STR Market

Navigating the Housing Challenges Associated with Short Term Rentals
2022

US STR Market:
Supply is up

U.S. Short-Term Rental Supply Hits Record Levels in 2022

U.S. Monthly Available Short-Term Rental Listings

[Graph showing supply growth from January 2018 to September 2022, with a significant increase in December 2022 to 1,374,075, indicating a +23% increase.]
2022

US STR Market: Demand is up
2022

US STR Trends

Unincorporated demand is up

Coastal/Mountain Markets Maintain High Occupancy Relative to 2019

Change in U.S. Short-Term Rental Occupancy by Location Type vs. 2019 - October 2022

- Destination/Resort - Coastal
- Destination/Resort - Mountains/Lake
- Small City/Rural
- Mid-Size City
- Large City - Suburban
- Large City - Urban
The rental landscape:

The business of renting homes online has exploded, with short-term rental sites like Airbnb and long-term rental sites like Zillow, driving growth in an industry worth over $500 billion each year.

Allowed to operate unchecked, these businesses can precipitate neighborhood friction and safety issues, but also lead to underfunding in the very communities they depend upon.

Government entities, charged with balancing the conflicting needs of both business and residents, do not have the information necessary to identify and monitor businesses operating in these residential neighborhoods.
2023 CALIFORNIA CITIES Update

- Approx. 98,000 properties listed for residential short-term rentals annually
- Over $2.1 Billion in revenue annually, just for the nightly lodging (not including other taxable fees)
- Approx. 164,000 listings spread across hundreds of websites and listing platforms. Airbnb, VRBO are the most prominent
Online Advertising: Only a few big advertisers
Everyone advertises on Airbnb & VRBO, but...

“Evolve lists you on the top sites like Airbnb, VRBO, Booking.com - and we use the best practices for each site.”

“Visibility across more than 50 distribution channels including Airbnb, VRBO, La Cure, LVH and Marriott Homes.”

“Your property will be put in front of ideal renters wherever they may be - Airbnb, VRBO, HomeAway and others. With a background in SEO, we know what it takes to get bookings.”
The dollars often flow directly to property managers.
TOT
Collection Options

1. STRs self-identify to you
2. Online platforms collect for you
3. You find the STRs and the revenue
4. Get professional assistance
Approach 1: Wait for STR Operators to come to you

- 1% to 10% will self-identify
- Unfair to licensed lodging providers
- Significant revenue uncollected
Approach 2: Let online platforms (Online Travel Agencies) collect & remit revenue.

- Fastest & simplest path to revenue - 40% to 60% TOT typically remitted
- Quick time to first payment
- Captures legal and illegal rental revenue
- Low staff burden
- OTAs do not provide detailed data
- Shifts control to the OTA
Some larger Jurisdictions in CA have a VCA (Voluntary Collection Agreement). Yet all they have is an agreement with only 2 STR listing companies: AirBnB & VRBO.

There is a Voluntary Collection Agreement but how do you really know that you’re getting all revenue due? There is no accounting or detail – just a check with a zip code.

Complacency means they are missing so many other operators and so much revenue. We have already identified over 10,000 sites Nationwide with active listings, and yet some cities only collect from these Online Travel Agencies.
Approach 3: Do it yourselves [without professional support]

- Takes commitment and effort
- Increases revenue and control
- Difficult to find and understand activity
- VCAs are still an option
Approach 4: Leverage professional support

- Data and software providers streamline and maximize effectiveness. They identify STR addresses, provide activity details, and preserve historical data for audits.

- Professional services companies can assist with collection and audits.
Five Types of STR Operators

1. Doing the right thing

2. Would do the right thing... if they knew how

3. Would do the right thing... if they had more time and it was easier

4. Doing the wrong thing assuming that they won't be caught

5. Doing the wrong thing ie habitual law breakers
FIVE TYPES OF STR OPERATORS

1. Doing the right thing already

50%

Short-Term Rentals in California may already be registered
FIVE TYPES OF STR OPERATORS

2 Would do the right thing... if they knew how

Monitor Listings & Calendars
- Locations
- Track Stays
- Daily Activity Tracking

Managers, Owners & Host Outreach
- Press Releases – to educate hosts
- State website
- Phone, email & letter campaigns
FIVE TYPES OF STR OPERATORS

Would do the right thing... if they had more time & it was easier

Registration & Transient Room Tax Payment
- Awareness
- Ease of Use
FIVE TYPES OF STR OPERATORS

1. Amnesty Period
   • eg Allow 14 days to respond

2. Doing the wrong thing...
   assuming that they won’t get caught

3. Induce Compliance
   • Evidence collection
   • Set examples
   • Publish capabilities

4. Act quickly
   • Violation Tracking

5. STR MARKET UPDATE
FIVE TYPES OF STR OPERATORS

5 Habitual law breakers

Evidence
- Verified addresses
- Weekly snapshots - PDFs
- Verified stays
- Evidence packages
- Specific habitual offender address monitoring
Evidence: IDENTIFY HOSTS & OWNERS WORTH PURSUING

- HIGH ACTIVITY, HIGH BOOKING RATES OR NIGHTLY STAY RATES OR MULTIPLE PROPERTIES ETC.
- NOT REGISTERED AND/OR NOT PAYING TAXES

EVIDENCE - PROOF DECKARD

* TARGET FOR FOCUSING LIMITED STAFF
Increasing Compliance

**Before & After: COMPLIANCE**

**PLACER COUNTY, CA**

- **Before**: 56% (4,542)
- **After**: 91% (5,124)

**LA QUINTA, CA**

- **Before**: 66% (1,159)
- **After**: 98% (1,183)

Make sure to use a SAAS platform that tracks individual bookings including booking date & length of stay Nightly.
Short-term Rental Sites: **PLACER COUNTY [LAKE TAHOE]**

- **PLACER COUNTY, CA**
  - BEFORE: 4,542
  - AFTER: 5,124
  - Increase: 66%
  - New Listings: 1,159

- **LA QUINTA, CA**
  - BEFORE: 1,159
  - AFTER: 1,183
  - Increase: 98%
  - New Listings: 50

Rental Sites in Placer County, CA, and La Quinta, CA.
Questions

Dustin Reilich
VP SALES & GOVT AFFAIRS
949-701-0501
dustin@deckard.com