Developing new methodologies to track home sharing

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How big is the shared accommodation market?

Note: company value for Airbnb is based on the most recent funding round of $31 billion from March 2017; the figures for the public hotel companies pertain to their enterprise value as of October 2018.

Source: Public documents, JLL
How *big* is the shared accommodation market?

According to Google, Airbnb is now the *most searched accommodation brand*, replacing [booking.com](http://booking.com) and other key hotel companies.
The number of shared accommodation listings grew 125% over the last 2 years.
The shared accommodation market

The concept of the sharing economy has evolved significantly during the past ten years. The Travel and Tourism sector has quickly adopted this concept with new players coming to the market.
Importance of understanding the market

Everybody is talking about home sharing, which is resulting in noise, unreliable figures, conflicting forecasts and confusion.

A reliable forecast and understanding of the shared accommodation market can help

- Urban planning
- Tourism planning
- Local business
- Tax implications
Current data challenges

The hotel industry has an established set of KPIs measurement. This is lacking in the shared accommodation market. Not to mention the added complexity due to the nature of the shared accommodation market.

- Tracked by renowned industry data sources
- Market performance fundamentals
  - Occupancy, Average Rate, RevPAR
- Physical Stock
- Few well-established public data sources
- More characteristics need to be tracked
  1. number of listings in each city
  2. Number of nights the unit is made available
  3. the type of listing (full unit / private room within shared unit / shared room, etc.)
  4. number of occupied nights
  5. price charged

JLL conducted two separate surveys, to measure both the supply and demand for home and vacation rental stays.

- JLL assembled a panel of 500+ residents in each of the markets, who were asked about their previous behaviour in terms of letting their housing unit on home rental sites such as Airbnb, and their future plans.

- Questions included the number of nights the unit(s) was made available for rental on a home sharing site, the number of the nights the unit got booked, the average party size, the average price charged, motivations for making one’s housing unit available for rental, etc.

- JLL surveyed approximately 800 individuals residing in the United States, United Kingdom, France and Australia who had recently travelled to New York.

- The number of individuals surveyed were spread across the countries based on the proportions of visitor arrivals of those countries. The four counties represent 84% of visitor arrivals to New York.

- Questions included motivations to use alternative accommodations, trip purpose, and price point.
Global market size and market share

Alternative accommodations room nights
- Took “Airbnb Guest Arrivals” as starting point
- Divided by average guests per booking
- Multiplied by average length of stay
- Projected future growth

Hotel room nights
- Projected hotel room nights

Market share
- Computed total market share of alternative accommodations
- Estimated market share “taken” from hotels, by removing non-congruent alternative accommodations types (i.e. shared room) and deleting estimated proportion of demand that is induced

Source: JLL, STR, Inc., Airbnb, Oxford Economics
Market size in major international tourist hubs

- Home sharing occupied room nights represent up to 10% of hotel occupied room nights in major gateways.
- JLL generally found that the denser the home sharing market, the higher the hotel occupancy.
- Speaks to induced demand and shows that home sharing is not having detrimental impact on traditional hotels.
- When looking at major travel markets across the United States, JLL found that the number of home sharing listings shows relatively high (0.72) correlation to international traveler arrivals.
Key findings from our surveys

1) Market will become even more active
7% of residents in top global gateway cities have made their living unit available on a home rental site. For those who have not previously made their unit available, 8% of those are thinking about joining the fray going forward.

2) Alternative accommodations can help equalize demand surges
Around 75% of those who let our their units consider local happenings such as conventions, sporting events, concerts/festivals.
Key findings from our surveys

3) Induced demand
Induced demand represents 30% to as high as 50% of total home sharing demand.

Airbnb has publicly stated that 30-40% of people staying on Airbnb would have otherwise not made the trip (or stayed with friends and family instead).

61% of all respondents paid less than the state-wide hotel average daily rate. JLL concluded that this share represents *induced demand* – demand that would likely not have travelled to Hawaii without the option of alternative accommodations.

During your most recent visit to Hawaii, what was the average rate you paid per night for the home or vacation rental in which you stayed?

Median nightly rate paid for home or vacation rental is $200 according to visitors surveyed.

Source: JLL
4) Users profile are predominately leisure travelers
Nearly 80% of parties accommodated have more than two guests. The most common length of stay is 3-7 nights. indicative of high proportion of leisure usage.

5) Motivation to let / use shared accommodation
Money is the key motivation driving hosts to list their units, and guests to book vs. a traditional hotel
Lessons learned from JLL’s research

So what can you do to adopt to get a more accurate measure of the shared accommodation economy?

Utilizing more complete statistics and data series to measure impact of home sharing and inform policy setting.

The travel industry and government bodies can adopt the two-prong, survey-driven approach to estimate activity from both a supply and demand standpoint, and size this according to the traditional hotel market.
We welcome your questions

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