



2014
CHBO Corporate
Housing Real
Estate Report
*Results of the CHBO
Corporate Housing Survey*

Sponsored by



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2014 Corporate Housing Report

*- Annual Survey Results for the
Independent Corporate Housing Real Estate Segment -*



January 15, 2015

Dear Corporate Housing Community,

I'm excited to share our 2014 Corporate Housing Report, which contains the results from our annual corporate housing survey – now in its sixth year. Thank you to everyone who took the time to complete our survey!

Rental Success Starts With Understanding Trends

Whether you've owned or managed a corporate housing rental for 10+ years or you're new to the industry, we believe that success starts with understanding trends. Just because something has worked in the past doesn't mean it will work in the future. If you pay attention to the trends and avoid getting stuck doing the same thing over and over, you greatly increase your opportunities for rental (and financial) success.

And that's where this report becomes so valuable. It's designed to help independent owners and property managers, like you, learn from emerging trends, so you can increase your rental success.

For example, it's important to follow rental rate growth. We often see property owners get into the habit of not raising their rates. Yet the data in our report suggests that rental rates are going up in many markets. In high-growth markets, such as San Francisco, you may be greatly underpricing your rental property if you aren't aware of what's going on in your market.

In this year's findings, we learned that Airbnb significantly beat HomeAway as one of respondents' "most used" marketing sources. However, Airbnb and HomeAway tied as a source of the "most renters" for many property owners. If you're a savvy property owner, you may want to list your property on CHBO, Airbnb and HomeAway for different reasons. If you'd love to have lengthy leases, CHBO is the only website that rents many of its properties for one year or longer. If you're looking to fill short-term gaps with different types of renters, Airbnb and HomeAway can provide high volume.

Where to Turn for More Information

At CHBO, one of our passions is human connection, complemented by our Internet platform. If you'd like to discuss trends in your market or how to apply the findings in this report, I encourage you to contact us. Our Property Specialists speak with independent property owners and property managers across the world every day. We love helping people tap into new information and tools that can get their properties rented.

To participate in next year's survey, please visit our website in November 2015: www.CorporateHousingbyOwner.com. In the meantime, if you have any questions, we welcome your call: (877) 333-2426.

Sincerely,

Kimberly Smith, CCHP
Chief Executive Officer

What You Should Know About This 2014 Report

- **Unique perspective.** This report is different from other property management reports because it reflects input from independent owners and property managers, rather than full-service corporate housing companies.
- **Open participation.** Our survey was open to anyone who owned or managed a furnished monthly residential rental in 2014 – not just to CHBO users. Our goal is to get a good snapshot of the independent corporate housing segment, so you can learn from relevant trends and be successful.
- **New terminology.** Historically, we've referred to this market segment as the "by owner" segment. Because our survey gathers input from property managers who oversee individually owned real estate, as well as property owners, we've changed our terminology to the "independent corporate housing real estate" segment.



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Executive Summary

Survey Respondents

- **Property Locations.** In 2014, we received hundreds of survey responses from property owners from 37 U.S. states, Puerto Rico, and Canada. Similar to last year, the highest response rates came from property owners in California, Colorado, Texas, Washington and Illinois.
- **Number of Properties.** The majority of survey respondents, 76%, say they only have one to five rental units. While we have seen slight variations in this percentage over the last five years, overall it has stayed consistent, meaning this report truly reflects the independent corporate housing real estate segment.
- **Years as a Corporate Housing Landlord.** 42% of respondents say they have been furnished landlords for five years or more. This number is up 17% since 2011, indicating that property owners are finding long-term financial success in their rentals. Over the last five years, the number of new landlords (“landlord for one year”) has slowly decreased from year to year, but in 2014, we actually saw that number go up for the first time.
- **Reasons for Being a Corporate Housing Landlord.** 56% of respondents say the primary reason they are corporate housing landlords is for the long-term investment, down slightly from 2013. We have noticed an emerging trend of “partial landlords” – respondents who are renting a separate, fully functional guesthouse or apartment on the site of their primary residence. We’ll continue to watch this trend in 2015.
- **Corporate Housing Terminology.** Similar to last year, 74% of respondents list their rentals as “corporate housing,” followed by 45% who list their properties as “furnished rentals.” There is a new trend for referring to rentals as “executive rentals,” “extended stay executive housing” and “executive residences.”

Outlook and Profitability

- **Outlook for 2015.** The outlook for the coming year is the strongest we’ve ever seen in our survey responses. 47% of respondents predict that 2015 will be better and more profitable than 2014. The number who say the future looks “much better than last year” rose to 23%, up 7%. Only 4% believe that 2015 will be less profitable.
- **Profitability.** 93% of respondents report that their properties were profitable or breakeven in 2014. In addition, respondents who say their properties are “very profitable” or “profitable” are on the rise, up 7% over 2013.
- **Investment Real Estate Trends.** 44% of respondents say, “Yes, I plan on buying more real estate,” rather than, “No, I’m done with real estate” at 13%. What’s interesting is that despite the positive outlook reflected above for 2015, 42% of respondents say they “don’t know” whether they’ll buy more investment real estate. One possible reason for this answer may be the lack of value-priced real estate available on the market today.

Rental Rates

- **Variance: Changes in Rates.** 35% report having higher or much higher rates in 2014 – up slightly from the previous two years. 61% of respondents say they offered the same rental rates in 2014 as they did in 2013. Only 4% lowered their rates, and for the first time ever, no one reported offering “much lower” rates.
- **Actual Rental Rates.** In 2014, average rental rates went up for all property sizes, except four-bedroom units. (We believe the latter may reflect a variance in the sample size.) The largest increases in rental rates were for one-bedroom units and five+ bedroom units.
- **Rental Discounts.** Consistent with the past two years, two out of three of respondents say they offer discounts for longer-term leases. The majority of discounts range from less than 5% off rental rates, up to a 10% to 14% reduction in rental rates.



Property Management Trends

- **Management of a Property.** 82% of respondents say they do all their property management themselves, up 10% over 2013, but consistent with 2011 and 2012. Respondents also use property managers (17%) and corporate housing management companies (7%) to manage their properties. Only 1% use friends and family.
- **Property Management Software.** Similar to the past two years, the majority of respondents (51%) say they do not use any form of property management software to manage their rental properties. 24% use basic spreadsheets, followed by 19% who use accounting software, such as QuickBooks™.
- **Rental Documents.** We asked respondents, where did you get your rental documents, such as leases? The most (35%) say they found their documents on the Internet, followed closely by 34% who say they wrote their own documents. Only 16% say they paid an attorney to have their documents drafted.
- **Leasing Trends.** 44% of respondents say they meet potential renters before leasing their properties (down from 53% in 2013). While many property owners still rely on email as the primary method of communicating with potential renters, other forms of communication are becoming popular, including FaceTime, Skype and texting. We'll continue to watch these trends in 2015.

Properties

- **Property Size / Number of Bedrooms.** The highest percentage of independent corporate housing real estate rentals continues to be two-bedrooms (41%). Consistent with 2013, 29% of respondents say their rental properties have three bedrooms or more. In contrast, in the full-service corporate housing industry, 50% of the rentals are one-bedrooms. The availability of additional bedrooms makes the independent corporate housing segment an attractive option to renters.
- **Property Type.** Whereas the majority of corporate rental properties in the full-service corporate housing industry are apartments, only 17% of rental properties are apartments in the independent corporate housing real estate market, according to survey results. Single-family homes continue to make up the largest percentage of properties (26%) accounted for in this survey, followed by low-rise condominiums (19%).
- **Property Locations.** Consistent with previous years, independent corporate rentals are fairly even distributed between urban, business districts (46%) and suburban areas (45%).
- **What's Included in Your Rental.** This year, we saw all-time highs in respondents who offer property manuals (52%), welcome gifts (39%) and iPod docks (24%). We were surprised to find that offering high-speed Internet in corporate housing rentals hit an all-time low, while offering Netflix as a rental item debuted on the list with an 11% inclusion rate.

Tenants

- **Experiences with Corporate Housing Tenants.** Corporate housing tenants continue to be relatively “painless” tenants. In 2014, 92% of respondents say they had a positive experience with their corporate housing tenants – slightly lower than 2013.
- **Renter Types.** In 2014, the top reason for renting was business assignments at 67%. We were surprised to see relocation renters at an all-time low of 42%. We saw all-time highs with: family (35%), healthcare professionals (29%), snowbirds (19%), renters due to divorce (18%) and professional athletes (15%). And yes, “marijuana tourism” made the list in 2014 as a reason why people were renting corporate housing.



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- **Lengths of Stay.** Consistent with last year, two out of three respondents say their tenants stayed an average length of three months or more. We found that 28% of properties could be rented nightly or weekly. However, on average, 79% of properties were actually rented for one month or more.
- **Security Deposits, Travel Insurance and ARDI.** Similar to the last two years, 82% of respondents say they required some form of a refundable security deposit, and 6% of respondents say they required Accidental Rental Damage Insurance (ARDI) as an alternative to a security deposit. 65% of respondents say they collected a security deposit of \$500 to \$1000 or one month's rent. 12% didn't collect any type of deposit.
- **Credit & Background Checks.** In 2014, 36% of respondents told us, "Yes, they always run credit checks on potential tenants" and 34% said, "Yes, they always run background checks." Both these numbers are all-time highs for this report.
- **Credit Cards.** Approximately 63% of respondents say they accept some form of credit card payment from their renters, up slightly from last year. In 2014, MasterCard and Visa replaced PayPal as the most popular credit solution by an 11% margin.

Pets

- **Pets Trends and Pet Fees.** While many renters continue to travel with pets, we've seen a gradual decrease in the number of property owners who accept pets over the last four years. In 2014, 36% of survey respondents say they accept pets (down from the all-time high of 50% in 2011). The most common rental period for renters with pets is one to 30 days. The average, non-refundable, one-time pet fee that property owners charged was \$262 (up from \$204 in 2013). The average pet refundable deposit was \$386 (up from \$343 in 2013).

Marketing

- **Marketing Trends.** In 2014, 45% of respondents say they spent \$500 or more on their annual marketing efforts – up from 37% in 2013, but consistent with 2012. 48% of respondents say their properties were always rented in 2014 (slightly down from 51% in 2013). In 2014, we added a new question about what type of marketing fees property owners prefer to pay. More than four out of five respondents say they prefer to pay subscription-based, flat rate marketing fees versus paying a percentage of the lease as their marketing fee. 75% say they had professional photos taken of their properties, and 39% say they have a dedicated website for their properties – both are all-time highs for this survey.
- **Marketing Sources.** In 2014, we added four new marketing sources to the survey, and they all made an impact in this year's responses. Of the new marketing sources, Airbnb was most popular at 30%, followed by HomeAway at 22%, Zillow at 11% and Trulia at 9%. In addition, both Facebook and YouTube reached all-time highs at 21% and 7%, respectively. Reaching all-time lows, we saw Craigslist at 40% and newspapers at 2%.
- **Marketing Results.** While the majority of respondents say they use the Internet to promote their properties, the Internet delivered mixed results. Respondents say that CHBO was the source of the most qualified leads and the most renters. While 21% of respondents say they market their rentals on Facebook, only 6% say they get qualified leads from Facebook, and no respondent chose it as the place where they get the most renters.
- **Internet Reservations.** In 2014, we again asked how respondents feel about real-time booking reservations, in which the property is leased through a computer website and the property owner has no interaction with the tenant. 43% of respondents say they have used one of these programs (up a significant 18% over 2013).
- **CHBO Services.** Of the respondents using CHBO, they tell us they use the following CHBO tools the most: (1) The property listings (2) *The Property Owner Handbook* (3) This annual *Corporate Housing Report*