

AUSTIN Q3 STR MARKET REPORT



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Austin's Q3 Overview

The strength of the Austin STR market continues despite national economic headwinds. However, in July and August, we saw our first decline in revenue per available night (RevPAN) compared to 2021. RevPAN typically decreases month over month from July to August in Austin, although it was approximately 10% lower this year than last year.

Austin's Market Outlook

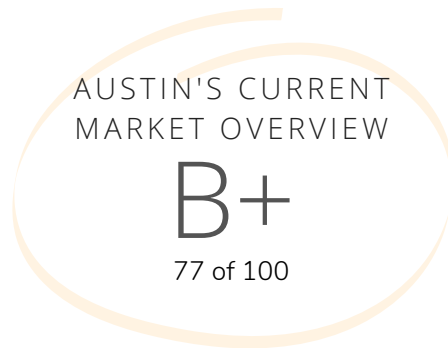
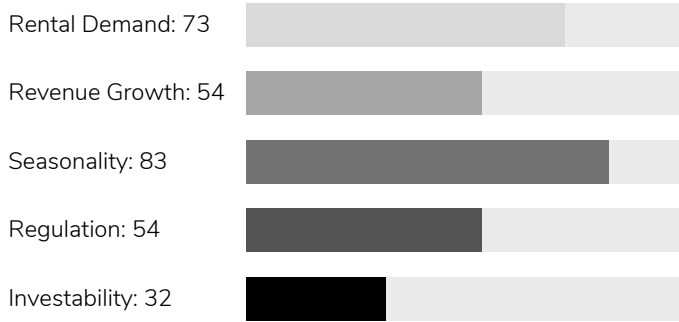
The STR market in Austin looks to remain strong in September. RevPAN for September is running at about the same as 2021. There has been a slowdown in bookings for future months made in September, which may be a leading indicator of a slowing economy or an unusual ACL booking delay. In general, October has a tough comparison this year since both ACL weekends and F1 were extremely popular last year. Weekends 1 and 2 at ACL are booking at lower rates than previous years, but F1 is booking at higher rates. The net result is what looks to be another very good October.

In terms of STR regulations, the Austin City Council is expected to take a new look at the Austin STR Licensing rules over the coming months after a recent [Housing and Planning Committee meeting](#) in early September.

STR Management's Overall Occupancy Rate for August 2022: 76%

Austin's Overall Occupancy Rate for August 2022: 67%





Airbnb's Algorithm Adjustment

To differentiate themselves from other travel agencies, Airbnb modified their search algorithm to focus on unique stays and experiences. You can see an example of this on their landing page:



Titles in searches have also been removed, which greatly impacts a listing's click-ability and overall click-through. This change influences a listing's ranking based on Airbnb's interest algorithm. Airbnb CEO, Brian Chesky, called it the "...biggest change to Airbnb in a decade...".

As a result of this change, we saw a shift in the pace of bookings at some properties. We hired an additional content writer to help tailor our listings to the new search and web site formatting. This improved information and content has already helped our listings stand out.

Simultaneously, we've employed a marketing expert to expand Austin Vacay's brand recognition and increase direct bookings, which increases the rental revenue to owners and decreases our risk associated with Airbnb changes.

The Federal Reserve

Due to the supply increases, hosts have faced an uphill battle in the effort to cover costs with high inflation, currently tracking above 8% in the U.S. as per the August Consumer Price Index (CPI). Nationally, average daily rents (ADRs) were up a scant 2.8% year over year in August, following a 3.8% ADR increase in July. The addition of more listings nationwide, rising labor costs, and the persistent inflation will continue to put pressure on revenue per available room.

The outlook remains uncertain so long as inflation tracks well above historical norms. The labor and spending figures remain strong, with 315,000 jobs added during the month and discretionary consumer spending on the rise, but fears of a recession will likely remain through the year-end.

As we experience economic uncertainty combined with an oversaturated STR market, we increased our advertising to focus on acquisition of direct bookings (www.AustinVacay.com).

Falling Into Fall

While we are experiencing the normal transition from the high season months of June and July, the future demand picture remains uncertain. Nationally, nights booked for future travel are up 26.7% year-over-year, an expansion from the +20.3% reading in July. However, the bulk of this growth is in rural and midsize cities. Urban areas continue to lag as business travel has to yet to fully recover.

The above trend has already started to unwind over the previous 9 months. We expect urban areas and business travel to continue to regain traction through the next several years.

Our sophisticated dynamic pricing software is proactively monitored to ensure we continue staying competitively priced.

Austin's Current Occupancy Rate: 58%

STR Management's Current Occupancy Rate: 75%

