Europe’s holiday rentals market

A new landscape and new opportunities for agencies and landlords with smart door locks

The global leader in door opening solutions
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Executive summary

A fast-growing market with opportunities to stand out

- The European holiday rentals market was worth €23.28bn in 2016
- The 5 largest geographical markets are (in order) Germany, France, the UK, Spain and Italy
- Market revenue will be €32.5bn by 2023, at a CAGR of 5.8% and with little change in the share among leading countries
- Online revenue CAGR 2017–2023 is forecasted to be 9.8%, versus 3.8% for offline booking CAGR
- The largest players still account for a tiny fraction of the total market, which sees almost 90% of total revenue earned by SMEs (including locally focused agencies) and individual homeowners/landlords
- The European Commission and European Parliament have shown interest in rationalising the EU’s highly diverse short-term rental regulations

- A smart door lock’s security and convenience benefits for landlords, agents and guests have a positive and direct impact on customer satisfaction and online reviews

European holiday rentals market will be worth €32.5bn by 2023*

Convenience is the key

Travellers want to relax – so accommodation must be easy to book and to use

“Travellers crave convenience. This has driven the huge shift to online and now mobile booking, and the same trend will quickly convince them of the benefits of a smart home with a smart lock. The whole rental experience becomes much slicker when you can come and go with just a mobile app or PIN.”

Tom Kolnowski, Chief Content Officer at digitized.house | Image: Tom Kolnowski

Smartphone as key device for travelling
tavel market: huge shift to online and mobile booking
rental experience much slicker when accessing with just a mobile app or PIN
On behalf of ASSA ABLOY, market intelligence researcher SAC Insight conducted exclusive qualitative and quantitative research on the size, nature and growth prospects of the holiday rentals market in Europe.1 For the first time, we are able to publish some of our data. We define a ‘holiday rental’ as an accommodation option providing an alternative to a hotel, guest house, hostel or campsite. A catch-all term, it incorporates myriad property types: apartments, farm stays, private homes, resorts, cabins, condominium complexes, villas, cottages, chalets, and more. Holiday rentals also include self-catering properties, rented holiday homes, holiday lets and gîtes (specific to rural France).

A holiday rental involves an economic exchange outside traditional tourism business channels. It has become viewed as a disruptive force in the travel industry as modern technologies increasingly make the person-to-person rental process more seamless. ‘Vacation rentals’ is the usual term in North America. Properties range from budget – say, a shared room on Airbnb – to luxury villas complete with the services travellers expect in a 5-star hotel.
Where?
The 3 largest geographical markets were Germany (£3.98bn; 17.47% market share), France (£3.1bn; 13.49% share) and the UK (£2.97bn; 12.91% share). Key global players are in all 3 geographical markets, and include Airbnb, HomeAway, Tripadvisor, Wimdu and Wyndham. Spain (10.41%) and Italy (6.51%) complete Europe’s top-5 country markets by size.
In a sample comparison of major European cities, London was the most expensive to stay in a holiday rental (£1,509; 2 people, 4 nights), followed by Amsterdam, Copenhagen and Zurich. The lowest price was in Zagreb; Toulouse, Krakow, Athens and Porto also averaged around or under £110 per night.

What kind of rental?
Homes (43%) are the most popular accommodation type among renters, followed by apartments (19%) and resorts/condos (16%). Offline booking (70.7%) accounts for a much greater share of revenue than online (29.3%).
Europe’s holiday rentals market

Forecasts and growth: 2017 – 2023

To date, only one in 10 Europeans has stayed in a holiday rental, so the growth potential is assumed to be high. This expectation is reflected in our market projections for 2017 through 2023. From a base of €23.28bn in 2016, the European holiday rentals market will be worth €32.5bn in 2023. Compound annual growth rate (CAGR) is forecasted at 5.8%.

Geographically, we forecast few major shifts in the share received by major European countries: Germany, France, the UK, Spain and Italy still lead the way in 2023, with little change in relative shares. Of the ‘big 5’, CAGR will be highest in Spain (6%). Among other players, we expect Russia (6.3%) to show the highest CAGR, albeit from a much smaller base.

Likewise, the share of property type between homes, apartments and resorts / condominiums will remain broadly unchanged through 2017 – 2023. The big change in our forecast period is in booking mode, specifically the growth in online versus offline booking. Currently, the offline channel (70.8%) generates substantially more revenue than online (29.3%). We expect the gap to narrow by 2023, when offline and online raise 62% and 38% of total revenue, respectively. Online booking revenue CAGR 2017–2023 is forecasted to be 9.8%, versus 3.8% for offline CAGR. Given global trends in connectivity and smartphone use, this finding is unsurprising.

Market drivers

Value for money, the search for authentic travel experiences, and a clearer regulatory landscape will contribute to market growth

Multiple factors either drive or restrain potential growth in the European holiday rentals market. The proliferation of online channels and platforms, and their high profile in travel and general media, have a major effect.

The perception of a holiday rental’s value for money, when compared to a hotel, is critical – especially for city breaks. Consumer sentiment is also shifting in favour of ‘authentic’ or ‘local’ travel experiences, often contrasted with ‘tourism’. This trend works in favour of vacation rentals. Airbnb, for example, has actively reshaped its image as a travel ‘facilitator’, not just a ‘facility’, notably by promoting Experiences centred on food, the arts or social impact, in addition to its core rental business. Rising per capita income in the developing world and Eastern Europe will further contribute to growth in the European travel industry – including in holiday rentals.

Potential dangers for the market include the economic cycle. The most recent global recession significantly depressed domestic and international travel. Perceptions of safety – especially from terrorism – affect travel plans to some major European cities. Fluctuating prices and the uncertain regulatory landscape for holiday rentals (see section 2(ii), below) may also impact negatively.

The outlook, however, remains very positive, particularly as the so-called ‘sharing economy’ gains mainstream mindshare. A CAGR of 5.8% is not often sustained in a mature travel industry sector.
Giants like Airbnb and HomeAway hog headlines and column inches, but closer analysis of the competitive landscape shows how fragmented the European market remains. Indeed, those 2 companies combined account for just 4.5% of the total European market for holiday rentals, according to our data. Rapid growth from high-profile companies will continue. Approximately half of HomeAway’s global inventory is in Europe, in both rural and urban settings. Airbnb now generates 3/4 of its business outside the United States, with Paris, London, Milan, Barcelona and Amsterdam the most popular destinations. Early in 2017, it raised US$ 1bn to fund further expansion.

For both HomeAway and Airbnb – and every player at a similar scale – value lies in brand power fed by huge marketing investment; their range of properties offered; and an ability to leverage relationships with landlords and service companies. Smaller competitors such as Wimdu and GowithOh.com, for example, can rely on deep local knowledge to identify and market up-and-coming urban areas or regions. Almost 90% of holiday rentals revenue is generated by medium-sized and smaller players, including over 42% earned by homeowners marketing a property directly. Personal service, local advice, and support if something goes wrong are key at this scale. Traveller-to-traveller recommendations are critically important.

Expedia’s 2015 acquisition of HomeAway shows the travel industry’s confidence in the sector. Traditionally viewed as an OTA, Expedia’s portfolio already included accommodation providers Hotels.com and Venere.com. The following year, French hotel group AccorHotels bought super-premium holiday rentals agency Onefinestay.

Such consolidation at the top end will likely continue. But opportunities remain for players of all sizes to thrive – including individual owners and landlords, who still make up almost half of the holiday rentals market.
Cities, taxes and regulations

Ongoing efforts at local, country and European levels to harmonize and regulate the holiday rentals industry will have a positive impact. There is an ongoing debate among communities and in government about the benefits of holiday rentals to a local economy. This debate has intensified with the increasing media profile of Airbnb, in particular. Some estimates suggest revenue earned by a host is reproduced up to 5 more times in benefits to the local economy, in restaurants, shops, entertainment and transport. A 2014 Airbnb study in London found Airbnb travellers stay longer and spend over twice as much in the local economy (€1,311 versus €625 for the average traveller). An independent study in Valais, Switzerland, noted Airbnb’s positive impact on visits to niche Swiss cities.

On the opposite side of the debate, vocal critics claim the holiday rentals boom pushes up rents for residents to unmanageable levels, and creates incentives for landlords to shift properties out of the long-term rental market and into holiday lets. Barcelona and Berlin are 2 notable recent flashpoints. In the latter, a 2016 ban on offering whole apartments on holiday websites has been upheld in the courts. However, data collated by analytics company AirDNA.com suggests growth in Berlin holiday rental listings continues.

Yet, while public spats involving Airbnb and others get media attention, positive developments on the regulatory front are everywhere. Short-term rental law reforms in Portugal brought the market within a stable legal framework. In Madrid, city authorities are seeking a long-term solution, perhaps along the lines of Amsterdam, where rentals are limited to 60 days total per year and landlords pay a tax on rental income.

In Paris and elsewhere, Airbnb collects tourism taxes on the city’s behalf – addressing another common complaint levelled against rentals providers.

Interest is also growing at the supranational level. Both the European Commission and European Parliament have addressed the sharing economy’s impact on tourism in lengthy publications. The Parliament’s 2017 ‘Tourism and the Sharing Economy’ has an up-to-date overview.

Any sensible, easily digested standardisation at European level would likely benefit the holiday rentals market.

Instant booking

Travellers increasingly view their mobile phone as a ‘remote control’ for the whole trip. Until recently, travellers would book a holiday rental by first sending an email enquiry to the owner or agent, asking about price, availability and so on. Fast-growing players in the European market identified instant online booking (a ‘click to book’ feature) as key to driving growth.

For example, the most important factor in HomeAway’s ‘Best Match’ search algorithm is whether the property’s owner uses HomeAway’s booking tool. One tap inside the Airbnb app refocuses a search to exclude properties that don’t allow instant booking.
Securing a rental property

Why smart door locks?

A smart door lock addresses pressing concerns of property owners; service companies and agents (online or offline); and guests. From an owner’s perspective, smart door locks are an intelligent upgrade on traditional lock-and-key security. Mechanical keys are easily lost or copied, or loaned to unauthorised guests. Without visiting the property in person, there’s no way to know guests have locked up properly. High-end rental properties in particular make an attractive target for thieves.

With a smart door lock, digital keys can be issued or revoked whenever you need. There’s no easy way to ‘lend’ a secure digital key to another traveller. It’s also simple to check remotely whether a front door is open or locked. In fact, the best smart door locks – including the ENTR® sold by several ASSA ABLOY brands across Europe – lock automatically when closed.

With a smart door lock the landlord doesn’t need to hand over keys anymore

Smart door locks use digital keys (a PIN code and/or stored in an app) for easy-to-manage access for landlords, guests or cleaning and maintenance staff.
For agencies and service companies, a smart door lock saves time and money.

From the point of view of an agent or rental service company, smart door locks offer several advantages. With no more lost keys, there’s no need to waste time and money getting a new or spare set cut. Late check-ins can be accommodated automatically, so any flight or travel problems don’t set off a chain of delays affecting other guests arriving at different properties on the same day.

Late arrivers can be issued with a digital key or a PIN, or let in remotely (much safer than leaving a key in an outdoor locker). An orientation or welcome appointment can be scheduled for a mutually convenient time.

When guests have departed, smart locks make it easy to admit cleaners, repair teams and other service providers – and to track how long they stay. If a guest has left something in an apartment, a one-time digital key can easily be issued, so they can collect it. In the event of property damage, there is an electronic record of who exactly entered the property, and when.

Guests also benefit from renting an apartment with a smart front door.

With a smart door lock, you never get locked out. A PIN code or smartphone app is all you need to open the door, so there’s no need to carry cumbersome keys or worry about losing them.

Welcome meetings with a host or agent can be scheduled at your convenience, rather than right after you’ve navigated from the airport through an unfamiliar city.

With a smart door lock, it’s easier for everyone in a group to come and go as they please, because each guest can have their own temporary key. For added peace of mind, one glance at an app reassures you the front door is properly locked.
Holiday rentals of the future

Demand for convenient hosting and its impact on repeat and new guests

Smart apartments

A win–win for travellers, hosts and agencies

“This extra convenience makes ‘smart apartments’ more attractive to travellers. Agents and hosts can charge a premium, and can expect the benefits to be reflected in customer satisfaction, positive word-of-mouth, return visits and favourable online reviews.”

Veronica Chen, Chief Editor of international magazine, SMAhome

From 2017, to qualify for Airbnb’s Business Travel Ready status, travellers must be able to check-in without a person-to-person key handover. A smart door lock is the most secure and user-friendly way to offer this. Business travel is a major growth area for Airbnb. Interviews with homeowners who rent direct suggest around 50% of enquiries and bookings come via person-to-person marketing, including repeat business, personal recommendations and referrals. The convenience benefits of a smart door lock will directly impact this positive feedback loop.

SMAhome

Smarter locks make happier guests, which means more return visits and better online reviews.
Holiday rental case study: Home at Hotel, Italy

Founded in 2014 as a provider of high-quality Italian vacation rentals, Home at Hotel markets boutique city-centre properties in Rome, Milan and Cagliari (Sardinia). All are recently refurbished and equipped with Wi-Fi and the latest technology, to provide a ‘home from home’ for a single night, a few days or even a full month.

For modern travellers the smartphone is an essential companion. It’s a boarding pass, a credit card, a travel guide... and for Home at Hotel guests, it’s a front door key, too.

Providing high-end holiday rentals is labour-intensive, requiring services tailored to the individual traveller. Part of the manual workload involves managing lots of keys, and the risk of loss or unauthorised copying. Home at Hotel sought a smarter way to work, so they could admit guests and deliver add-on services more efficiently.

Any system would need to be user-friendly – not every traveller is a ‘digital native’ – yet make no compromises with the safety of guests and properties.

The goal: a digital solution to free time and resources to concentrate on the personalised services their guests really value.

“In Yale and SCLAK, we found the perfect technology solution for our business,” says Francesco Postiglioni from Home at Hotel.

Home at Hotel properties are secured with an ENTR® smart door lock from Yale, a modern, user-friendly replacement for mechanical locks and cumbersome keys. Locks are integrated with the SCLAK (www.sclak.com) app-powered access system. Travellers download the SCLAK app to their device and open their temporary front door keylessly, via the app and an encrypted Bluetooth connection.

ENTR® and the SCLAK system make it much easier for Home by Hotel to deliver value-added services, including breakfast delivery, grocery shopping, extra cleaning on demand or a home-cooked dinner. It’s straightforward for staff to open doors remotely to admit a cleaner or cook, for example.

“No longer are apartment keys running around with the risk of being lost or copied,” adds Francesco. “We can see when a guest has left the flat and can inhibit access if they do not respect the rules. We also have full control over our service suppliers, with the exact time they spend in the flat and when an apartment is ready for the next guest.”

With ENTR®, there’s no risk a guest will lose keys or make unauthorised copies – which increases security for everyone. It’s also easy to time-limit a digital key’s validity inside the SCLAK admin app. So, when a guest departs, their key is automatically cancelled. There’s no need for a handover.

ENTR® also helps Home at Hotel’s mission to deliver sustainable rentals. The ENTR® lock is powered by rechargeable batteries that only require 16 hours’ charging per year over a 5-year lifespan, so it’s cost-efficient to run and has a kind environmental footprint. Recyclable packaging and battery, as well as a lock that’s 90% recyclable, further enhance sustainability credentials.

Installing ENTR® was quick, easy and affordable. It takes just one screw to fit an ENTR® to an existing mechanical cylinder, with no drilling or cabling. Yet its functionality has transformed the guest experience.

Results so far are impressive. Home at Hotel apartments fitted with an ENTR® smart door lock receive, on average, a 9/10 customer satisfaction rating – and occupancy is running at 80%.
Spain’s holiday rentals market will grow at 6% per year in 2017–23, according to SAC Insight data. Accommodation providers can beat that impressive growth rate by choosing smarter, more convenient security that makes guests feel safer – and more likely to leave a 5-star review.

The holiday rentals business involves lots of manual work for everyone, especially owners, landlords and letting agents. What if you could manage it all remotely and keylessly?

Launched in Madrid in 2017, HoomVip (www.hoomvip.com) is a complete app-based service for the management of rental properties, based on the award-winning ENTR® smart door lock. With Hoomvip installed, apartment owners and agents no longer need to manage physical keys. They can monitor property status at any moment and in real time. They can check guests in and out without an in-person key handover.

Hoomvip also offers an open, in-app channel to sell additional services during a stay. It can include a personal video introduction by the owner, or details about how to operate the boiler, thus making apartment management effortless for the landlord and more convenient for a guest. The app works whatever rental agent you use, however many properties you manage, or even if you are a single owner renting your own home.

Why did Hoomvip choose the ENTR® lock? Because ENTR® is “the best smart door lock on the market, thanks to the security level it provides and the functionality it offers,” says Miguel Encinas, CMO and Co-Founder of Hoomvip.

HoomVip wanted Keys as a Service – not a burden – by integrating ENTR® and ELEAOpen (www.elea-soluciones.es), a home automation solution. The ENTR® lock’s dual motorised cylinder design enables users to open up with either a physical key or an encrypted mobile Bluetooth connection. From the outside, an ENTR® smart door lock looks just like any other lock, so there’s no reason a rental property will attract unwanted attention.

With ENTR® and HoomVip, landlords no longer waste time on key management. They simply send their guest a ‘digital key’ remotely via the HoomVip app or even SMS. With no need for a physical key handover at check-in or check-out, it’s easy to offer 24-hour self–check-in – an essential feature of Airbnb’s ‘Business Travel Ready’ status. An owner can open their ENTR® lock remotely from the Hoomvip app, check door status in real time, and see who has opened the lock.

Travellers also find a smart rental more convenient. They download the Hoomvip app and open their temporary front door keylessly via an encrypted Bluetooth connection to the ENTR®. Hoomvip also enables 2-way communication between guests and owners, including for post-stay evaluation. And because a property manager can cancel keys remotely, guests feel safer. There’s no risk a previous renter has lost or copied a physical key.

Installing ENTR® at a property is quick and easy. It takes just one screw to fit an ENTR® to an existing mechanical lock, with no drilling or cabling. Five minutes’ work transforms a regular holiday rental into a smart rental – and ensures more 5-star reviews. Because savvy travellers value hosts who take their security seriously.

An essential feature of Airbnb’s ‘Business Travel Ready’ status: 24-hour self-check-in with no need for a physical key handover at check-in or check-out

An app-powered lock saves landlords time and makes guests feel safer
The ENTR® smart door lock is an easy way to bring a front door into the digital age. Replacing a mechanical cylinder with an ENTR® smart door lock enables you to enter a home or office via smartphone or tablet, keypad PIN, remote control or even fingerprint. ENTR® adds more than just convenience. Lock mechanics are based on patented high-security technologies from some of Europe’s most trusted security brands, including Yale, Mul-T-Lock, TESA, KESO, Vachette, NEMEF and FAB. Removing physical keys eliminates the risk of losing one, by accident or through theft. And because ENTR® replaces an existing locking cylinder, it takes just a few minutes to upgrade almost any front door.

ENTR® works perfectly as an affordable, stand-alone, app-powered smart door lock for a holiday rental. In addition, because ENTR® is built using standard protocols, it integrates seamlessly with multiple smart home and home automation ecosystems, including SCLAK. With ENTR®, there’s no longer any need to cut spare keys for guests, cleaners, or contractors. It takes a couple of swipes on a screen to share digital keys with anyone who needs to enter the property – and to revoke those keys instantly when required. Plus the ENTR® locks itself automatically when you close it.

**Guests head home happier with a smart rental**

“Smarter locks made for more satisfied travellers, which in turn means more return visits and better online reviews. Our clients in the holiday rentals business stand out from the crowd, thanks to Smart Door Locks.”

Omer Sagi, Smart Door Lock Business Development Director at ASSA ABLOY
Appendix

Glossary

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<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>CAGR</td>
<td>compound annual growth rate</td>
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<tr>
<td>Condo</td>
<td>a building composed of individual apartments who share services and facilities (also 'condominium')</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>OTA</td>
<td>online travel agency</td>
</tr>
<tr>
<td>SME</td>
<td>small or medium-sized enterprise</td>
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</tbody>
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Source references

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16. ENTR® is sold Europe-wide under multiple leading locking brands, including Yale, Mul-T-Lock, TESA, KESO, Vachette, NEMEF and FAB.
ASSA ABLOY is the global leader in door opening solutions, dedicated to satisfying end-user needs for security, safety and convenience.

www.assaabloy.com

ASSA ABLOY

As the world’s leading lock group, ASSA ABLOY offers a more complete range of door opening solutions than any other company on the market. In the fast-growing electromechanical security segment, the Group has a leading position in areas such as access control, identification technology, entrance automation and hotel security. Since its formation in 1994, ASSA ABLOY has grown from a regional company into an international group with around 47,000 employees and sales of more than SEK 71 billion.