

**The Average Daily Rate for Short Term  
Rentals in Santa Barbara:  
A comparison with Conventional  
Hotels and Motels**

**Is there a significant price differential  
between STRs and Hotels ?**

A report prepared by the

**California Economic Forecast**

5385 Hollister Avenue

Box 207

Santa Barbara, CA 93111

(805) 692-2498

[www.californiaforecast.com](http://www.californiaforecast.com)

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**FINAL REPORT**

## Executive Summary

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A recent survey (March 2017) of average daily, weekly, and monthly rates for short term rentals (STRs) in Santa Barbara was conducted. Established industry sourced reports on average daily rates for conventional lodging (hotels/motels) in the City of Santa Barbara were also evaluated.

This study was conducted to ascertain the price differential, if any, between formal lodging establishments and STRs. The comparison indicates that on a per room basis, STRs are significantly less expensive than conventional lodging in the City of Santa Barbara (or elsewhere throughout the South Coast).

In some cases, an entire house or apartment (short term rental) can be rented for the price of an upscale hotel room in Santa Barbara.

Studies conducted elsewhere have demonstrated that STRs around the country including California are generally less in cost than hotels.<sup>1</sup> The comparison was for average listings in cities throughout the world, compared to hotel rooms in that same city. An average listing included apartments and whole homes. Consequently, even when hotels were less expensive than STRs---in the cities of Austin, San Diego and San Francisco---the comparison is between a hotel room and an AirBnB listing which is largely comprised of entire apartments and detached multi-bedroom and multi-bathroom homes.

Short term rentals can be especially cost effective for large families or groups. A family of four or five or two couples traveling together can share a two bedroom apartment or home which is usually less expensive than a pair of hotel rooms.

In fact, the statistical analysis conducted in this study shows that the average per bedroom per night rates for STRs is clearly less in all seasons than the rate per hotel room in Santa Barbara, either in-town or along the beach or within the coastal zone. Further savings occur because rentals include kitchens; families can cook their own food which is less expensive than food away from home. Furthermore, laundry machines enable additional savings, in both time and money.

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<sup>1</sup> <https://priceconomics.com/hotels/>  
<http://www.businessinsider.com/is-it-cheaper-to-airbnb-or-get-a-hotel-2016-2>

**Comparison of Average Daily Rates / Formal Hotels/Motels versus  
Short Term Rentals / City of Santa Barbara**

<u>Season</u>	January – December 2016 Actual Average Rates		2017 STR Rates*	
	<u>Beach Hotels</u>	<u>In Town Hotels</u>	<u>Coastal Zone</u>	<u>In Town</u>
Winter	\$ 218	\$ 175	\$ 145	\$ 154
Spring	\$ 249	\$ 183	NA	NA
Summer	\$ 322	\$ 231	\$ 184	\$ 168
Fall	\$ 270	\$ 207	\$ 159	\$ 153
Annual Average	\$ 265	\$ 199	\$ 163	\$ 156
Percentage difference from Hotels/Motels			- 38%	- 22%

\* per room per night

Source: PKF Consulting through Visit Santa Barbara, and STR Survey, described above

## **Table of Contents**

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<b>Title Page</b>	<b>1</b>
<b>Executive Summary</b>	<b>2</b>
<b>Table of Contents</b>	<b>4</b>
<b>Introduction</b>	<b>5</b>
<b>Short Term Rental Vacation Price Survey</b>	<b>6</b>
<b>Santa Barbara Lodging Rates</b>	<b>12</b>
<b>Some Additional Comparisons</b>	<b>18</b>
<b>Summary of Findings</b>	<b>19</b>
<b>References</b>	<b>21</b>
<b>Appendix A</b>	<b>22</b>

## Introduction

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In March 2017, The California Economic Forecast prepared a comparative price analysis between Short Term Rentals (STRs) and Hotel/Motels in Santa Barbara.

Because we have conducted previous studies associated with Short Term Rentals in the Central Coast, we were familiar with the industry and the online websites that are routinely used to locate, determine prices, and rent an STR.

We conducted a survey of STR listings on the most popular websites used to search and locate rentals in Santa Barbara County. This survey was conducted between March 10 and 21, 2017.

We obtained information from Visit California at the Santa Barbara Chamber of Commerce on the prices of local hotels and motels. We have been maintaining price and occupancy information on the South Coast lodging industry for the last 20 years. Consequently, we have built a very long and extensive database on ADRs (average daily rates), rates of utilization (occupancy), the hotel inventory, and the total numbers of transient rooms.

## Short Term Vacation Rental Price Survey

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The survey of STRs in the Santa Barbara area was conducted during the 2 week period of March 10 to 21, 2017. Consequently, the price information is extremely current. The following websites were used to obtain location and price information:

[www.VRBO.com](http://www.VRBO.com),  
[www.AirBnB.com](http://www.AirBnB.com),  
[www.ParadiseRetreats.com](http://www.ParadiseRetreats.com), and  
[www.VacationRentalsOfSantaBarbara.com](http://www.VacationRentalsOfSantaBarbara.com)

One prominent website not surveyed was [www.HomeAway.com](http://www.HomeAway.com) because the company recently purchased VRBO.com, and all HomeAway.com listings are now duplicated on the VRBO.com website.

Properties were selected by using each website's "property search" tool. The search criteria were City (for example: Santa Barbara), number of guests (for example: 2 or more), and dates of stay (see **Seasons** below).

The properties displayed on the search results were then reviewed. For VRBO.com, ParadiseRetreats.com, and VacationRentalsOfSantaBarbara.com, there is a "Rates" tab for each property. Using the Rates tab, we were able to obtain the nightly, weekly, and monthly rental rates per season. For the AirBnB.com website there was no Rates tab. As a result, we had to enter the dates for 9 separate date ranges and review a quote that showed the rental rate for each date range.

Location and price for a total of 150 STRS were obtained. Of this total, 94 were located in the City of Santa Barbara.

### STRs by Location

	<u>Total</u>	<u>In Beach Area</u>	<u>In Coastal Zone</u>
Carpinteria	15	15	14
Summerland	8	8	8
Montecito	33	17	16
Santa Barbara	94	34	22
Totals	150	74	60

## Seasons

For AirBnB.com, the following 9 date ranges were used for the search criteria dates:

SUMMER	FALL	WINTER
Nightly: 7/15 - 7/18	Nightly: 10/15 - 10/18	Nightly: 1/15 - 1/18
Weekly: 7/15 - 7/22	Weekly: 10/15 - 10/22	Weekly: 1/15 - 1/22
Monthly 7/15 - 8/14	Monthly 10/15 - 11/14	Monthly 1/15 - 2/14

For the comparison to hotels, it would have been appropriate to focus the survey on whole apartments since these would be most comparable to a hotel stay. However, there are few apartments in the population of properties that are listed on the rental websites. Consequently, we used whatever listings were available on the websites. The listings were focused on the entire property (home or apartment) and not a room within a property.

From the survey, we extracted the location of the property, the number of rooms in the property, and the rate per night for 1 to 6 nights, for 7 to 29 nights, and for 30+ nights. As discussed above, rates were obtained for:

Summer (during mid-July)  
Fall (during mid October)  
Winter (during mid-February)

Gathering this type of information enabled us to determine an average *seasonal* nightly rate per room for short term rental properties:

- 1) for the entire sample of 150 properties
- 2) for STRs in the City of Santa Barbara
- 3) within the coastal zone (or beach area) of Santa Barbara

### Overall average rate in 2017

The average cost of an STR property per night is \$524.92. The average number of bedrooms is 2.92. Consequently, the average price per room is

$$\$524.92 / 2.92 = \$179.77$$

This is the average rate over all seasons and for 1 to 6 nights.

The average rate per night per room for a week is \$154.54.  
 The average rate per night per room for 30 days or more is \$124.83

Seasonal Rates in 2017

Here are the average daily rates by season and length of stay

**All Properties in the Survey**

**Average Price Per Night per Property**

<u>Season</u>	<u>Length of Stay</u>		
	<u>1 to 6 nights</u>	<u>1 week</u>	<u>30+ days</u>
Winter	\$481	\$417	\$323
Summer	\$581	\$524	\$420
Fall	\$512	\$455	\$351
Average	\$525	\$451	\$365

**Average Price Per Night per Room**

<u>Season</u>	<u>Length of Stay</u>		
	<u>1 to 6 nights</u>	<u>1 week</u>	<u>30+ days</u>
Winter	\$165	\$139	\$111
Summer	\$199	\$173	\$144
Fall	\$175	\$152	\$120
Average	\$180	\$154	\$125

**Santa Barbara Only**

For strictly City of Santa Barbara located STRS, the average daily rates per room and per night are as follows:



	<u>Cost per Night</u>	<u>Cost per Room</u>
Summer	\$450	\$169
Fall	\$407	\$153
Winter	\$399	\$150
Average	\$419	\$157

Number in Sample=94

Avg # Rooms=2.7

### **Coastal Zone Properties**

For Beach area and Oceanfront properties, the average daily rates per room and per night are as follows

	<u>Cost per Night</u>	<u>Cost per Room</u>
Summer	\$660	\$213
Fall	\$567	\$191
Winter	\$507	\$171
Average	\$578	\$195

Number in Sample=60

Avg # Rooms=3.0

### **Santa Barbara City Coastal Zone**

For properties located in the Santa Barbara Coastal Zone, the average daily rates per room and per night are as follows:

	<u>Cost per Night</u>	<u>Cost per Room</u>
Summer	\$469	\$184
Fall	\$406	\$159
Winter	\$371	\$146
Average	\$415	\$163

Number in Sample=22

Avg # Rooms=2.6

## Montecito

For properties located in Montecito, the average daily rates per room and per night are as follows:

	<u>Cost per Night</u>	<u>Cost per Room</u>
Summer	\$818	\$248
Fall	\$686	\$208
Winter	\$618	\$187
Average	\$707	\$214

Number in Sample=33

Avg # Rooms=3.3

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## Carpinteria / Summerland

For properties located in the Carpinteria / Summerland area, the average daily rates per room and per night are as follows:

	<u>Cost per Night</u>	<u>Cost per Room</u>
Summer	\$808	\$235
Fall	\$720	\$210
Winter	\$639	\$186
Average	\$722	\$210

Number in Sample=23

Avg # Rooms=3.4

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## **Summary**

The average year around cost for an STR property in the Santa Barbara area per day is \$525. This is the cost for an entire home, condo, or apartment unit with 3 bedrooms.

The per bedroom rate is \$180 per night.

The average year around cost for an STR property in the City of Santa Barbara is \$419 per day. The average per bedroom rate is \$157. The average year around cost for an STR property in Montecito and Carpinteria / Summerland is \$707 and \$722 respectively. Per bedroom per night the rates for Montecito and Carpinteria are \$214 and \$210 respectively.

Year around or by season, STR rates per night and per bedroom are less expensive than STR rates in Montecito or Carpinterland / Summeland than in the City of Santa Barbara. There are more STR properties in Santa Barbara and there is more diversity in the type of units for rent.

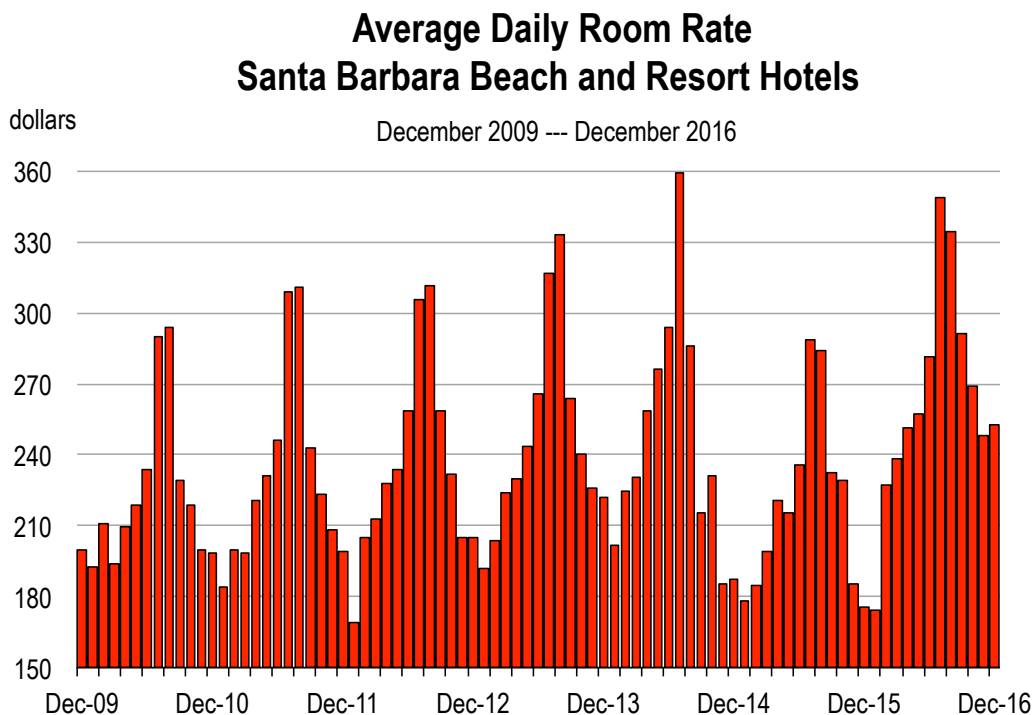
## Santa Barbara Lodging Rates (Formal Hotels & Motels)

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Room rates for lodging establishments in Santa Barbara have been gradually rising over time and the current average daily rate is at all time record highs. Data on room rates for all areas of Santa Barbara County are produced by PKF Consulting and distributed by Visit Santa Barbara.

We focus on the ADR (average daily rate) for Santa Barbara Beach hotels and separately for Santa Barbara hotels and motels located off the beach but within the city limits.

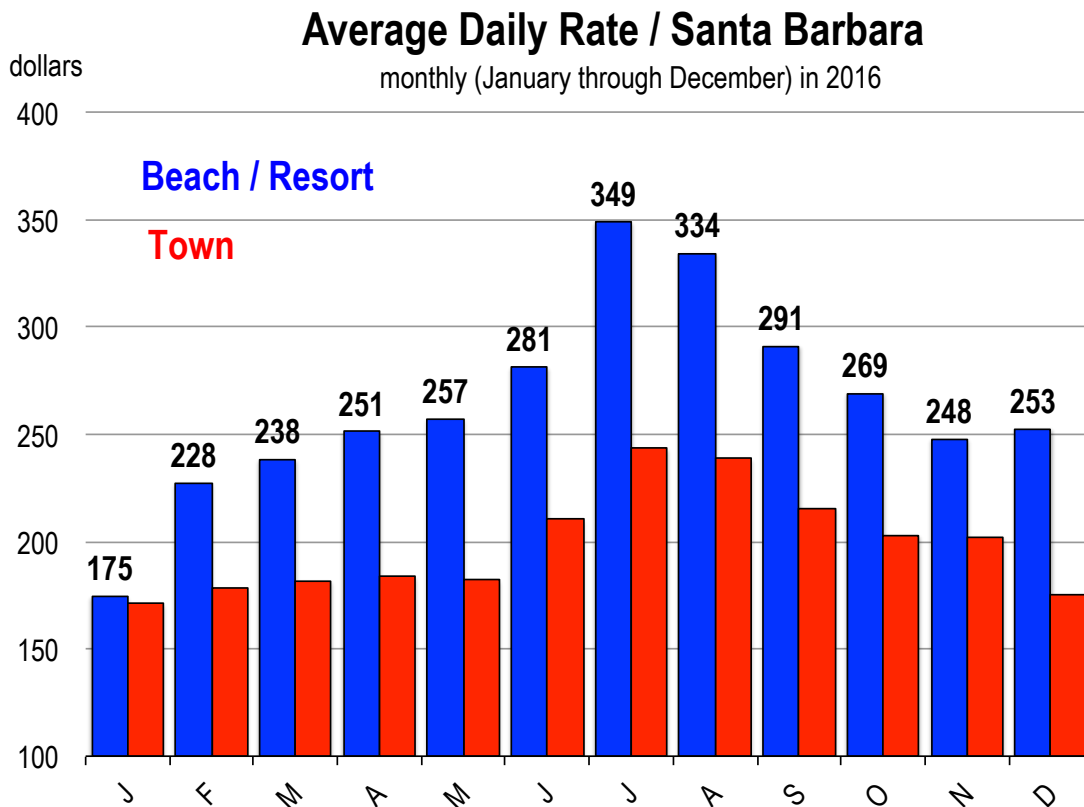
Rates (consistent with the behavior of STR rates over the year) are clearly seasonal, as demonstrated in the following chart.



The high point for the average daily rate came in 2014 when occupancy reached record levels, due in large part to particularly favorable weather in California combined with extraordinarily poor weather in much of the rest of the nation. Occupancy started to stabilize and even weaken in 2015 but it appears that hotels rapidly adjusted their prices to offset any occupancy declines. Demand strengthened in 2016 despite the stronger dollar, due to faster growing economies in the U.S., Canada, Europe, and Asia.

In order to untangle the seasonal volatility, a seasonal adjustment methodology is typically used to evaluate the price and occupancy series' transient lodging over time. However, that is not necessary for the purposes of this report. See Appendix A.

A close up of Santa Barbara hotel average daily rates is shown below by month for the 2016 calendar year, for Beach hotels and for In-Town hotels:



Last year, the July rates averaged \$349 per night. October rates averaged \$269 per night, and February rates averaged \$228 per night.

Now, if you compare with the STR survey above, all of these rates are significantly higher than the average rates per night per room for short term rentals.

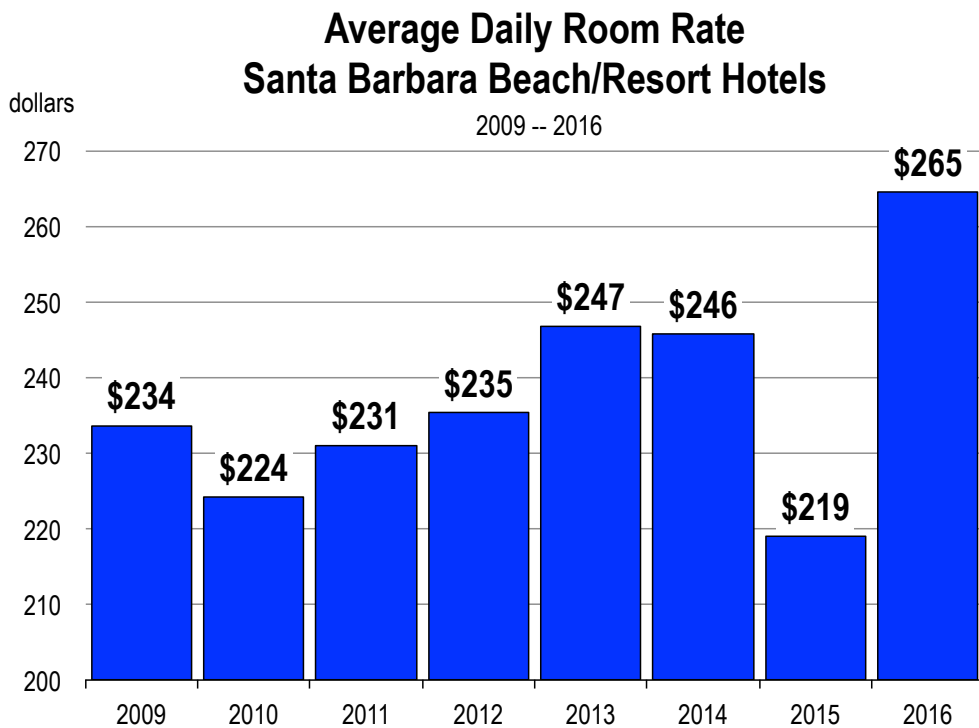
#### Comparison: Hotels and STRs

In a short term rental which in Santa Barbara is routinely a detached home, condominium or less frequently, an apartment, guests are able to lodge a family of 4

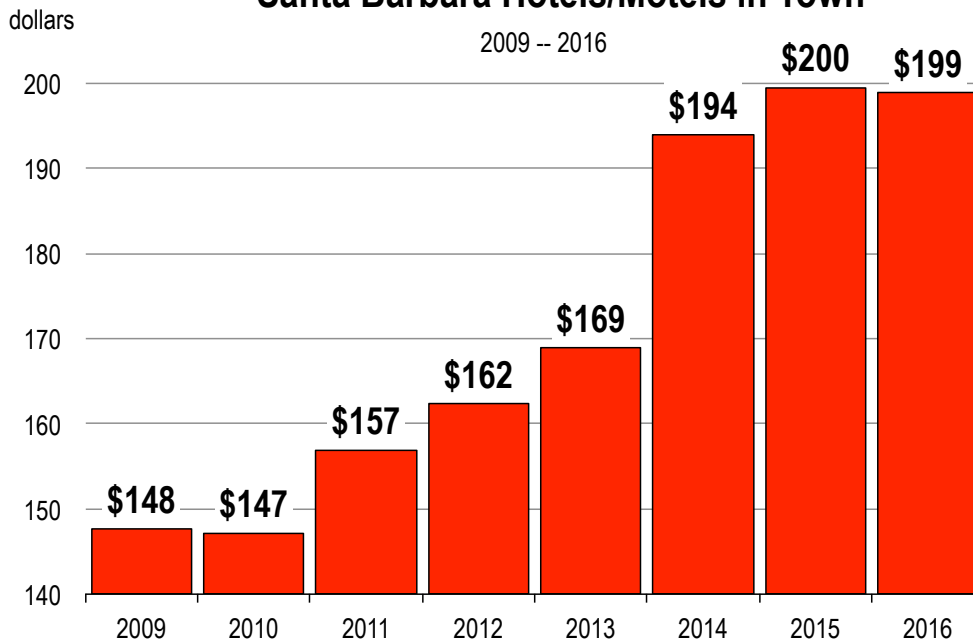
or more in a 2 or 3 bedroom home or apartment. And clearly, the rental rate is on average, lower than renting 2 or 3 rooms (or a suite) in a hotel. The STR will have additional living space including a kitchen, dining room, and more than one bathroom. It will also typically have laundry facilities, a garage or at least some free parking.

Daily rates are higher for the Beach Resort hotels, currently averaging \$265 per night for Beach area (or Coastal Zone) location, and \$199 per night for other hotels/motels in town.

Annual average rates are presented below for Santa Barbara beach area Hotels and In-town lodging facilities.



## Average Daily Room Rate Santa Barbara Hotels/Motels in Town



These rates are for a room in a hotel, featuring either a king or two queen beds. Basically the room is for 2 people but might be able to sleep a family of 4 under the best of conditions.

### **A Self Selected Survey of Hotels on Booking.com**

A sample of February and March rates for 30 selected hotels in the South Coast region are presented in the following table. This sample was obtained from Booking.com and the daily rate was collected for the most inexpensive room at the lodging facility for a weekday night: Wednesday of February 22, and March 22, 2017.

The average rate for these 30 hotels was \$268.70 for the March date.<sup>2</sup> Twenty of these hotels are located in the Coastal Zone. The average rate for Coastal Zone properties was actually less at \$235.45. This is because the Canary, El Encanto, and San Ysidro Ranch properties are not in the coastal zone and were therefore removed from the average. The average rate for Santa Barbara only based properties is \$230.30. What this selected survey indicates is that average hotel/motel rates for the most inexpensive option all exceed \$200 per night.

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<sup>2</sup> A similar sample was collected for 25 of the most affordable hotels for the same date. The average rate was \$116. None were in the coastal zone.

**Table 1: Lowest Hotel Prices for selected Santa Barbara area lodging for the Wednesday nights of February 22 and March 22, 2017\***

<u>Hotel Name</u>	<u>Best Overnight rate</u>	<u>Location</u>	<u>Type</u>
San Ysidro Ranch	945	Montecito	Resort
El Encanto	468	Santa Barbara	Resort
4 Seasons Biltmore	445	Montecito	Resort
Bacara	425	Goleta	Resort
Spanish Garden Inn	329	Santa Barbara	Hotel
Canary Hotel	302	Santa Barbara	Hotel
Harbor View Inn	250	Santa Barbara	Resort
Santa Barbara Inn	239	Santa Barbara	Resort
The Upham Hotel	232	Santa Barbara	Hotel
Courtyard Marriott	229	Goleta	Hotel
Hampton Inn	226	Goleta	Hotel
Double Tree	224	Santa Barbara	Resort
The Eagle Inn	220	Santa Barbara	Beach
Hotel Milo	219	Santa Barbara	Beach
Hotel Indigo	214	Santa Barbara	Beach
Pacifica Suites	209	Goleta	Hotel
Brisas Del Mar	199	Santa Barbara	Beach
Hotel Santa Barbara	189	Santa Barbara	Beach
The Wayfarer	189	Santa Barbara	Beach
Hyatt Centric	186	Santa Barbara	Beach
Montecito Inn	185	Santa Barbara	Hotel
Encina Lodge	179	Santa Barbara	Hotel
West Beach Inn	172	Santa Barbara	Beach
Beach House Inn	172	Santa Barbara	Beach
La Quinta Inn	169	Santa Barbara	Hotel
The Goodland	169	Goleta	Hotel

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\*on Booking.com. If this date was sold out, we queried the following Wednesday: March 1, 2017, or March 29, 2017. Many of these hotels have a variety of room sizes and amenities and therefore have much higher ADRs than presented here. Also, weekend rates are in nearly all cases, substantially higher. This is particularly true at the El Encanto, Biltmore, Bacara, Hyatt, and Double Tree.



## Summary of Hotel Costs in Santa Barbara

The average 2016 rate was \$265 for Beach properties and \$199 for in-town hotels.

The seasonal averages for formal Santa Barbara transient lodging are shown in the table below:

### January – December 2016 Actual Average Daily Rate Averages

<u>Season</u>	<u>Beach Hotels</u>	<u>In Town Hotels</u>
Winter	\$ 218.32	\$ 175.03
Spring	\$ 248.92	\$ 182.58
Summer	\$ 321.54	\$ 230.97
Fall	\$ 269.52	\$ 207.06
Annual Average	\$ 264.58	\$ 198.81

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Source: PKF Consulting through Visit Santa Barbara, March 2017

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## Some Additional Comparisons

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### **The Expense of South Coast Hotels are cited as a problem for Coastal Access**

It is important to note that a recent article in the Santa Barbara Independent reported on a UCLA study which found the average daily room rate for South Coast hotels among the highest in the state of California.<sup>3</sup> The UCLA study by Jon Christensen and Phillip King reported on the lack of affordable lodging options in coastal communities and how this impacts coastal access by Californians. The lack of affordable overnight accommodations was cited by 75 percent of Californians as a problem factor when visiting the coast.<sup>4</sup>

### **National Comparison of STR and Hotel rates**

The fact that STR rates are effectively lower than conventional hotel/motel room rates is not uncommon. There have been many comparison reports prepared on this subject, and all demonstrate that even in expensive cities like New York, Los Angeles, and San Francisco, entire short term rental homes cost less per night than a single room in a hotel.<sup>5</sup>

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<sup>3</sup> S.B. Hotel Room Rates Among Highest in CA, The Independent, February 10, 2017 edition, <http://www.independent.com/news/2017/feb/10/sb-hotel-room-rates-among-highest-ca/>

<sup>4</sup> Access for All, What the Coast Means to Californians, And how often they visit, by Jon Christensen, UCLA and Philip King, San Francisco State University, November 2016. <https://www.ioes.ucla.edu/coastal-access/>

<sup>5</sup> See for example: <https://qz.com/779121/airbnb-vs-hotel-cost-comparison-you-can-rent-an-entire-home-on-airbnb-for-the-price-of-a-hotel-room/>

Please see reference list for more comparison studies.

## Summary of Findings

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Short term rentals in Santa Barbara rent for an average rate of \$525 per night, and \$419 in the City of Santa Barbara. However, this average rate is associated with an entire 3 bedroom home or condo which includes kitchen facilities and parking, additional rooms and bathrooms and frequently, laundry facilities.

On a per room per night basis, short term rentals are significantly less than conventional hotels and motels in Santa Barbara and the Coastal Zone of Santa Barbara.

The average daily rate is lower for weekly stays in a short term rental whereas weekly stays in a conventional hotel generally offer no such discounts. On a per room basis for families or traveling groups, short term rentals provide a comparatively more affordable alternative to conventional lodging facilities in Santa Barbara including the Coastal Zone.

Season	January – December 2016 Actual Average Rates		2017 STR Rates*	
	Beach Hotels	In Town Hotels	Coastal Zone	In Town
Winter	\$ 218	\$ 175	\$ 145	\$ 154
Spring	\$ 249	\$ 183	NA	NA
Summer	\$ 322	\$ 231	\$ 184	\$ 168
Fall	\$ 270	\$ 207	\$ 159	\$ 153
Annual Average	\$ 265	\$ 199	\$ 163	\$ 156
percentage difference from Hotels/Motels			- 38%	- 22%

NA = not available

\* per room per night

Source: PKF Consulting through Visit Santa Barbara, and STR Survey, described above

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For a week stay, there is frequently no discount provided at hotels or resorts. But at STRs, surveyed rates clearly demonstrate the existence of a significant discount:

**2017 STR Rate Per Night for Stays  
of 1 night and for 7 nights or more**

	<u>For 1 night*</u>	<u>For 7 nights*</u>
Winter	\$165	\$139
Summer	\$199	\$173
Fall	\$175	\$152
Average	\$180	\$154

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\* per room per night  
Source: STR Survey, described above

## References

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Christensen, Jon, and Philip King, Access for All, A New Generation's Challenges on the California Coast, January 2017

<https://www.ioes.ucla.edu/coastal-access/>

Airbnb vs Hotels: A Price Comparison

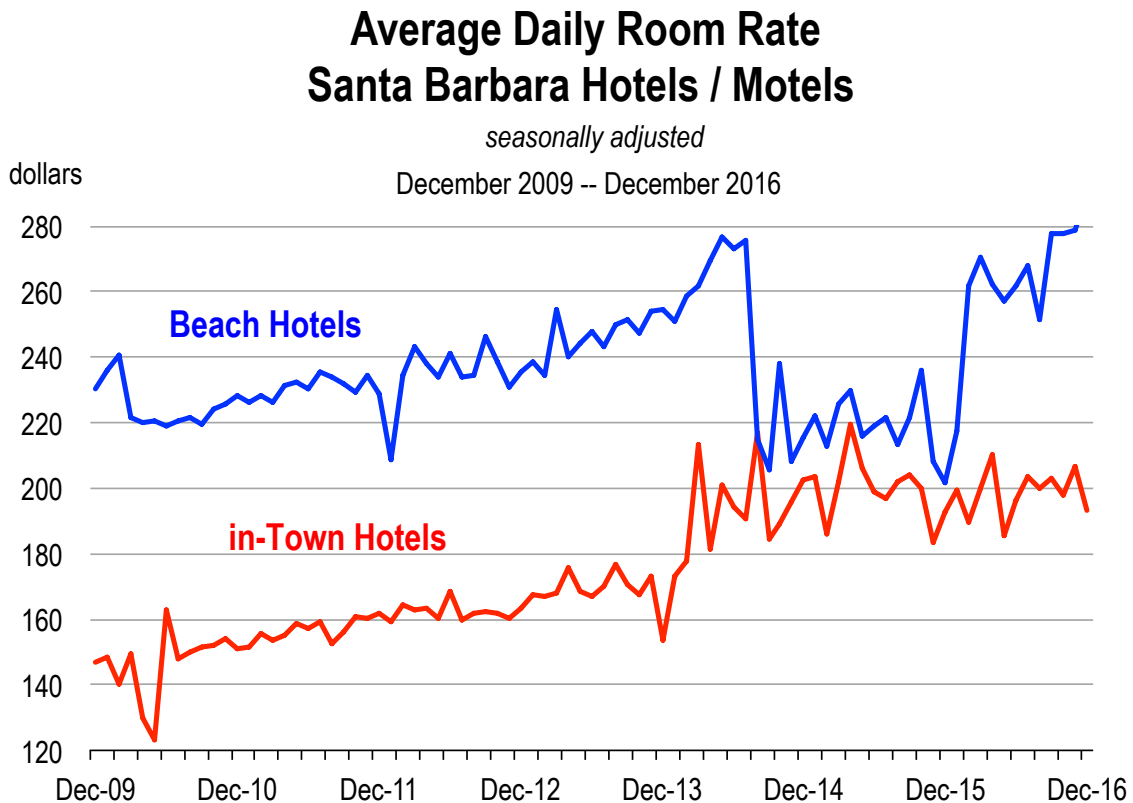
<https://priceconomics.com/hotels/>

Here's where it's cheaper to book an Airbnb over a hotel room

<http://www.businessinsider.com/is-it-cheaper-to-airbnb-or-get-a-hotel-2016-2>

## Appendix A

The convention for evaluating average daily room rates over time is to apply a seasonal adjustment factor to produce a more smoothed series. This is a standard statistical approach used when the data series being analyzed exhibits significant seasonal volatility.



When seasonal adjustment is executed properly, the series appears more stable and therefore readable and assessable over time. Note with seasonal adjustment the Beach hotel series does take a dip in late 2014 extending through to November of 2015. We did notice that the average hotel prices were lower during this time period than in past years. This may have been a reporting error on the part of PKF consulting, the source of this information. Alternatively, because occupancy was starting to slip for the most expensive lodging facilities in town at that time, this may have been a more competitive period for local hotels to maintain higher rates of occupancy. During 2015, this was the only period in time in which In-Town Santa Barbara average occupancy was greater than Beach/Resort Hotel average occupancy, over the last 5 years.