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The Housing Slowdown Is Wreaking Havoc on the Short-Term Rental Market

As more properties flood the market, renters see a big dip in demand for vacation homes

By *Jessica Flint* [Follow](#)

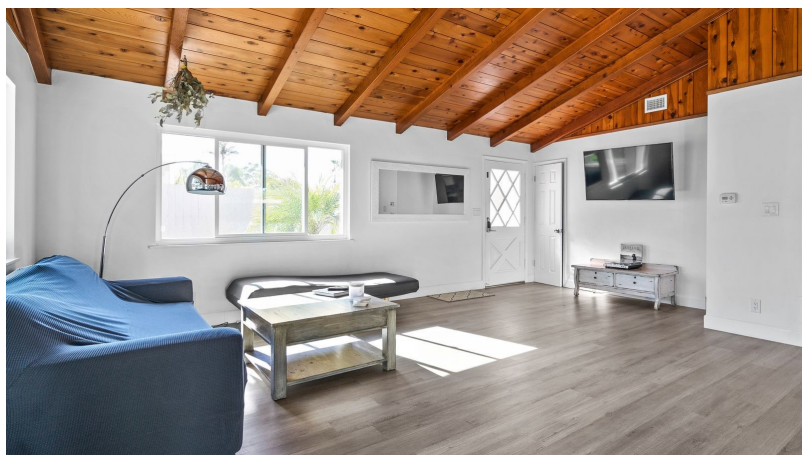
Dec. 8, 2022 12:00 pm ET

Sabrina Must is wondering where her vacation rental bookings have gone.

“I would have made upwards of \$12,000 in a month in the summer,” says Ms. Must, 37, who for just over three years has short-term rented her two-bedroom, one-bathroom property in Encinitas, Calif., a beach town located about 25 miles north of San Diego. “Any weekend I wanted to be booked during the pandemic, I was booked. It was kind of like that prepandemic. Not as busy, but still busy.”

Then something changed. Ms. Must, who doubles as a real-estate investor and a content creator and consultant, noticed a significant drop in bookings starting late this past spring. By August, she had only one booking for the entire month. This surprised Ms. Must, a seasoned vacation-rental host who has been in the rental game with various properties over the past decade.

Home Away From Home



Sabrina Must's renovated vacation rental property in Encinitas, Calif., has two bedrooms, one bathroom, and an open-concept kitchen and living room.

LINETTE GARY (4)

"I've felt a massive drop," says Ms. Must, who in the height of the pandemic could command more than \$1,000 per night on a holiday weekend but now has her rates starting around \$275 on Airbnb. "I am so beyond stressed by it."

Vacation-rental owners across the U.S. have taken to social media, from Facebook to Twitter to Reddit, to lament that their bookings have come to a screeching halt, punctuating their disquietude with #Airbnbust, a hashtag that went viral this fall.

“I was always full,” says Lilly Lazarus, an interior designer and real-estate agent who, since 2017, has accumulated a portfolio of six short-term rental properties of assorted sizes in southwest Houston. “I kept on having to buy more and more houses to accommodate people,” says Ms. Lazarus, 53, who caters to travelers seeking care at the nearby Texas Medical Center and currently charges rates on Airbnb starting around \$200 per night. “Now I have an opening here for a week and an opening there for a week. It’s very unusual.”

It is the same situation for fashion designer Fiona Burbank, 30, and her husband, Francesco Pollice, 35, who is a fashion brand’s client development manager. In addition to running a coffee catering company together, they decided to combine their interests in design, real estate and travel and get into the vacation rental business. Since the start of the pandemic, they bought two two-bedroom, two-bathroom properties in California’s Palm Desert, about 15 miles southeast of Palm Springs. They started renting their first property in October 2021. “Our bookings were great in the beginning. And then nothing during the summer,” says Ms. Burbank, whose prices currently start at about \$220 per night on Airbnb. They listed their second property in October 2022. “That one has been very slow,” she says.

Data from AirDNA, a short-term rental analytics firm, shed some light on what’s causing the drought: As of October 2022, the number of future nights booked—a real-time indicator of the health of the short-term rental industry—was up 15.8% year-over-year.

“For all the people asking if we see any weakness at all in consumer booking behavior, that is saying no,” says Jamie Lane, AirDNA’s vice president of research. “People are booking short-term rentals, and they are booking stronger than ever before.”

However, while the absolute number of bookings has risen, there has also been a sharp rise in supply of available short-term rental listings in the U.S., up 23.3% in October 2022 compared with October 2021. “That’s massive growth,” Mr. Lane says. In the spring, at the peak of the short-term rental supply increase, there were between roughly 80,000 and 88,000 short-term rentals being added per month. There has been some pullback since then—it is normal to see more new supply added ahead of the summer high season and some slowdown in the fall—but between about 66,000 and 70,000 new listings have still been added per month since August.

The net result? In October 2022, each short-term rental property in the U.S. received an average of 6% fewer nights booked, said Mr. Lane.



Fiona Burbank and Francesco Pollice bought their first Palm Desert, Calif., vacation rental property in a gated community with resort amenities because they thought that would appeal to guests.

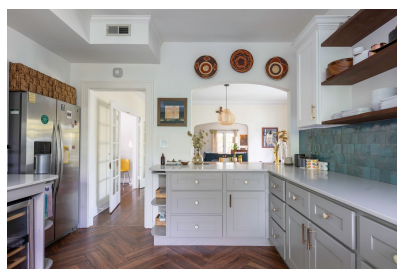
CHRIS MILLER/IMAGINE IMAGERY (3)

The supply increase has multiple causes. Taylor Marr, an economist at real-estate brokerage firm Redfin, notes that during the pandemic, demand for second homes pretty much doubled. But, Mr. Marr says, “as the overall housing market has started to cool because of the economy tightening up, that has impacted sellers who would list their houses for sale. To hold on to their low interest rates, they are saying, ‘Why not rent the house?’ ”

There are also second-home owners who bought properties before the pandemic who have decided that now is the time to enter the vacation rental pool. “We hear these stories every single day,” says Brian Egan, co-founder and CEO of Evolve, a vacation-rental management and hospitality company. “All this inventory that has been sitting there is being brought into the short-term rental market now.”

Mr. Egan believes it is a combination of people whose finances are strained by inflation seeing where they can create income and people not wanting their properties to sit empty because it feels wasteful.

An Oasis in the City



Leslie Rathe's three-bedroom, three-bathroom home in Los Angeles has a back patio and garden with lush landscaping.

ONEFINESTAY (4)

As economic headwinds continue to blow, it isn't just second-home owners that are eyeing the vacation-rental market as a way to weather the storm. Starting last summer, any time Los Angeles-based screenwriter Leslie Rathe traveled for a week or more, she considered renting out her primary house, a three-bedroom, three-bathroom 1920s Spanish bungalow in Larchmont Village, a quaint neighborhood tucked in the middle of Los Angeles. Her home is listed on Onefinestay, a luxury home and villa rental company with a global portfolio of 5,000 rentals. Ms. Rathe's asking price starts at \$770 per night.

"We don't need to rent out the property, but with the economy the way it is right now, I'd be lying to say we weren't renting it out to make some extra income," says Ms. Rathe. She and her husband, who works in marketing, are both in their 40s and have owned their house for a decade.

"Owners who want to succeed in a market this complex and competitive need to master three key areas: reach, conversion, and experience," says Evolve's Mr. Egan. He explains

that reach, or how many guests see a listing, is driven by marketplace algorithms. Conversion, or how many lookers turn into bookers, is influenced by the quality and competitiveness of the listing. And experience is how guests feel about their stay.



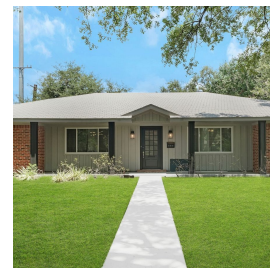
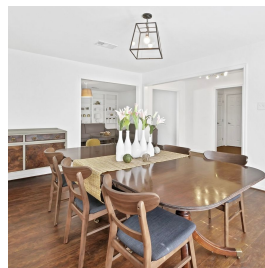
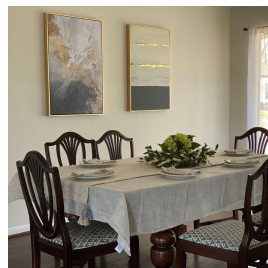
Ms. Rathe lists her home on Onefinestay, a luxury home and villa rental company that offers a full management service. 'We wanted someone to look after our home and not have to manage it ourselves,' she says.

PHOTO: ONEFINESTAY

Lilly Lazarus in Houston has been working on conversion: She reduced her properties' nightly pricing and minimum-duration periods, which she says has been helpful. Fiona Burbank in Palm Desert has also dropped her nightly rate. She has been trying to boost her reach by updating her marketplace listings with more photos, and she has also been promoting her properties' Instagram accounts, which she says has led to booking inquiries. In an effort to up her hospitality game, she has decorated for the holidays.

Mr. Egan says, "I think we can all agree that the next four to six quarters, through the end of 2023, we should be prepared for a down market. This could actually drive more homeowners into the market as they seek to monetize vacation properties and turn them from simply an expensive item into an income-producing asset."

One Short-Term Landlord's Portfolio



Five of Lilly Lazarus's vacation-rental homes in Houston. Her properties are of varying sizes.
FRANK SALAS (5)

How to Boost a Rental Property's Bookings

Evolve co-founder and CEO Brian Egan says rental success is driven by three key factors: reach, conversion, and experience. Here are his tips for improving each.

Reach

What it means: How many guests see a listing.

What to know about it: "Reach is driven by the algorithms that marketplaces use to determine which properties show up at the top of search results," Mr. Egan says. "This matters because, just like Google searches, most guests never make it past the first page."

How to improve it: Do your research. Many marketplaces offer information about what their specific algorithm prioritizes.

Conversion

What it means: How many lookers turn into bookers.

What to know about it: "Conversion is influenced by the quality and competitiveness of

your listing,” Mr. Egan says.

How to improve it: Give priority to professional photos and be aware of how your pricing and policies stack up against other homes of a similar size, in a similar location, and with similar amenities. Response time also plays a factor in conversion: Many owners don’t realize that their response rate and average time to reply to guests are posted on their listing.

Experience

What it means: How guests feel about their stay.

What to know about it: “Experience is crucial because it leads to reviews, and review scores, which have a direct impact on a listing’s reach and can ultimately determine the success or failure of your vacation rental,” Mr. Egan says.

How to improve it: Owners should think of themselves as micro-hoteliere and try to carve out a niche for their vacation rental to operate in. Consider what kind of guest you are seeking, and think about how to cater to their needs and raise the bar for their stay. Work on ironing out any friction points that might occur during someone’s visit. For example, be proactive and send guests important information well before check-in, such as the Wi-Fi password, directions on how to enter the property and a contact number to reach you 24/7 if issues arise. Remember, all guests want to be treated with a sense of hospitality. No matter what, make sure the property is ready for arrival and, most important, meets or exceeds the expectations set in the listing.

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