Hostfully

2023
Hospitality trends in the vacation rental industry

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Foreword

We are delighted to present the 2023 report on hospitality trends in the vacation rental industry. This report wouldn't be possible without informative conversations with and insights from industry experts, but more importantly, the many vacation rental operators who took valuable time to fill out our survey.

This year's results show many similar trends to those of our 2022 report, including an increasingly competitive market despite post-pandemic recovery and tightening state and city regulations. Some changes are afoot, however.

While Airbnb continues to dominate, for the first time, direct bookings and referrals have claimed second place in the category, exceeding Vrbo. This is likely a sign that operators are focused on strategy and scalability in response to OTA fees and mandates.

Additionally, this year, revenue growth—and loss—have shifted. While we observed a slow and steady increase in negative revenue growth over the past few years (8% in 2021, 13% in 2022), this year, the number jumped to a surprising 31%— more than doubling the number of property managers who lost revenue in just one year. And while it's important to note that the majority of our 2023 respondents reported positive growth, it appears that the post-pandemic's increased supply and inflated operating costs have taken a toll on a growing segment of operators.

This year produced a burst of AI activity, with an overwhelming desire for increased AI integrations in 2024, especially in the realm of guest communications.

Guest communications remains a pivotal category, posing both the largest challenge to respondents and simultaneously the area that grew easier this past year. If anything, we can infer that guest communications remains a foundation of the short-term rental industry—and a key area AI's continued explosion may manage to unlock in 2024.

We hope this report provides valuable insights for you and your vacation rental business.
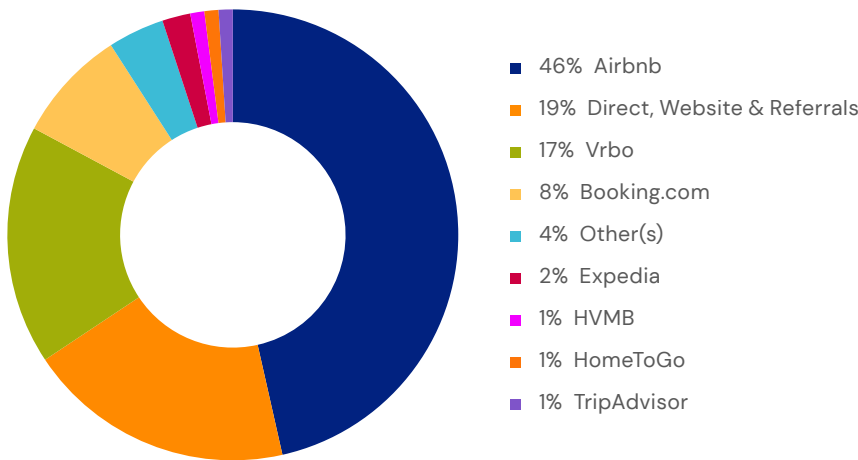
Hostfully Yours,

Margot, David and Steph
Hostfully Founders

Market
Bookings

Consistent with previous years, *Airbnb* remained the top booking source for vacation rental property managers and hosts in 2023.

What portion of your bookings come from the following sources?

- 46% Airbnb
- 19% Direct, Website & Referrals
- 17% Vrbo
- 8% Booking.com
- 4% Other(s)
- 2% Expedia
- 1% HVMB
- 1% HomeToGo
- 1% TripAdvisor

However, this year does mark a shift: for the first time *Direct bookings* have inched ahead of *Vrbo*, surpassing the OTA by a margin.

This change tracks with property managers' reported goals last year: to increase their direct bookings.

Aside from direct bookings and the major short term rental sites listed above, other booking sources remained diversified. Of note, an increase in respondents reported Google bookings (either Maps or "Travel"), a likely result of Google's growing integration across top-leading PMSs and channel managers.

Agoda	Glamping Hub	onefinestay	Travelstaytion
Bnbfinder	Google	Owner Direct	Whimstay
Crovillas	Hopper	Plum Guide	Zillow
Despegar	Houfy	RedAwning	Insurance Relocation Companies
Evolve	Landing	SafariNow	
Florida Rentals	LekkeSlaap	SmokyMountains.com	Travel agents
Furnished Finder	Oliver's Travels	Top Villas	

Market
Expanded distribution

In previous years, operators reported favoring a handful of OTAs and sites. Given the recent proliferation of new players, this year we asked operators why they didn't list on more sites and OTAs. The top reason? 48% of our respondents reported that in fact they had *Tried a few and didn't get any bookings*, ultimately following their guests' lead back to the major OTAs and booking sites.
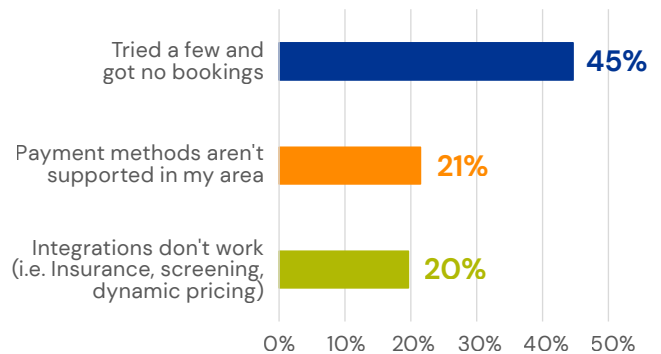
What is the primary reason you don't list on more sites and OTAs?

Reason	%
Tried a few and got no bookings	48%
Payment methods aren't supported in my area	19%
Integrations don't work (i.e. insurance, screening, dynamic pricing)	15%
Inbox or other features don't sync with my PMS	8%
I don't want to be merchant of record	6%
Fully booked	5%
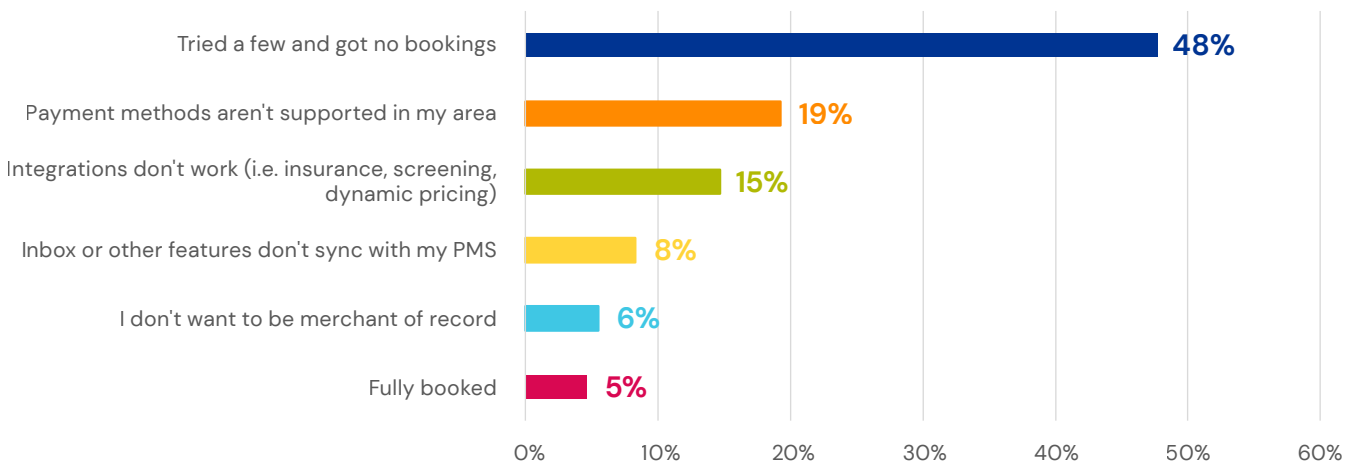
We narrowed in further on responses from operators with 10+ properties as they are likely to use PMSs (which have built-in channel managers).

Of those respondents, 45% indicated they *Tried a few and didn't get any bookings*, followed by *Unsupported payment methods* (21%) and *Lack of integrations* (20%) as other important factors.

Top 3 reasons why operators with 10 or more properties don't list on more sites and OTAs

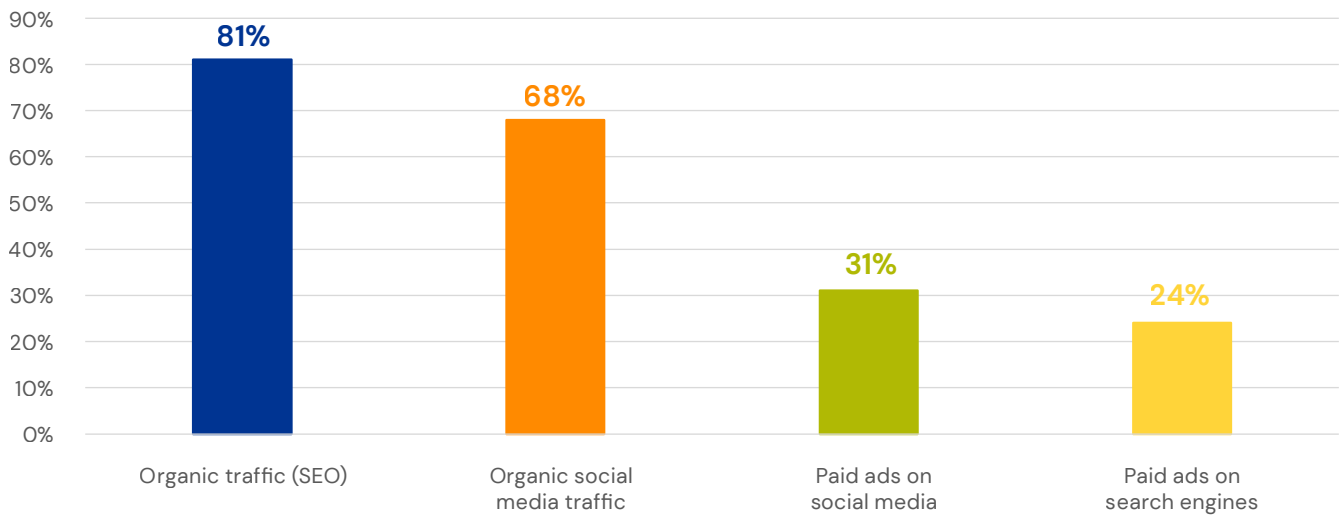| Reason	%
Tried a few and got no bookings	45%
Payment methods aren't supported in my area	21%
Integrations don't work (i.e. Insurance, screening, dynamic pricing)	20%

Market Direct Bookings

Managers who rely on direct booking sites for reservations reported using on average two marketing tactics to attract new guests. By a notable lead, *Organic traffic* tactics (SEO and social media) surpassed *Paid ads*.

What tactic(s) do you use to attract new guests through your direct booking site?

Organic traffic (SEO)	Organic social media traffic	Paid ads on social media	Paid ads on search engines
81%	68%	31%	24%

Operators with larger portfolios (25+) reported using more simultaneous marketing tactics than their smaller counterparts.

Properties managed	Average number of direct booking tactics
1	1.4
2–5	1.5
5–9	1.5
10–24	1.6
25–49	2.5
50–99	2.1
100+	2.5

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Market Concerns + Planning
Industry Experts

Colleen Prochaska
COO, Thanks for Visiting

"Now more than ever, we are hearing from the host that their #1 concern is increasing their property's occupancy as the narrative around market saturation continues to grow. As the OTA platforms work for brand loyalty from the traveler, we think digital real estate, specifically direct booking efforts, are the most important use of your time in 2024. Specifically, we predict a major increase in independent hosts experimenting with paid ads as the training and resources around these efforts become more available."

Heather Bayer
Co-Founder & CEO, Vacation Rental Formula Business School

"There is never room for complacency where regulations are concerned. The thousands of owners and managers impacted by the recent BC, Canada Short Term Rental Accommodations Act, were not ready for harsh legislation that will come into effect in May 2024. Even if you are in the 67% that has not experienced any change, that is not to say it won't happen in the future. If there is no alliance to join, consider creating one; mobilise your network, and learn as much as you can about how to respond to any threat of regulations. You wouldn't wait until your house was on fire to buy a fire extinguisher. Don't wait until legislation has been drafted before you put together an action plan."
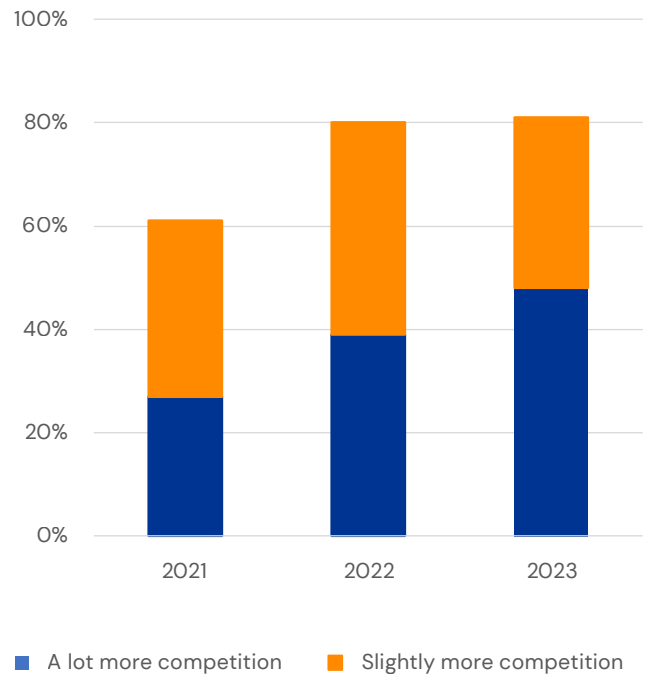
Market
Competition

Over the past year, have you noticed an increase or decrease in competition in your region?
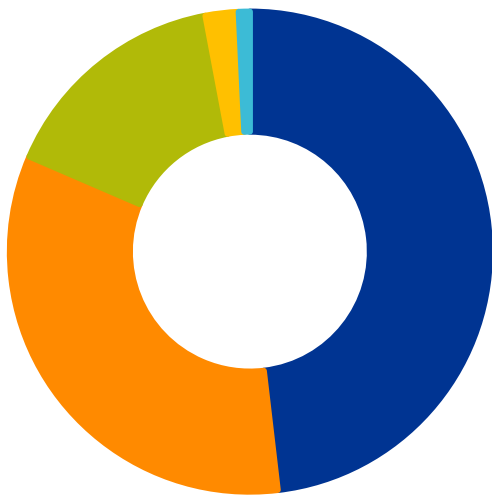
- ■ 48% There is a lot more competition
- ■ 33% There is slightly more competition
- ■ 16% No change
- ■ 2% There is slightly less competition
- ■ 1% There is much less competition

Respondents who reported more competition

- ■ A lot more competition
- ■ Slightly more competition

Since the post-pandemic recovery, respondents have reported higher competition levels in their areas. This year the total number of respondents reporting more competition reached a plateau. However the nature of the competitive landscape has changed: 2023 marks the first year the majority of respondents reported *A lot more competition* as opposed to *Slightly more competition*.

Market
Revenue

For a third year in a row, the majority of survey respondents reported a positive revenue change from the previous year.

What do you expect to be the percentage of total revenue change from 2022 to 2023?
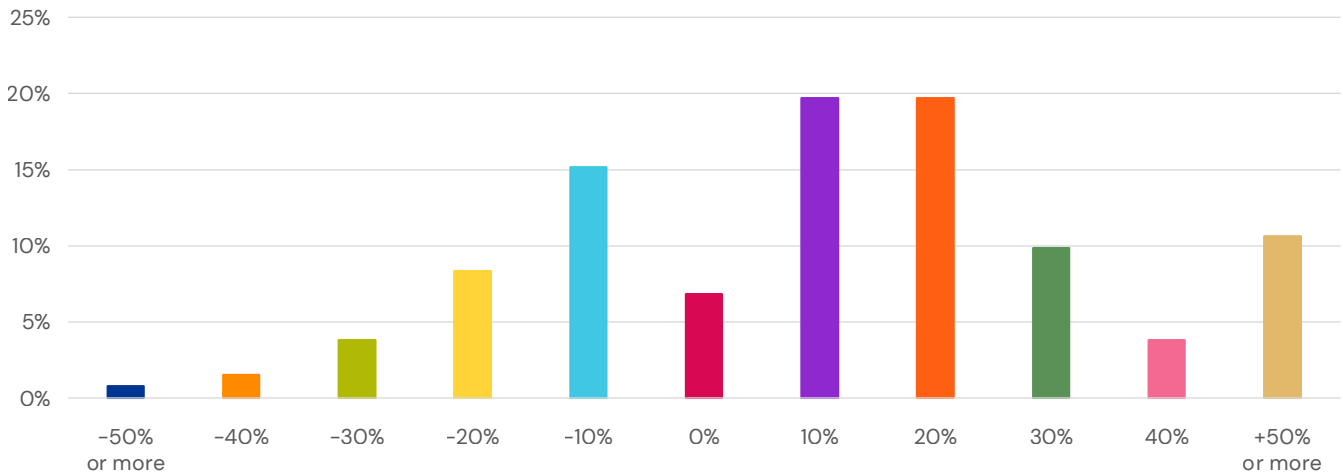
While 64% of respondents reported *Some growth* in 2023, the proportion of operators who experienced *Moderate to Significant growth* (30% or more) continued to decrease from the post-pandemic high of 2021.

And when it comes to *Negative revenue growth*, the rate steadily increased from roughly 8% to 13% between 2021 and 2022. This year, however, the revenue decline made an enormous jump to a shocking 31%, more than doubling the affected businesses in 2023.

Market
Revenue

Revenue changes from 2021 to 2023

Legend: ■ Slight growth ■ Moderate growth ■ Significant growth
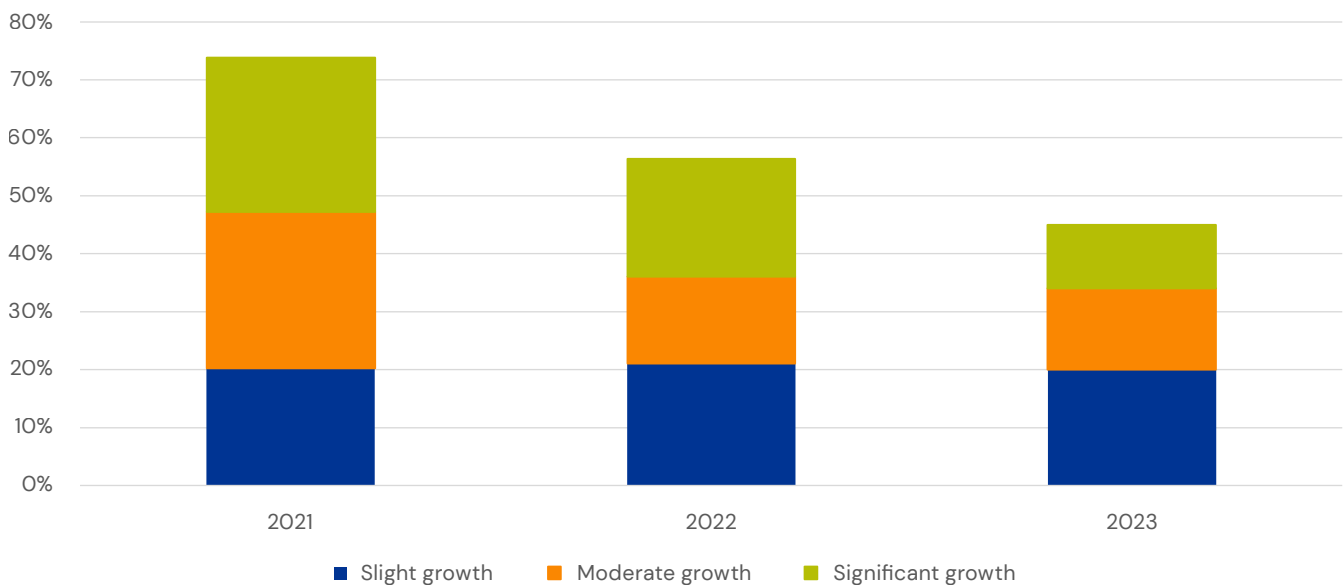
These numbers would indicate that while the market remains competitive and many businesses continue to be profitable, significant revenue growth is likely winding down. It appears supply has overtaken demand.

Why has demand slowed? With many employers now issuing return to office mandates, it's possible that respondents have felt the loss of revenue previously generated by pandemic era guests with remote work and travel flexibility.

Meanwhile, the massive increase in supply of short-term rentals over the past few years may be putting downward pressure on occupancy and ADRs.
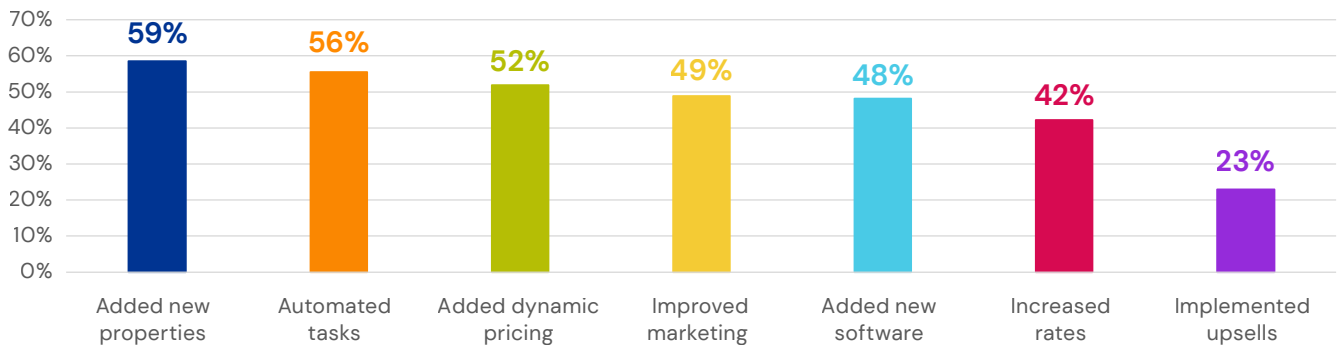
Operators have likely also taken a large hit on their operating costs (and ultimately revenue) due to the massive rise in inflation. More supply, less demand, and lower occupancy rates may have also driven down ADRs as inflation adds to expenses, thus exacerbating revenue loss further.

Growth
Past strategies

This year operators used on average 3.3 strategies to grow their business. As in previous years, portfolio expansion remained the top growth strategy.

How did you grow your business in 2023?

Strategy	Percentage
Added new properties	59%
Automated tasks	56%
Added dynamic pricing	52%
Improved marketing	49%
Added new software	48%
Increased rates	42%
Implemented upsells	23%

However, this year marked noteworthy changes. Between 2022 and 2023, *Improved marketing* spiked from 39% to 49%, and *Implemented upsells* rose from 16% to 23%. Notably, the popularity of *Task automation* also grew—from 43% in 2022 to 56% in 2023. While this category was popular with larger portfolio management companies in previous years, *Implementing automation* was popular across almost all company sizes in 2023.

	Added new properties	Automated tasks	Added dynamic pricing	Improved marketing	Added new software	Increased rates	Implemented upsells
Single property	57%	64%	43%	100%	43%	43%	7%
2-5	78%	100%	89%	72%	78%	72%	50%
5-9	100%	45%	55%	45%	64%	64%	45%
10-24	94%	88%	100%	53%	88%	71%	35%
25-49	100%	100%	87%	67%	73%	73%	7%
50-99	100%	67%	50%	100%	67%	33%	67%
100+	100%	100%	100%	100%	89%	67%	56%

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Business Strategy + Revenue Management
Industry Experts

Jasper Ribbers
Host of "Get Paid for Your Pad" Podcast

"Revenue management sounds complicated, but it's actually a lot easier than you think…If you want to expand your portfolio, you have to spend money on marketing, and there's a lot of expenses that come with that. If you want to increase the experience, add a hot tub that costs money….revenue management — focusing on it — doesn't cost you anything extra. It just costs you a little time but that's time well invested because you're going to learn from it and get better over time. Revenue management is not something you can learn in a week. I know everyone is always looking for the magic pill or magic bullet, but the reality is it's a learning process. It takes time to really understand your market."

Stacey St. John
Host of "The STR Sisterhood" podcast

"[I recommend] having an email marketing strategy around making sure you are getting your guests' email addresses, and building out a content strategy to stay in touch with them (—where you're not just throwing your property in their face every month, because who wants that? Ew!). Adding value through your email marketing can be really, really beneficial and powerful when it comes to those direct bookings."

Wil Slickers
Founder & CEO, Hospitality.FM

"Evaluate your tech stack, and become a part of the product team in a way that helps our tech partners get better and makes our businesses better as operators. Make sure you're not paying for tech that you don't need, and that you might already have as a function in your current tech partners. So many things have changed in the industry within the last two years, so I think 2024 is the time or era of application and leveling up as a hospitality operator."

Growth
Future strategies

Overall, when it comes to business growth for 2024, operators intend to use a mix (roughly 2.4) of strategies. Although every year operators report plans to *Upsell more items/services*, this year the category rose even further in popularity, landing it in the third most popular intended 2024 growth strategy.

In what areas would you like to grow your business in 2024?

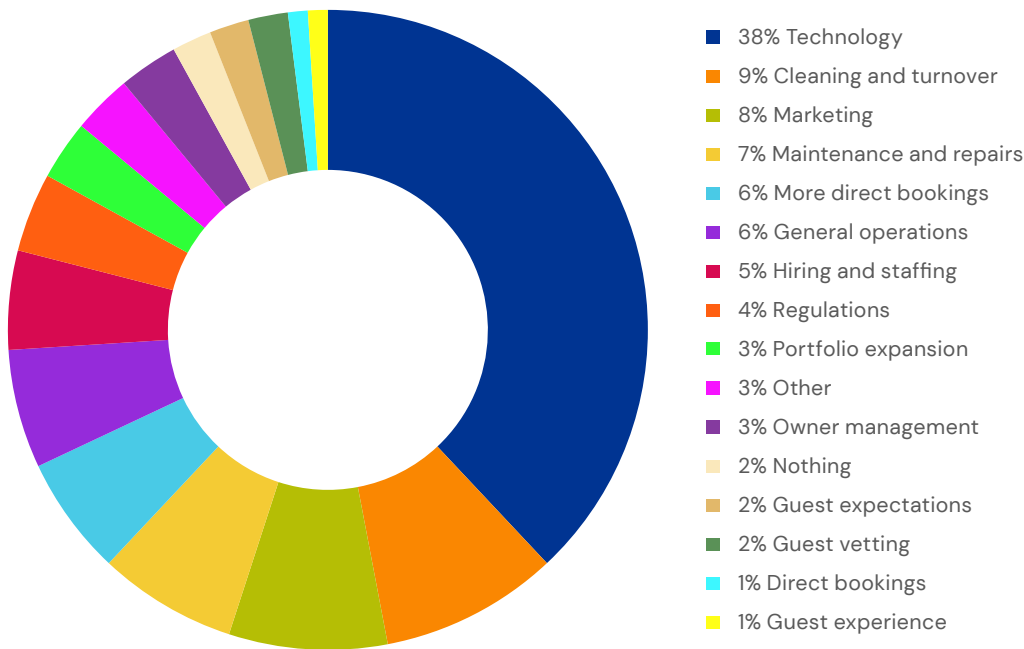|				
86%	62%	49%	42%	1%
Increase occupancy	Add more properties	Upsell more items/ services to guests	Improve pricing strategy	I'm not looking to grow my business
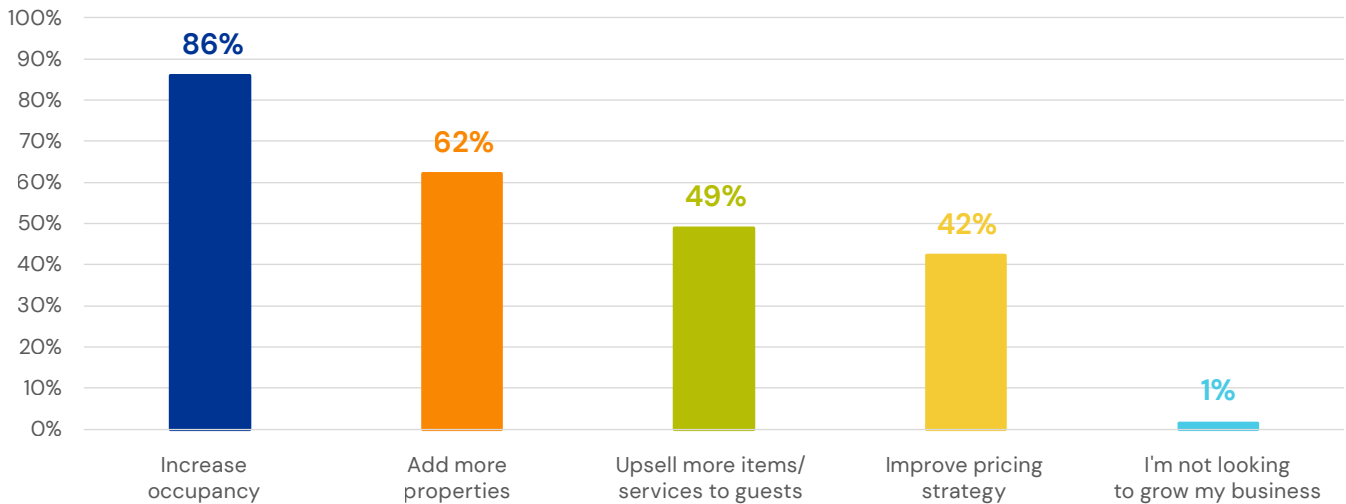
Over the last three years, respondents have reported strong interest in *Increasing their occupancy rates* (historically between 60% and 70%), however in this year's survey, the interest in the category spiked to 86%. We noted that 68% of respondents who observed more competition in their markets also selected this option as a growth strategy. These responses suggest that either the market of financially viable rentals and/or the supply of second homes for vacation rentals are increasing.

Obstacles
Pain points

If you could wave a magic wand and make your job instantly easier, what would you change?

- ■ 38% Technology
- ■ 9% Cleaning and turnover
- ■ 8% Marketing
- ■ 7% Maintenance and repairs
- ■ 6% More direct bookings
- ■ 6% General operations
- ■ 5% Hiring and staffing
- ■ 4% Regulations
- ■ 3% Portfolio expansion
- ■ 3% Other
- ■ 3% Owner management
- ■ 2% Nothing
- ■ 2% Guest expectations
- ■ 2% Guest vetting
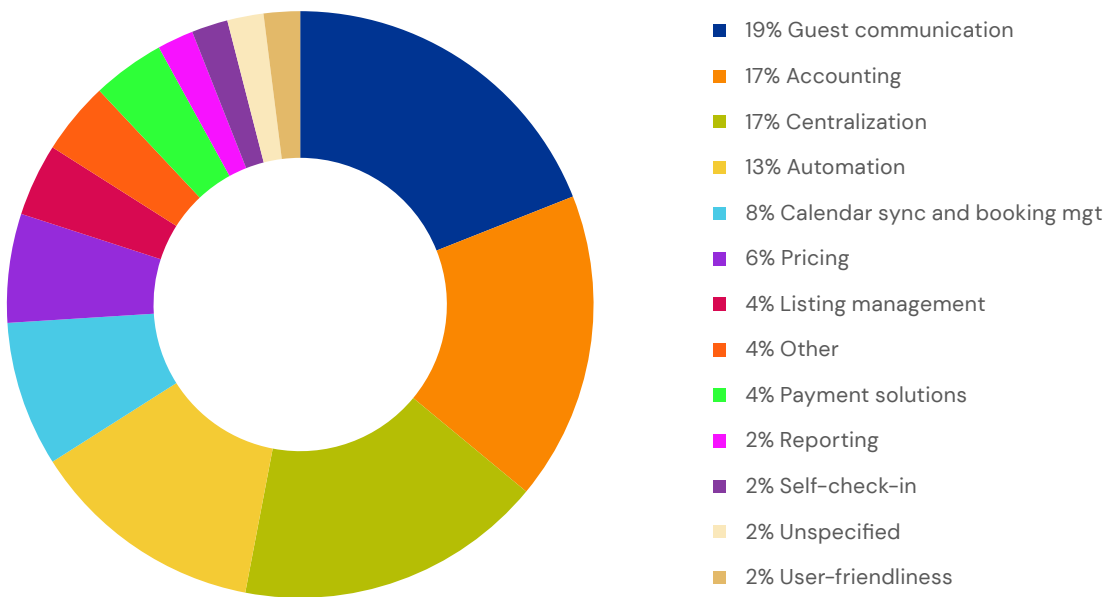- ■ 1% Direct bookings
- ■ 1% Guest experience

Every year we ask respondents if they had a magic wand what would they choose to change to make their job easier. Consistent with previous years, *Technology* remains the biggest challenge by a landslide (38%). Though still in second place, *Cleaning and turnover* has decreased from 14% in 2022 to 9% in 2023. Categories including *Marketing, Maintenance and repairs*, and *More direct bookings* have become top of mind for operators, perhaps highlighting a market with more competition and dwindling reservations.

Obstacles
Technology challenges

Interestingly, from 2022 to 2023, a number of technology obstacles spiked. Among these, *Guest communication* took the top spot, jumping from 9% to a whopping 19%, while *Accounting* also increased from 10% to 17%. On the other hand, *Pricing* came down drastically from 15% last year to only 6% in 2023—signaling a significant win for dynamic pricing tools.

Technology challenges faced by vacation operators in 2023

- 19% Guest communication
- 17% Accounting
- 17% Centralization
- 13% Automation
- 8% Calendar sync and booking mgt
- 6% Pricing
- 4% Listing management
- 4% Other
- 4% Payment solutions
- 2% Reporting
- 2% Self–check–in
- 2% Unspecified
- 2% User–friendliness

Of note, this year's results saw a rapid rise in the number of respondents noting challenges with their *Accounting* solution. This category grew from 5% in 2021 to 10% in 2022 and finally to 17% in 2023. A similar category—*Payment solutions* challenges—grew from 1% in previous years to 4% in 2023.

Why is this the case? This shift may be a sign that businesses formed during the pandemic are continuing to mature. With such growth, inescapable business operations (finances, accounting, bookkeeping, etc) become more complicated, often requiring more technology layers and integrations. And with more direct booking strategies at play, payment solutions—and obstacles—likely increased as well.
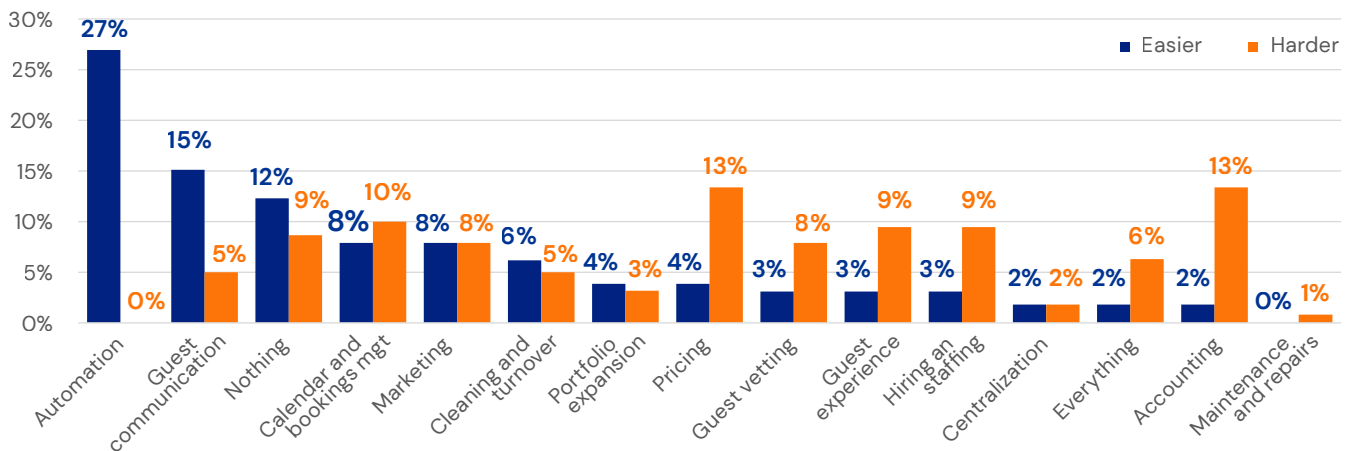
Obstacles
Challenges and improvements

We were interested in learning about any and all areas operators found to be easier and harder in 2023. In response to our open-ended inquiry, respondents reported a major shift in what became easier. *Automation* surged from 9% in 2022 to 27% in 2023, surpassing *Guest communication* which held fairly steady percentage-wise between 2022 (17%) and 2023 (15%), but dropped in category placement.

It appears that as PMS ecosystems continued to mature and introduce advanced features, general *Automations* improved substantially overall in 2023. For now, operators may be finding some workarounds until *Guest communication* improves.

In 2023, what's become easier and what's become harder in your business?

| Category	Easier	Harder
Automation	27%	0%
Guest communication	15%	5%
Nothing	12%	9%
Calendar and bookings mgt	8%	10%
Marketing	8%	8%
Cleaning and turnover	6%	5%
Portfolio expansion	4%	3%
Pricing	4%	13%
Guest vetting	3%	8%
Guest experience	3%	9%
Hiring and staffing	3%	9%
Centralization	2%	2%
Everything	2%	6%
Accounting	2%	13%
Maintenance and repairs	0%	1%

Due to these changes, we took a closer look at respondents by property volume and found that the struggle was most notable for managers with 35-49 properties. This indicates that, as operators scale their businesses and begin systemizing growth, *Accounting* remains a tough obstacle.

That said, we noticed diversified distribution across the the harder category, with the top 8 challenges coming in between 7% and 13%, indicating that there is no one-size-fits-all solution for vacation rental managers.

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Hospitality
Information sharing

How do you provide local recommendations and property information to your guests?
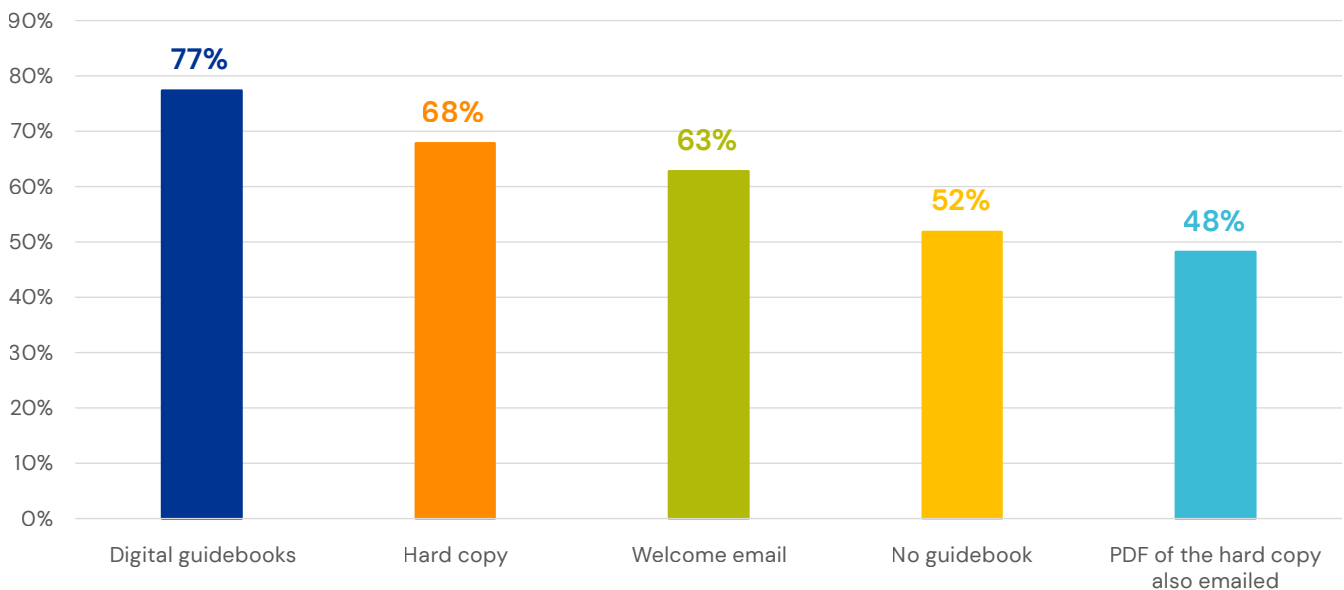
The majority of respondents share local recommendations via *Digital guidebooks*, while *Hard copies* remain popular as well. On average, operators use 1.6 ways to share information with their guests, with the most popular combination being *Digital guidebooks* paired with *Welcome emails*. Of note, 12% of respondents don't provide any guidebook. Other methods of sharing information include:

- *Tablet left in the property*
- *Touch-screen television at the entrance*
- *Voice-activated speaker or smart home device*

As in previous years, large portfolio companies favor digital methods over hard copies as it simplifies the process of keeping information updated and reduces quality control checks that turnover teams must perform.

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Hospitality
Guest check-in

How do you check in guests?

The majority of managers reported using contactless guest check-in methods, with the most popular being a *Unique PIN code* for each reservation sent ahead of check-in time.

- 53% PIN code (unique to each reservation)
- 24% In–person greeting
- 13% PIN code (doesn't change between reservations)
- 9% Lock box
- 1% Leave property unlocked

Given the cost and time commitment that in-person greetings entail, we explored other factors that may affect operators who still use this check-in method.

The operators who greet guests at check–in.

45%
Manage portfolios of 100+ properties

60%
Use digital methods of sharing information with guests

2X
More likely to be located in a beach or mountain/ski market

Hospitality
5–star reviews

Over 90% of operators reported that *Cleanliness* was a critical factor in obtaining 5-star reviews from guests. Notably, the *Branded experience, Unique local recommendations*, and *Welcome package* categories were cited as smaller priorities, and considered less impactful on reviews.

How important are the following to getting consistent 5–star reviews?

Legend: ■ 100% – Critical   ■ 75% – Important   ■ 50% – Moderate   ■ 25% – Small impact   ■ 0% – Not important
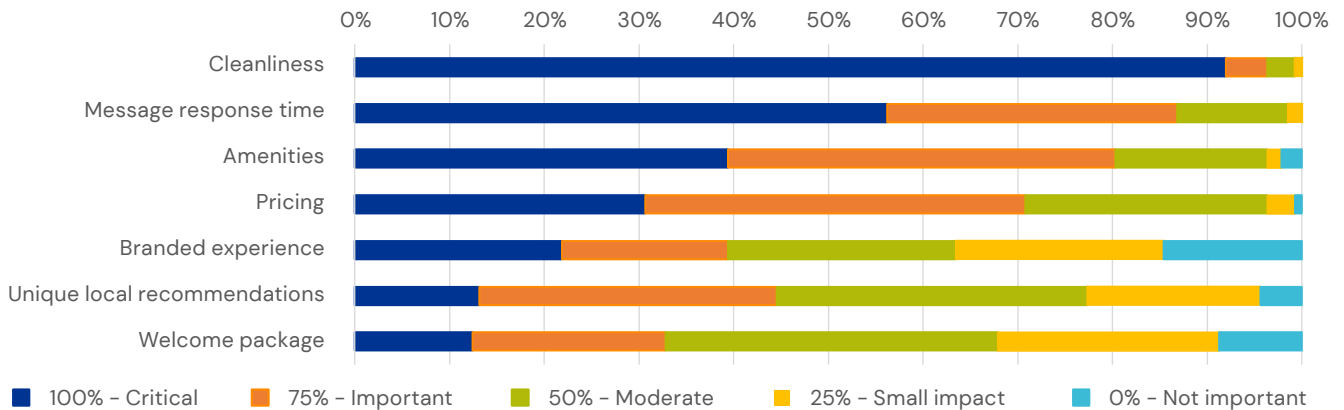
To further understand industry perception, we tracked the Critical + Important sums across the least impactful categories by portfolio size.

This chart shows a noticeable difference in how the industry perceives what matters when it comes to hospitality.

While larger operators place minimal value on *Welcome packages* and enormous weight on the *Branded experience*, smaller operators perceive *Unique local recommendations* an important 5-star review factor.

How size impacts perception of what is critical to getting 5–star reviews

Legend: ■ Branded experience   ■ Welcome package   ■ Unique local recommendations
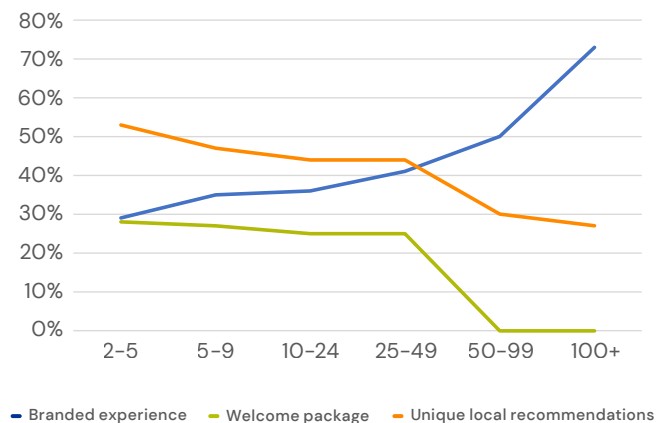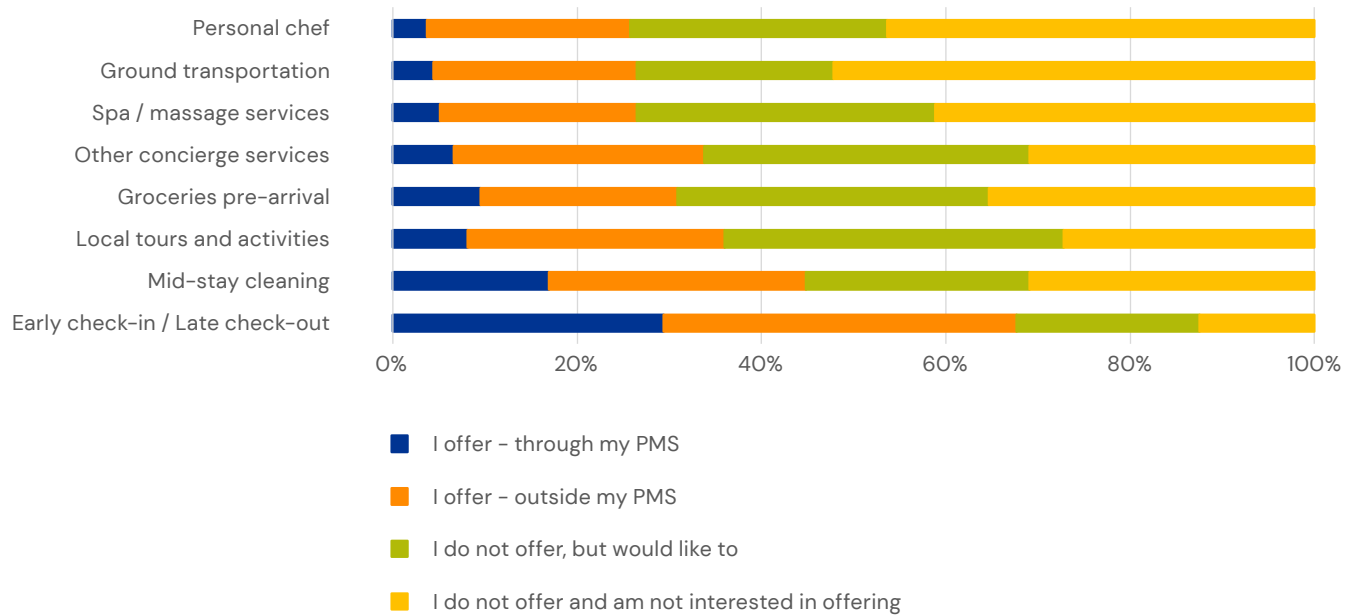
Hospitality
Guest experience and upsells

In 2023, the majority of operators we polled offered at least one upsell to guests during their stays. For a third year in a row, *Check-in* and *Check-out* flexibility, *Mid-stay cleaning*, and *Local tours and activities* were the most popular options.

Do you currently offer any of the following for an additional fee?

Legend:
- ■ I offer – through my PMS
- ■ I offer – outside my PMS
- ■ I do not offer, but would like to
- ■ I do not offer and am not interested in offering

On average, operators offer 2.8 upsells to guests. Meanwhile, operators using more than two digital means of information sharing (i.e. directions, recommendations, house manuals) average 3.6 upsell offerings, and larger operators managing 25+ properties offer on average 4 upsell options.

Artificial intelligence
Adoption and perceptions

In 2023, across industries artificial intelligence (AI) played an operational role. In fact, 54% of our respondents reported using AI in their businesses over the last year.
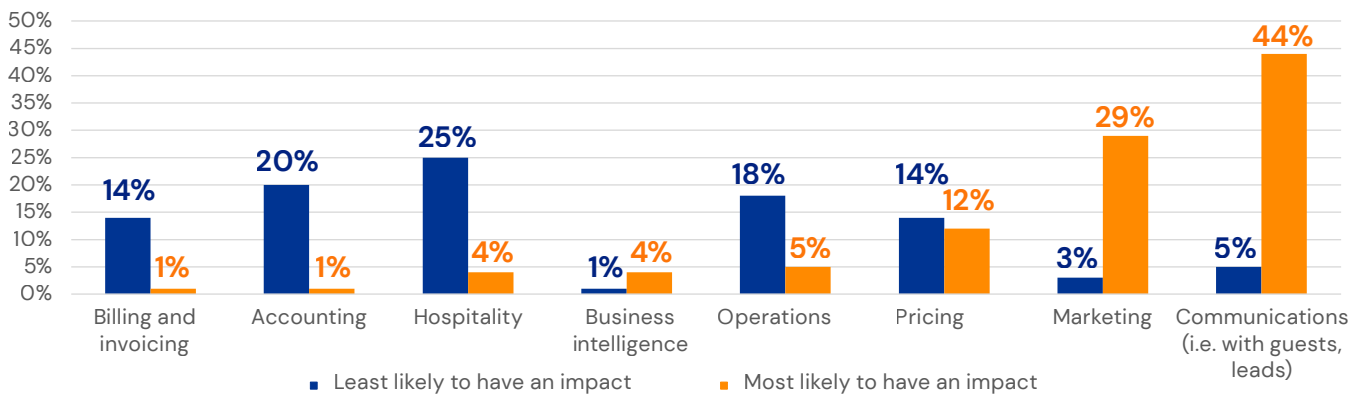
The adoption or interest in AI typically increased corresponding to the number of properties managed. This finding is not surprising given that, in general, smaller businesses typically use less technology than larger ones.

Have you used AI tools in any capacity for your business in the last year?
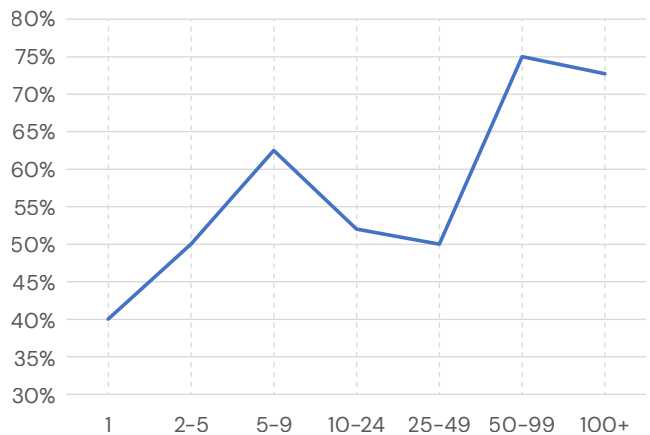
When asked in which areas of their businesses they believed AI will have the biggest impact, operators cited *Communications* as their top response.

What areas will AI impact your business the most and what area will AI impact your business the least?

	Billing and invoicing	Accounting	Hospitality	Business intelligence	Operations	Pricing	Marketing	Communications (i.e. with guests, leads)
Least likely to have an impact	14%	20%	25%	1%	18%	14%	3%	5%
Most likely to have an impact	1%	1%	4%	4%	5%	12%	29%	44%

Artificial intelligence
Industry Experts

Glenn Fogel
CEO, Booking.com

"I believe that generative AI and other technologies will play a key role in this new travel world, and many of us in the travel industry are investing right now to build the foundations. However, there are going to be significant challenges. The problems of how to obtain real-time data from countless sources, process it all to result in optimal solutions, and then act rapidly to benefit consumers will not be solved overnight. Nevertheless, this is just one area, among many, where we are going, and travel will be better when we arrive."

Brian Chesky
Co-Founder and CEO, Airbnb

"[AI] is the platform shift of all platform shifts… Our opportunity is to build one of the definitive interface layers and it's all built around personalization. So instead of Airbnb just asking where are you going and when are you going, we ask you some bigger questions like Well who are you, what do you want, today tomorrow next year, in your life? And the better we can understand you the more we can be the ultimate AI concierge pointing you to places, community, homes, experiences and many more things."

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Artificial intelligence
Industry Experts
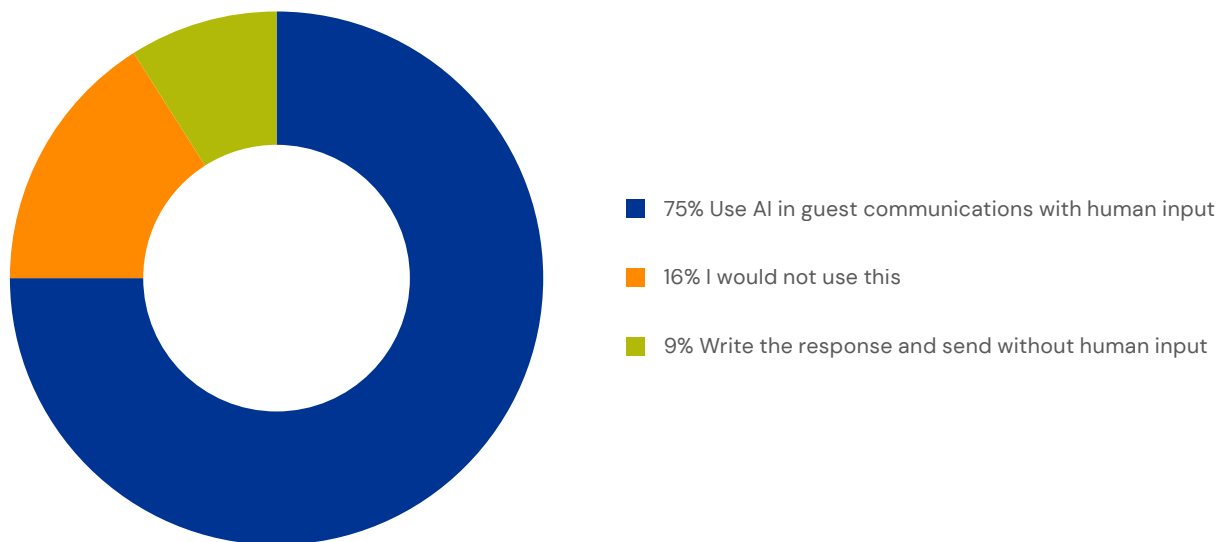
Mark Simpson
Boostly Founder

"[AI] is an unbelievable tool for a couple of things. It's really good for content creation. It's really good for inspiration. It's really good for market research, creating sales scripts... The power that it gives every small business owner when you're getting started, or even if you've been established for a year or two, is huge because it can give you the information in minutes that you could spend and waste hours trying to find. It will save us a ton of time, [but] the most important thing I want to leave you with is: we cannot become an industry that literally copies and pastes — and rely on this. We've got to use [AI] for inspiration. Because [otherwise] what will happen is all of us will become a world where all our content is the same."

Artificial intelligence
Guest communications

To further understand the extent to which operators anticipate using AI, 84% of respondents indicated that they would use the tool in some capacity when communicating with guests. However, 75% of that 84% inclined to use AI would still insist on some amount of human supervision. Respondents' eagerness yet skepticism surrounding AI may be informed by recent access to and experimentation with generative pre-trained tools (i.e.; ChatGPT, Claude, Bard). Humans understand that AI answers are useful but still not 100% reliable.

In which of the following guest communication situations would you use AI?

- 75% Use AI in guest communications with human input
- 16% I would not use this
- 9% Write the response and send without human input

Unsurprisingly, operators with 100+ properties were most receptive to implementing AI tools, with a whopping 18% of these larger operators indicating they would *Write a response and send without human input*. Meanwhile, roughly a quarter of operators who manage less than 10 properties reported no interest in using AI for their guest communications.
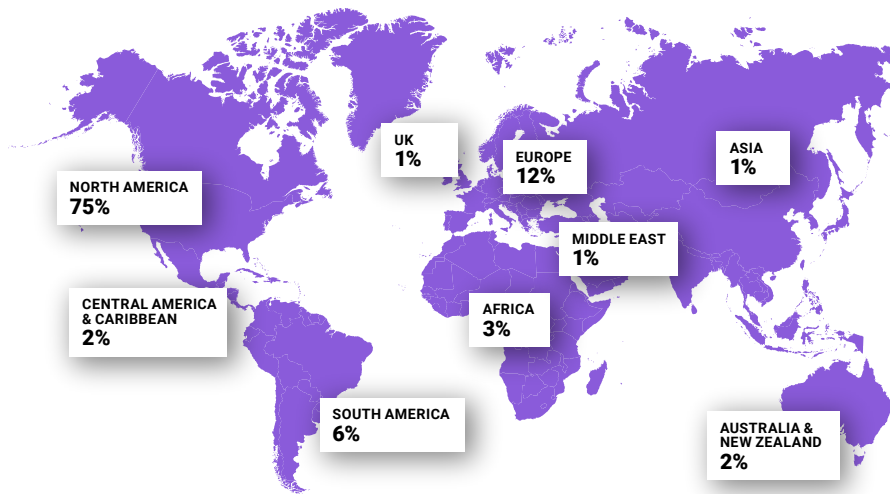
About this report

This report would not be possible without the contribution and responses of 137 vacation rental operators, ranging from single property hosts to large vacation rental management companies. We would like to express our gratitude to our respondents.

Most questions are structured to allow respondents to select more than one response. Some questions allow respondents to leave freeform answers, which we process and sort into categories.

To gain an understanding of our industry over time, the questions touching on general challenges, technology use, and operations remain the same each year. However, if a new trend surfaces, we develop a new category to reflect any impact.

Respondent's property locations

UK
1%

EUROPE
12%

ASIA
1%

NORTH AMERICA
75%

MIDDLE EAST
1%

CENTRAL AMERICA & CARIBBEAN
2%

AFRICA
3%

SOUTH AMERICA
6%

AUSTRALIA & NEW ZEALAND
2%

- 31% of respondents manage properties in more than one setting.

- 5% of our respondents indicated managing properties in two or more countries.

- The most popular setting for properties was "Beach," followed by "Urban/City," "Mountain/Ski," and finally "Cottage/Rural."

Survey respondent property count

1	2-4	5-9	10-24	25-49	50-99	100+
15%	24%	13%	18%	16%	6%	8%

About Hostfully

Hostfully helps vacation rental managers run their business and provide 5-star hospitality. With property management software that is directly integrated with Airbnb, Vrbo, Booking.com, Homes & Villas by Marriott Bonvoy, and HomeToGo, as well as a market-leading digital guidebook platform, Hostfully supports 40,000+ properties in 80+ countries.

Property Management Software

Multi-channel distribution	Mobile app	Automation tools
Integrations	Direct booking site	Messaging hub
SMS-enabled	Operations pipeline	Advanced reporting

Digital Guidebooks

Local recommendations	Loads on any device	Commissions from tours
Upsell marketplace	Scalable across properties	Easy to set up

To learn more about Hostfully and how it can support your business:

Email us   **Check out our features**   **See our products in action**   **View our reports**

About Hostfully

We believe the best travel experiences are when people get closer to locals and local experiences. When that happens, people learn to cross cultural divides, gain an appreciation for their own lives, and bridge connections with those they never would have otherwise. This makes the world a better place.

We're starting with vacation rental travel. Our software products give property managers the tools they need to automate their business, reach more customers, and deliver a 5-star guest experience.

Hostfully is a complete, end-to-end property management platform that helps vacation rental property managers increase bookings and boost revenues. By streamlining the workflow and simplifying daily operational needs of vacation rental businesses, Hostfully empowers property managers to provide 5-star hospitality at scale in an affordable, easy-to-use solution.

Achievements

Team statistics

92
Hostfully team members

65%
of team identify as people of color

14%
of team identify as LGBTQIA+

15
countries where team members live

18%
of team are property managers

Certified preferred partners status

airbnb — Preferred Plus Software Partner 2023

Booking.com 2023 — Premier partner

PREFERRED CONNECTIVITY PARTNER 2023

Hostfully