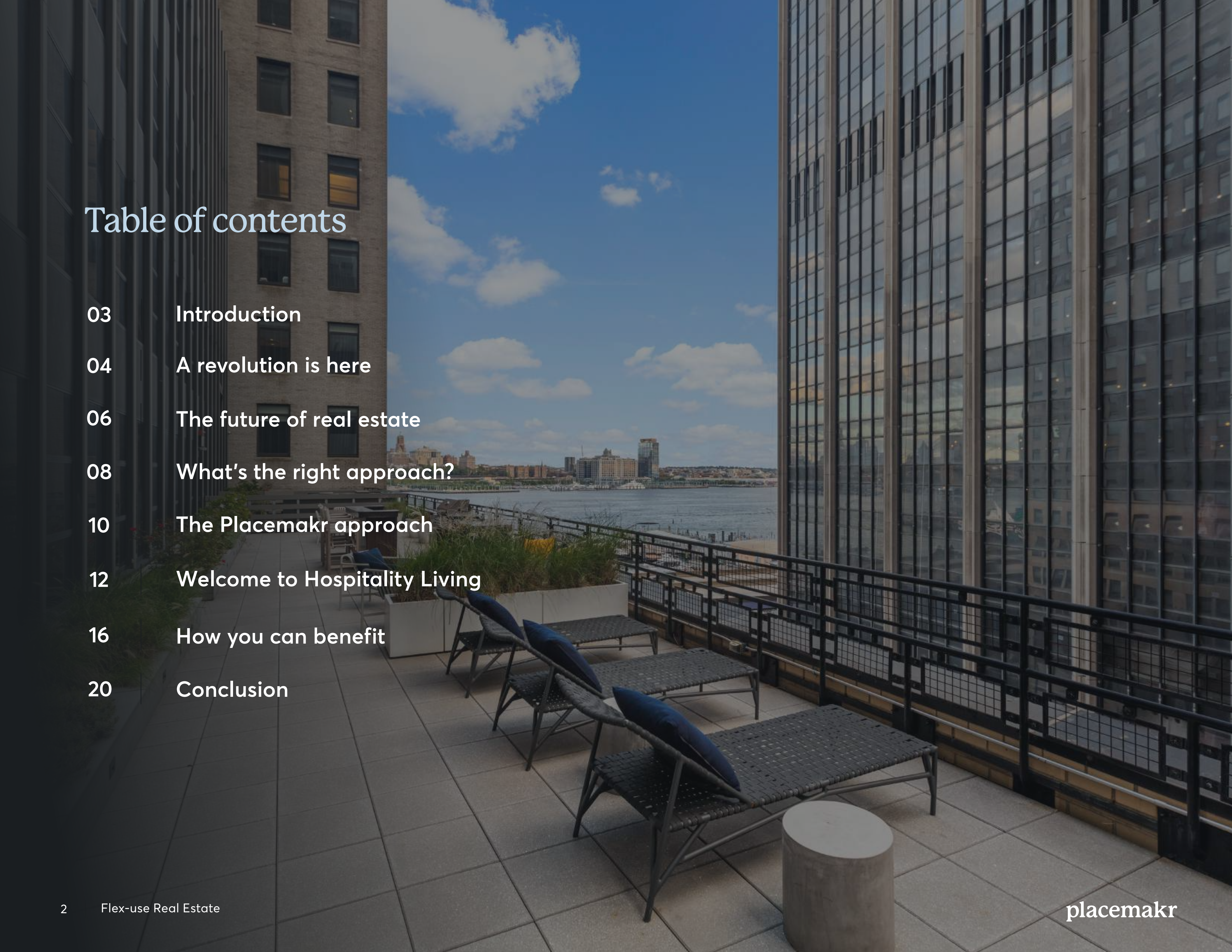
Flex-use Real Estate

Your guide to the evolving landscape of the multifamily and hospitality industry.

placemakr



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Consumer demand is rapidly changing.

"You're doomed if you're doing single-purpose, single-use spaces, and even single-use buildings, because you don't get as much value out of the real estate."
— J.F. Finn, a global leader at Gensler.

In 2021, Airbnb announced that stays of seven nights or more drove over 50% of bookings for the first time in its history. These changing travel patterns will only become more pronounced as work-from-anywhere permeates every part of the white-collar world. As a result, consumers are not only seeking out short-term rentals for longer stays but are also opting for alternative accommodations over traditional hotels.

Consumer demand is driving a massive evolution in how we think about a billion-dollar industry like hospitality and a trillion-dollar industry like multifamily.

In fact, according to National Multifamily Housing Council research, approximately 4.3 million new apartments will be necessary by 2035 to meet rising short-term rental demand. In 2022 alone, some 420,000 new apartments were built, marking a historic 50-year high.

This evolution calls into question the role of multifamily developments and whether they're being leveraged for their highest and best use.

Let's survey the recent headlines:

airbnb

Guests continue to stay longer on Airbnb. In Q2 2022, long-term stays of 28 days or more remained our fastest-growing category, increasing nearly 25% from a year ago and by almost 90% from Q2 2019.

Marriott INTERNATIONAL

Marriott International Introduces Apartments by Marriott Bonvoy, Responding to Growing Consumer Demand As Travelers Increasingly Blend Work and Leisure

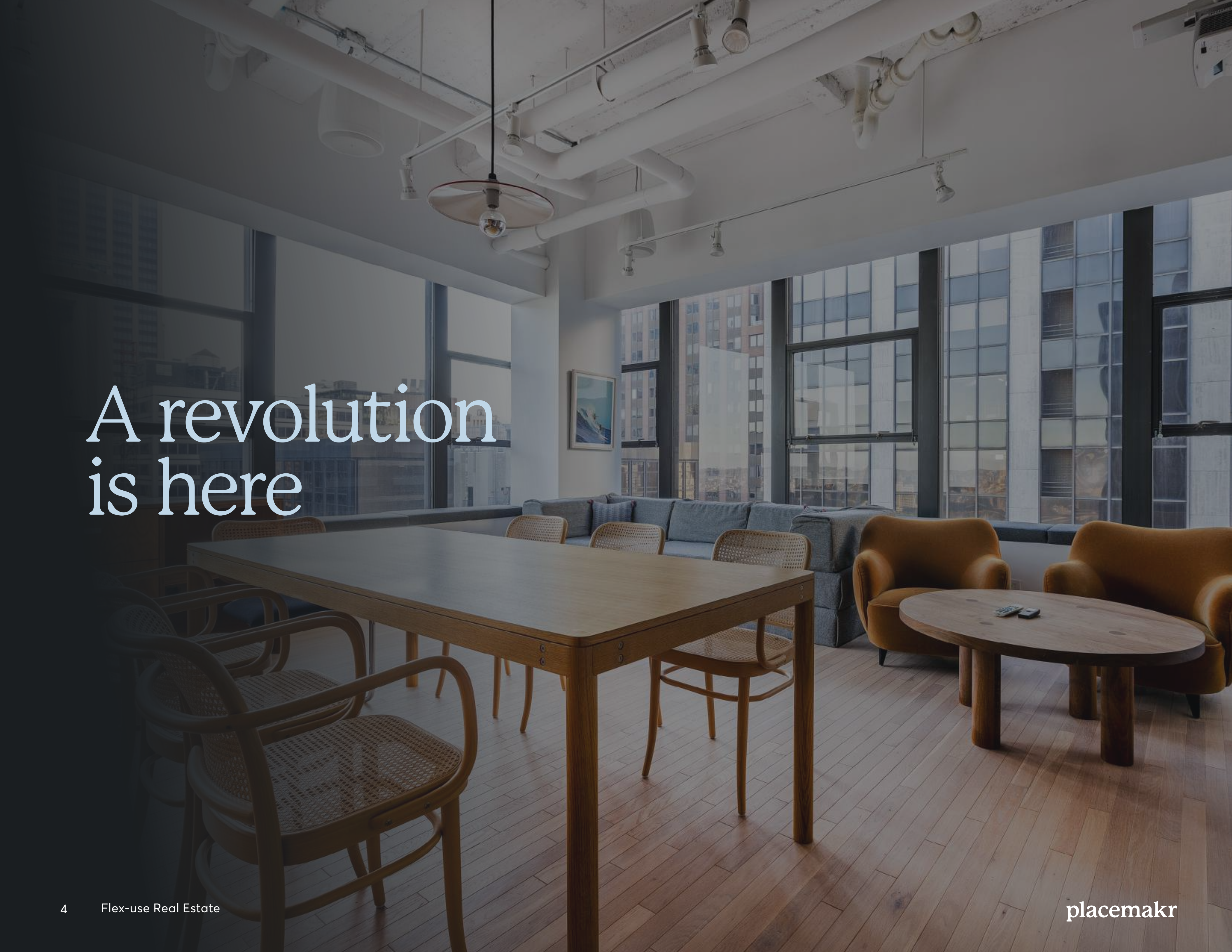
Forbes

Within the U.S., 16.9 million U.S. workers currently describe themselves as digital nomads, up 8% from 2021 and a whopping 131% from 2019. These are workers who "work and live remotely, from anywhere in the Internet-connected world," as described in the 2022 Digital Nomads Report by MBO Partners, a provider of back-office services to independent workers, and prepared by Emergent Research.

Skift

The fastest-growing segment of accommodations globally has been short-term rentals.

A revolution is here



The future of commercial real estate: flex-use multifamily properties

There has been a growing movement to revolutionize the way we think about how we utilize and operate properties for their highest and best use. And early adopters in this space are seeing investors pouring in funding to the tune of billions of dollars, making big bets that the commercial real estate industry will see expedited shifts in how consumers want to stay (and live) in a post-pandemic, remote-work-friendly world.

A prominent example of such funding is WeWork founder Adam Neumann's formation of Flow, a multifamily venture that raised $350 million from the venture capital giant a16z. This marked the firm's largest single investment in the company's history—and there's good reason to believe it will pay off.

Apartments by Marriott Bonvoy, which offers apartment-style accommodations that blend work and leisure travel, is another shining example of this evolution. And it's only a matter of time before the luxuries of a 650-square-foot apartment outweigh the offerings of a 200-square-foot hotel room.

These examples and countless other underscore that the future of real estate lies in buildings that can blend home, hotel, work, and retail into one. That building must be sustainable and flexible, too, in order to continuously maximize value. This might sound like an impossible feat for the traditional world of real estate today, but this shift has already begun and will continue to happen in steps.

"Single-use properties in urban locations are an inefficient use of real estate investment capital. They also do a poor job of serving customers across cycles and seasons, which means there is a tremendous whitespace opportunity to create value for both investors and customers," said Jason Fudin, CEO of Placemakr.

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The future of real estate

How it works

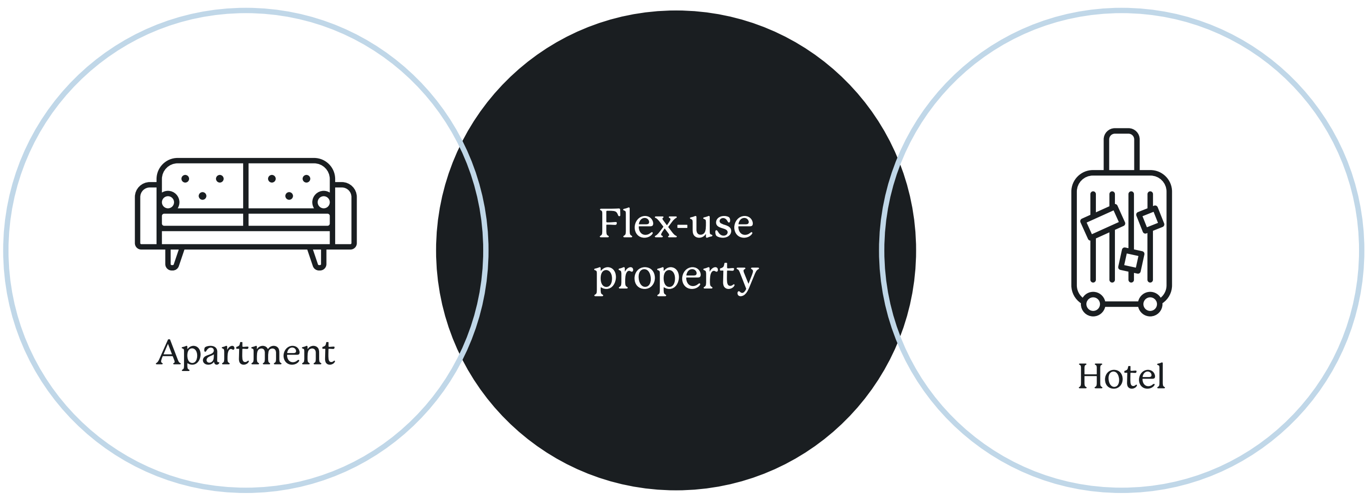
Flex-use properties backed by tech-enabled platforms can shift a property's use between stay lengths: like multifamily leases, short-term rentals, and nightly hotel stays. This allows owners to maximize the utilization of their assets based on market demand.

With a flex-use platform, you can achieve:

- ✓ Higher revenue
- ✓ Lower operating costs
- ✓ Maximum value

Translation?

This approach maximizes cash flow through cycles and seasons.



What's the right approach?

Several schools of thought

A handful of companies have already established their mark in this industry – all exploring a slightly unique approach to operating flex-use properties. Here are the categories where they tend to differ.

1 REVENUE MODEL

Master Lease vs. Revenue Sharing

Some companies in this space will sign master leases with developers or owners and then rent out those units as hotel/Airbnb. Others partner with owners and developers and share in the revenue they generate.

HOT TAKE:

While on the surface, master leases seem like a "stable" option, owners miss out on the $$$ upside of transient revenue.

2 STAY LENGTH

30+ Day Stays vs. Short Term Rentals

Some companies strictly operate 30+ day stays, whereas others can accommodate nightly guests up to yearly leases.

HOT TAKE:

Accommodating any stay length is more beneficial because it allows you to capture the broadest customer base rather than focusing on a narrow slice like leases, 30+ day, or transient only.

3 UNIT POOL

Small Number of Units vs. Full Building

A few operators on the market will manage only a few units within a multifamily building. Others specialize in running operations for a full building.

HOT TAKE:

The benefit of operating a full building flexibly is greater control of the full guest experience. Not only do full buildings come with greater upside, but they also likely include a different staffing model creating a better guest experience.

4 STAFFING MODEL

On-site vs. Remote

Most companies in this space do not have on-site staff – relying mostly on a digital experience for guests and residents. A select few do have staff on site in addition to offering digital capabilities.

HOT TAKE:

In an increasingly digital world, the idea of remote staff is more and more appealing and possible. But let's not overlook the value of on-site staff, supported by remote shared services teams, who are available for critical needs. Especially when the inevitable happens, like a guest getting locked out of their room or their phone dies.

The Placemakr approach

The Placemakr approach

From revenue sharing and accommodating all customers' length of stay needs to running operations for an entire building, our approach combines the best parts of hospitality and multifamily into one operating model.

- ✓ **Higher revenue:** Furnished units are rented out as short-term rental or hotel units, generating higher revenue per unit than being run exclusively as multifamily.
- ✓ **Low-cost operations:** Through technology and our shared services corporate team, operational expenses are drastically lowered over a typical hotel model.
- ✓ **Higher + steady income:** by leveraging both the upside of hospitality unit revenue and the stability of multifamily leases, owners can generate higher, stable profits.
- ✓ **Inexpensive debt with higher leverage:** Through mixed-used assets, owners benefit from lower debt terms of multifamily and higher yields of hospitality.
- ✓ **Smart staffing model:** Let's face it, remote staff is ideal from a financial standpoint, but life (and the inevitable) will happen. So, when your phone dies and you can't access your digital key, you have someone on-site to let you into your room.

Hospitality industry	placemakr	Multifamily industry
Higher revenue →	✓ Higher revenue	Lower revenue
Higher operating costs	✓ Lower operating costs	← Lower operating costs
Higher income →	✓ Higher income	Lower income
Seasonal dips in income	✓ Steady income	← Steady income
Expensive debt with lower leverage	✓ Inexpensive debt with higher leverage	← Inexpensive debt with higher leverage

Welcome to Hospitality Living

Our differentiated experience: Hospitality Living

Not only are flexible-use properties beneficial to a property's bottom line, they can also create an in-demand and sought-after experience for guests and residents alike. Want the space and convenience of an apartment plus access to your favorite hospitality services like housekeeping? We like to call the convergence of these two spaces Hospitality Living.

Let us elaborate. Hospitality Living is where the best of hospitality and home unite (flexibly) to create a smarter way to stay. A better experience meets better asset returns. This model is a win-win for guests, residents, and owners alike.

Features of a Hospitality Living model: customer experience
The amenities guests want. The services residents crave.

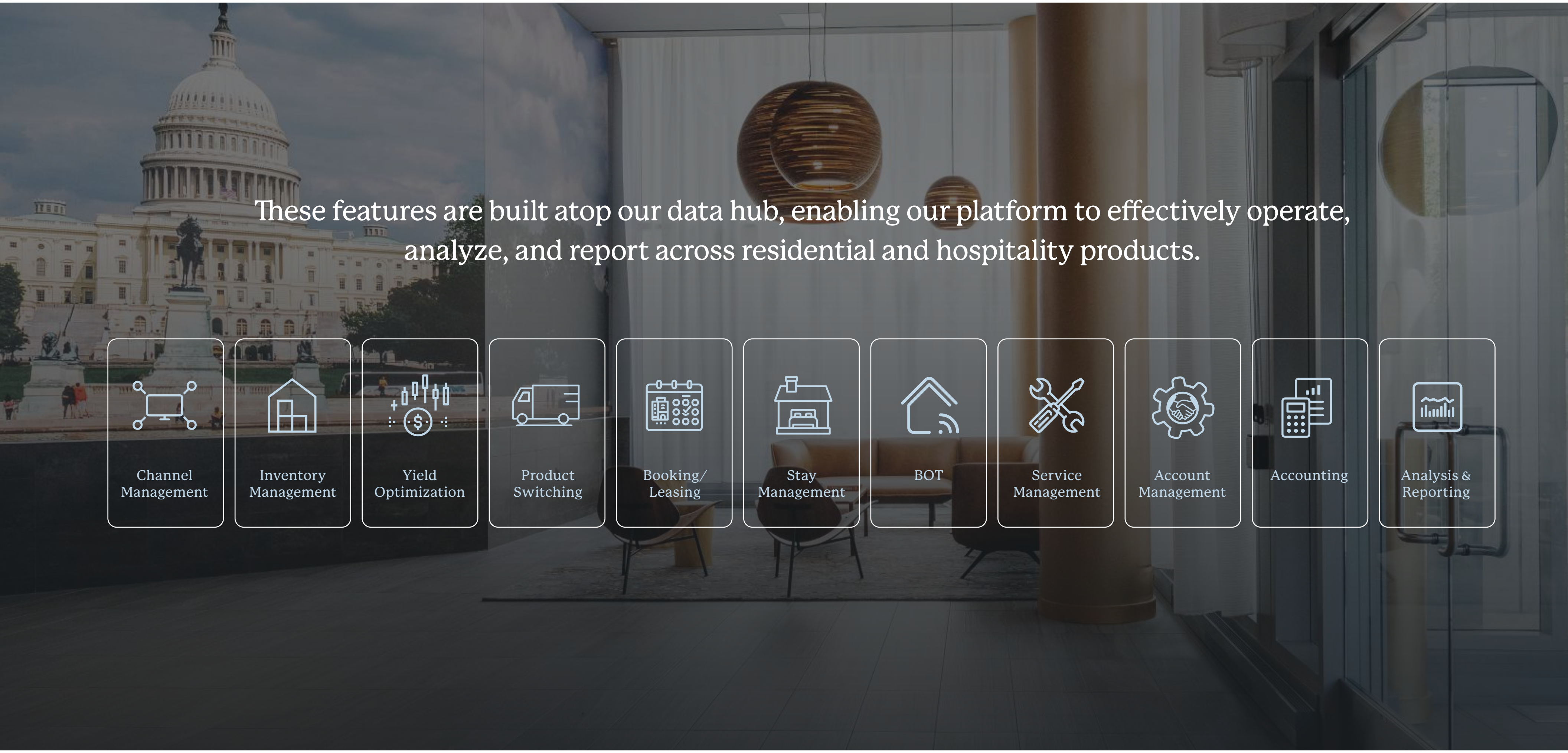
- Hotel services (e.g., à la carte cleaning, laundry, linen services, etc.)
- Full apartment accommodations (e.g., kitchens, laundry, etc.)
- Flexible stay options
- Pet and auto services for residents
- Discounted rates on hotel units for residents
- On-site staff

Hospitality Living:

where the best of hospitality and home unite (flexibly) to create a smarter way to stay.

Our tech stack

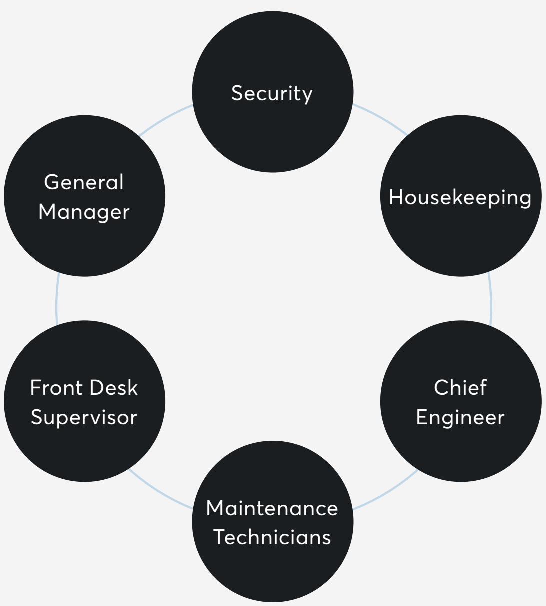
This is where the magic happens. The key to any flexible-use, hospitality living asset is having a tech stack that creates maximum income by meeting market demand while driving down operating expenses.



Our approach to staffing, security, and safety

There are many ways to approach this. At Placemakr, we apply our management expertise to create a best-in-class experience for our guests and residents alike.

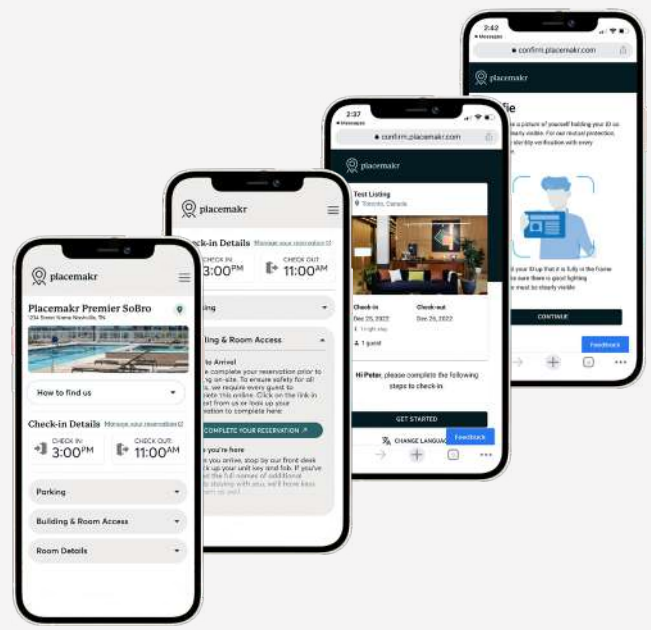
Our staff presence on property creates a seamless and secure environment for residents (and guests).



We apply our management expertise to create a best-in-class experience.

- On-site Operations
- Leasing
- Asset Management
- Revenue Management
- Tech and Engineering
- Off-site Operations
- Legal and Regulatory
- Marketing and Social Media
- PR and Communications

The combination of tech-enabled features plus our on-site staff keep resident and guest safety front and center.



How you can benefit

The benefits of our Hospitality Living model

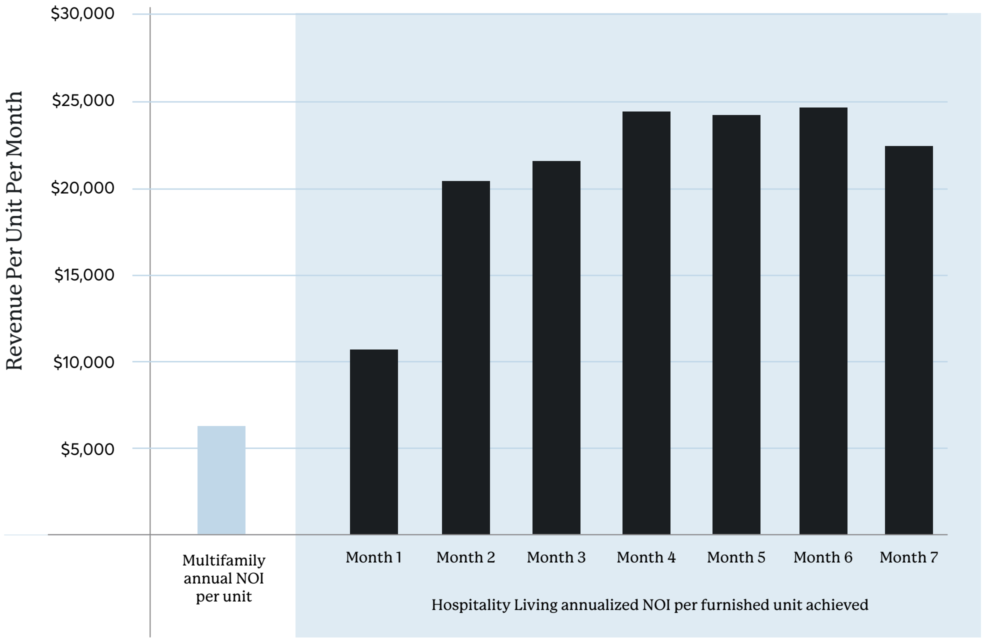
Higher revenue, lower operating cost, maximum value.

Our signature Nashville property showcases how it pays to be flexible. Hospitality revenue coupled with low-cost, tech-enabled operations has more than tripled revenue and cash flow on converted furnished units.

3x	revenue premium per unit per month compared to multifamily rents
101.7%	RevPAR* Index compared to STR competitive set while still converting and ramping units
2.5x	faster competitive set penetration than the industry average
6.2%	higher occupancy than competitors
50%	of revenue driven by direct sales and placemakr.com

*Revenue per available room

Placemakr Hospitality Living vs. Multifamily annual net operating income per unit

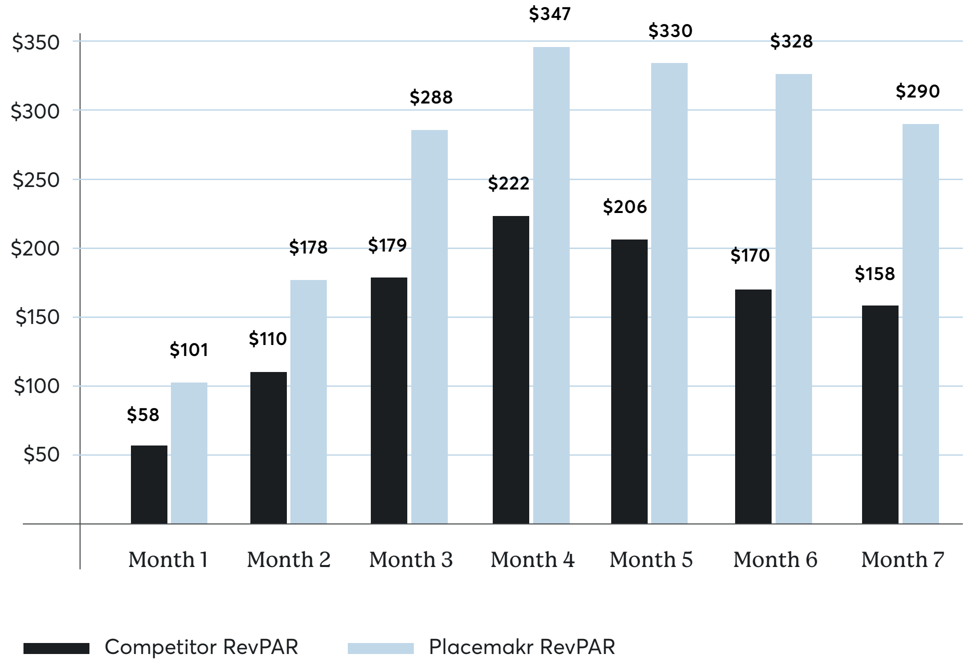


We outperform the competition.

Our property in NYC has generated 66% higher daily revenue compared to similar hotel-type products in the neighborhood.

#1	ranked against competitive set in RPI
163.8%	RevPAR Index YTD compared to STR competitive set
+48%	ADR compared to competitors YTD
7.1%	higher occupancy compared to competitors YTD
8x	faster competitive penetration than the industry average

Placemakr RevPAR vs. competition



Our ability to flex during cycles speaks for itself.

While the market was still recovering from COVID, we flexed the use of our D.C. properties from hospitality to long-term stays to boost occupancy. Once the market stabilized, we transitioned back to hospitality.

9% | higher YTD occupancy than our competitive set

3x | faster competitive penetration than the industry average

Conclusion

Conclusion

The future of commercial real estate is flexible—and the reality is that flex-use real estate is here to stay. Trends show, and there's good reason to believe they'll continue to show, that people are becoming increasingly interested in short-term rentals for longer stays and opting for alternative accommodations over traditional hotels.

Combine that with the desire for the space of an apartment with the comforts of home, plus the amenities and price point of a hotel, and it's easy to see why single-use buildings are quickly becoming a thing of the past.

That's why Placemakr exists. We blend the best of hospitality and multifamily into one experience, helping you achieve higher revenue, lower operating costs, and maximum value. And, while many different models exist, we believe ours is the best approach.

Get in touch with our team to learn more about flex-use real estate.

Contact us at info@placemakr.com

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