CORPORATE HOUSING
PROVIDERS ASSOCIATION

Why Are Furnished Apartment Rates More Expensive Now?

With demand outpacing supply and all costs associated with delivering an ideal guest experience rising, you should expect to pay more.

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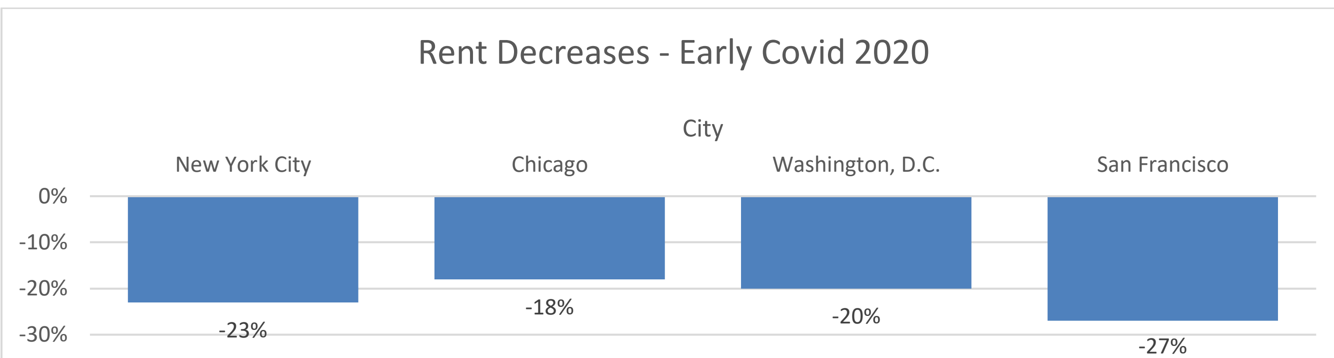
A CHANGING LANDSCAPE: COVID-19'S IMPACT

The landscape of hospitality companies and the housing market has changed dramatically in the last 20 months. The impact of COVID-19 on the corporate housing market, for both vendors and consumers, has been vast, complex, and pervasive.

Prior to 2020, many cities were enjoying their highest rents on record. COVID-19 shocked the world and trends shifted quickly and dramatically within major housing markets. A sharp decrease in demand and a sudden excess of inventory created some of the greatest decreases in monthly rent figures in decades in major markets like Manhattan (-23%), Chicago (-18%), Washington D.C. (-20%) and San Francisco (-27%).

People fled the cities for the suburbs, and the pressure to fill vacant units led property managers to create aggressive incentives to increase occupancy. By the spring of 2020, renters were negotiating freely with property managers, factoring in concessions and previously unheard-of perks. As a result, many clients and guests began to expect these low rates and incentives as the norm, instead of seeing them as extreme exceptions due to the pandemic's impact.



TODAY'S REALITY: SHIFTING TRENDS

Today's reality is quite different.

The United States appears to be turning the corner on the COVID-19 pandemic. Housing trends are shifting upward again, rents are rising sharply, and flexibility and availability are diminishing as suburban areas are at a 5.5% vacancy rate. This is a 9.8% decline over the past 12 months.[1]

Some areas, like North Carolina, Texas and Florida, have been bombarded with new short-term and permanent residents, resulting in excessive demand and insufficient supply. Greensboro/Winston-Salem[2] and Las Vegas were among the national top 10 for overall rent growth in the past year. In Greensboro/Winston-Salem, for

[1] https://www.apartmentlist.com/research/national-rent-data

[2] Triad Business Journal

example, all submarkets experienced rent growth averaging 4.4%. Georgia saw rental growth during the pandemic, for example, Henry County (+16.2%), the far south Atlanta suburbs (+14.8%), southeast DeKalb County (+14.5%), Stone Mountain (+13.3%) and south Fulton County (+12.5%).[3]

With an extremely limited supply of units in major cities and suburban developments, the corporate housing industry is now seeing an increase of new demand. The competition to lease any quality vacant unit is a daily battle.

Apartment Guide's Annual Rent Report provides evidence of this. Over the past year, rental prices have increased greatly, in some markets exceeding high pre-COVID monthly rates. Las Vegas has shown a 44% increase in average monthly rent for a 2-bedroom unit compared to May 2020, and other cities are trending similarly. Virginia Beach has seen a 32% increase; Columbus, Ohio a 20.4% increase; New Orleans a 19.5% increase; and Kansas City a 16.4% increase. Within the past month, experts indicate that New York City has already reached its vacancy low point and is now undergoing a recovery. People are flocking back to some of the nation's most integral cities, rents are increasing again, and the suburbs are flooded with new residents.

In conjunction with these rapid changes, more than a year of pent-up demand has hugely affected corporate housing providers. Linda Wendelken, president of Corporate Accommodations, a regional provider of furnished apartments, shared, "The demand for apartments in North Carolina is unprecedented. Many communities we work with are operating at 100% occupancy and we are seeing properties increase rates as much as $400 on a one-bedroom unit in a 24-hour period. Identifying high-quality available units is now a full-time job for me."

The increased demand for the properties themselves, supply shortages and rising costs in the furniture and housewares industries all pose major barriers to renters looking to take advantage of corporate housing. These trends indicate that this problem will only worsen as restrictions ease and business travel returns.

Kelsey Thompson, CCHP, senior vice president of Churchill Living, a global corporate housing provider, expressed a similar sentiment.

"Churchill is experiencing apartment supply shortages in all of our major markets. When a market has vacancy under 5%, it essentially indicates no availability," she said. "Buildings that have been within our apartment portfolio for decades are dramatically increasing base rents based on market demand. We have increased our departmental staff so they can focus on accessing new inventory. Coupling that with the increase in operating costs, our bottom line is more compressed than ever, and we have no choice but to pass these costs onto our clients and guests."

Rank	Metropolitan Area	Vacancy Rate
1	Richmond, VA	0.50%
2	Rochester, NY	1.20%
3	Fresno, CA	1.90%
4	Raleigh, NC	2.60%
5	Louisville, KY	2.70%

Source: iProperty Management

[3] Globest.com

RISING CONSUMER GOODS PRICES

Another industry experiencing a dramatic increase in costs are the housewares needed for a furnished apartment. Mark Strumwasser, CCHP, president of Sunshine Rentals, a strategic houseware supplier in California, shared that, "In just the last 60 days, we have seen the costs of our linens increase by 50%, glassware has increased as much as 65%, and simple consumables are skyrocketing in price. Supply-chain issues, hyper-demand and significant inflation are making it much more difficult for us to provide affordable products and an ability to deploy home goods to our customers and their guests."

According to CNBC, consumer prices rose 5% year over year in May, the fastest pace since August 2008 and higher than Wall Street expectations. As of May 2021, the current rate of inflation is 4.99%, the sharpest increase in nearly three decades.

THE PERFECT STORM: HIGHER DEMAND, HIGHER COSTS

With the difficulty of finding quality inventory and negotiating rates, the enticing concessions and renter perks of the early months of the pandemic are no longer available. Today, demand is skyrocketing and challenges with acquiring quality units, new furniture, household goods, logistics, and guests' expectations pose serious problems for corporate housing providers trying to keep pace with requests.

This 'perfect storm' happened so rapidly that the average renter is unaware of this phenomenon. These factors, along with high consumer and corporate demand for class A properties, has almost instantly changed the rental landscape for the corporate housing industry. Today's reality of increased rates being passed along to the client will hold for the foreseeable future.

About The Authors

James Higgins is the founder of Revalant Consulting and Recruiting. Serving as the Senior Partner, Revalant specializes in corporate housing, residential real estate, and the hospitality industry. As a former Vice President and sales leader at BridgeStreet, Oakwood and Convene, he has an expertise in having companies act more strategically, reach their maximum potential, achieve significant revenue growth, and deliver market expansion through sales development, branding, marketing, project management, and talent acquisition. Scott Higgins is the contributing author and head research analyst at Revalant. He is a 2021 graduate of George Washington University with a degree in both psychology and English.

Revalant works with organizations to successfully sell into the Fortune 1000, vertical markets, and uncover sales and operational advancement. Members of the Revalant team are experts in millennial workforce integration, business development, lead generation and project management. With exceptional leadership and a unique perspective for developing and driving others to fulfill their potential. Revalant delivers results on both the strategic and tactical level by providing executive leadership and direction, targeting sustainable revenue growth and market expansion. Revalant aims to assist businesses that are looking to improve various aspects within their company. Revalant tailors their approach to the company's specific needs and budget, while isolating key areas for development and creating a plan to implement and execute for success.

About CHPA

CHPA is the only trade association dedicated exclusively to the corporate housing industry. The association advances the highest standards in business and professionalism; provides valuable insight, knowledge and resources to the industry; and increases visibility among related industries. Along with networking, education, certification, and information sharing, CHPA members grow their business and expand their reach through an international network of partners. Find out more about corporate or furnished apartments at www.chpaonline.org.