

The Roaring Rentals

Puerto Rico's Consumption
Spree Amidst the Pandemic

THE ROARING RENTALS

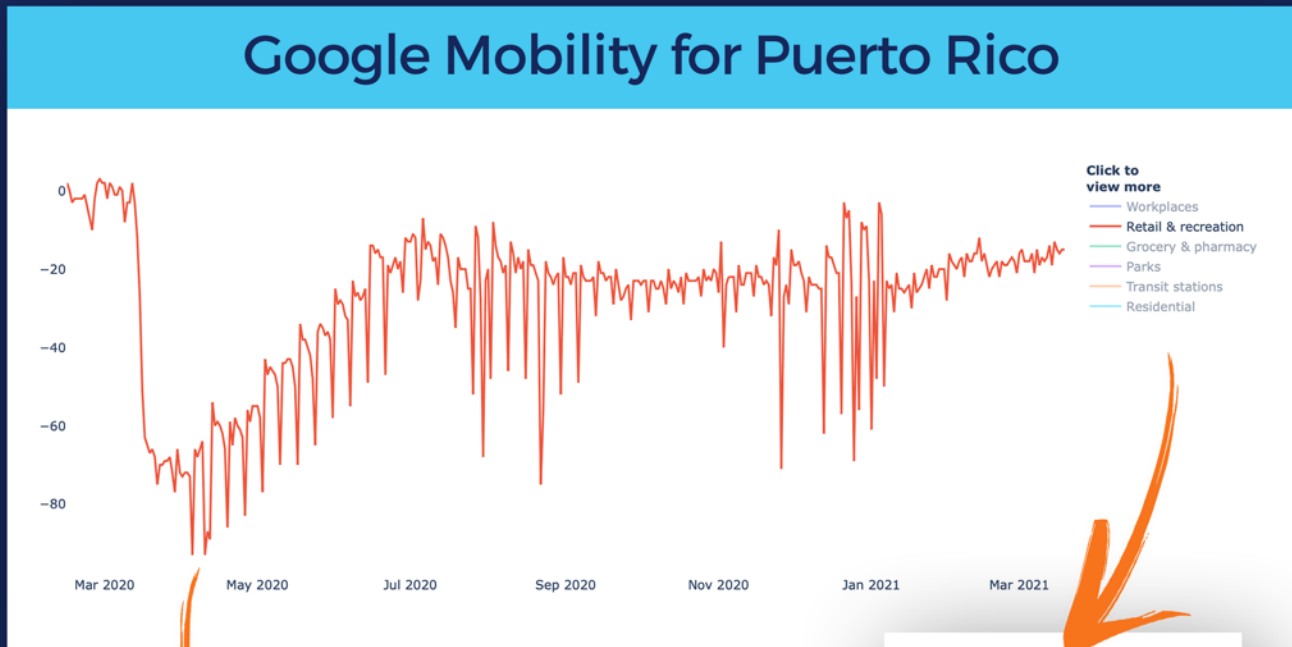


As families and youngsters flood beaches, local tourist spots and short-term rentals, one can expect a surge in mobility and the frenzy that is associated with several months of family-wide “house arrest”. In Puerto Rico, springtime festivities are usually a few weeks after “spring break” season in the U.S.. Thus, this time of year is swamped with local tourists or what some call “turismo interno”. These excursionists provide new consumption activity to economically depressed areas and ABEXUS’ research show that a dramatic heave in short-term rental assets have provided a key ingredient to expand the visitor’s economy footprint. In the past such economic benefits were reserved to highly centralized clusters of hotels, tourist zones, and hectic “tourist traps”. In the following report, ABEXUS provides a snapshot of the short-term rental activity after the pandemic, how such infrastructure has provided new challenges and opportunities for local governments, and why investors and property owners must watch closely these developments.

As noted in the following graph, the retail and recreation mobility index has continuously increased over the past weeks. The disbursement of federal stimulus programs, hurricane María reconstruction funds, along with the massive job deployment, have all created a nuclear pent-up demand which will destroy any basic economic indicators, and cannot be conflated with any previous experience.

“Don’t follow your instincts, **make key investments decisions with data... properties are not cheap!**”

Introducing our Mobility Tool



Click the legend in the graph to view different mobility categories.

Click to view more

- Workplaces
- Retail & recreation
- Grocery & pharmacy
- Parks
- Transit stations
- Residential

Control Panel

Select the Municipality:

Puerto Rico x ▾

Select Time Period:

All months x ▾

Use the Dropdown menu at the Control Panel to select the municipality you wish to view.

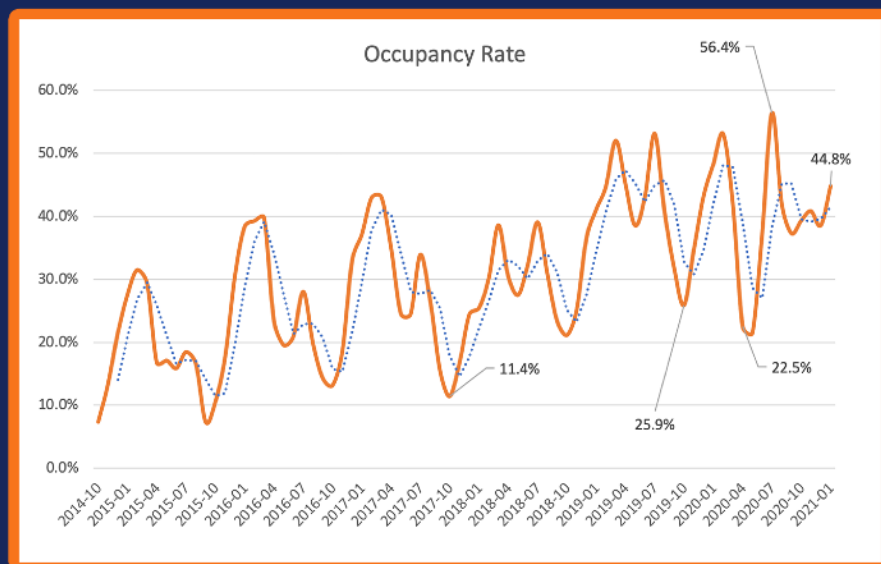


SCAN HERE!
See this data tool in action.

The short-term rental market got the worst of COVID during the initial lockdowns. Property managers and owners both had tough months as government decrees restricted the tourism industry and the mobility of visitors and locals alike. Even though most industries suffered from the lockdown, the recuperation rate seen in the short-term rental is somewhat impressive.

Short-term rental market may seem like a small number of independent property owners; however, the number of short-term rental facilities has consistently outnumbered -since 2018- the number of hotel rooms sponsored by the Puerto Rico Tourism Company (PRTC). In fact, today, the number of short-term rental rooms is around 22,000 rooms vis-à-vis 15,000 PRTC endorsed rooms. The following maps dissect the development of the short-term rental industry in Puerto Rico over the years. Needless to say, the traditional hotel industry has been disrupted by these businesses which are somewhat less regulated and some even argue of potential unfair competition; this is similar to the taxi vs. *Uber* street fight which we will leave for the next wrestling event review.

As shown by the data analyzed by ABEXUS, short-term rental occupancy rates skyrocketed during the past weeks. **In fact, occupancy rates have almost doubled since the initial months of the lockdown and are about to surpass pre-pandemic levels.**





Number of short-term rental units Feb. 2015, ABEXUS Analytics

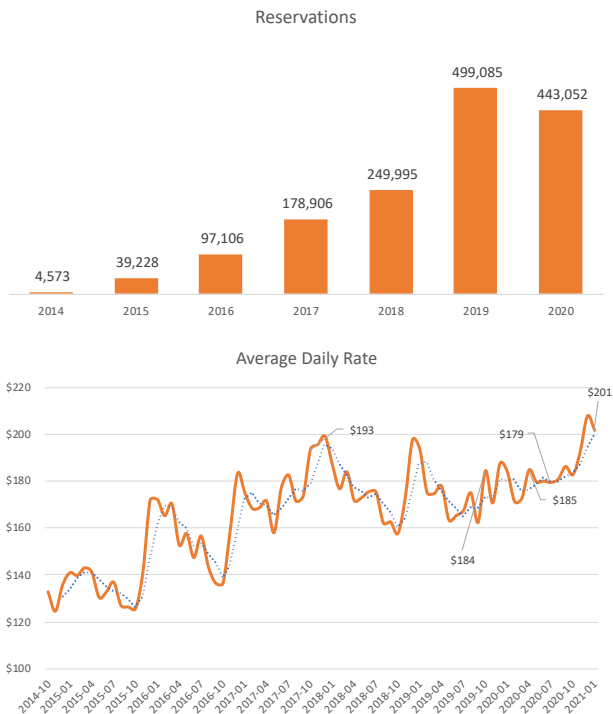
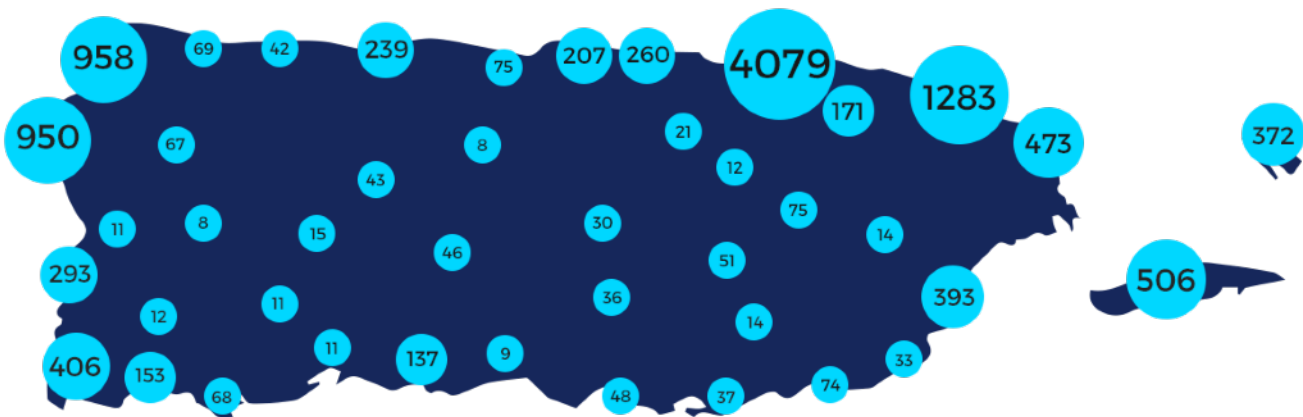


Number of short-term rental units Feb. 2021, ABEXUS Analytics

The estimated number of short-term rental rooms is derived from the bed mean per each short-term rental unit. That is, there are structural differences between the number of rooms for a traditional hotel vis-à-vis the number of “available rooms” in a short-term rental facility. The universe of short-term rental rooms represents the total number of units derived from the main short-term rental booking platforms. This number might differ from other counts which could include informal short-term rental units or other less known booking platforms.

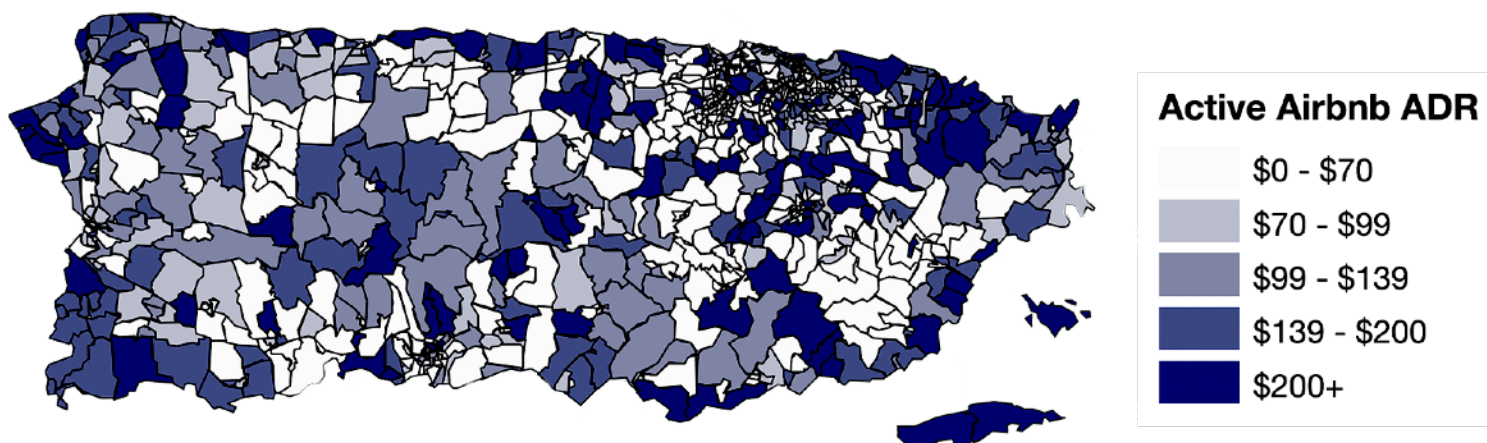
The maps above show the difference between short-term rental units in 2015 and the number of units in 2021. As noted, most of the available units were initially concentrated in the coastal areas and have subsequently migrated to interior and rural areas. Moreover, a larger number of municipalities are now benefiting from the additional visitor spending that is delivered via the high number of units that have propagated along coastal areas and economically depressed jurisdictions, but areas with large assets in terms of natural resources, historical sites, along other amenities.

The next map shows the total number of available short-term rental units distributed around the Island.



All of these changes have strong consequences for nearby businesses, municipal governments and ancillary services. Imagine going to a local municipal market and you will probably see a few locals, most probably elderlies. However, imagine that same location with an influx of visitors which are attracted by the nostalgic hardship of the tropics. From a business point of view this translates into actual consumption decisions. Such consumption is not trivial, as outside visitors add new monies to local economies, that is, funds that are not derived from local production factors, but are spent in a different location.

The growth has not been limited to the total number of available units, but also in the number of reservations, the average daily rate (ADR), and the occupancy rate. **All these factors, show a clear trend for a more robust and sophisticated short-term rental offering. Keep in mind that the ADR for 2015 was around \$130 and now is around \$200, with no signs of stopping.**



As noted in the following map, average daily rates (ADR) have a strong variability across the Island. Coastal areas tend to show ADRs above \$200 while central and rural areas show lower values.

For a detailed analysis of each short-term rental market, get in touch!

Send us an email at info@abexuspr.com

We have specialized reports for each of the 78 municipalities, plus 3 special areas with revenue estimates and property descriptions which tend to drive ADRs.

See the following table for a sneak peak of the **Top 20 Municipalities**:

RANK	MUNICIPALITY	2015	2021	DELTA
1	Culebra	3.42%	24.35%	20.93%
2	Vieques	2.78%	10.31%	7.53%
3	Rincón	1.81%	8.68%	6.87%
4	Luquillo	0.70%	4.50%	3.80%
5	Río Grande	0.30%	2.84%	2.54%
6	Cabo Rojo	0.18%	2.06%	1.88%
7	Fajardo	0.30%	2.06%	1.76%
8	Loíza	0.24%	1.94%	1.70%
9	Dorado	0.18%	1.58%	1.41%
10	Isabela	0.32%	1.72%	1.40%
11	Carolina	0.11%	1.45%	1.34%
12	Aguadilla	0.16%	1.49%	1.33%
13	Aguada	0.25%	1.58%	1.33%
14	San Juan	0.34%	1.52%	1.18%
15	Lajas	0.10%	1.22%	1.12%
16	Humacao	0.23%	1.29%	1.06%
17	Ceiba	0.04%	1.04%	1.00%
18	Patillas	0.03%	0.72%	0.69%
19	Guánica	0.10%	0.63%	0.53%
20	Arecibo	0.04%	0.54%	0.50%

As part of these series of reports we have developed a **Short-Term Rental Market Watch** for each of the short-term rental markets within the Island. If you are a short-term rental host, in one or many platforms, you should definitely understand your market dynamics and the changing landscape. By understanding the behavior of the short-term rental market, one can have a robust sense of the economic dynamics of a particular area, as well as the consumption and retail activity that can be derived.

In the past we have been able to isolate this data to derive **business location decisions, geo-targeted ad campaigns, competitive analyses, distribution routes, market saturation and of course, real estate investment decisions.**

All of the information contained in this report is a high-level representation of the short-term rental market in Puerto Rico; **all maps and graphs are available in a dynamic and interactive format at a much more granular basis.**

If you require powerful insights, and have also read up until this last sentence of the report, please **CONTACT US**, you deserve better!

Moreover, we have developed specific market analyses for each of the 78 municipalities.



Some of the analyses offered for each of the municipalities in our INVEST-22 Watch, a Real Estate Market Watch for Puerto Rico that includes:

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- Hot and trending market areas
 - Saturated locations
 - Price variations by amenities
 - Market ROI
 - Competition factors by closeness to traditional hotel markets
 - Fiscal revenues
 - Visitor spending
 - Changes in occupancy rates by area
 - Optimal pricing by average daily rate transformations
 - Most profitable neighborhoods

REACHING OUT IS FREE... STAY ON TOP OF THE GAME!

For deeper market insight and analytics,
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