

The 10 New Challenges Facing DMOs in 2021

How Short-Term Rentals are Fundamentally Changing Travel

CHALLENGES

Destination marketing organizations (DMOs) have always faced challenges — but in recent years, the project of attracting visitors to destinations has gotten significantly more complicated.

- *Massive changes in consumer behavior and shifts from products to experiences*
- *Complex media channels and social platforms that can make or break strategies*
- *Greater need to involve residents in tourism promotion*
- *Increased overtourism and its impacts on climate change and sustainability*
- *The need for alternative, diverse funding models.*

Amidst all these changes though, one is becoming increasingly hard to ignore: **the rising popularity of short-term rentals**. If there's one takeaway from the data, it's that the pandemic greatly accelerated the trend towards alternative accommodations.

For many municipalities, short-term rentals are both a boon and a bane: they provide a band of hosts who serve as evangelists for your destination (free marketing), and they give travelers another very compelling reason to visit. However, they're also complicating everything from how you conduct your research to where you advertise, how you report to stakeholders, and your residents' quality of life.

The good news is that with the right resources, understanding the complete picture of what's happening in your own backyard is extremely straightforward. This report covers the major challenges your DMO, CVB, or chamber of commerce should be considering in the face of booming short-term rentals.

Data for this report was powered by tracking the booking activity of over 10 million properties in 120,000 markets on Airbnb and Vrbo. For information on short-term rental activity in your market, contact us.

CHALLENGE #1

Keeping up with Short-Term Rentals' Growth

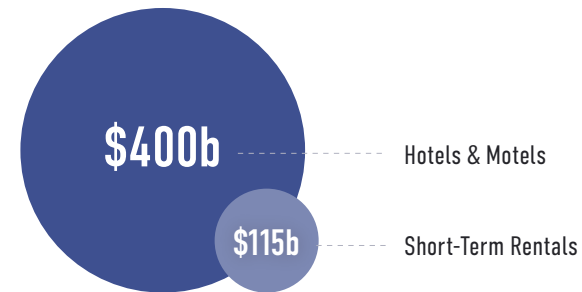
Short-term rentals may still be considered alternative lodging, but they're very much mainstream.

- STRs now make up nearly 50% of some markets' lodging supply.
- The share of revenue earned by short-term rentals compared to hotels has gone from 5% in 2015 to 29% today. During the pandemic, STRs accounted for over 40% of all lodging revenue.

While this is welcomed news for hosts, it's making it increasingly difficult for DMOs to track tourism.

As STRs continue to grow in your market, how will your DMO track their growth — as well as how many travelers each brings in annually?

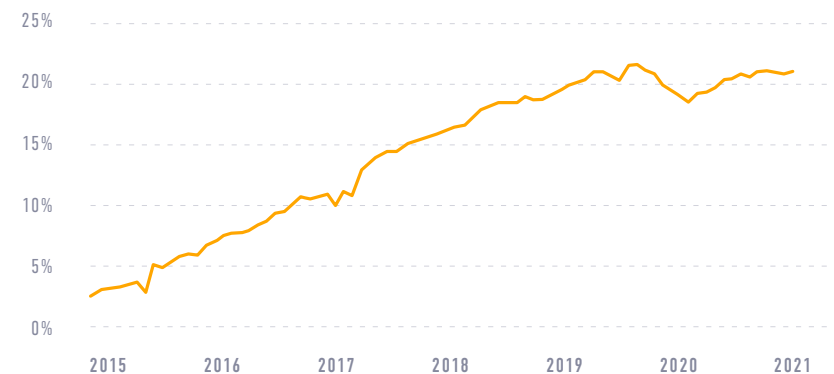
Global Revenue in 2021: Short-Term Rentals vs Hotels and Motels



Source: AirDNA, Skift

Total Airbnb Listings Gaining Ground on Hotels

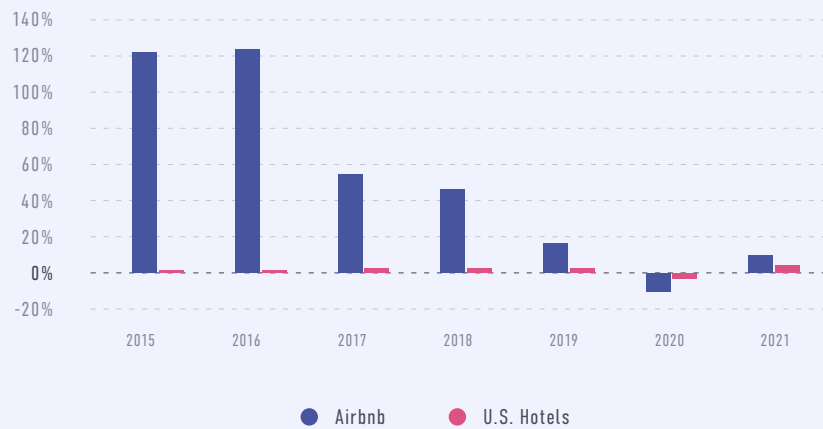
Total Airbnb Listings as a Percent of Hotel Room Count



Source: AirDNA, STR

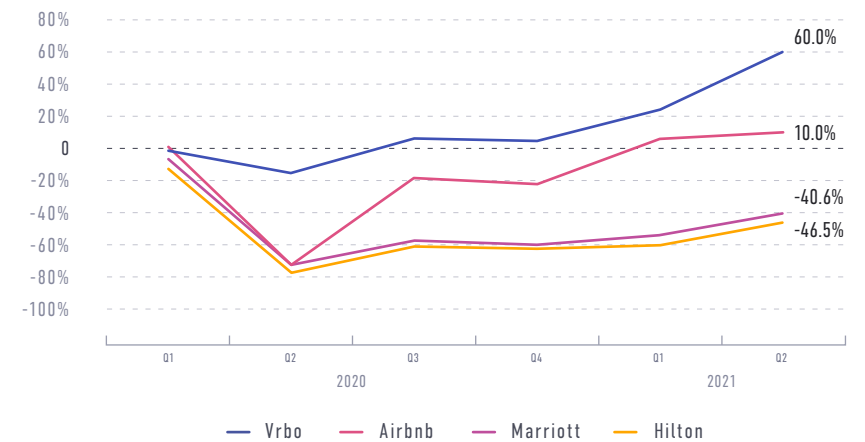
CHALLENGE #1

U.S. Supply Growth: Airbnb vs Hotels



Source: AirDNA, STR

Global Quarterly Revenues for Largest Short-Term Rental & Hotel Companies Relative to 2019



Source: AirDNA, VRBO, Airbnb, Hilton, Marriott

CHALLENGE #2

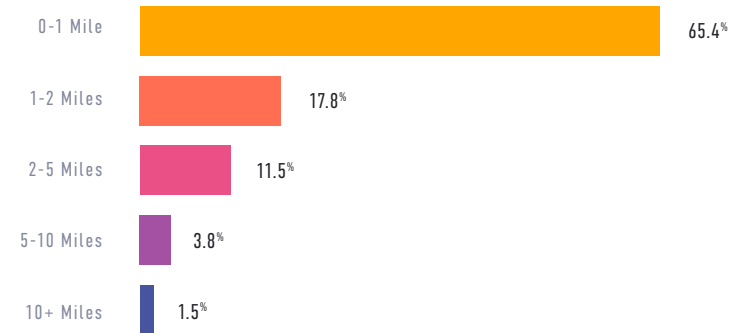
Changing Traveler Dynamics

Travel may be back, but it's not the same. Even before the pandemic, traveler dynamics had begun to shift. But during the pandemic, those who could work remotely often chose to do so while renting STRs in more rural destinations. Drive-to destinations saw spikes in remote workers and families seeking relatively safer travel than taking to the skies.

With over 35% of short-term rentals located more than a mile away from the closest hotel, we're seeing a major shift in the locations frequented by travelers.

But it wasn't just how Americans traveled that changed: it's where they stayed. While STRs in destination markets saw more bookings, unique stays attracted more travelers. Unique stays like yurts, treehouses, and tiny homes in these destinations were the only property types to grow during COVID.

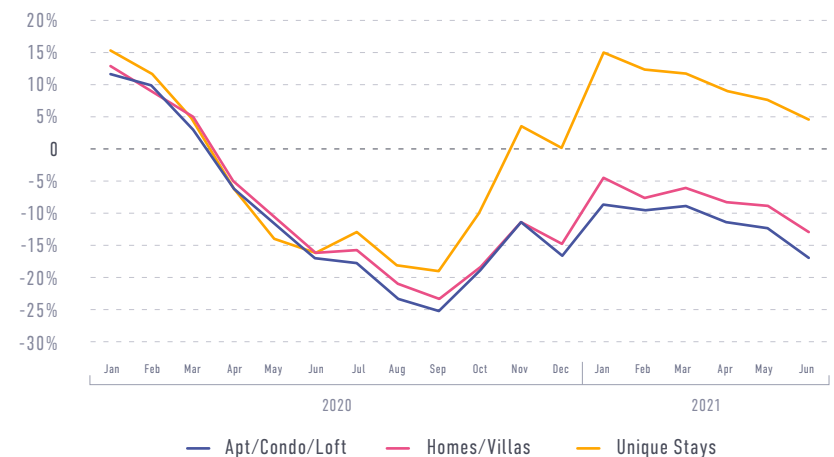
Percent of STR Properties Located More Than 1, 2, 5 & 10 Miles from the Closest Hotel



Source: AirDNA, CBRE

Offering Guests Unique "In Demand" Properties

Global Percentage from 2019 Levels of Available Listing by Property Type



Source: AirDNA

CHALLENGE #3

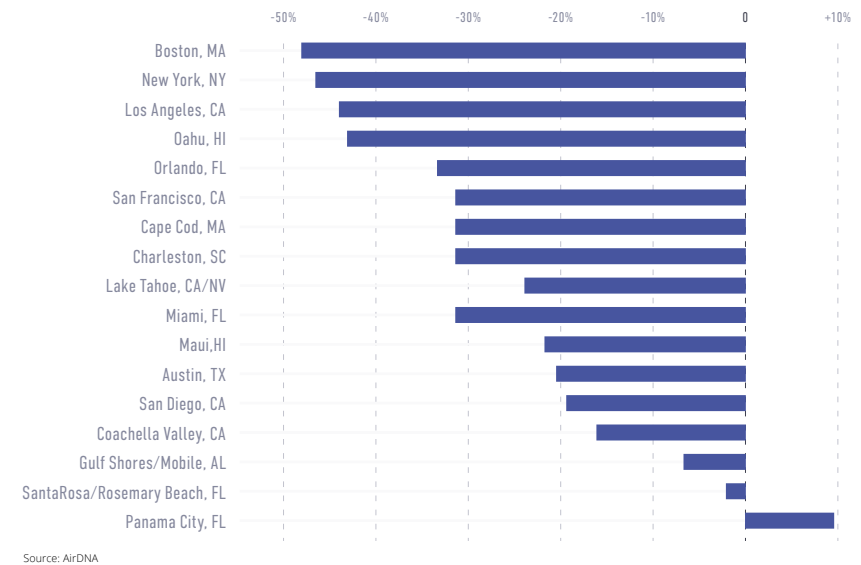
Lodging Supply is no Longer Static

Prior to vacation rentals, each city's lodging supply did not significantly fluctuate — the data on the number of available rooms in any given city was largely stagnant. Thus, planning for big-ticket events and conferences was generally straightforward.

Today, however, the onset of vacation rentals has made supply a much more wavering metric. At any given time, the number of available listings can drastically increase or decrease based on real-time demand.

During the pandemic, listings on Airbnb & Vrbo dropped by nearly 50% in some of the United States' major cities. Since then, many location types are on track to rebound significantly in the near future.

Change Available Listings on Airbnb & VRBO in the Largest U.S. Short-term Rental Markets (June 2019 - June 2021)



Changes U.S. Available Listings & Demand from June 2021 vs June 2019 by Location Type



CHALLENGE #4

Truly Knowing Your New Travelers

With the increase in alternative accommodations, many destinations have less of a grasp on who is visiting their destinations. Families? Couples? Bachelor parties? And where are they coming from?

Short-term rentals make it easy for people to book vacations or work trips, but they also make it difficult for DMOs to know who's coming from where — and to know if they're a part of the demographics they're trying to attract.

Similarly, many markets are dealing with overtourism and face the risk of becoming "Anywhere, USA." Is your market struggling to stand out from your competitors? Virtually all guests travel for unique experiences. They're coming to your city because it's different from anywhere else in the world — so it should stand out from the rest of the world.

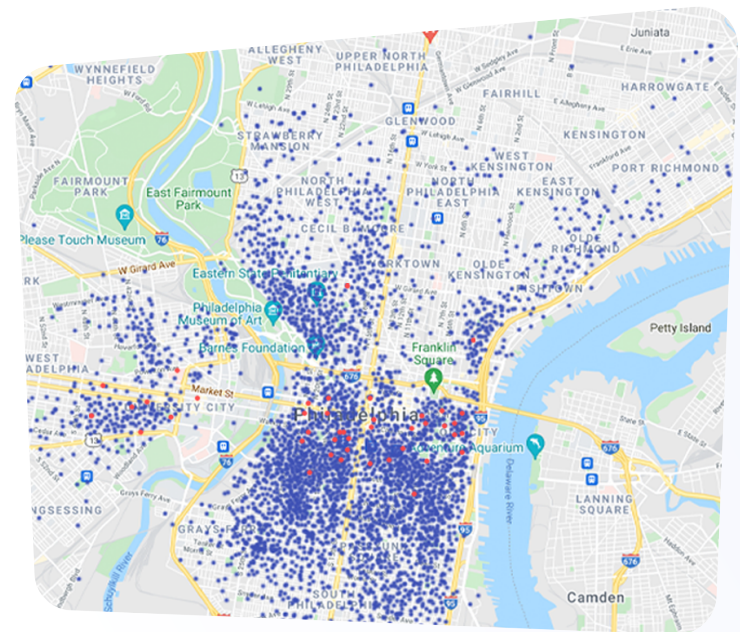
Travelers can easily compare and contrast your market with others online. If STRs have become popular in your market, do you know what's offered in terms of lodging, amenities, and hosts? These STRs are an extension of your market and those who call it home. Shouldn't you know how you're being represented?

CHALLENGE #5

Tracking Short-term Rentals' Economic Impact

Without knowing exactly how many guests are visiting your destination, how can you make accurate assessments on the impact of tourism on local businesses? If your market is like most others, hotels are largely clustered together in your tourist district. More tourists in those hotels usually mean businesses in that area get tourists' dollars.

STRs are completely different. They're scattered, and they give tourists the chance to explore and spend in neighborhoods that are often off the tourist trail. If you don't know how many guests STRs bring in and where they're located, how can you begin to estimate their economic impact on local businesses?



● Short-Term Rentals ● Hotels

Source: AirDNA

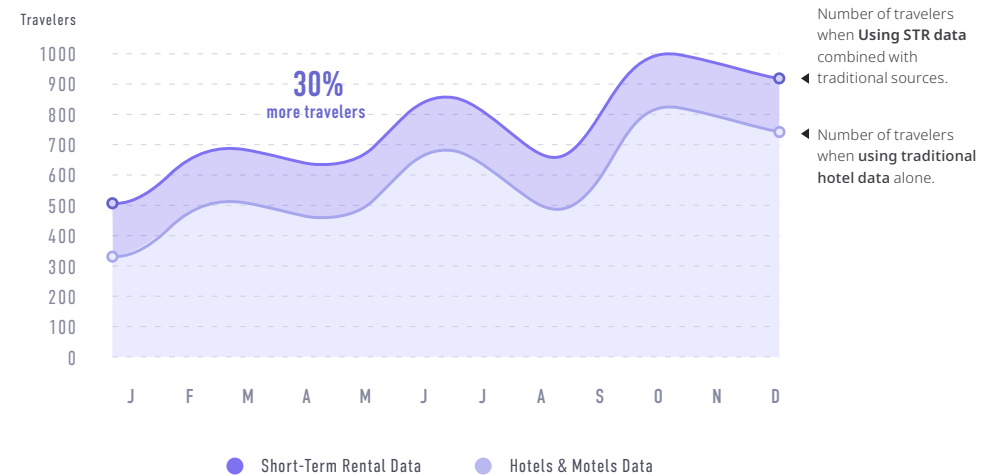
CHALLENGE #6

Difficulty Measuring Marketing Campaign Effectiveness

You invest a lot of time in messaging and marketing. Shouldn't you be able to clearly see how your efforts are paying off — and who they're reaching? No matter your target audience, you should expect that more than 25% of them may stay in an STR. If you can't capture which percentage of guests stay in STRs in your market, how do you know the true ROI of your campaigns?

During the pandemic, we saw droves of travelers visiting many markets in their shoulder seasons. This trend likely isn't going anywhere; more people now have the freedom to work remotely and stay longer. Are your marketing campaigns in need of serious retargeting efforts to attract remote workers? Or families with more flexibility? If you're getting guests who show little interest in spending money and time in your market, are you really getting your money's worth with your campaigns?

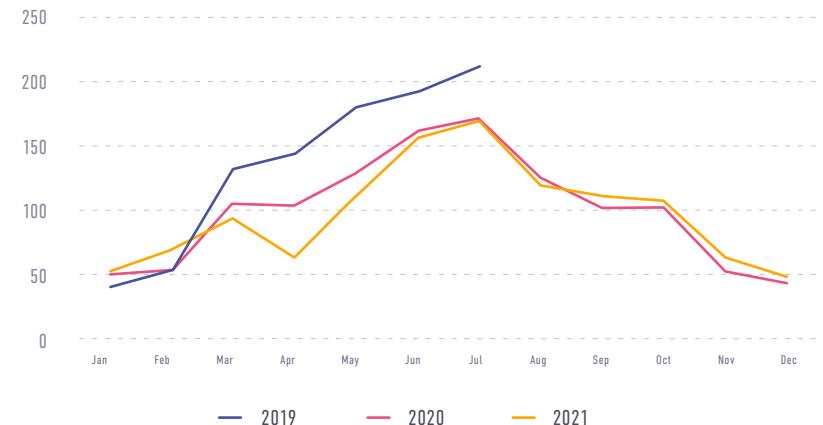
Without STR data you're missing 30 percent of the total number of destination travelers — up to 50% in some markets.



Source: AirDNA

New Seasonality Trends in 2021

Monthly demand indexed to 2019 averages (100)



Source: AirDNA

CHALLENGE #7

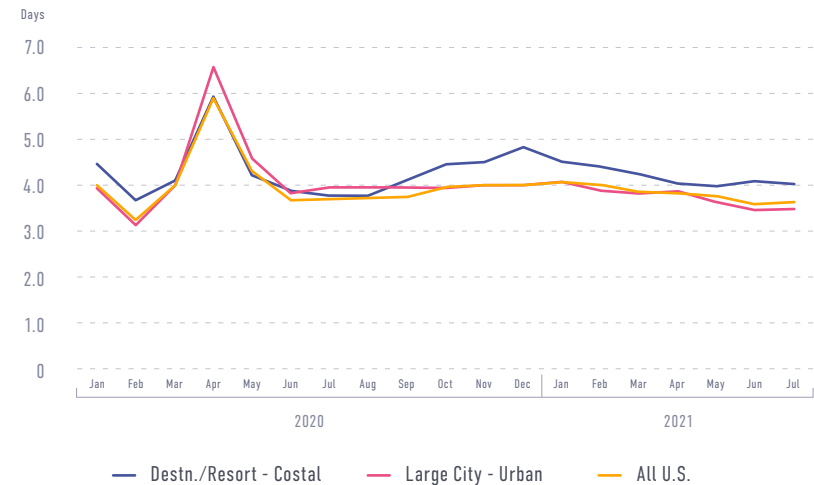
Understanding How STRs and Hotels Operate Differently

Short-term rentals make up an increasing portion of the lodging industry. The pandemic accelerated this trend, and STRs' share of lodging will only grow. You need to pay attention to this trend, as STRs and hotels are completely dissimilar in how they operate. STR guests also operate differently:

- *Spend more money on and time in their accommodation*
- *Bigger groups book bigger homes*
- *STR guests are younger and expect amenities hotels don't offer*
- *Guests are seeking novel stays*

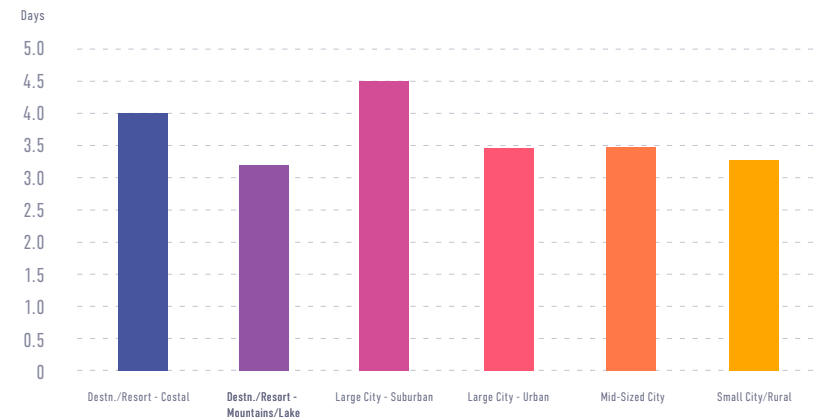
Most hotels can't compete with these shifts and demands. And, until they can, a growing number of guests will book STRs at increasing rates. Do you have an understanding of how many STRs are in your market? Or where they're located? Or how many guests are staying in them compared to hotels?

STR Guests Average 72% Longer Stays Than Hotel Guests



Source: AirDNA

U.S. Length of Stay by Location Type

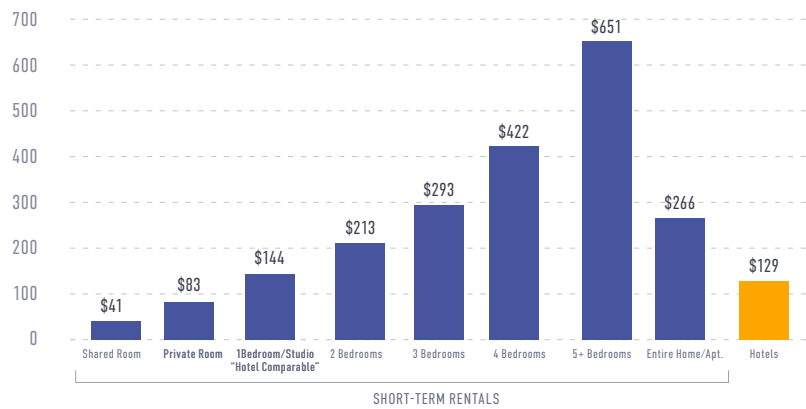


Source: AirDNA

CHALLENGE #7

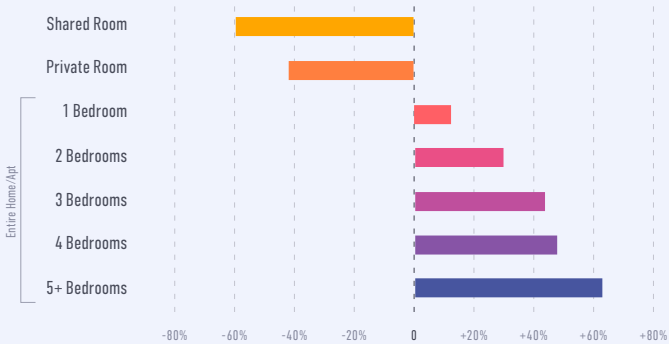
Guest Spend 140% More Per Night on STRs Than on Hotels

June 2021 United States Daily Rates



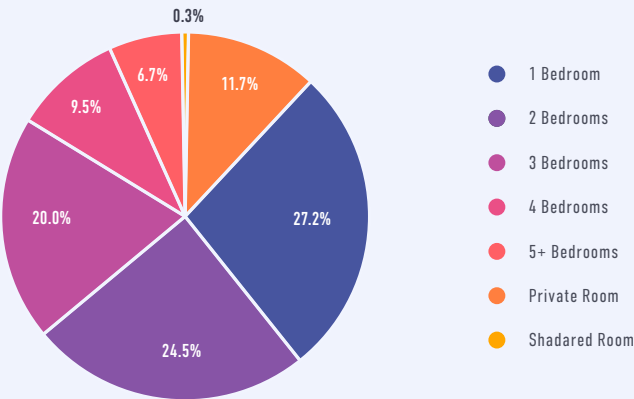
Source: AirDNA, STR

STR Guests are Choosing Larger Units



Source: AirDNA

U.S. June Listing Nights Sold as a Percent of Total



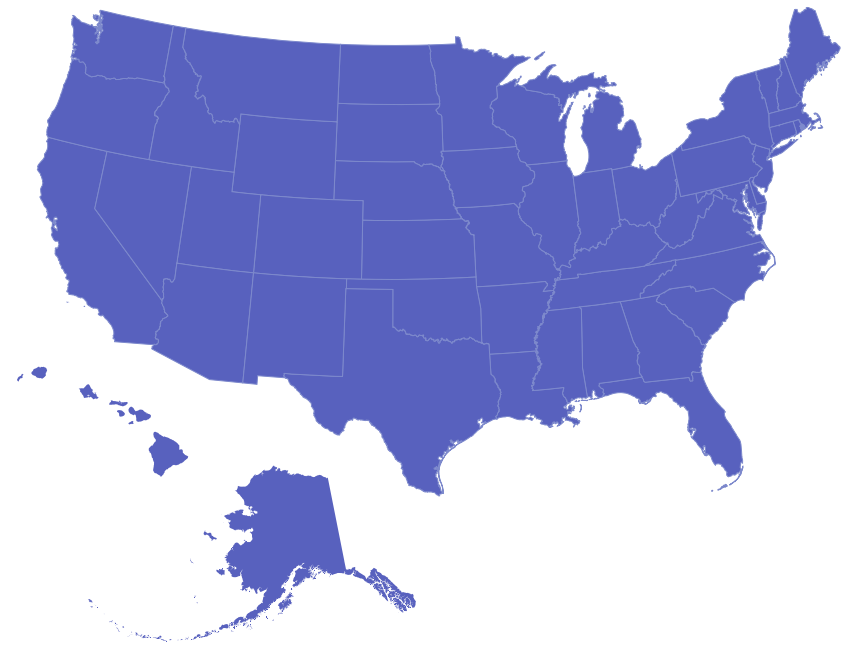
Source: AirDNA

CHALLENGE #8

Navigating Tax Blindspots

Now that all 50 states are collecting occupancy taxes on short-term rentals, knowing the total market is critical in setting tourism budgets and strategically planning for the future.

You may know STRs inject tax dollars into your market, but do you know just how much? Do you know how many guests stay in your market's STRs? Without this information, how can you expect to budget and forecast accurately? Without precise figures, you're driving blind on a road that rarely leads to optimized operations.



CHALLENGE #9

Stiffer Competition and Opportunities for Cooperation

Since the pandemic, there's more competition from newfound destinations. The pandemic's impact on daily life gave people a chance to explore (or at least plan on exploring) places they hadn't before COVID. As more people begin to travel again, your DMO faces new competitors. If you don't know who your competitors are or how they're using short-term rentals to their advantage to attract your target guests, you may not see your tourism traffic hit pre-pandemic levels.

Because of this increased competition, benchmarking against nearby and similar types of destinations has become all the more necessary. Ask yourself, "How are our neighboring counties performing? Are they experiencing the same occupancy/rates/revenue trends as us?" If you can't answer these questions, do you even know who your new competitors are — and if they're siphoning your target travelers?

How are our neighboring counties performing? Are they experiencing the same occupancy/rates/revenue trends as us?

CHALLENGE #10

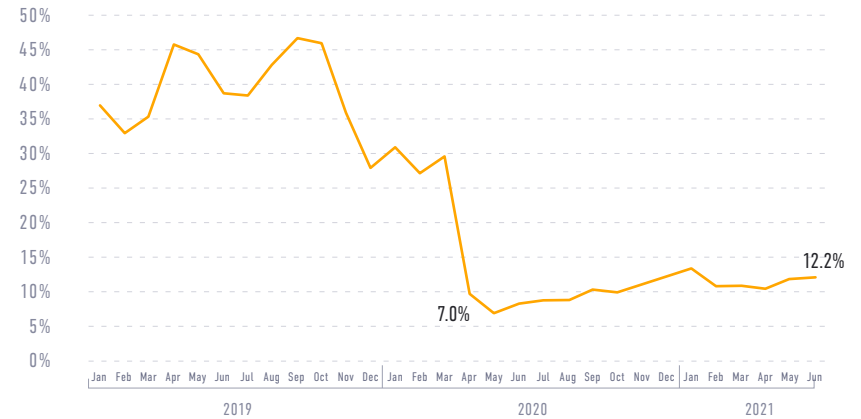
Seeing Pacing and Future Outlook

It's becoming increasingly difficult to see how the future is shaping up in a more fragmented lodging space. As STRs continue to grow and as international travel rebounds, you can expect additional challenges navigating future bookings and tourists' booking habits. This is especially problematic if your fiscal forecasts do not include insights from Airbnb and Vrbo.

Do you know how much travelers are willing to pay for accommodations for a weekend several months in the future? Do you have insight into how many reservations are on the books for an upcoming holiday weekend? How much capacity do you truly have for a big-ticket convention?

A Return of International Travel to Reshape Tourism

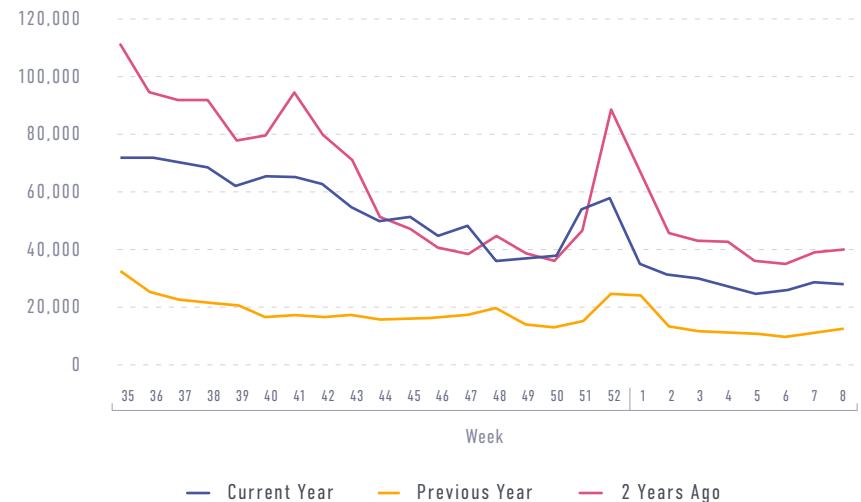
New York - Percent of Airbnb Reviews from International Travelers



Source: AirDNA, Airbnb

Note: Seasonally adjusted and indexed to Q1 2020

Future Booking Trending Well Above 2020 in Many Global Markets



Source: AirDNA

ABOUT US

How AirDNA Helps DMOs Tackle New Challenges in Travel

AirDNA helps DMOs, CVBs, and tourism organizations around the world capture the complete picture of travel with industry-leading short-term rental data.

By tracking the booking activity and revenue potential of over **10 million properties in 120,000 international markets**, AirDNA turns real-time rental data into actionable analytics.

AirDNA helps destinations gauge supply and demand, target travelers, and accelerate the economic impact of tourism. We currently serve over 400 organizations around the world. For more information on how we can help your destination measure and manage short-term rentals, contact us today.



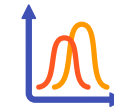
Marketing Measure the true effectiveness of marketing campaigns



Supply Demand Easily monitor vacation rental supply and demand



Seasonality See granular activity by neighborhood, day of week, and seasonality



Economic Impact Gauge the economic impact of short-term rentals



Tax Revenue Uncover blind spots on tax revenue



Voice of Authority Become the true voice of authority on your tourism market

Contact AirDNA today to learn more about
custom short-term rental data reports.

Contact Us