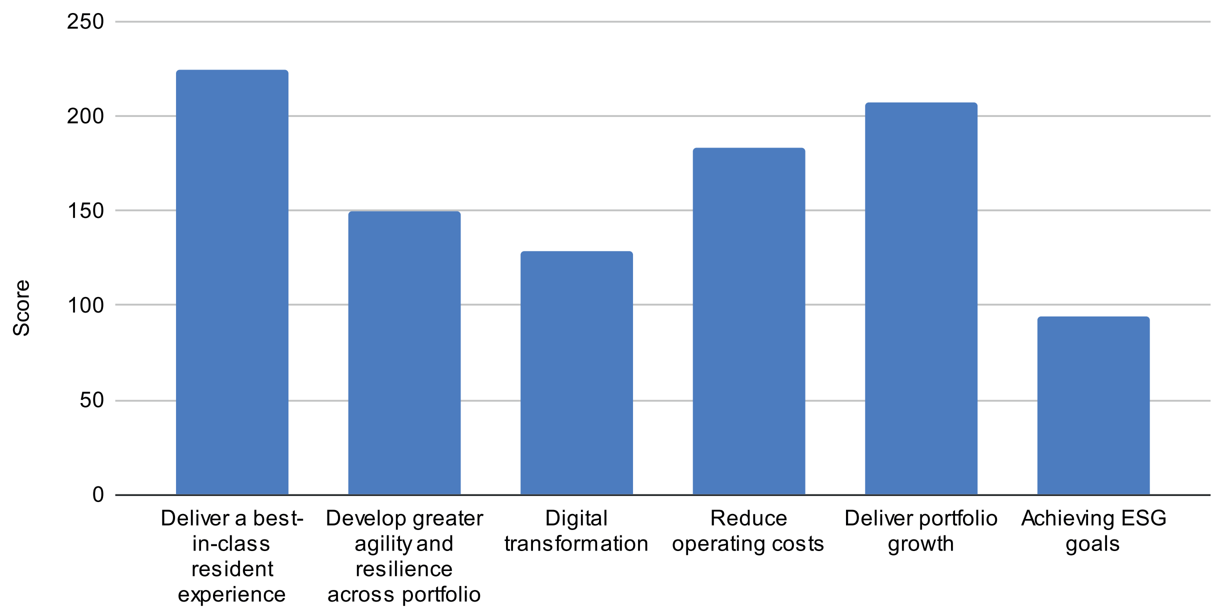
A restrictive regulatory landscape is clearly considered to be the major barrier to adoption of Flex.

**The top three barriers to adoption for Flex, as voted for by all respondents:**

1. The regulatory landscape – i.e. local regulations and/or policy restricting Flex developments.
2. Increased operational complexity, or a lack of specialist operators.
3. Technology, and a lack of enabling software.

## 5.9 Key drivers of company strategy

### What are the major factors shaping your company's strategy over the next 3 years?




### Insights:

Delivering a best-in-class resident experience is the number one factor shaping company strategy.

**The top three factors shaping company strategy over the next three years, as voted for by all respondents:**

1. Delivering a best-in-class resident experience.
2. Delivering portfolio growth.
3. Reducing operating costs.



The Global Flex Report 2024

# 6.0 Future trend predictions

# 6.0 Future trend predictions

As Flex continues to gain momentum globally, we explore some of the key trends set to shape multifamily and student accommodation asset classes in the near-term across both European and US markets.

## Europe

### Demand for Flex will continue to drive innovation in student accommodation

Falling numbers of international students in the UK (enrolments in 2024 are down 37%) will lead to higher than anticipated voids in the coming academic year, particularly impacting the purpose built student accommodation (PBSA) sector. This is expected to further accelerate the adoption of short-term rental solutions to optimise vacant inventory as it may appear throughout the academic year, as well as over the lucrative summer period.

An increasing focus on the affordability of student accommodation is also expected to drive demand for more flexible, more affordable lease structures. This is expected to put yet further pressure on PBSA operators to embrace Flex strategies, granting them an opportunity to get ahead of the market and innovate new accommodation products/propositions.

As Flex operations increasingly become the norm for PBSA operators seeking to boost asset performance and improve the rental experience for students, and as these digital-first experiences set a new benchmark for the wider industry, universities and higher education institutions are expected to follow suit - albeit at a more gradual pace.

Property management software (PMS) vendors will respond to the growing opportunity in the market, developing a new generation of technology solutions dedicated to optimising the management and performance of student accommodation assets across both PBSA and university sectors.

### “Blended” multifamily assets to become more common

As confidence and awareness grows around Flex, European multifamily portfolios will continue to embrace short-term rentals as a strategy to maximise NOI and diversify revenue streams. This





will result in increasing numbers of “blended” assets coming to market, incorporating some percentage of dedicated serviced apartments / guest suites / corporate accommodation alongside traditional multifamily accommodation. Though understanding and adoption of short-term rentals amongst European multifamily operators remains some way behind that of their US counterparts, the market is expected to develop rapidly over the coming 5 years as it looks to capitalise on changing consumer demand.

> **As confidence and awareness grows around Flex, European multifamily portfolios will continue to embrace short-term rentals as a strategy to maximise NOI and diversify revenue streams.**

## US

### Failing 3rd party operators will continue to drive multifamily short-term rental operations in-house

As “master lease” short-term rental operators continue to fail in the market due to mounting pressure from high interest rates and rising costs, US multifamily portfolios are increasingly expected to bring short-term rental operations in-house, granting them greater stability and control over their guest experience. This will in turn drive demand for a new toolkit; short-term rental management software and services that support multifamily operators in managing, optimising and scaling their short-term rental brands and operations in line with whatever strategic goals they are pursuing.

### Accelerating growth of Flex assets

Tightly integrated PropCo/OpCo models, such as those championed by Placemakr and Sentral, are far better protected from high interest rates and will continue to aggressively expand their Flex portfolios. A number of these assets are expected to trade in the coming years, which will be eagerly anticipated by industry watchdogs seeking to understand what cap rate this first generation of Flex assets trades at. With a cap rate established, this will pave the way for a new Flex asset class to become recognised by the industry more broadly and for capital to flood into the sector.

## Lavanda's flexible living solutions enable you to build resilient portfolios that cater to a new generation of residents who value choice and flexibility.

Our comprehensive platform allows you to easily and efficiently manage your short, mid, and long-term leases all in one place, putting you in complete control over every aspect of your portfolio.

**To find out more about how Lavanda can help your organisation, email us at: hello@getlavanda.com**

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# The Global Flex Report 2023

Charting the impact of short and medium-term renting on the core operating model of apartment buildings.

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