

The cold, hard truth  
for property managers

# COVID-19



LAVANDA



## Introduction

COVID-19 has hit the alternative accommodation sector hard. Hospitality operators and property managers around the world are now struggling not only to weather the immediate impact of global travel restrictions and social distancing measures, but to survive and thrive in a period of prolonged uncertainty.

Our mission at Lavanda is to enable the alternative accommodation sector to flourish. At a time of crisis for our industry, we see it as our role to provide knowledge and guidance that can help others make good decisions in the most challenging of circumstances. Smart businesses plan for the worst, and hope for the best.

The greatest businesses are built during the toughest times.

Demand to travel and stay will return and, when it does, it will be stronger than ever. Making the right decisions now will enable your business to profit from that resurgence. We hope you find this short guide full of practical insight and advice.

No matter the professional and personal challenges that you are no doubt facing right now, take some heart in the fact that you are not alone.

We are all in this together.

# Table of contents

5	The cold, hard truth: a case study
6	Where are the opportunities?
8	Survival mode
11	Resources

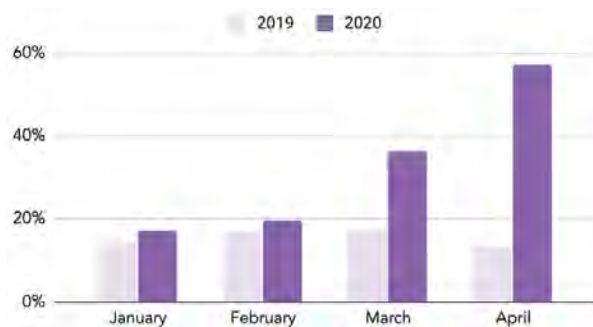


# The cold, hard truth: a case study

Rather than listening to what others in the market are saying, we advocate making decisions based upon what you see happening across your own business. So we wanted to share what we see happening across a representative portfolio of 300 short-term rental properties, tracked pre and post COVID-19. Anecdotally, we believe this to be largely illustrative of what's happening around the world.

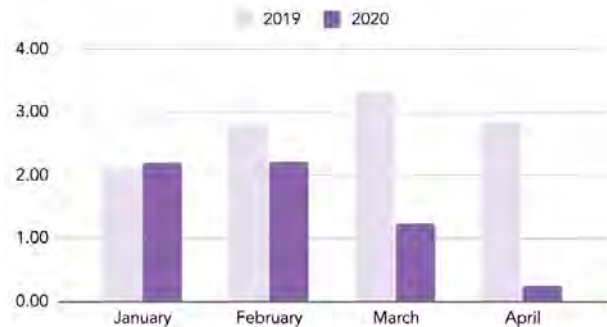
We've analysed booking data so far for 2020, and compared that with the same period last year.

## 1. % of bookings going on to be cancelled



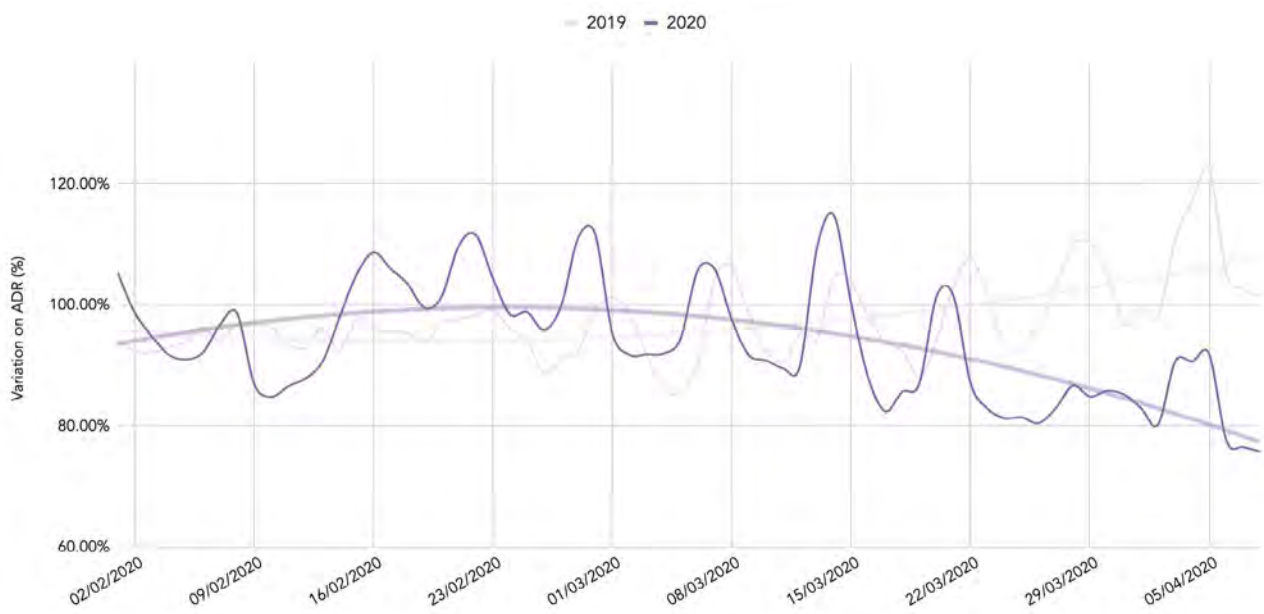
% of bookings going on to be cancelled have risen from 13% in 2019 to 57% in 2020.

## 2. Average number of bookings per property, by month



Average number of bookings per property in April 2020 are down by 90% YoY.

## 3. YoY ADR variance



ADRs have reduced by ~30% YoY in April, currently resulting in an 84% reduction in gross booking revenue.

The bookings are just about still trickling in, but they're being won at a materially lower price point (-30%).

For the property manager operating this portfolio, the impact is devastating. They are likely over-staffed, hemorrhaging cash and spending more time than they can afford dealing with anxious owners - many of whom will be taking their properties away from the market as a natural panic reaction in the face of uncertainty.

This is the stark reality being faced by property managers around the world right now. Moreover, there's absolutely zero certainty as to when this trend will end.

These cold, hard facts prompt property managers to ask a number of obvious but important questions:

1. Can new bookings be serviced profitably, or is my business operating at a loss?
2. Is it even possible to reduce my operating costs quickly enough to service these bookings profitably?
3. If servicing these bookings is going to be at a loss, can my business afford that level of investment?
4. What are the options available to me?

**When faced with a predicament of this type, many companies would simply shut up shop. Yours won't be one of them. Here's why...**



# Where are the opportunities?

There's a very good reason to fight to keep the lights on. The greatest businesses are built during the toughest times, remember?

As domestic and global travel restrictions are lifted, demand to travel and stay will return. Booking volumes and ADRs could spike to pre-COVID levels. The good times are just around the corner - we just don't know if it's going to be in 3 months, 6 months or, in the worst case, possibly longer.

Why do we feel confident that this will be the case?

- "Alternative accommodation" is perceived to be safer than a hotel for avoiding COVID-19, so will become the preferred accommodation type as demand to travel returns.
- Domestic travel and staycations will spike faster, as restrictions are lifted and long-distance travel remains in doubt and more precarious.
- Economic conditions make a cheaper holiday rental more compelling than other forms of accommodation.

## Supporting the fight against COVID-19

Each of us must play a role in the fight against COVID-19. If your business is in a position to be able to support the effort, then now is your opportunity to be noble and step up to the plate.

Governments around the world are looking for companies to donate accommodation to support the thousands of heroic frontline medical staff in need of housing near to established and temporary hospitals. If you would like to support local efforts then contact either Lavanda or the Professional Host Alliance who will be able to advise and provide further information.

*N.B. Please be aware that support requested is often in the form of a charitable donation and, therefore, non revenue-generating. We strongly advise that, prior to volunteering, you make sure that your business is in a strong enough financial position to cover the associated operating costs.*



## Any new booking demand arising from COVID-19?

You've likely heard that "there will be a plethora of self-isolators, travellers and staycationers, eager to fill your rental and help you ride out the storm." Sadly, we have seen insufficient empirical evidence to suggest that this is the case, which is possibly unsurprising given the nature of the restrictions now in place across much of Europe, Asia and North America. While there is some local demand, our data shows it is not significant enough to rely upon.

To seek or expect to grow during a time of virtually zero demand is, frankly, a futile effort and a poor use of already scarce resources. Instead, property managers are strongly advised to enter "survival mode" and use this time wisely to ensure they're well prepared to capitalise on the opportunity that will come as demand returns.

**So what does "survival mode" look like? What are the options available to you?**



# Survival mode

In a period of potentially prolonged uncertainty, “survival mode” means being diligent and disciplined across 3 key areas of your business, ensuring you have full control over your financial stability whilst remaining agile and opportunistic:

**1. Financial optimisation:** seek to minimise your cost base, preserve cash flow and benefit from government aid (where possible) to ensure you remain financially stable and solvent.

**2. Infrastructure optimisation:** optimise all core infrastructure underpinning your business so that you are as lean and agile as possible, ready to capitalise on demand where it exists and as mainstream demand begins to reappear.

**3. Information channels:** stay connected and surround yourself with trusted advisors to help navigate potential pitfalls and stay informed of new opportunities.





# 1. Financial optimisation

Optimising your cost base is never a pleasant exercise but rest assured that, in a downturn, it's the first exercise performed by any smart business leader. There is some satisfaction to be found in uncovering, reducing or (better still) eliminating unnecessary lines of cost from your P&L; with every cost reduction you are strengthening the profitability and long-term viability of your core business.

## **Furloughing staff**

Your biggest cost is undoubtedly your payroll. Redundancies, although an important option to consider, should only ever be the very last resort; your team are the people who you will need to grow on the other side of all this. Salary reductions are an option, however it is unlikely to be well-received by staff (resulting in possible attrition) or help in moving the needle sufficiently for the business.

Many governments are now permitting eligible companies to "furlough" staff; essentially put non-core employees into a state of temporary redundancy but allowing them to return as required. The government will significantly contribute to the cost of any furloughed employees (i.e. in the UK up to 80% of their salary, leaving only 20% to be paid by the company). If you are outside the UK, have a look at what types of schemes your government may be offering during this period.

## **Eliminate all non-essential costs**

Your first step should be to go through every cost line in your P&L and see if it can be removed. Every single one. If it can't be removed, then maybe it can be reduced. Negotiate with your suppliers and explore whether they are offering support packages for customers impacted by COVID-19.

If it means cutting back on "nice-to-have" costs (i.e. expensive welcome packs for guests), now is the time to be brave and make important decisions so that the business can actually benefit before it's too late.

## **Preserve cash flow**

In a downturn, cash is king. Keeping cash in the business allows you to ensure all core operating costs can be covered and gives you tight control over your runway as a business.

- Renegotiate payment terms with all suppliers wherever possible.
- If you rent an office, speak to your landlords to check if you're eligible for a "payment holiday."
- Explore if you are able defer payment of any taxes due.
- Explore if you are eligible for a business continuity loan. Many governments are offering attractive loan facilities to support companies that are significantly impacted by COVID-19, enabling them to avoid making redundancies and contributing to raised unemployment levels.

## 2. Infrastructure optimisation

Infrastructure is what determines your efficiency as a business - both in terms of minimising your cost-to-serve and maximising your productivity. This is typically driven by the efficiency of your core business processes, and your capacity to communicate and share information effectively. Most of this is enabled by technology in some way or other, so critically reevaluating your technology toolkit and infrastructure is key to optimising performance.

### **Automate wherever possible**

If you don't have a PMS, you may need one - depending on how many properties you manage. If you do have a PMS, make sure that you are able to automate key workflows, thus minimizing your cost to serve and making your business more profitable, whilst reducing the chances of human error. Automation might have a scary name but it is the one thing that will reduce the level of human effort required and help make your business more profitable.

### **Cleanliness and sanitation**

A new operational challenge is quality control, particularly in regard to providing spotless accommodation that has been sanitized of any potential COVID-19 contamination. At the same time, if you are able to offer your guests peace-of-mind that your accommodation is virus-free, alongside providing them with items that might help them reduce the risk of becoming infected during their stay, then this will also likely be a major selling point. Be sure to check your local guidelines on cleanliness of accommodation, and be sure to adapt your operational processes and workflows accordingly.

### **Direct bookings**

A direct booking website is not just a nice piece of external branding, it's a booking platform that you can leverage to seek out and tap into more profitable sources of local (and international) rental demand. Direct booking sites are low cost (often free depending on your PMS provider) and should require minimal maintenance, post setup. Most importantly, you avoid the platform fees charged by OTAs and are 100% in control of the experience that you offer your guests, including how you remarket to them, incentivise them to book again and refer their friends and family.

### **Mid and long-term rentals**

Given the lack of short-term rental demand, many property managers are opting to rent properties on a mid or long-term basis instead. Regardless of the current market, demand for longer-term stays/tenancies remains robust. A 6-month tenancy may likely see you through until mainstream short-term rental demand returns.

### 3. Access to Information

In “survival mode” you need to keep your ears close to the ground so that you can learn from the experience of others, avoid possible pitfalls and get wind of new opportunities early. Read local and international trade press to keep abreast of industry trends. Dedicate time and energy to networking with relevant industry peers and building trusted relationships. Join online forums/communities. Be generous in the advice you give, and build privileged communication channels that might one day give you an advantage. Think long-term, and remember that your competitor today could well become your partner or acquirer tomorrow.

We recommend all property managers join the [Professional Host Alliance](#) (PHA). The PHA is a global community of like-minded peers whose mission is to power a trusted, professional and sustainable short-term rental sector through shared knowledge, data-driven insight and innovation. At the time of writing this guide, they are offering free membership.





# Resources

Everywhere you look, there is a new expert on COVID-19, making new promises or assumptions based on information outside the normal channels. We implore you, please follow organisations with access to official communications and updates. It may feel nice to believe this will be over in 2 - 3 weeks but staying rooted in reality will help you to make informed decisions.

Here are a few links to reputable COVID-19 sources and Industry influencers we've put together for you:

- [The World Health Organization](#)
- [The Center for Disease Control](#)
- [Airbnb's Help Center](#)
- [Booking.com's Help Center](#)
- [Skift's coronavirus livefeed](#)
- [AirDNA's coronavirus analysis](#)
- [Rentals United's advice on cancellations](#)
- [Transparent's coronavirus timelines and data](#)
- [Properly's tips on how to reassure guests](#)
- [The Professional Host Alliance](#)
- [Lavanda's LinkedIn](#)

Most importantly, stay well, be kind, keep looking after each other and the industry. We will continue to do the same.

If you found this paper helpful and would like to get in touch, or would like to ask us a question around any of the content, please drop us an email on [hello@getlavanda.com](mailto:hello@getlavanda.com).



# LAVANDA

+44 (0)20 3823 6160 • [getlavanda.com](https://getlavanda.com)

