



THE IMPACT OF SHORT-TERM RENTALS IN AUSTIN, TX

Smart City Policy Summit

September 17, 2019

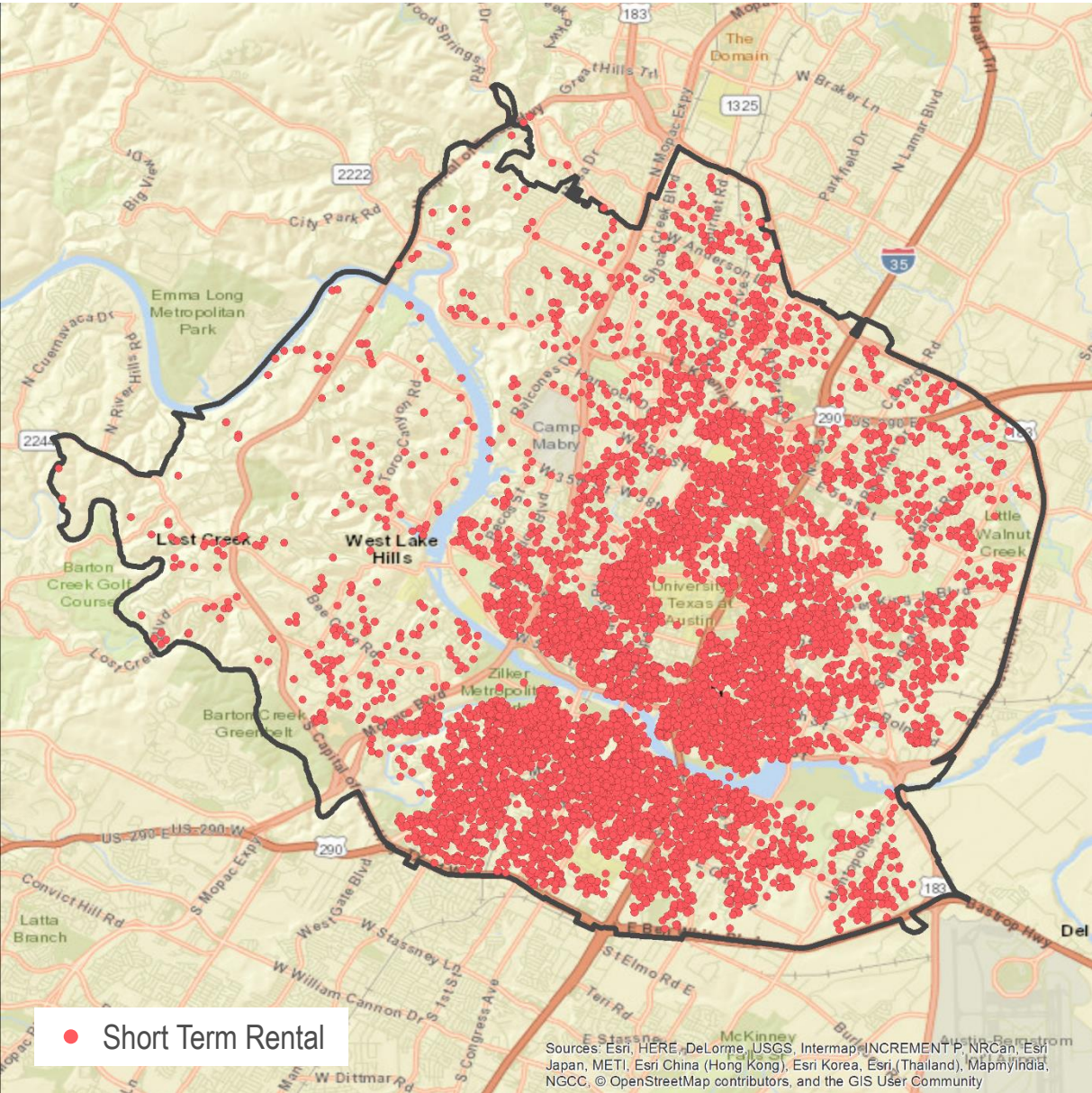
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RCLCO
REAL ESTATE ADVISORS

SHORT TERM RENTALS IN AUSTIN, TX

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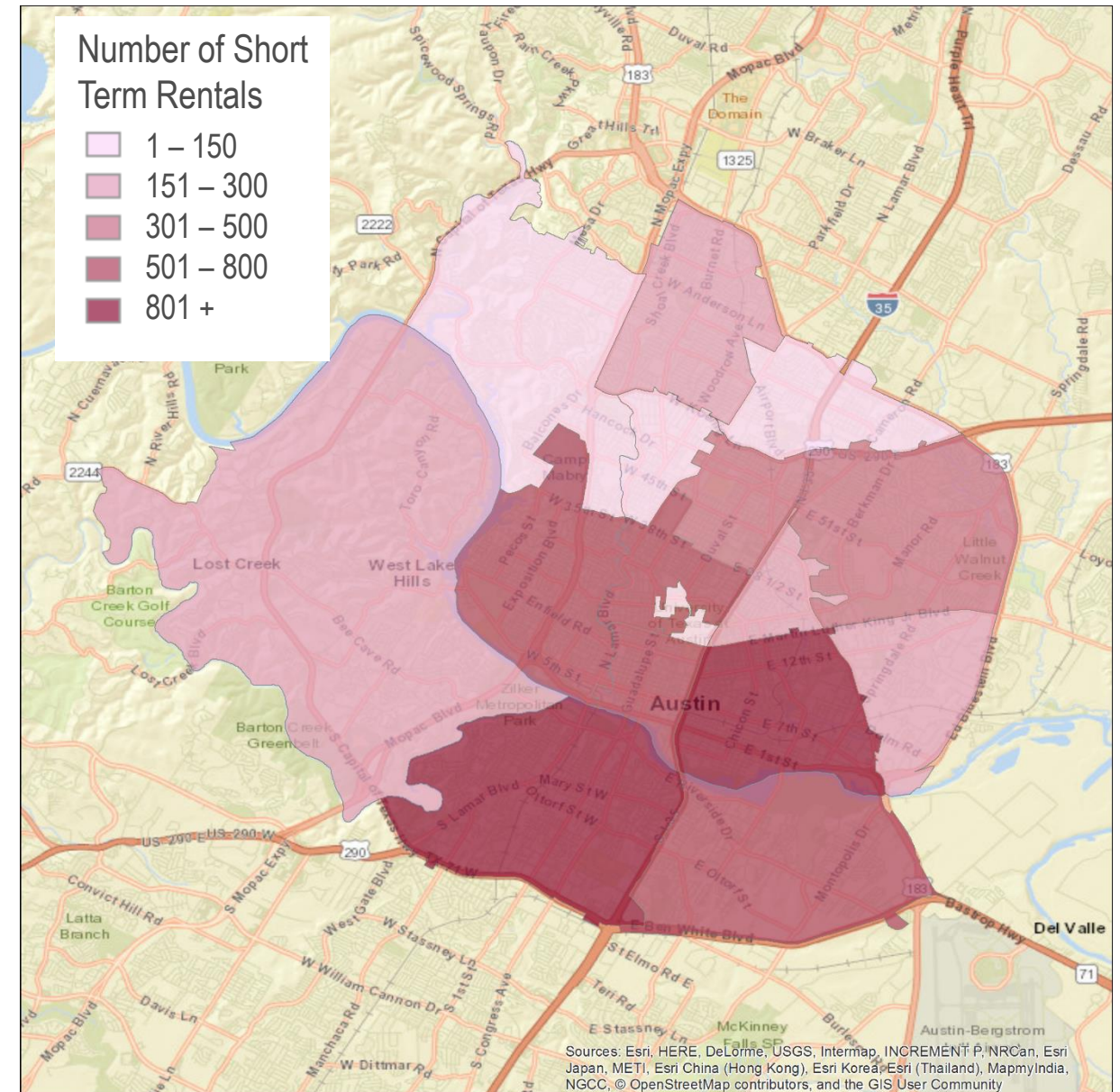
Total Short Term Rentals by Zip Code



SHORT TERM RENTALS IN AUSTIN, TEXAS

- ▶ In the central zip codes of Austin, TX there are 9,021 short term rentals
 - » Of these, 6,996 take up a full home or unit
 - » 1,882 operate full time (300+ days/year)
 - » 1,553 operate full time and take up a full home or unit.
- ▶ The largest proportion of short term rentals are located in East Austin and the neighborhoods just south of the Lady Bird Lake (SoCo, Zilker, South Lamar).
 - » This indicates that short term rentals concentrate in high density residential areas

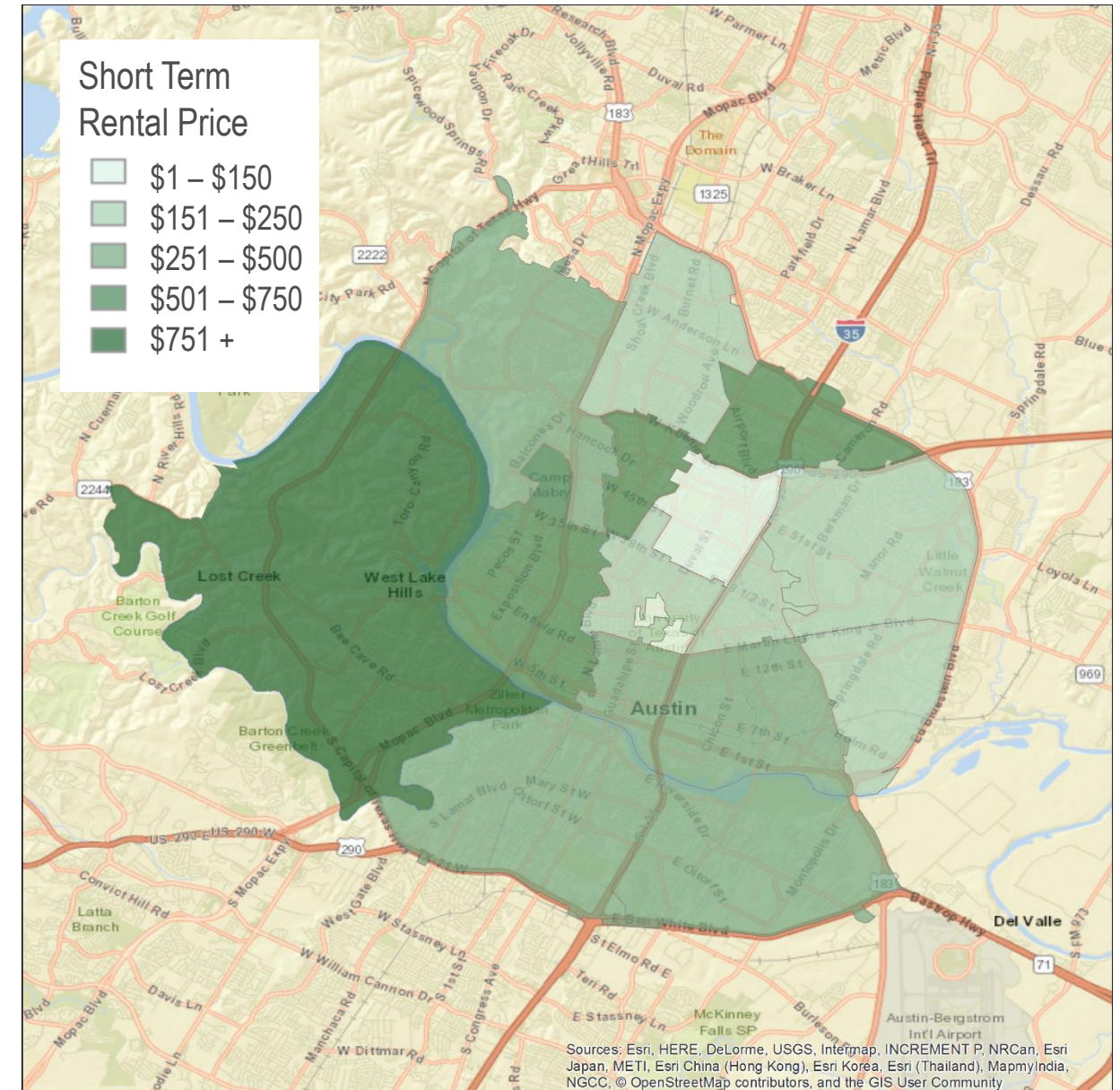
Total Short Term Rentals by Zip Code



SHORT TERM RENTALS IN AUSTIN, TEXAS

- ▶ The median price of short term rentals in Austin is \$150
 - » This median is the same for entire home, full time short-term rentals
- ▶ The most expensive short term rentals in Austin are located in the affluent West Lake area, where customers are able to rent entire villas and mansions for large groups.

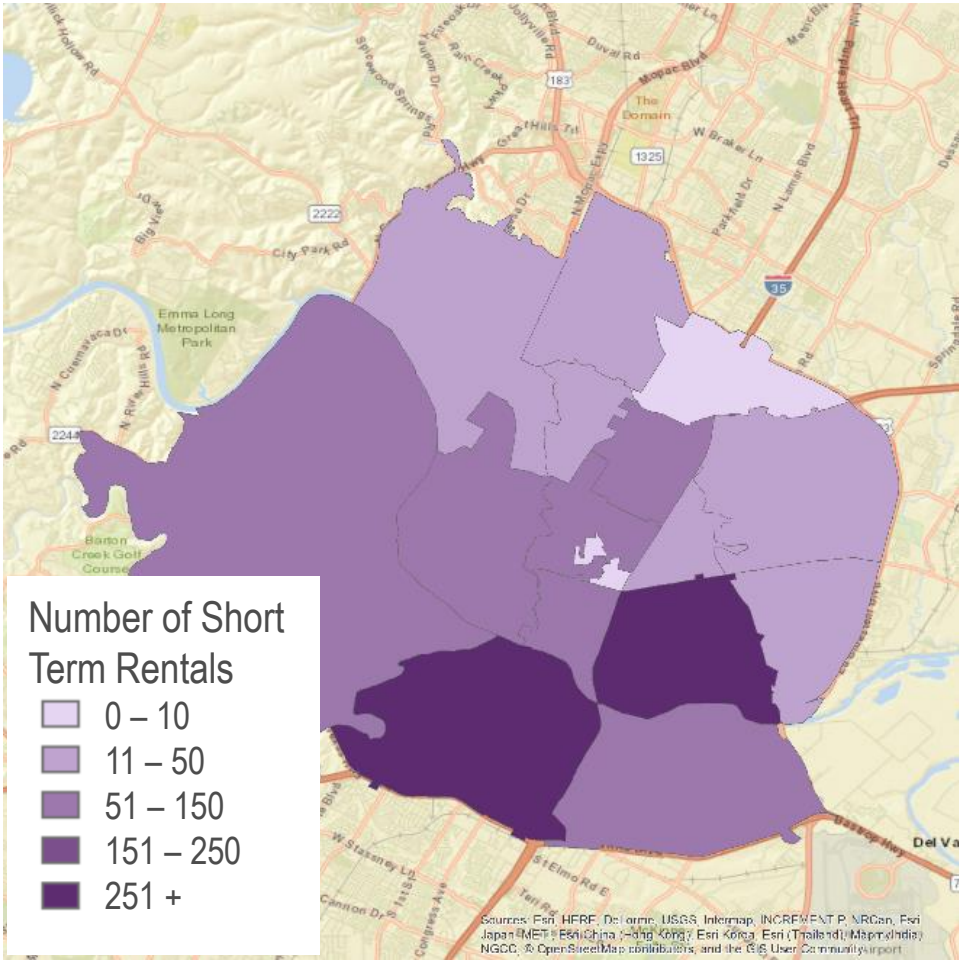
Average Short Term Rental Price by Zip Code



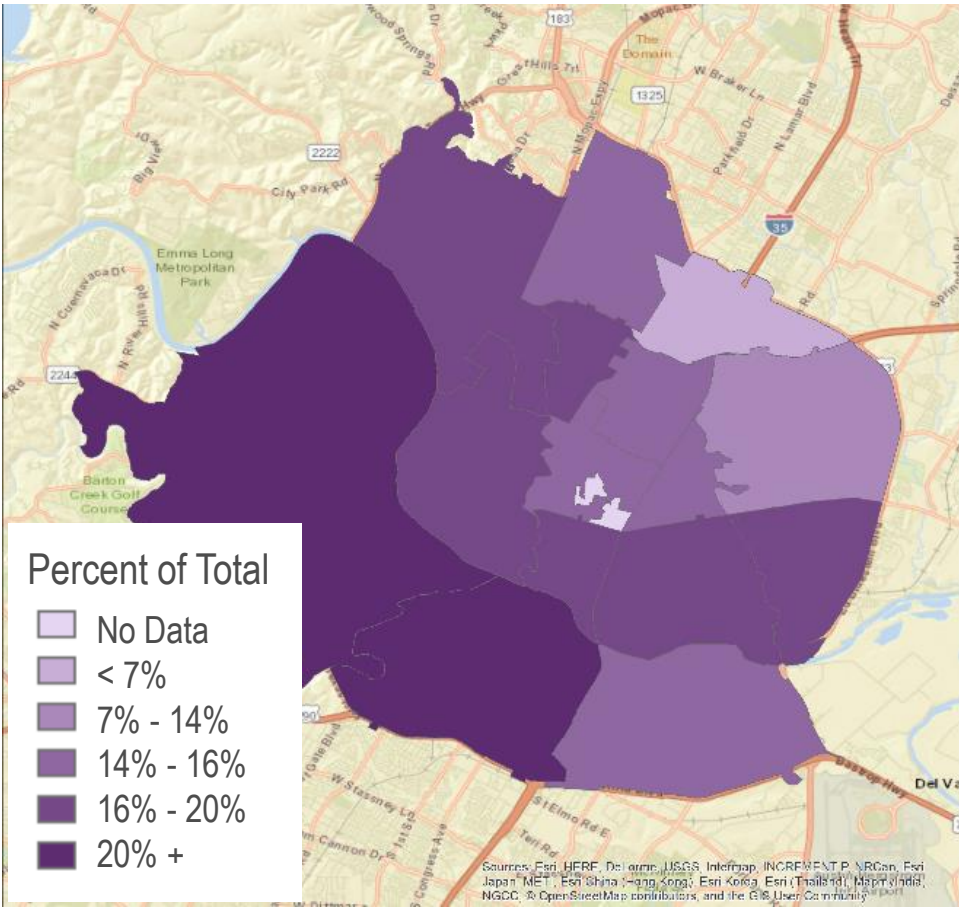
FULL TIME/ENTIRE PLACE SHORT TERM RENTALS

- ▶ When we limit for full time/entire place short term rentals, South and East Austin still have the greatest number
 - » South Austin and the West Lake area have the highest percentage of full time/entire place short term rentals out of the total

Full Time/Entire Place Short Term Rentals



Full Time/Entire Place Short Term Rentals as a Percentage of Total



RENTAL MARKET

BRANDED SHORT TERM RENTALS IN ATX

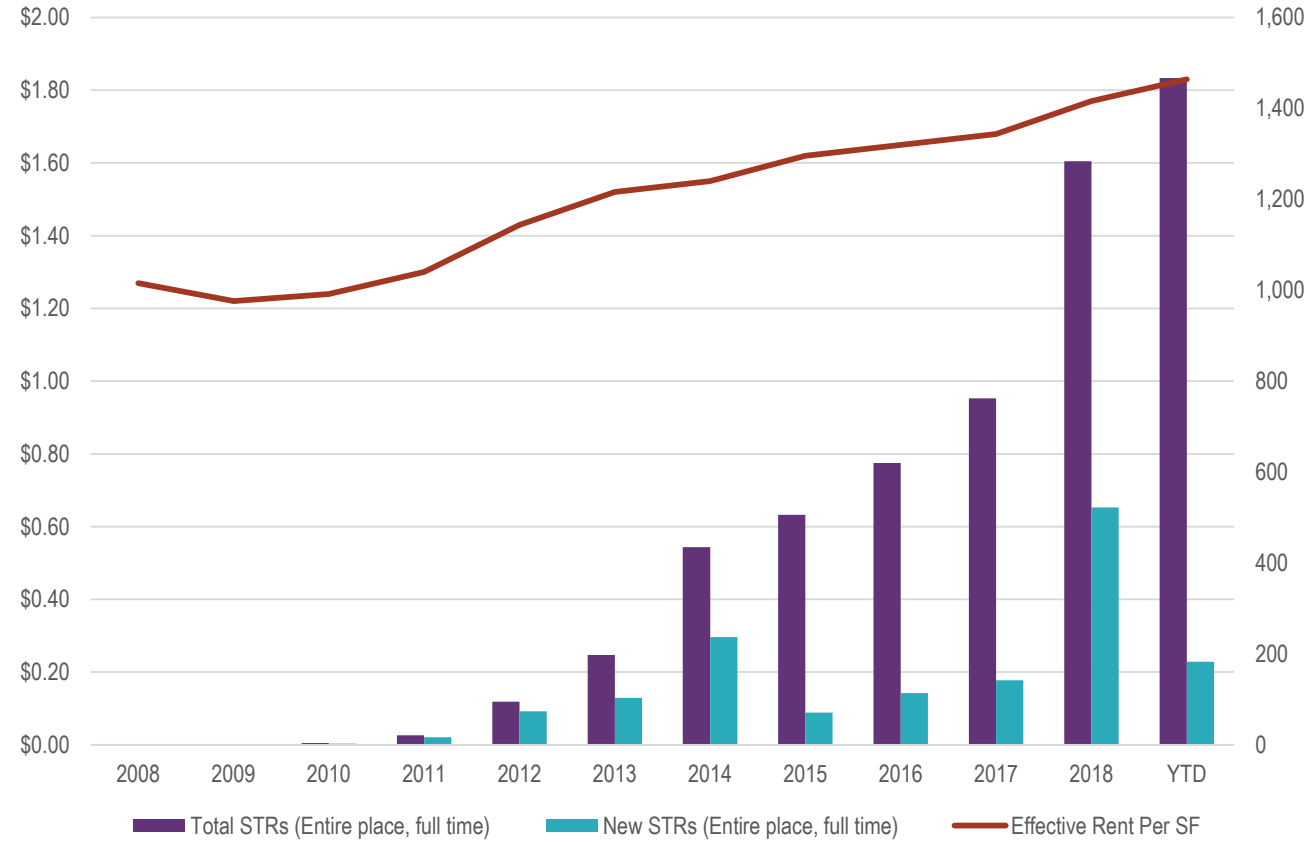
- ▶ There are many companies that either manage home rentals for short term rental owners or rent units in existing multifamily buildings and put them on the short term rental market through their own company.
- ▶ These companies that acquire units and rent them out make up 372 of the short term rental in Austin, all of them occupying an entire home or unit. Often, these units exist within residential apartment buildings, allowing guests access to the spaces and amenities of otherwise private communities.
- ▶ These “brands” are an alternative to cookie-cutter hotels while offering a consistent level of quality sometimes absent in the short term rental market.
- ▶ By operating within existing communities, these short term rentals can offer high end amenities (gym, pool, etc) similar to those offered by hotels, but still make guests feel they are getting the authentic travel experience of classic short term rental.
- ▶ This arrangement benefits rental properties by either filling vacant space during the community’s lease-up period, or serving as a steady, multi-year tenant for the building.



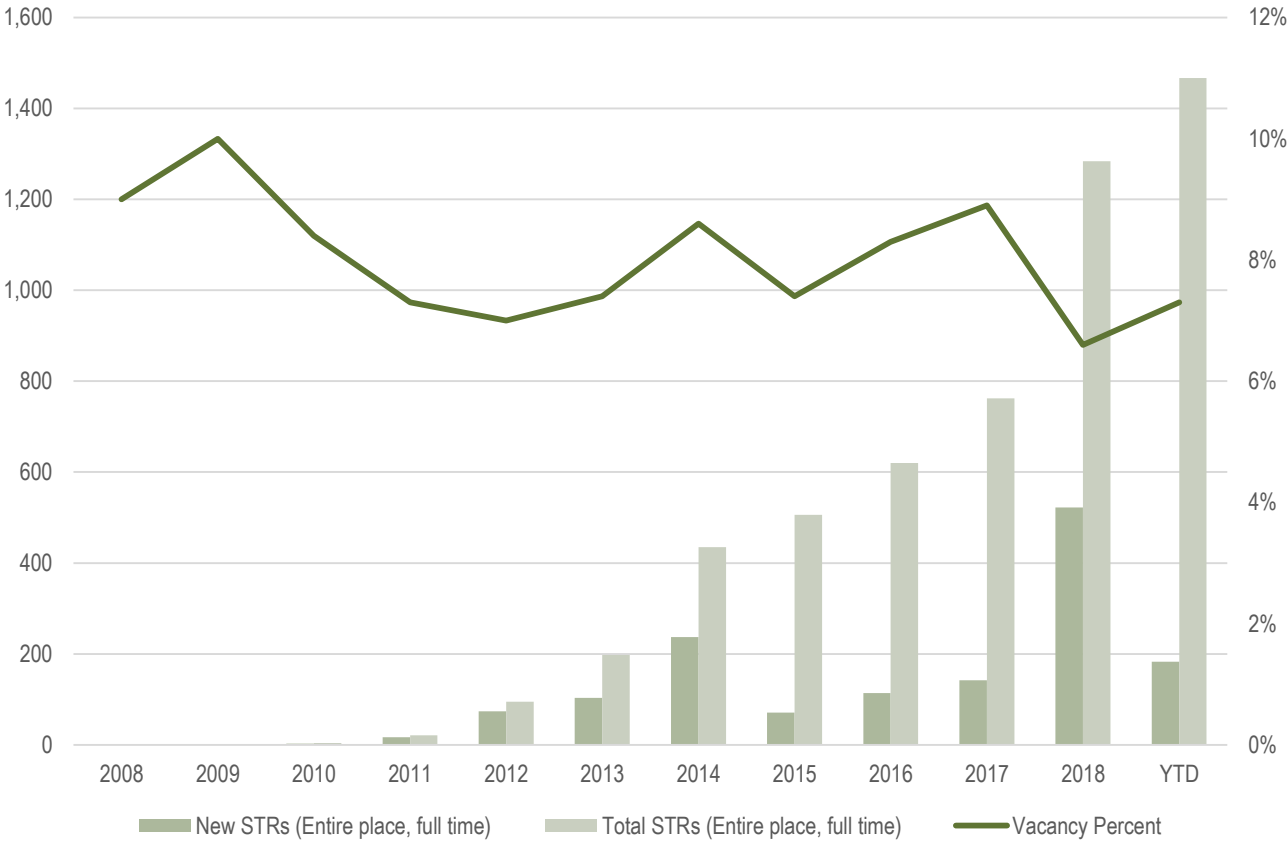
RENT GROWTH AND SHORT TERM RENTALS

- ▶ There is no strong indication that short term rentals have impacted rent growth in Austin’s urban core.
- ▶ It is more likely that Austin’s economic growth and increased popularity with affluent young people has made it a popular destination for tech savvy tourists, leading to growth in tech-driven, short term rental services like Airbnb.

Rental Rate Increase and Short Term Rentals



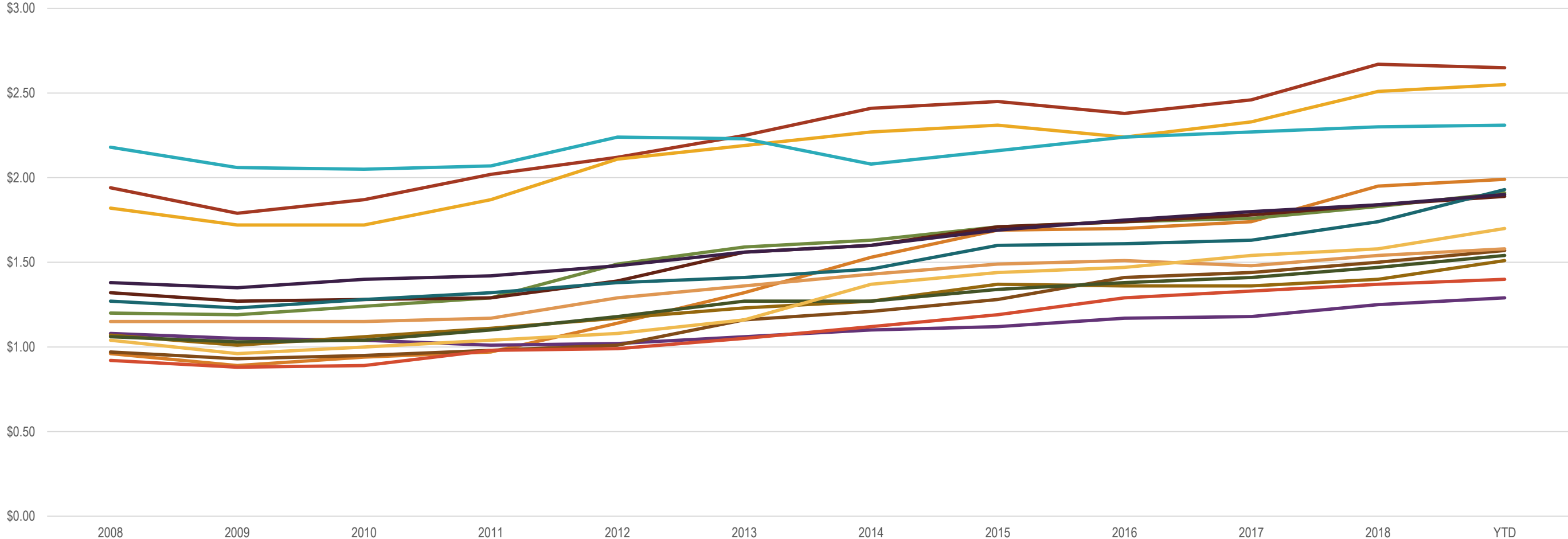
Multifamily Vacancy and Short Term Rentals



RENT GROWTH BY ZIP CODE

► Downtown and West downtown have long been the most expensive areas of Austin, with East Austin becoming significantly more expensive in the last decade.

Rent Growth by Zip Code

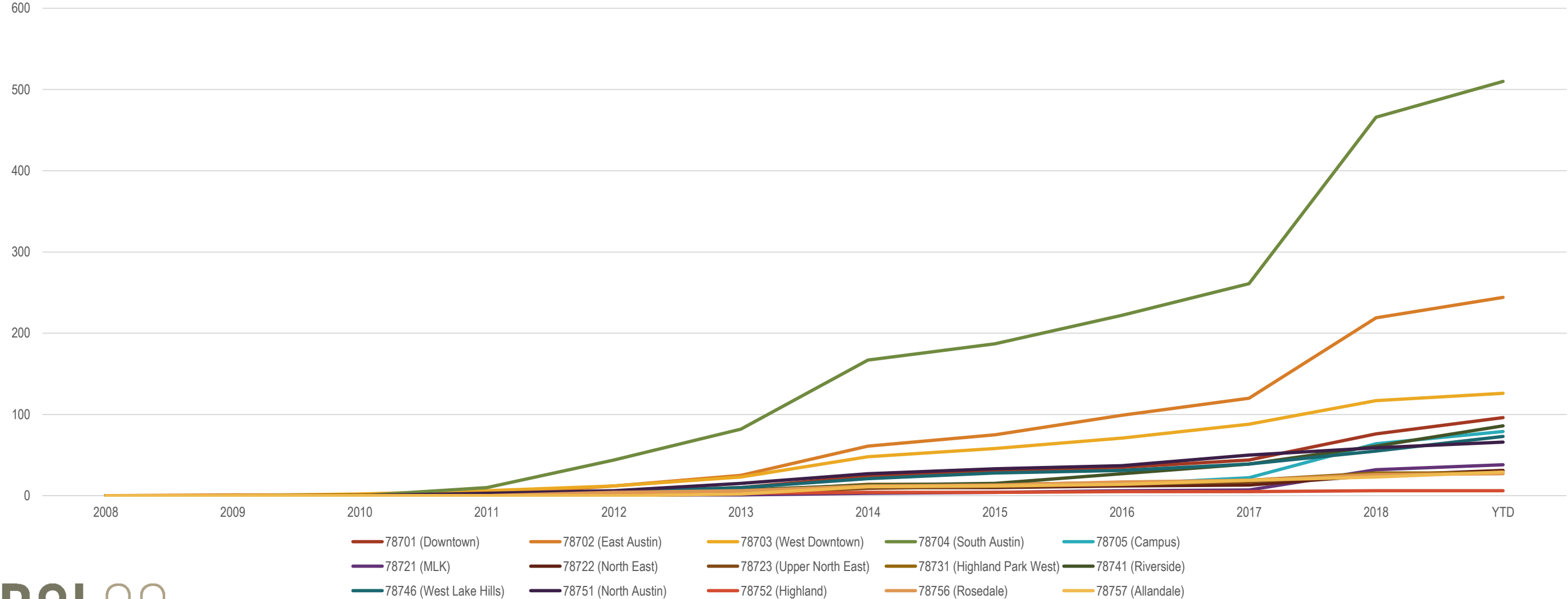


Source: CoStar, RCLCO

SHORT TERM RENTALS BY ZIP CODE

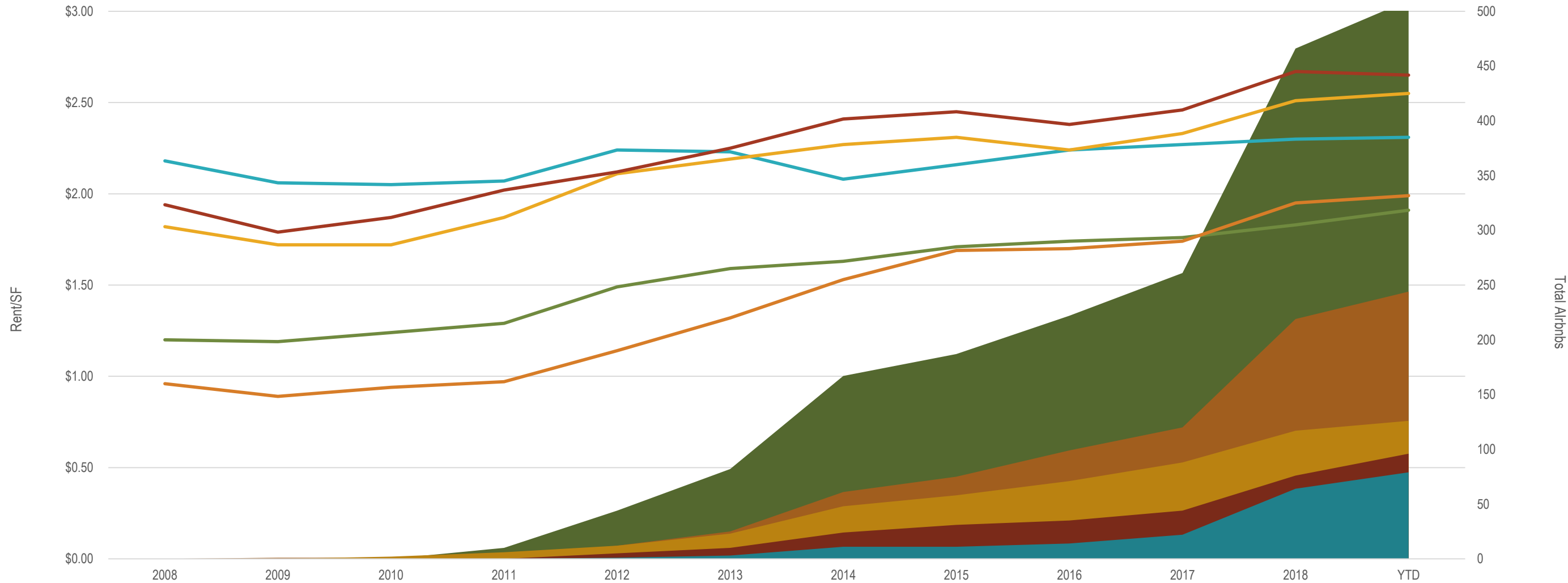
- ▶ South and East Austin have seen the most substantial influx of short term rentals since Airbnb was launched in 2008.
 - » Growth between 2017 and 2018 was most significant across the board.

Total Short Term Rentals by Zip Code



SHORT TERM RENTAL GROWTH IN HOT MARKETS

Rent Growth and Total Short Term Rentals by Submarket



78704 Total STRs (South Austin)
 78702 Total STRs (East Austin)
 78703 Total STRs (West Downtown)
 78701 Total STRs (Downtown)
 78705 Total STRs (Campus)

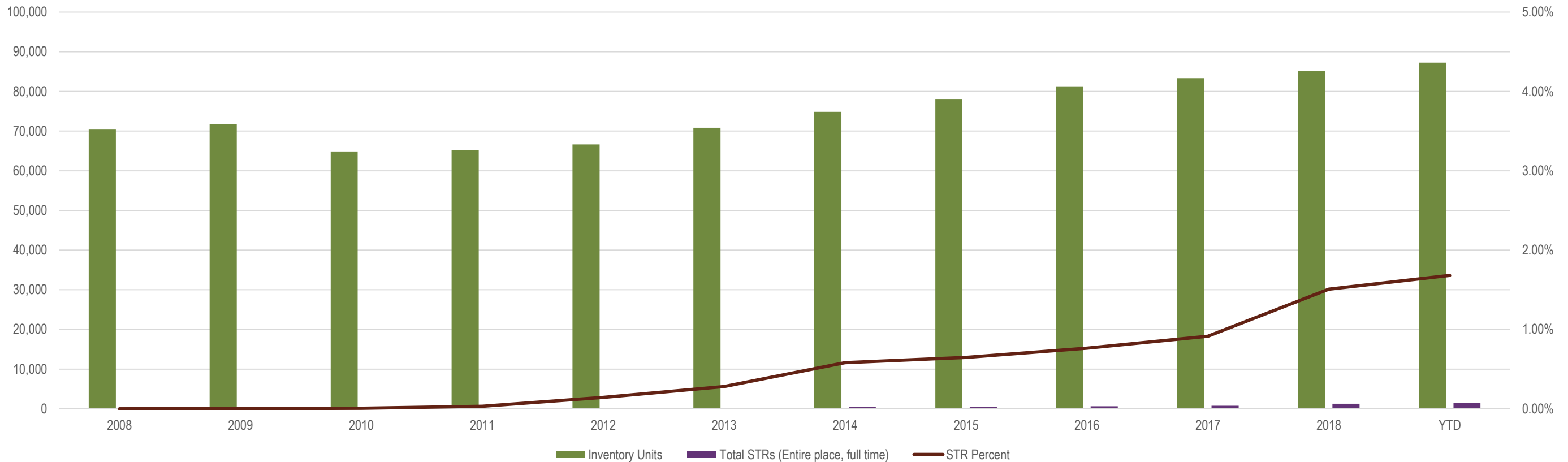
78704 Rent/SF (South Austin)
 78702 Rent/SF (East Austin)
 78705 Rent/SF (Campus)
 78703 Rent/SF (West Downtown)
 78701 Rent/SF (Downtown)



SHORT TERM RENTALS: PERCENT OF TOTAL INVENTORY

- ▶ It should be noted that over time, entire home, full time short term rentals have increased as a percentage of total multifamily rental inventory.
- ▶ This increase was most significant in 2018, with 2019 promising strong growth as well.
- ▶ While this percentage is still small, the data shows that short term rentals are not growing parallel to inventory, and that over time, full time short term rentals may take up more and more rental space in Austin.

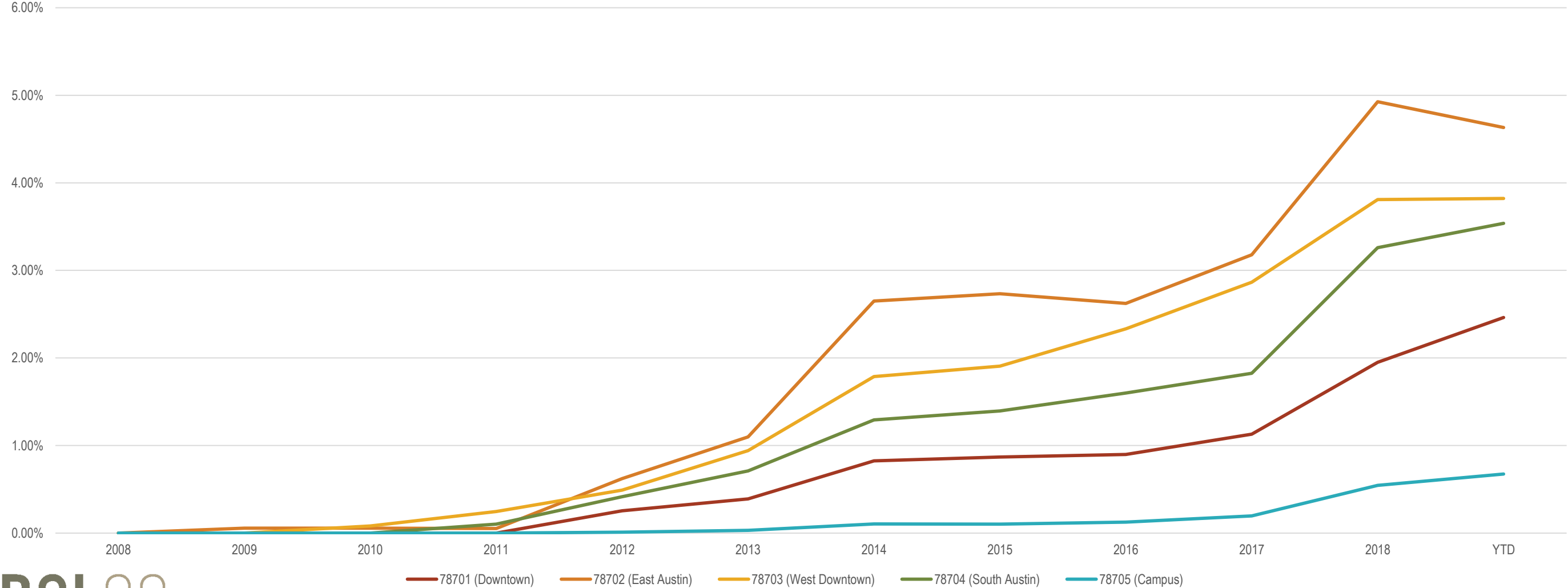
Short Term Rentals as a Percent of Total Inventory



SHORT TERM RENTAL PERCENTAGE BY ZIP CODE

- ▶ In all zip codes, short term rentals have increased as a percentage of total inventory.
 - » This is most substantial in “hot” submarkets like East Austin, and established neighborhoods close to downtown like South Austin and West Downtown.

Short Term Rentals as a Percent of Total Inventory by Zip Code

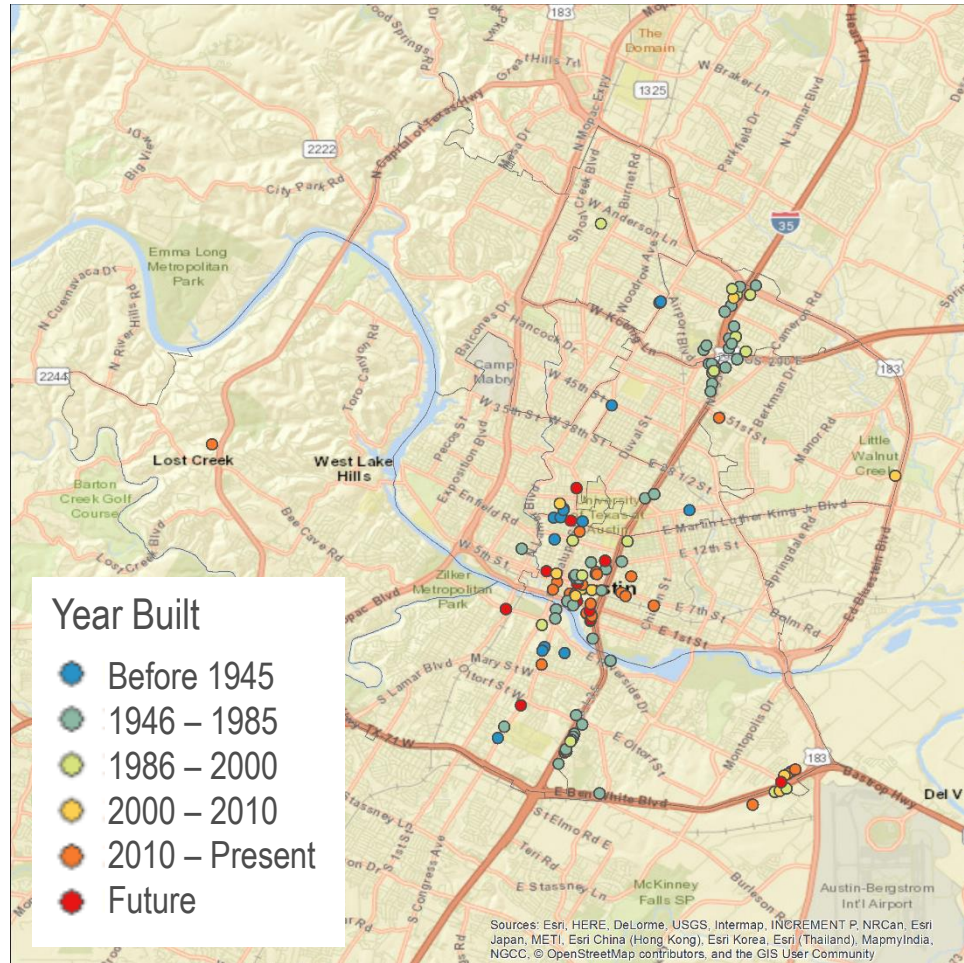


HOTELS

HOTELS IN AUSTIN TEXAS

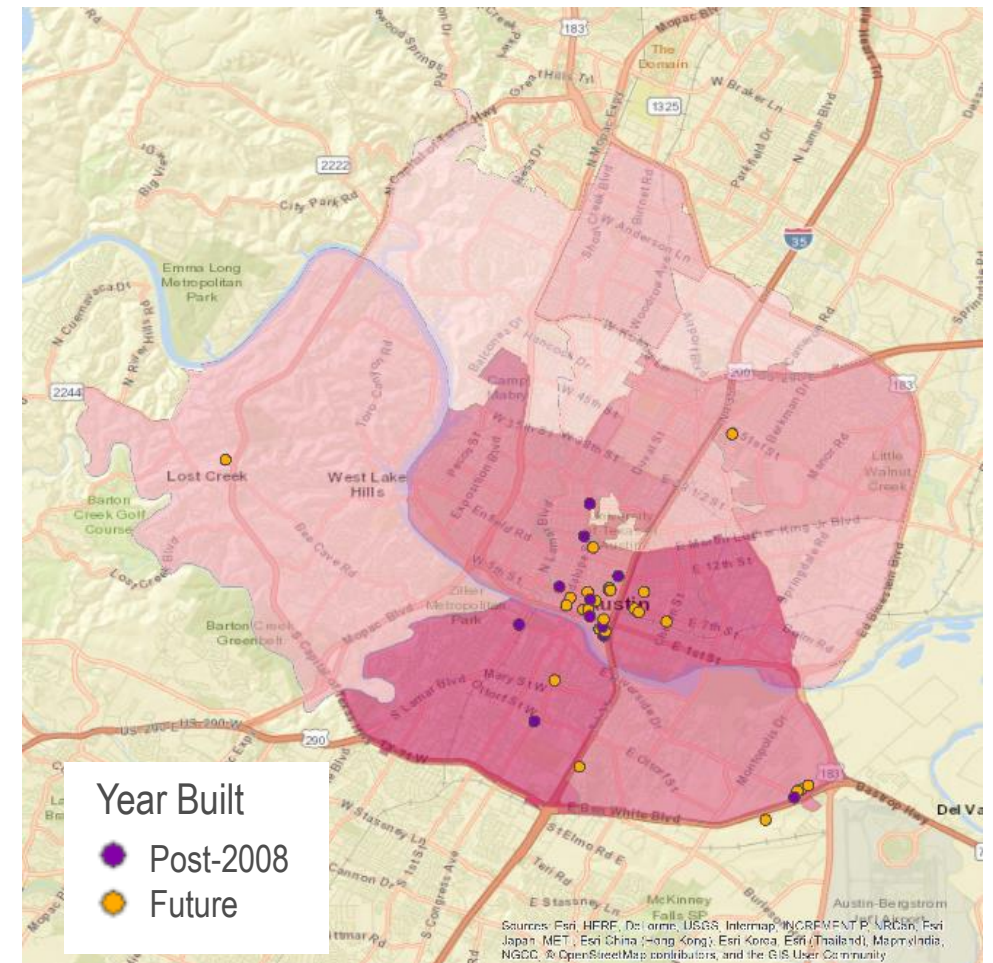
- ▶ Most hotel deliveries from the last ten years have been close to downtown, West Downtown, and East Austin

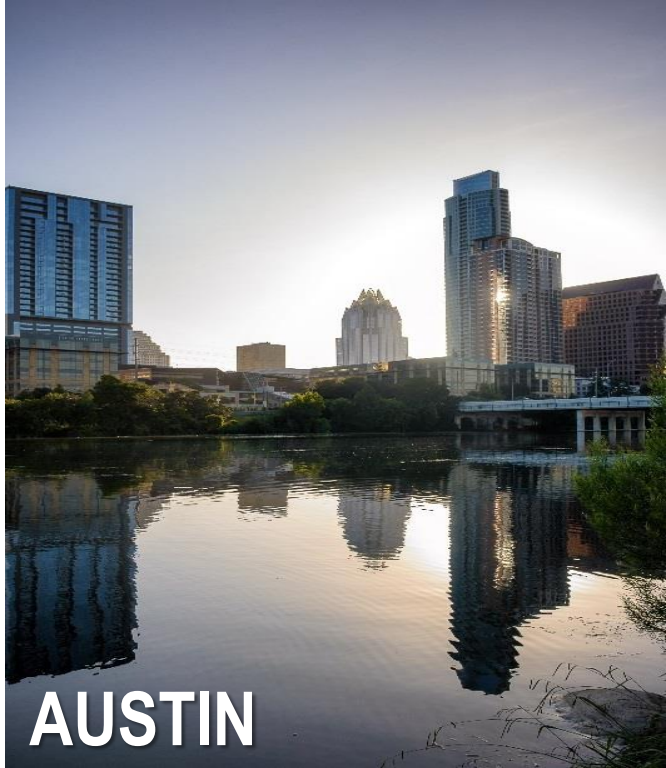
Hotels in Austin, TX



- ▶ Almost all recent deliveries have been in areas with high concentrations of short term rentals

New and Future Hotels





AUSTIN

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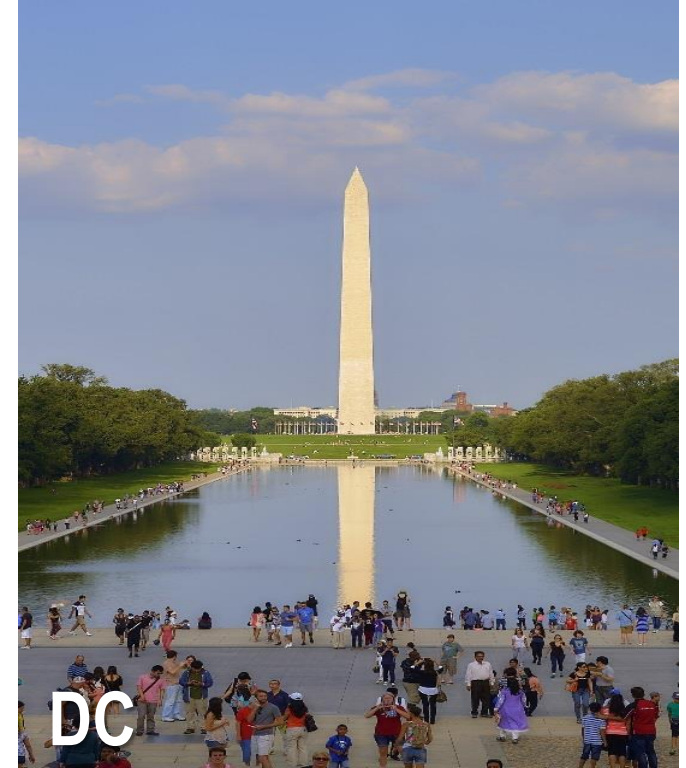
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