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Global Demand for Short-Term Rental Accommodation Rises, Offering Investors Long-Term Rewards

London, UK - Global demand for short-term rental accommodation is on the rise, according to a new report by Knight Frank. With companies relying more than ever on short-term assignments, major cities that embrace the short-term rental model are in line to reap the economic benefits.

Knight Frank's *Global Cities: The 2016 Report* highlights that short-term assignments are forecast to grow to over a fifth of all international relocations in the three years to 2017 meanwhile, long-term assignments are expected to fall from 52 per cent to 45 per cent over the same period¹.

However, supply of short-term rental accommodation is struggling to meet demand in many established markets and the situation is compounded by the fact that short-term lets often fall into a legal grey area. Against this background, those cities that embrace the short-term rental model stand to benefit in the future.

Tom Bill, Head of London Residential Research at Knight Frank says: "For investors and landlords, there are clear long-term rewards in the world of short-term rental accommodation. Cities that embrace the flexibility of models like serviced apartments will reap the economic rewards."

Highlighting the economic benefits of short-term rental accommodation, *Global Cities: The 2016 Report* maps the annual percentage change to Q1 2015 of rental growth by prime submarket in London and New York. Submarkets in both cities have seen a significant increase in rental values with New York's East Village leading the way with growth of 26.5 per cent, followed by West Village – Meatpacking District (18.3 per cent) and Tribeca (17.8 per cent). Prices in St John's Wood, London have increased by 11 per cent, followed by Marylebone (8.8 per cent) and Hyde Park (8.5 per cent).

Global Cities: The 2016 Report describes the three key types of short-term rental accommodation:

¹ ECA International

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Serviced Apartments: Worldwide, the number of serviced apartments has grown by 80 per cent since 2008 to over 750,000. The trend looks set to continue with the number of apartments increasing by as much as 18.2 per cent between 2014 and 2015. The US accounts for 61 per cent of the world's serviced apartment locations, followed by Europe (17 per cent), Australasia (11 per cent) and Asia (5.5 per cent). The fact that demand exceeds supply puts upwards pressure on occupancy levels with nearly three quarters of global operators reporting a year-on-year increase.² With such strong occupancy rates, it is no surprise that more hotels are moving into the service apartment market.

Private Short-Let Market: This is a potentially lucrative option. The reward from higher rental values, which are typically double those in the long-term market, is balanced by the greater risk of void periods. However, private lets below a certain period of time are restricted in many key markets around the world.

Online innovations: While lets of less than 30 days are a grey area in New York for example; this has done little to diminish the growth of online short-term accommodation providers like One Fine Stay and Airbnb. Despite many companies favouring serviced apartments for reasons of transparency and uniformity of service and quality, Airbnb is increasingly targeting corporate travellers and aims to grow a side of its business that currently accounts for 10 per cent of stays.

As the sector grows, ensuring uniform branding and quality levels for short-term accommodation is a challenge, particularly given that future economic growth will be dominated by emerging markets, where supply levels are coming from a lower base.

There is also a growing trend for operators to locate serviced apartments and hotels on the same site, producing savings both during development and operation.

Those cities that can find a way through the complexities and embrace this new form of real estate stand to benefit from a sector set for strong growth.

Global Cities: The 2016 Report is available in full from: www.KnightFrank.com/GlobalCities

² The Apartment Service Report

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(a) Notes to Editors

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