Resident Hosting:
The pros and cons of each model

In this article, Part 2 of our Resident Hosting series we go into further detail about each model of resident hosting and the benefits and drawbacks associated with them.

Published: 23/10/24

Short-term rentals and Resident Hosting options are now maturing with incremental net yields of 10-20%, but the real driver for change is the risk to BTR long-term rental portfolios that arises through not offering options for tenants around length of stay and the consequent impact on lending and NOI.

Read on to better understand the emerging market landscape and financial risks and how solutions currently operating live, including Airbnb's model, short term rental industry options and TrustedStays corporate/GDS access can help you stay in control of these risks.

In Part 1 of the series, we explained the basics of resident hosting, what it is, the risk it poses to BTR portfolios, how you can get ahead of this new market trend and introduced the typical resident hosting models.

The resident/Online Travel Agent (OTA) model

In this model, the resident is responsible for the short-term stay, including liaising with guests and ensuring things run smoothly. They will list the property on a single channel – usually an OTA, like Airbnb or VRBO – and they have control over the stay – including guest vetting, check-in, check-out, cleaning, linen management, maintenance and ancillary services/upsells. The building operator is not involved and trusts the resident to manage everything from wherever they are, however in most cases they have access to a dashboard that will provide basic information about guests.

Pros
- Gives residents almost complete control over the short-term stays, ideal for those who would prefer to have control over guest vetting, or those vacating their home for short periods of time

- Provides extra income for tenants, who can use it to subsidise their rent – or holiday

- Low effort/involvement endeavour for owners and operators, who can earn a percentage of the earnings and who can access guests' basic information

Cons
- On the other hand, many owners and operators prefer or need to have visibility and more control over short-stay standards and guest vetting

- Since the resident manages the guest virtually, issues may arise when time zones don't align or urgent matters aren't answered in a timely way

- In most cases, residents only have a single channel to market, limiting the potential reach of their listing

The tech-only model

This model introduces three new concepts: first, the idea that the building operator, rather than the resident, manages the short-term stay; second, it introduces multiple channels to market, allowing for a diverse audience to become potential guests; third, a dedicated software company, like Hospiria, Guesty, or Mews, provides the technology layer and distributes the property to all channels – and gives the building operator both visibility and control over its management. This model assumes a central management layer with operations delivered by the building operator and/or a series of suppliers.

This model provides a layer of technology while keeping the management of the listing in the hands of the building operator, providing them with oversight over who is passing through the building and offering insight over every phase of every booking.

Pros
- Minimal involvement for owner/operator but option to provide management service for highest control

- Additional guest vetting can be set

- Widen the reach for commercial return

- Broader range of guests (e.g. Business travel)

Cons
- Limited control over standards (unless the owner/operator manages)

- Operational resources required to manage

- Does not prevent residents from operating on their own

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The partnership model

This model has all the benefits of the tech-only model, with the added perk of having a dedicated short-term rental Property Management Company (PMC) that provides a full service, which includes technology, distribution, and operations. Buildings can utilise the services of companies like Altido, CityRelay, GuestReady, onefinestay, or UnderTheDoormat, where the entire operation is managed end-to-end by a single company.

This introduces the highest level of professionalisation and expertise into the process, whereby PMCs take on all of the minutiae of managing a short let so that both residents and building operators can focus on the things that matter most to them.

Pros

• Support managing standards and community

• Full control and visibility of the building

• Broader reach with the wide range of platforms

• Multiple channels to market

• On-the-ground check-ins and management

• In-person guest vetting of all guests

Cons

• More expensive as there is a full management solution in place

• Residents have no control over guest vetting.

Next steps

There's still more to come, so stay tuned for the next blog in our Resident Hosting series where we'll go in-depth on how to select the best model for your development and what you need to consider when implementing this approach to get ahead of the changing market. In future blogs we will also bring you the insights of key industry leaders at the 2024 ARL conference, into the risks and opportunities of Resident Hosting.