

Navigating the Evolving Temporary Housing Market in a Pandemic World



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2021 Temporary Housing Industry White Paper



◆ WHERE ARE WE NOW?

The global pandemic has resulted in a unique, ever-changing supply and demand race, when it comes to housing inventory. In many cases, demand has resulted in double-digit market rate increases, while inventory in several markets is at an all-time low. There's also been a digital transformation impacting the booking process. The pandemic has driven many suppliers to adjust their business models and there is no indication that this new norm is going away anytime soon. There are three primary factors every housing procurement decision maker needs to keep in mind as the industry starts to rebound from the impact of the pandemic:

Supply Chain Uncertainty

The rental housing industry has experienced a decrease in inventory, due to the economic uncertainty related to the pandemic combined with record low interest rates. In addition, as more homeowners, especially those who recently refinanced, are choosing to stay in their current homes, the available inventory has been impacted. This situation has been exacerbated by an increased demand in smaller markets, as many renters have chosen to migrate away from major markets.

According to a report published by Realtor.com in February 2021, rents are rising fastest in the metro areas of New Orleans, Sacramento, Rochester, Cleveland, Riverside, Indianapolis, Cincinnati, Memphis, and St. Louis while declining in cities such as San Francisco, Seattle, and Boston.¹

¹ Cornett Brandon. "US Cities Where Rents Are Rising and Falling Most in 2021." HomeBuyingInstitute.com. 21 Jan 2021. <http://www.homebuyinginstitute.com/news/where-rents-are-rising-and-falling-2021/>



Temporary housing companies may experience challenges in entering new markets, as they might not have pre-existing relationships and account support in these areas. Additionally, with such low inventory availability, new inventory acquisition could be at risk. New markets also require additional ramp-up time that is not available in every situation.

Many of these declining cities are those where temporary housing companies historically had core-competencies and carried most of their inventory and account support. Therefore, it's important for temporary housing providers to have access to inventory in both major and secondary markets.



Those moving from their current homes are doing so to relocate to a lower cost of living city or more remote areas. These locations had a limited inventory and thus could not handle the influx of new people, with the new demand causing prices to increase. The Wall Street Journal finds that corporate offices have closed due to the pandemic, resulting in many young professionals leaving cities like New York and Los Angeles for less expensive locations. A number still plan to return after their offices reopen, leaving them reluctant to buy homes or sign long-term apartment leases.²

That situation is creating fresh demand for furnished housing on a short-term basis. Previously there were clear lines of delineation between various rental and real estate market segments. For example, short-term and long-term rentals, vacation lodging, and corporate housing were distinct and separate lanes.

Today, however, due to the new paradigm created by the pandemic, those segments blend and intersect in new and exciting ways, providing opportunities for investors, landlords, and property managers to tap into markets they may not have considered previously.³

² Putzier, Konrad. "Remote-Work Boom During Covid-19 Pandemic Draws Real-Estate Startups." WSJ.com. 12 Jan 2021.
<https://www.wsj.com/articles/remote-work-boom-during-covid-19-pandemic-draws-real-estate-startups-11610447400>

³ Peake, Heather. "Corporate Housing - A Trending Investment Opportunity." Rentecdirect.com. 12 Aug 2020
<https://www.rentecdirect.com/blog/corporate-housing-a-trending-investment-opportunity/>



Rising Costs and Construction Delays Impacting Inventory

A record 83% of multifamily developer respondents reported construction delays in the jurisdictions where they operate. The main reasons cited for project delays were permitting, entitlement, and professional services, projects not being economically feasible at this time, and economic uncertainty.⁴

Transportation costs for overseas goods are also significantly impacted, where materials take longer to arrive as demand exceeds supply in the supply chain market. Uncertain delivery times, inflation, higher costs for freight, and expedited fees have severely impacted transportation costs. When paired with material shortages, the result is rising costs, the most significant of which is lumber. Builders are finding these increases challenging to absorb while remaining profitable and are delaying critical projects. As a result, they are further limiting inventory.

According to the National Association of Home Builders, “although the multifamily sector is expected to rebound later in 2021 and 2022, the current environment is placing significant pressures on the industry.”⁵



⁴ Dunn, Colin. “New NMHC Construction Survey Finds Record Construction Costs and Increasing Delays.” NMCH.org. 09 Jun 2021. <https://www.nmhc.org/news/press-release/2021/new-nmhc-construction-survey-finds-record-construction-costs-and-increasing-delays/>
⁵ “Lumber Prices Stalling Much Needed Multifamily and Affordable Housing Supply.” 22 Mar 2021. <https://nahbnow.com/2021/03/lumber-prices-stalling-much-needed-multifamily-and-affordable-housing-supply/>



Increased Demand and Adoption of Travel Technology

As technology has evolved, so has the travel industry. Hotelmize.com has defined travel technology as “the application of IT and e-commerce solutions in tourism, travel, and hospitality with the goal of automating travel, saving time, reducing costs, and creating a seamless travel experience for consumers, including before, during, and after a trip.”⁶ There are a few aggregators, apps, portals, and digital marketplaces to help support the changing needs of customers.

◆ BENEFITS OF USING TECHNOLOGY FOR TEMPORARY HOUSING

The temporary housing procurement process can be cumbersome, with excess paperwork and frequent communication between middlemen and other third-party contacts. However, technology platforms and digital marketplaces provide travel and relocation professionals the necessary tools while easing their administrative burden. Decision-makers are turning to technology to research options and to ultimately procure. They are wanting to have more control when it comes to their temporary housing options.

According to Mordor Intelligence, it is anticipated that by 2022, about 50% of the hotel booking revenues are to be derived online with an even higher share for short-term rentals.⁷

⁶Truyols, Marc. “What Exactly is Travel Technology? All About This Industry Game Changer.”
<https://www.hotelmize.com/blog/what-exactly-is-travel-technology-all-about-this-industry-game-changer/>

⁷“Global Online Accommodation Booking Market - Growth, Trends, Covid-19 Impact, and Forecasts (2021-2026).” MordorIntelligence.com.
<https://www.mordorintelligence.com/industry-reports/global-online-accommodation-booking-market#faqs>



◆ HOW DOES TECHNOLOGY IMPACT ALREADY HIGH COSTS?



With e-commerce growing exponentially, the temporary housing industry is embracing online sourcing tools—for housing providers and suppliers. Websites dedicated to the aggregation of available inventory are available. But at what premium?

Although many temporary housing tools provide time savings and efficiencies, they are adding costs to already high rent fees. With the cost of rents growing by double digits in many non-traditional markets, an additional \$10/day for temporary housing stays can be significant. With so many new digital options, users need to be discerning about the best tools available and mindful of any hidden fees.

While temporary housing procurement tools allow you to save time by streamlining the process, there are often markups to help support such capabilities. When assessing an online procurement partner, one should look for opportunities to post accommodation requests for free and negotiate directly in those platforms with local suppliers for more transparency of costs.



◆ TECHNOLOGY CHALLENGES

Procurement tools often exclusively list inventory for the properties that they are directly involved with. However, that limits the options, resulting in a lack of visibility to options that might be a much better fit. Those that cover multiple areas should be able to expand their inventory search so that one can find the best solution for their transferees. It's also important to understand how procurement tools prioritize their housing options, as many tend to first serve up properties within their own portfolio, as opposed to those that might be the best fit for the transferee.

Additionally, when using a technology option, the decision-maker should understand the process flow around the booking process, particularly what is manual and what is truly automated. Technology applied to corporate housing processes is developing quickly to optimize the "old" complex processes involved in relocation. Still, it also will require a learning curve for professionals in this field. It implies a new business model where professionals will need to be more "technology-friendly," efficient, quicker, flexible, and understanding about these new platforms and the options they offer to continue being profitable.

◆ TECHNOLOGY AS A RESOURCE



To help navigate the current market, temporary housing companies are turning to technology to save costs and optimize the process. Technology has transformed the travel industry, so it was only natural for the temporary housing sector to follow suit. Legacy processes are very time-consuming and inefficient, leading to higher rates, which can be problematic on top of already high costs.

There are a number of robust solutions that automate the sourcing process, allowing users to customize their needs and receive quotes directly from suppliers. These technology options also allow increased exposure for vendor inventory.



Resources such as OWL can provide a technology where corporate housing suppliers, corporate clients and RMCs can connect when there is a need for temporary housing. OWL was launched in June of 2020 and if their growth is any indication of industry trends it speaks volumes. In just one year, OWL has over 400 temporary housing suppliers, management companies and private home owners as members. This represents coverage in the US and Canada of 1,428 cities, and 240,000 apartments or singles homes available to lease. During their first year, OWL has received over 13,000 requests for housing - a definite sign of changing times.

The OWL difference lies in the fact that their core competency is in technology and will always be technology. Unlike other corporate housing providers who offer a technology arm, their core competency is in the actual inventory and client management infrastructure investments. Additionally, because they do not carry their own inventory, they can offer solutions regardless of housing provider. They simply focus on the best solution based on the needs of each transferee.



◆ CONCLUSION

The temporary housing industry continues to rebound. By the end of 2024, Reuters states that business travel spending is projected to reach about \$1.4 trillion, nearly equaling the 2019 pre-pandemic revenue peak of \$1.43 trillion. It projects a full recovery in 2025.⁸

Growth at these levels cannot be supported without leveraging technology. With these volumes, easing the administrative burden and timely proposals are more important than ever. Time savings allow for competitive pricing, which is most important on top of these unprecedented rates.

The corporate housing market is changing quickly along with the technology applied to this sector offering many options. Those corporate housing and relocation management companies and professionals with visionary ability to understand this undeniable new trend for this industry, will be ready to react and compete to continue being profitable.

⁸ Reuters Staff. "Global Business Travel to Grow 21% in 2021, Trade Group Forecasts." Reuters.com. <https://www.reuters.com/article/health-coronavirus-corporate-travel-int/global-business-travel-to-grow-21-in-2021-trade-group-forecasts-idUSKBN2A211V>

◆ ABOUT THE AUTHOR



Alex Shahabe is president of OWL and is recognized as a temporary housing industry thought leader. OWL is a collaborative marketplace that helps streamline the housing procurement process and increase efficiencies from one central location. With expanded inventory options to choose from, OWL provides the ability to source the best available solution for each housing need. Participating companies can post requests at no cost and book directly with the best local supplier that meets their needs. This ability enables suppliers to manage dynamic pricing with greater speed and efficiency while avoiding the current daily fees charged by other platforms. The **OWL Interactive Cost Savings Calculator** demonstrates how OWL is the most cost-effective option compared to other industry resources.

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