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## The shifting sands of development, aparthotels and short-term rentals

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The travel industry was hard hit by the pandemic, but the bounce back is well in progress. According to PhocusWire, Europe's short-term rental segment is on track for steady growth. By the end of 2022, gross bookings are forecast to reach €37.5 billion, and a full market recovery to pre-pandemic levels is

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The rapid shifts brought about by changing working patterns, home working, a blurring of work and leisure has transformed the way we live, work and play. This has meant the sort of accommodation people are choosing for trips away has changed. Used to a flexible way of living and working, travellers are demanding more home-from-home features including somewhere to cook a meal, a space to put their laptop and contactless check-in. Understanding, and responding to these changing expectations and requirements, means re-thinking the sort of properties we develop, design and build.

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In the build-to-rent (BTR) space, not only are we considering medium and long-term lets, but also short-term opportunities. Refurbishing an old building may be more cost-effective than new development costs, can bring old properties back to life and meet residents' desires for city-centre locations. Add in external factors such as changing regulations, sustainability targets and building material price hikes, there's a lot to consider in 2022.

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Smart urban property developers are finding that investing in build-to-rent that is then developed for the short-term rental market is a dynamic way to respond to guest demand and a key long-term strategy. Travellers are opting for flexible hotel-style accommodation which includes the convenience of a kitchenette and the comforts of home. Developers and asset owners can easily pass the burden of managing short-term rentals to a property management company that keeps everything running smoothly. And that's where our solution can come in.

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ALTIDO is one of the largest short-term rental management companies in Europe, managing a portfolio of over 2,000 properties across the UK, Italy, Spain and Portugal. Our business model centres around operating and managing apartments, townhouses, aparthotels, hotels, and serviced apartments, in both urban and leisure markets. From marketing the asset and managing guest communications, to cleaning, tech and everything in between. In the case of build-to-rent, our model is lean - we work closely with property developers to create modern, on-trend buildings and then take over all of the operations on a commission-only basis.

I started out as a property manager in the short-term rental world, supporting both buy-to-let investors and primary residences which were vacant through part of the year. That worked well as a business model for a spell, however, in terms of growth and regulation, there are two challenges. It's hard to scale quickly with individual owners with single or small numbers of units - you keep taking on new clients which is quite capital intensive in terms of our resources to look after them, but also churn in terms of their 'stickiness' as a customer. Moving into longer-term contracts within larger aparthotels providing up to 15 units combatted both of these issues.

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and short-term rentals

Working in the BTR sector was a commercial decision. Teaming up with

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developers in Edinburgh and Milan to create the kind of accommodation guests are demanding post-pandemic allowed us, as the property operator, to scale faster, avoid churn and most importantly resulted in high profits. Preparing for regulatory restrictions in Scotland, it made sense to make this move now ahead of this.

ALTIDO is not alone in this targeted approach. Research from JLL on the top growth cities in the UK found that “Investment in regional BTR hit a record £3.1bn last year, with combined investment exceeding London for the first time.”

## Scale & Regulation

We have been working with Northumberland Street Properties, property developers in Edinburgh over the last two years. Northumberland has refurbished two run-down hotels and a former brewery into aparthotels, then handed over the operations including cleaning and guest communications to us. ALTIDO has also dipped our toe into property development with an asset we leased in Milan. The decrepit office building was refurbished to a high standard to create a successful aparthotel.

Aparthotels are typically immune from restrictions coming into most European cities. Edinburgh is a good example, with regulation due in April 2023, which will allow councils to limit the number of short-term rentals in certain areas by introducing control zones. Rooms in aparthotels aren't included in these regulations as they're not in traditional residential properties. While regulations can change, we are confident that ALTIDO is future-proofing its own business commercially by diversifying its portfolio moving into aparthotels in refurbished buildings, which are considered more like hotels, rather than predominantly focusing on short-term rentals in existing residential stock.

## Managing bookings and tech solutions

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ALTIDO's aparthotels in Edinburgh and Milan are completely staffless. All

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rooms have remote access, either via a smartphone or pin code. There's no reception desk and features such as kitchenettes, coffee machines, high-speed Wifi and smart locks are in high demand.

Other remote services such as a guest portal and virtual concierge are also standard. When guests check in online, they can book services including in-stay cleans, a fridge fill, a dinner reservation or an airport transfer. Guest rates per night are also really affordable, starting from £100 per night.

### **The rise in multifamily**

Aparthotels are an increasingly popular multifamily choice for groups of friends, family or colleagues who want to stay together but still retain their own space and flexibility. Commercially, it stacks up as you don't have all the operational costs such as paying staff or normal hotel services such as providing food and beverages.

### **The future for BTR and STR**

We are certainly seeing the growth in short-term rentals reflected in revenue figures. In the first half of 2022, our Gross Booking Value (GBV) was approximately £12 million with a revenue of £4.5 million. As we move into peak season, numbers are predicted to rise with a total annual budget for GBV of £41m and revenue of £13.2 million. The pace of this post-pandemic growth has been facilitated by the significant capital injection made by DoveVivo in February 2022.

For ALTIDO to build long-term relationships with property developers who have either bought the asset or leased it for a long period is ideal. It's a way to scale faster by onboarding multiple units in one go, and you have complete control of the calendar and the availability thereby justifying refurbishment to a high standard. This usually leads to a significant increase in the average daily rate (ADR), resulting in a profitable relationship for both.

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Working with property developers will be a big part of ALTIDO's growth strategy in 2022 and beyond with plans afoot for new aparthotels in London, Lisbon and Milan.

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*\*Will Parry is the chief executive officer of ALTIDO*

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