Economic Contribution of the Short-Term Rentals (STR) Offer in Mexico

The Competitive Intelligence Unit

* The information and estimates for this analysis were obtained from STR supply and demand surveys conducted by The CIU, data provided by Airbnb, statistics from AirDNA website, INEGI, SECTUR-DataTur, Clearpath Strategies, and Ipsos.
EXECUTIVE SUMMARY

Supply and demand of tourist accommodations have evolved. Today, there is a diversity of alternatives available for national and international travelers of different ages and budget availability.

Short-term rentals (STR) have emerged as a new option for the growing preference of travelers for accommodation offers that meet their needs and profiles (product-market fit), that provide security and support while traveling, with the availability of spaces in unique locations, and that allows an immediate integration of service improvements.

This characterization and differentiation are the strength of STR and enables supply competitiveness with respect to existing traditional alternatives.

The technological evolution has allowed available untapped assets to generate rent or income generated from their use. These spaces serve the specific needs of travelers, for example, those who travel in groups or with extended family and seek to share a unique space, as well as those who want to feel at home while being tourists for a night or a weekend.

These types of traveler profiles are now served by digital platforms that enable the provision of STR accommodation.

STR Supply: Availability of Accommodation Units

In Mexico, the availability of traditional hotel accommodations throughout the country reached 836,300 rooms (71.7% of the total accommodation units), a growth of 20.8% compared to 2014, when the registered available capacity was 692,351 rooms.

This shows that the traditional hospitality segment has continued to grow, despite the accelerated growth dynamics in the supply of STR, which recorded an estimated availability of 329,541 units (28.3% of the total)\(^1\) compared to 12,704 STR units in 2014.

---

\(^1\) This figure considers STR listings, for example, a house may be listed as a complete house and at the same time its individual rooms may be advertised independently, resulting in several STR listings for the same property. In addition to the fact that the same property can be listed on several platforms at the same time. Therefore, the number of STR listings is not representative of the universe of properties that are being offered as STR.
Thanks to this growth in STR offer in Mexico, approximately 160 thousand families have been able to initiate a business and earn an income.

A key difference between the two types of accommodation units, which is worth highlighting, is that while the traditional offer (hotels) is available all year round (365 days), in STR’s case, sometimes they are only active on weekends or dates determined by the hosts.

**Occupation of Accommodation Units**

Considering that, on average, STR units consist of more than one room, the increase in the supply of accommodation spaces in the country is greater and, particularly, more diverse. We estimate that occupancy would increase by 16.8 million nights or 9.8% of the total during 2021, based on the offer of these accommodation alternatives.²

In other words, national occupancy corresponding to STR, measured by occupied room nights, would be an estimate of 9.8% of the total in 2021, considering the available offer in all platforms. This can be interpreted as their effective market share in terms of occupancy of available accommodation space for travelers.

---

² Using the average number of rooms per STR units, we calculated the equivalence between STR nights and estimated hotel occupancy for 2021.
Another element that illustrates the complementariness of STR is that by adding accommodation units at attractive prices, which enable travel opportunities for Mexicans, the occupancy of the hotel offer has not been impacted downward, even despite increasing its room availability.

Before the COVID-19 pandemic (2020), hotel occupancy registered an upward trajectory, going from a 57.2% in 2014 to 61.5% occupancy rate in 2019, and already envisions a recovery by June 2021 (45.5%).
The affordability, diversification, and wide availability of STR enable an alternative solution for travelers in the Mexican tourism market, serving various demand segments, both domestic and international. Hence, it is complementary with the traditional accommodation offer and, consequently, altogether increases both availability and room occupancy.

**Diversification of Touristic Destinations**

STR offer has significantly contributed to the diversification of tourist alternatives, especially in areas of difficult access, where traditional players have no reach. Likewise, the segment of travelers seeking enriched experiences in unique destinations immersed in nature now enjoys an offer that provides this variety and availability of spaces.

This way, STR have become a catalyst for tourism activity in those states with a low flow of tourists. The most outstanding cases are Colima, Morelos, Tabasco and Yucatán. These states are among the top 10 with the lowest tourist arrivals but register a higher proportion of STR among
the total number of tourist accommodation alternatives. This circumstance has boosted the tourism sector and local economies of those entities.

Affordability and Democratization of Tourism

A survey conducted by The Competitive Intelligence Unit (The CIU) found that in the last year, the preference for STR increased, as 18.1% chose to stay in apartments, entire homes, or unique stays available through these digital platforms, while before the pandemic this ratio was 14.9%.

For travelers that opt for a STR, one of the main drivers for their choice of accommodation alternative is the possibility of saving money (54.1%). At the same time, 82.1% of STR guests say that they have saved money by staying there.

We estimate that the average rate per night in a STR room is 40% lower than that of the same space offered by traditional players, at $995 pesos the former versus $1,661 pesos the latter, including taxes, complying both with their fiscal obligations.

In the case of hotel establishments, the higher price derives from the fact that additional services are provided besides accommodation, such as food and beverages prepared in the room, guest reception, restaurant and bar, swimming pool and gym, among others.

This evidence confirms that, on average, travelers can effectively find lower prices in the alternatives offered through digital platforms, opening the possibility for a growing number of persons to travel within the country.

In other words, STR offer democratizes tourism for Mexicans.

Revenues Generation and Employment Creation

We estimate that, in 2021, STR offer will generate revenues of $16,691 million pesos, 34.3% more than in 2020. This figure includes not only the commissions that hosts pay to the platforms, but also the revenues that hosts generate for themselves for sharing their spaces, considering the available offer on STR platforms.

3 The CIU (2021). STR Demand Survey.
4 This calculation is based on information from the Tourism Satellite Account (Cuenta Satélite de Turismo), surveys carried out by The CIU to STR hosts and travelers, considering an average of hotel and STR rooms rates (including those with more than one room).
5 This calculation includes revenue generation for hosts and STR platforms considering a total market of four main competitors (Airbnb, Vrbo (Expedia), Booking, and TripAdvisor) and a diversity of other digital platforms.
The Competitive Intelligence Unit (The CIU), through a STR Host Survey, measured the employment effect of this economic activity, a positive circumstance that generates dynamism for local economies as part of the tourism sector at the national level.\(^6\)

In this regard, we identified that 25.8\% of STR employs workers to operate their accommodation, a fact that can be explained by the specialization of this service and the quality required to provide it.

According to estimates based on figures from the 2019 Tourism Satellite Account published by INEGI along with the Ministry of Tourism (Secretaría de Turismo), in Mexico, STR denominated as vacation home-owned accommodations will generate 31,563 paid occupied jobs in 2021, a figure that represents a 15.8\% share of total employment dedicated to traveler accommodation services.\(^7\)

However, an extended calculation of individuals earning income and employment from STR offer would result in individual paid opportunities of around 192,000 hosts and employed persons.

Lastly, the survey showed that hosts spend 22.7\% of their income on paying these employees. This figure represents an absolute payroll of around $976.5 million pesos.

STR offer has emerged as a relevant local labor demand force in the tourism sector, with the potential to improve workers' conditions by generating greater employment alternatives and thus increasing their bargaining power and consequent wage increases or improvements to their benefits.

### Spillover to Other Productive Sectors and Aggregate Economic Contribution

One distinctive feature of STR service is that its economic spillover reaches small businesses and sectors of the economy which are not usually benefited by the traditional offer, for example, restaurants, transportation, and entertainment, among others.

The main sector benefiting from the indirect economic spillover generated by STR offer is the food and beverage preparation service (restaurants), with an estimated revenue generation of $35.010 billion pesos or 44.8\% of total expenses of guests in 2021. Similarly, the transportation sector shall also be another sector with a significant share in the revenue pie, for which we have a projection of $12.477 billion pesos (16.0\% of the total) for the same year.

---

\(^6\) The CIU (2021). STR Hosts Survey.

On the other hand, the entertainment sector will increase economic spillover by approximately $10.118 billion pesos (12.9%), derived from local consumption in economic units such as movie theaters, tourist attractions, museums, and theaters, among others.

Finally, shopping and groceries purchases shall indirectly disseminate benefits of an estimate of $15.846 billion pesos (20.3% of the total), with other expenses accounting an approximate of $4.686 billion pesos or 6.0% of the total amount spent by travelers.

The aggregate contributions of STR offer would be an estimated amount of $95,806 million pesos in 2021, which includes the indirect economic spillover ($78,138 million pesos), the payroll from employment generated ($976.5 million pesos), and the direct contribution to national production derived from revenues generation of the STR offer ($16,691 million pesos).

All the previously illustrated concepts account for direct and indirect impacts on the dynamics of the tourism sector, local economies, and the national productive system; as STR generates employment, investment resources, expense on goods and services, tax revenues and, consequently, is a catalyst for Mexico's economic growth and development.
Prospective Growth and Diversification of Accommodation Preferences

The pandemic transformed the daily lives of the world's population, which in turn impacted the habits of travelers and the offer of accommodation within the tourism industry. This was mainly reflected in a reduction in the number of trips made and, consequently, in the occupancy of accommodation units. However, as time goes by and with the gradual recovery from the health crisis, individuals have started to return to their travel and accommodation habits in all their forms.

As a result, we expect an increase in the probability of going on a trip, with 57.9% of travelers planning to travel during 2021. At the same time, their accommodation preferences will diversify in line with the attributes desired by each person.

STR register an increase in their preference in recent years, such that in the last year, 18.1% chose to stay in apartments, entire houses, or unique accommodations available through these digital platforms. Before the pandemic, this ratio was 14.9%. In 2021, the aggregate probability of these three types of accommodation alternatives shall be 25.6%.8

Certainly, STR are and have been a solution to travelers’ needs in pandemic times, while at the same time benefiting the reactivation of domestic tourism in small towns and cities, as well as in less crowded and nature destinations.

Their offer is differentiated, allowing travelers to obtain enriched experiences of the tourist destination to which they travel. By expanding the offer and diversifying accommodation alternatives, STR contribute to the four key targets for the tourism sector, namely: "a social and human rights respect approach in the country's tourism activity; promoting the balanced development of Mexico's tourism destinations; strengthening the diversification of tourism markets at domestic and international levels; and fostering sustainable tourism across Mexican territory".9

---

8 The CIU (2021), STR Demand Survey.

## CONTENTS

1. Introduction: Potential Benefits Generated by STR Offer  
2. Attributes of STR Offer in Digital Platforms  
   2.1. Affordable Alternatives and Product-Market Fit for Consumers  
   2.1.1. Touristic Consumption and Accommodation Demand  
   2.1.2. Preference for Short Term Rentals (STR)  
   2.1.3. Affordability and Democratization of Tourism  
   2.2. Reputation Systems and Security Guaranties for Travelers  
   2.3. Diversification of Touristic Destinations  
   2.4. Enriched Touristic Experiences  
   2.4.1. Recommendations for Travelers  
   2.4.2. Feedback and Adjustments to Satisfy Travelers' Needs  
3. Economic Contribution of STR Offer  
   3.1. Market Creation: STR Offer, Complementarity and Tourism Diversification  
   3.1.1. STR Offer: Availability of Accommodation Units  
   3.1.2. Complementarity in Accommodation Offer: Occupation of Spaces  
   3.1.3. Diversification of Touristic Alternatives  
   3.2. Employment Creation and Promotion for Micro-Enterprises  
   3.3. Spillover to Other Productive Sectors  
   3.4. Aggregate Contribution to the National Productive Apparatus  
4. The Role of STR Digital Platforms for Tourism Destination Reactivation: Prospective Growth and Diversification of Accommodation Preferences  
   4.1. Dynamics of the Demand for STR Alternatives during the Pandemic  
   4.2. Prospective and Adoption Perception  
5. General Conclusions  
6. References
1. **Introduction: Potential Benefits Generated by STR Offer**

The purpose of this document is to measure and dimension the economic impact of short-term rentals (STR) offer in Mexico. We prepared three chapters where we present various statistics and numerical analyses to provide insight of the dynamics through which STR platforms contribute to the domestic productive apparatus and, particularly, to the tourism sector.

Chapter 2 describes how STR offer through digital platforms and the use of private property grant travelers the ability to access differentiated travel and accommodation experiences. This stems from the adaptation of STR to these preferences with characteristics that enhance tourism, a key sector for the Mexican economy.

Once the contribution to and complementarity with tourism offer is known, chapter three represents a comprehensive effort to determine the economic phenomena on which STR offer has an impact, ranging from job creation and the promotion of micro-companies to the economic spillover to other productive sectors that spurs the development of local communities. To this end, we determined and estimated the value chain of the market, as well as the indirect impact to others which its related, aiming to obtain the aggregate economic contribution of STR offer.

The last and fourth section represents a recognition of the impacts of the health crisis caused by the SARS-CoV-2 virus on the tourism sector while pointing out the crucial role played by digital platforms in the reactivation of tourism activities. These and the specific characteristics of STR accommodation prevented the total cessation of the tourism sector and represent, as integral and unique spaces, the leverage factor for the sector.
2. Attributes of STR Offer in Digital Platforms

Supply and demand of tourist accommodation have evolved, today there is a diversity of alternatives available for distinct types of domestic and international travelers of different ages and budget availability. For example, those looking for more local experiences at affordable prices that differ from the traditional accommodation offer.

Short-term rentals (STR) have emerged as an option to this growing preference of travelers, as they are a more affordable offer that adjusts to the needs and profile of the guests (product-market fit), that offers security and travel support, with availability of spaces in unique locations and that allow for the immediate incorporation of service improvements.

This characterization and differentiation are the strength of STR and enables them to compete with traditional alternatives.

2.1. Affordable Alternatives and Product-Market Fit for Consumers

2.1.1. Touristic Consumption and Accommodation Demand

In recent years, the diversification of accommodation alternatives for travelers has allowed the trajectory of tourism consumption across Mexico to rise until before the pandemic and economic crisis. This emerges as a result of finding affordable offers, enriched and different experiences, available in a plurality of destinations, beyond the traditional ones.

Figure 1 shows how tourism consumption sustained positive growth rates between 2016 and 2019, reaching a quarterly average of 2.7%. However, the pandemic caused an interruption to this evolution, registering a drop since the second quarter of 2020. This graph illustrates how the crisis has significantly impacted the tourism sector, but that it has the potential to recover its previous trend, based on the offer conditions described above.
In the trajectory registered between 2016 and 2019, tourism consumption proved to be procyclical, this means that it has grown more than the economy measured through the Gross Domestic Product (GDP). Even during 2019 was countercyclical, by registering positive growth levels that year. At the same time, it has been an accelerator for the dynamism of the domestic productive apparatus.

In 2020, tourism consumption was significantly impacted by the cessation of travel, the contraction in consumption overall and the social and economic paralysis. The expectative is that, as of this first pandemic year, the tourism sector will be the buffer and accelerator of the dynamism of the Mexican economy, despite continuing on its downward trajectory during the first quarter of 2021.

---

However, the domestic traveler represents more than 70% of tourists\textsuperscript{11}, thus, the reactivation of the domestic tourism sector will depend on their normalization of travel habits. Between January and June 2019, a total of 29.4 million domestic tourists were registered, while, during the same period of 2020, it was only 13.9 million, and in 2021 raised to 19.3 million. The latter is an indication of the beginning of the recovery of the flow of domestic tourists.

Figure 2. Domestic and International Tourists in Mexico
(Millions and Domestic Tourists as Proportion of the Total, %)

\hspace{1cm}

(*) Figures as of the second quarter

\textbf{Source: Prepared by The Competitive Intelligence Unit with information of INEGI, 2021}\textsuperscript{12}

The arrival of international tourists demonstrates the relevance and preference that the domestic touristic offer has. As shown in Figure 3, it reached its record in December 2019 with around 4.7 million individuals and has embarked on a recovery trajectory since April 2020, to reach a total of 3.1 million in June 2021. This is mainly explained by the travelers' search for new destinations and the preference for a more economical and family-oriented tourism.

\textsuperscript{11} DataTur, 2019 Statistical Compendium of Tourism in Mexico (\textit{Compendio Estadístico del Turismo en México 2019}). Available at: https://bit.ly/3zp9kmV

\textsuperscript{12} DataTur (2021). Tourist Activity Results June 2021. Available at: https://bit.ly/2UN5AMI
Hence, the aggregate demand of domestic plus foreign travelers peaked at 85.3 million during 2019 but stood at 26.3 million as of the end of the second quarter of 2021. It is precisely this volume of travelers who demand affordable and unique alternatives in their travel experiences.

The proliferation of accommodation alternatives, their affordability, as well as the offer of enriched experiences have the potential to leverage the recovery of both the number of travelers and domestic tourism consumption, and consequently the growth of the domestic productive apparatus, due to the importance of this sector for the economy as a whole.

2.1.2. Preference for Short Term Rentals (STR)

Among the main factors that will trigger this reactivation in the tourism sector, it is worth highlighting the innovations and entrepreneurship in the tourism sector, which have been precipitated by the launch and incorporation of digital platforms in the accommodation services for travelers.

Specifically, the provision of Short-Term Rentals (STR) through apps or digital platforms such as Airbnb, Vrbo, Booking, TripAdvisor, among others, has created a new accommodation offer
that complements the traditional one. This innovation allows the creation of ventures where the property serves as the main capital asset, which is offered to domestic and international travelers as an alternative accommodation.

The offer of these services matches a new traveler profile, for example, those who seek to travel with their family, visit unique destinations, feel part of the communities they travel to, among other differentiated experiences. In Mexico, the so-called Pueblos Mágicos (Magic Towns) have become desirable destinations based on STR offer.

A survey conducted by The Competitive Intelligence Unit (The CIU) found that 22.3% of travelers booked their accommodation via websites or apps in their last trip. Likewise, in the last year the preference for STR increased, with 18.1% of travelers choosing to stay in apartments, entire houses or unique accommodations available through these digital media, while prior to the pandemic this ratio was 14.9%. ¹³

It is precisely this segment of travelers that has supported the demand growth for unique tourist destinations, such as Pueblos Mágicos or small towns, which hold the first place in preference among the most visited touristic destinations with a proportion of 56.3% of all tourists. Also, it was found that 53.6% look for popular beaches and only 5.2% look for remote or non-popular beaches, however, STR offer is present in both.

¹³ The CIU (2021). STR Demand Survey.
STR offer has been responsive to demand for tourist destinations. There has been an increased predilection for destinations not commonly served by traditional players, for example, those of nature or natural reserves (5.5% of total travelers). This contributes to a greater availability of accommodations for travelers that is complementary to what is offered through traditional channels.

2.1.3. Affordability and Democratization of Tourism

For travelers who choose a STR, one of the main reasons for choosing their accommodation alternative is the possibility of saving money (54.1%), but also that its location is convenient (35.1%), that it is comfortable (29.7%), that it is located outside a tourist area (18.9%) and that it offers the possibility of sharing a space with the family (18.9%), among others. Figure 5 shows the main reasons for travelers who choose to stay in a STR when deciding on accommodation.
Precisely, the price of the accommodation is the priority factor when choosing STR alternatives, an element that is effectively satisfied by this type of offer, such that 82.1% of STR guests state that they have saved money by staying in this type of accommodation.

We estimate that the average rate per night in a room in a STR is 40% lower than that of the same space offered by traditional players, at $995 pesos in the former versus $1,661 pesos in the latter, including taxes, as shown in Figure 6.¹⁴

In the case of hotel establishments, the higher price derives from the fact that additional services are provided in addition to accommodation, such as prepared food and beverages delivered to the room, guest reception, restaurant and bar, swimming pool, and gym, among others.

¹⁴ This calculation is based on information from the Tourism Satellite Account (Cuenta Satelíte de Turismo), surveys carried out by The CIU to STR hosts and travelers, considering an average of hotel and STR rooms rates (including those with more than one room).
This shows that, on average, travelers can effectively find lower prices in the alternatives offered through digital platforms, allowing for a growing number of the population to travel within the country. In other words, STR offer democratizes tourism for Mexicans.

Figure 6. Room Rate in Traditional and STR Accommodations
(Pesos per Night, Include Taxes)

Source: The Competitive Intelligence Unit, 2021

The opportunity for STR to meet the travelers’ demands is unbeatable, providing them with a unique experience for their money (value for money) and enabling a growing proportion of the population to find affordable travel options.

2.2. Reputation Systems and Security Guarantees for Travelers

Both traditional accommodation and STR provide security guarantees that grant certainty to their guests about the conditions of the service they will receive during their stay. This is possible through different actions, for example, both types of accommodation comply with local safety regulations regarding civil protection within their facilities, but STRs have insurance coverage and support for travelers.
Traditional accommodations generally have an infrastructure that provides certainty about the conditions of service, regardless of location, size or services included. In contrast, STR demanders do not know the specific characteristics of each specific listing.

To counteract this, STR platforms provide a reputation system where hosts are rated for the quality of service offered to previous guests, allowing users to make confident decisions that the service hired will be optimal and safe. At the same time, it allows them to find descriptions and overall satisfaction levels about the accommodation that might otherwise have been missed. In this way, more information about the quality of the listing is provided.

For example, Airbnb platform offers security guarantees for guests including: verification of host identity, accuracy of photos, addresses and details listed, as well as the quality standards offered. If these standards are not met, they make a reservation for another accommodation of equal or greater value, or they refund 100% of the cost of the accommodation. In addition, they have a direct telephone line to communicate with a representative at any time and place, if required.

At the same time, STR platforms offer insurance through risk detection, with predictive and machine learning systems to assess incidents immediately, priority watch lists, payment security, account protection and fraud prevention.

Security guarantees and safeguards in STR platforms are highly valued by consumers, since for 7 out of 10 travelers, security is a key factor when choosing accommodation. Also, 68% consider that STR are safe for tourists; this circumstance reinforces the preference for these platforms.

References:


17 Airbnb (2020). "Your safety is our priority." Available at: https://bit.ly/3iAkD5K

18 Clearpath Strategies (2021). Promoting Airbnb while navigating a risky regulatory environment.

In this way, STR offer has protection measures that favor its predilection, while providing security and confidence by supporting the service through effective actions for both travelers and service providers.

2.3. DIVERSIFICATION OF TOURISTIC DESTINATIONS

In economic theory, the arrival of a greater number of competitors to a market generates a competitive dynamism that generally translates into an increase in the quality of the good or service and/or a decrease in market prices benefitting the consumer. In this sense, STR’s growing dynamism and diversification has generated greater availability and competition in the tourist accommodation market within communities, towns, municipalities, and states throughout Mexico.

All the above-mentioned leads to a growing and dynamic offer that serves any traveler profile in different destinations in the country, which consequently translates into a greater exchange of tourism services within states or localities that usually lacked traditional accommodation infrastructure and can now participate directly in the market. This circumstance results in a scenario of greater competition in the quality of services and more affordable prices.

In this regard, according to the Statistical Directory of Economic Units (Directorio Estadístico de Unidades Económicas, DENUE 2020-2021) prepared by INEGI, STR are present in 92 of the 132 Pueblos Mágicos in Mexico, this is, in 69.7% of them. As a result, tourism activity in these localities has gained relevance and preference, which has triggered investment and employment that translates into greater welfare for the inhabitants of these communities.

On the other hand, STR offer has significantly contributed to the diversification of tourist alternatives, especially in those areas of difficult access, where traditional players have no reach. Likewise, the travelers segment seeking enriched experiences, in unique destinations immersed

---

in nature, now enjoy an offer that provides this variety and availability of accommodation alternatives.

**Figure 7. Availability of Short-Term Rentals by State (2021)**

(Proportion of Total Available Accommodation Units, %)

Source: Prepared by The Competitive Intelligence Unit based of information of DENUE (INEGI) 2020-2021

The STR offer available on digital platforms represents a catalog of options that compete between them, a circumstance that favors quality over quantity, as transactions are only successful when they match the specific requirements of each traveler. This means that its business model is based on the offer of unique spaces offered by individuals, which evidences
its high degree of competitiveness with other accommodation alternatives and within this market itself.

Figure 7 shows the availability of STR as a proportion of the total accommodation offer in Mexico’s 32 states. These data show the tourism accommodation offer composition per state and the consequent competitive dynamics within them. Accordingly, they can be classified into 3 large groups:

A) **States with High Tourism Competitiveness (8 of 32):** Chiapas (29.3%), State of Mexico (28.9%), Yucatan (28.2%), Oaxaca (22.9%), Sonora (21.9%), Morelos (21.2%), Colima (20.8%), and Tabasco (20.4%).

B) **States with Medium Tourism Competitiveness (12 of 32):** Nayarit (18.0%), Campeche (17.4%), San Luis Potosí (16.9%), Jalisco (16.5%), Guanajuato (15.9%), Veracruz (15.8%), Zacatecas (15.5%), Puebla (15.5%), Hidalgo (15.3%), Michoacán (14.2%), Aguascalientes (14.2%), and Querétaro (14.1%).

C) **States with Low Tourism Competitiveness (12 of 32):** Mexico City (13.2%), Guerrero (12.3%), Durango (12.3%), Quintana Roo (12.3%), Baja California Sur (11.8%), Chihuahua (11.6%), Coahuila (10.7%), Baja California (9.4%), Tlaxcala (9.0%), Tamaulipas (8.9%), and Nuevo León (8.0%).

It is worth noting that STR have become a catalyst for tourism activity in those states with lower flow of tourists. The most outstanding cases are Colima, Morelos, Tabasco and Yucatán, states that are among the first 10 with lower tourist arrivals but that register a higher proportion of STR among the total number of tourist accommodation alternatives, a circumstance that has boosted the tourism sector and the local economies of those entities.

Another effect of the competitiveness generated by STR offer is the price competition generated by the diversity of accommodations. This is especially palpable in entities where there is a high proportion of STR, such that the offer is segmented among a large number of players. As a result, the traditional accommodation offer is prompted to enter into this process of providing better services at better prices as well.
The diversification of the tourism footprint derived from STR offer allows domestic and international travelers to have unique experiences in destinations where traditional players had no reach. The aforementioned enables tourism development in areas where previously this possibility did not exist. Additionally, STR offer is provided over infrastructure with lower ecological and environmental impact in natural areas and low urban development, which allows travelers to have environmentally friendly experiences that provide economic value and sustainable development in local communities.

The above stated is confirmed in the survey conducted by The CIU to STR Hosts by identifying which are the main characteristics that make their accommodation competitive. In this regard, 35.6% mention that the quality/price ratio is their main competitive advantage, while 18.5% say that the location of their accommodation is their most outstanding feature. Finally, 1 out of 5 hosts mentioned that their accommodation is competitive because of the size or number of rooms available, ideal for families or travel groups, a market niche effectively served in this offer segment.21

### 2.4. Enriched Touristic Experiences

The "enriched experience" concept refers to the value added that staying in a STR has for travelers. An added value is to be able to interact in the community being visited in new ways, learning about unfamiliar places, events or activities, and to do so, the recommendations of the owners of STR can be useful to guests.

#### 2.4.1. Recommendations for Travelers

Figure 8 shows the recommendations that travelers tend to receive, according to a survey conducted by The CIU with STR guests. Among these, 45% mention restaurants and cafes, 21% cultural activities or sites (museums), 17% areas little known by tourists, 12% shops/boutiques and the remaining 5% outdoor activities. Figure 9 shows that travelers who follow these recommendations mostly tend to visit restaurants and cafes (61%).

---

This type of interaction in the visited communities generates a sense of closeness between travelers and the local community for 48% of travelers\textsuperscript{22}, which is evidence that enriched experiences are accessible via STR offer. Additionally, guests of these alternatives benefit from zero discrimination campaigns that 79% of hosts are part of to offer safe spaces for everybody. \textsuperscript{23}

\subsection*{2.4.2. Feedback and Adjustments to Satisfy Travelers' Needs}

In STR offered by individuals on various online platforms, user feedback translates into improvements to the services offered. The survey conducted by The CIU found that 95% of STR hosts claim to make improvements or changes to their units and amenities offered based on users’ feedback. It also shows that, of the revenues obtained in 2020, an average of 38% of them

\textsuperscript{22} Clearpath Strategies (2021). "Promoting Airbnb while navigating a risky regulatory environment."

\textsuperscript{23} The CIU (2021). STR Host Survey.
were reinvested and 6 out of 10 reinvested between 20 and 40% to improve their STR offerings as illustrated in Figure 10.

![Figure 10. STR Revenues Reinvestment (Proportion of Total Hosts, %)](image)

We could affirm that as these are enriched experiences, where services and spaces compete one-on-one with a broad STR offering, STR hosts reinvest their revenues in improvements to keep their offer in line with guests' needs and requirements.

Given the circumstances, the proliferation of more affordable STR alternatives for the consumer, which adjust to the preferences of guests (product-market fit), that offer security and support to travelers, with availability of spaces in unique destinations and that allow for the immediate adaptation of service improvements are the main differentiators and advantages of this type of offerings that enable them to compete with other players.

As well, these elements of STR offer reduce entry barriers and information asymmetries for travelers, while at the same time stimulate competition among players (none with market power to affect overall prices). This favors an offer that is better suited to the specific needs of a demand that is in search of greater value added and affordable prices.
3. Economic Contribution of STR Offer

STR platforms are increasingly contributing to the tourism sector worldwide and are acting as the driving force for the recovery of this economic activity in the face of the global health crisis, as will be shown throughout this chapter. This is achieved by allowing hosts to offer a service that generates value through assets that satisfy a demand for accommodation.

This is how the STR offer has expanded the value chain of tourism activity in Mexico, while boosting the growth of the economy as a whole. The tourism sector contributed 8.7% of the total domestic GDP during 2019, providing close to $2 trillion pesos. This figure is similar to that generated by economic activities such as the food industry, transportation equipment manufactures, and those related to the construction of civil engineering works, as a whole.\(^\text{24}\)

As these platforms are a driver for this key sector of the Mexican economy, it is crucial to measure their contribution and direct and indirect impacts on the domestic productive apparatus. Therefore, this section will aim to measure the economic contribution of STR offer in Mexico.

To achieve the above mentioned, various aspects of the market value chain will be analyzed, from the generation of revenues, the remuneration resulting from the employment of people in the tourism sector, to its their spillover to other productive sectors, such as restaurants, culture, transportation, food and beverages.

3.1. **MARKET CREATION: STR OFFER, COMPLEMENTARITY AND TOURISM DIVERSIFICATION**

3.1.1. **STR Offer: Availability of Accommodation Units**

One of the main characteristics of STR is the provision of a service by any individual, without the need for large-scale infrastructure or considerable amounts of capital investment, focused on the provision of accommodation to travelers. This implies that individuals do not need to invest in the deployment of new infrastructure to rent their properties or available spaces for a brief period. Thus, a wide variety of offers with distinctive characteristics compete in the market.

For example, a space ranging from a bed can be rented for extra profit, without becoming the main income-generating activity. Another individual may turn this service into his or her main source of income by providing accommodation with distinctive characteristics that meet the diverse needs of tourists.

In Mexico, for 72.5% of the hosts, STR offer is not their primary economic activity and, therefore, it complements their current income.²⁵

Technological evolution has allowed the use of available underutilized assets to generate income from their usage. These spaces serve the specific needs of travelers, for example, those who travel in groups or with extended family and seek to share a unique space, as well as those who want to feel at home as tourists for a night or a weekend. These types of traveler profiles are now served by the existence of digital platforms that enable the provision of STR accommodation.

Therefore, the STR offer does not necessarily imply direct competition to the provided by hotel players, but rather the creation of a complementary market to the traditional one. Nevertheless, it is worth reviewing the availability of STR, and that offered by hotels in our country, in order to have a full picture of the accommodation services offer in Mexico.

This measurement does not consider the main distinction between accommodation space services, namely those provided by companies with a high domestic, regional or global reach, versus those offered by local agents through digital platforms that enable the offer of a diversity

²⁵The CIU with Airbnb information.
of services but allow for a distribution of revenues among a wide number of players; all individuals who make their spaces available on the platform. In contrast, in the case of hotels, profits are largely shared among chain owners and shareholders. Thus, STR offer on digital platforms allows a distribution of resources with a greater reach to the population of local communities.

Figure 11. Availability of Accommodation Units (Hotel Rooms and STR Listings Offer)

![Graph showing availability of accommodation units in Mexico]

(*) Estimated amount

Source: Prepared by The Competitive Intelligence Unit with information of 2019 Tourism Satellite Account (Cuenta Satélite de Turismo 2019), SECTUR-INEGI

In Mexico, availability of traditional hotel accommodations throughout the country reaches 836,300 rooms (71.7% of the total accommodation units), a 20.8% growth compared to 2014, when they registered an available capacity of 692,351 rooms. This evidence shows that the traditional hospitality segment has continued to grow, despite the accelerated dynamics of growth in STR offer, which recorded an estimated availability of 329,541 spaces (28.3% of the total)\(^\text{26}\) compared to 12,704 in 2014. Thanks to this growth in STR offer in Mexico, approximately 160,000 families have been able to become entrepreneurs and earn an income.

\(^{26}\) This figure considers STR listings, for example, a house may be listed as a complete house and at the same time its individual rooms may be advertised independently, resulting in several STR listings for the same property. In addition
A key difference between both types of accommodation spaces is that while the traditional offer (hotels) is available all year round (365 days), in STR’s case sometimes they are only active on weekends or on dates determined by the hosts.

In Mexico, according to The CIU estimates, two-thirds (66.0%) of STR offer space consists of the availability of entire houses or apartments for travelers, while 31.2% are private rooms, 1.6% are hotel rooms and only 1.3% are shared spaces.

### 3.1.2. Complementarity in Accommodation Offer: Occupation of Spaces

As previously mentioned, the availability of STR is complementary to the domestic accommodation offer, expanding the capacity to receive guests and diversifying touristic alternatives in Mexico.

In this manner, these accommodation options contribute to the availability of spaces (rooms) and their occupancy during the year.

Considering that, on average, STRs are composed of more than one room, the addition to the domestic offer of accommodation spaces is greater and particularly, more diverse. We estimate that the occupancy would increase by 16.8 million nights or 9.8% of the total during 2021, based on the offer of these accommodation alternatives\(^{27}\).

In other words, domestic occupancy corresponding to STR, measured by occupied room nights, will reach an estimate of 9.8% of the total in 2021, considering the offer available in all platforms. This can be interpreted as their effective market share in terms of occupancy of available space for travelers’ accommodation.

\(^{27}\) The equivalence between STR nights and estimated hotel occupancy for 2021 was calculated using the average number of rooms per STR accommodation.
Based on this indicator and the availability of accommodation space, we estimated that, on average during 2021, STR will have an occupancy rate equivalent to one fourth (24.9%) of that of hotel establishments, with a level of 51 nights compared to 205 nights per year for the latter. This is attributable to the fact that, as mentioned above, STRs are generally not available year-round like hotel rooms.

Another element that illustrates the complementarity of STR is that by adding accommodation spaces at attractive prices that enable travel opportunities for Mexicans, the occupancy of the hotel offer has not been impacted downward, even despite increasing its room availability. Until before the COVID-19 pandemic (2020), hotel occupancy traced an upward trajectory, going from a 57.2% ratio in 2014 to 61.5% in 2019, and already envisions a recovery as of June 2021 (45.5%).
The affordability, diversification and wide availability of STR enable an alternative solution for travelers in the Mexican tourism market that serves various segments of the demand, both domestic and international. Hence, its complementarity with the traditional accommodation offer and consequently, its addition to the availability and occupancy of rooms.

3.1.3. Diversification of Touristic Alternatives

Another noteworthy element in this market is that, on average, the fixed investment that is required to offer a STR space is significantly lower than that needed to offer a traditional one.

Specifically, a traditional accommodation facility mainly requires investment in the purchase of a building or land (as well as the adjacent land), furniture, personnel, materials, marketing and
a well-built financial plan, among others. In the case of STR, several of these items are not necessary.

Since STRs have greater availability of resources for variable expenses related to the provision of a better traveler experience, either through the inclusion of additional amenities or the improvement of those already provided, the multiplier effect of investment in the provision of accommodation services increases.

Because of the lower fixed costs faced by STR providers on digital platforms a market with lower entry barriers is generated. Research reveals that STR offer primarily benefits low and middle-income individuals and in areas where the provision of traditional accommodation may not be an affordable service.

Thus, STR in digital platforms is characterized by extending a service to a diversity of demand segments that complements hotels' available offer. At the same time, it generates income generation opportunities for a growing number of families in Mexico, without the need of high investment amounts and with the potential to provide a quality accommodation service for the traveler.

3.2. **EMPLOYMENT CREATION AND PROMOTION FOR MICRO-ENTERPRISES**

As evidenced so far, short-term rentals (STR) market has followed an upward growth trajectory in recent years, and this dynamism has driven the contracting and/or acquisition of goods and services necessary for the operation of these economic units, such as cleaning, gardening, masonry, food, among others. Consequently, the creation of new value chains is one of the main economic contributions of these spaces' offer.

Currently, we can identify two types of effects from the expenditure and demand for goods and services used by STR. First, a direct effect is identified in the recurrent expenditure required

---


by the accommodation services offered such as goods, services and labor related to cleaning, 
maintenance, construction, food, transportation and accommodation. On the other hand, the 
indirect effect refers to the economic spillover generated locally in which tourism and 
accommodation are promoter activities.

Consequently, STR offer in countries, regions and communities where tourism is a key part of 
the economy has taken on special relevance, not only because of the income it generates for the 
hosts, but also because of the positive effects it has on the labor market and local production 
chains.

Another immediate and direct effect is the extra income that STR offer represents for 
families. Whether it is the entire or partial offer of a real estate asset, it represents an income that 
can be used to cover the family’s current expenses for basic needs, as in times of crisis, or for future 
investments and development of these economic units, resulting in a boost to other economic 
sectors, as in the case of construction.

Therefore, the conjunction between the economic activity that detonates STR offer services 
and the levels of savings that it generates for investment for the region’s families constitutes a 
perfect breeding ground for the creation of employment and local well-being. Thus, we can 
identify a direct path of job creation and a secondary one through the demand for goods and 
services required for the operation of STR that boost local economic activity and of a great 
diversity of MSMEs.

Finally, as we demonstrate further in this research, income generation and the creation of 
new jobs have a positive and relevant impact on the economy, particularly in countries such as 
Mexico where MSMEs value chains are fundamental for the population. Likewise, the 
proliferation of STR offer is a venue for economic recovery through job creation, both direct and 
indirect, and for investment.

The Competitive Intelligence Unit (The CIU), through a STR Host Survey, measured the 
employment effect of this economic activity, a positive circumstance that generates dynamism 
for local economies, as part of the domestic tourism sector.\(^{30}\)

\(^{30}\) The CIU (2021). STR Host Survey.
In this regard, we identified that 25.8% of STR hosts employ workers for the operation of their accommodation, a fact that can be explained by the specialization of this service and the quality required for the provision of these services. Second, we found that 36% of STR had only one worker, a result that can be explained by the duplication of tasks, for example, the same person who is employed for gardening can do masonry work or the cleaning employee can also act as a cook. Also, we identified that 32% have two workers, 13% have three and 14% have four or more.

Likewise, the main activities for which workers are hired in STRs are cleaning (48.9%), management (38.6%), maintenance (4.9%), cooking (2.7%), gardening (2.2%), and the remaining (2.7%) are other tasks such as security or chauffeuring. One can infer that these activities are essential for the provision of the accommodation service, add value to the service provided and improve its quality. Along with the aforementioned tasks, only 37% have temporary workers, 43% permanent workers and 22% both.

According to estimates based on figures from the 2019 Tourism Satellite Account (Cuenta Satélite de Turismo 2019) published by INEGI together with the Ministry of Tourism, in Mexico, STRs denominated as vacation home accommodations will generate 31,563 occupied paid jobs in 2021, a figure that represents 15.8% share of total employment dedicated to traveler accommodation services.\(^3\)

Nonetheless, an extended estimate of individuals earning income from STR offer and employment would result in an accounting of individual paid opportunities of about 192,000 hosts and employed personnel.

---

The jobs generated by STR offer show an upward trajectory, such that the cumulative growth reaches 302.2% over the last 20 years. Figure 14 illustrates how employment in these accommodation units is on the rise, even in years of economic crisis such as 2008-2009, except for the global economic and health crisis of 2020. However, in 2021, the pre-pandemic trend will quickly recover. From this, it is possible to affirm that this has a countercyclical behavior, which denotes the importance and solidity of this market, due to the stability of the generated employment.

Finally, the survey indicates that hosts spend 22.7% of their income to pay these employees, which represents an absolute payroll of around $976.5 million pesos.

Figure 15 shows the distribution of personnel employed in STR in Mexico’s states and the proportion of the total domestic within each state. This makes it possible to categorize the 32 states according to their level of employment into the following categories:
A) **States with a prominent level of personnel employed in STR**: Campeche, Sonora, Mexico City, Quintana Roo, Jalisco, Sinaloa, Guerrero, Nayarit, Chiapas, and Oaxaca.

B) **States with average level of personnel employed in STR**: Guanajuato, Veracruz, Chihuahua, State of Mexico, Yucatan, San Luis Potosí, Baja California Sur, Tamaulipas, Baja California, Nuevo León, Michoacán, Morelos, and Puebla.

C) **States with low levels of personnel employed in STR**: Colima, Aguascalientes, Querétaro, Coahuila, Durango, Tlaxcala, Zacatecas, Hidalgo, and Tabasco.

**Figure 15. Employed Personnel in STR by State, 2018**

*Proportion of Domestic Total, %*

Source: Prepared by The Competitive Intelligence Unit based on 2019 INEGI's Economic Census (*INEGI-Censos Económicos 2019*)

When looking at the same graphical exercise of occupied personnel in traditional accommodation spaces (hotels), Figure 16 shows a contrasting profile in the distribution of employment among a few states such as Quintana Roo, Baja California, Colima, and Veracruz, which together account for 37.4% of the total personnel employed by these players at the domestic level, indicating a concentration of economic activity and employment in entities where hotels have historical footprint.
From the mentioned findings, highlights the phenomenon of diversification of the tourism offer throughout the domestic territory generated by the availability of STR, this is a tourism footprint spread throughout a large part of the national territory, a circumstance that favors a greater labor demand and offer within them.

The above stated generates opportunities for states that are not usually major tourist destinations, due to the presence of these economic units that, in turn, generate a multiplier effect on the production of other goods and services at the local level. Such is the case of the southern states of the country, namely Campeche, Chiapas, Guerrero, and others like Sonora, Sinaloa, Jalisco and even Mexico City, which have developed an important labor demand for activities related to STR offer.

STR offer has emerged as a relevant local labor demand force in the tourism sector, with the potential to improve workers' conditions by generating greater employment alternatives and
thus increasing their bargaining power and consequent wage increases or improvements to their economic benefits.

Additionally, it should be noted that the labor demand of these economic units is generally more flexible than the one of a hotel or traditional accommodation services, since the schedules are usually not fixed and have allowed a greater participation of women in the total employed personnel of STR (49.4%), exceeding by 5 percentage points, the ratio registered by hotels, according to information of INEGI.

Besides the direct employment analyzed above, these economic units also generate local demand for goods and services for the provision of accommodation. In this regard, INEGI records an economic spillover of $678.9 million pesos in the acquisition of goods and services by STR providers.

This demand generated by the accommodation services provided by STRs boosts the generation of income for local MSMEs by indirectly requiring employees, goods and services offered by these businesses.

Among the main expenses incurred in the consumption of goods and services for the provision of STR services are raw materials and supplies, such as towels, sheets, household appliances, soap, toilet paper, among many others, these items account for 44.9% of total expenses.

On the other hand, STR generate a strong demand for the consumption of basic services such as water, electricity and gas, which together account for 13.3% of spending. Similarly, communication services such as: fixed broadband internet, fixed telephony or pay TV, represent 2.3% of the total expenditure exercised by these economic units for their operation.
Finally, repairs and maintenance account for 7.4% of total expenditures; this component drives the development of local companies dedicated to the provision of construction-related services.

In this distribution, a proportion of 13.5% of the expenditure is accounted for by hiring external labor (outsourcing) through the payment to other companies for the hiring of personnel (10.2%) and the hiring of professional and/or technical services (3.3%).

The figures presented in this section are convincing evidence of the upward trend in the generation of paid jobs by STR offer, of their growing importance in the tourism sector at the domestic level, as well as of the potential economic spillover that can take place within the states where these types of accommodation alternatives are available. It also shows that these economic units require a vast and diverse offer chain that is reflected in a demand that generates dynamism and triggers economic competition among local companies and labor markets.
3.3. **Spillover to Other Productive Sectors**

The economic benefits enabled by the proliferation of STR providers imply the generation of new private and local income, which, due to the characteristics of the service, reach other industries. In other words, the democratization of tourism in the hands of small owners and entrepreneurs leads to the creation of value that is manifested in higher levels of economic activity, employment and tax revenues.

One distinctive feature of STR service is that its economic spillover reaches small businesses and sectors of the economy that are not usually benefited by the traditional offer, for example, restaurants, transportation and entertainment, among others. In other words, the fact that STR providers do not capture spending on services complementary to accommodation, leads STR users to disburse resources to local players, directly to other MSMEs. This is attributable to the fact that STR hosts do not enjoy the increasing scale returns that traditional offer does.

Broadly speaking, travelers staying in STRs incur a greater variety of expenditures than those staying in traditional accommodations. Specifically, traditional hotels include or have restaurant service (or food in general) on the premises, provide facilities for using and locating methods of transportation, and include (or feature) forms of entertainment accessible to their guests. In contrast, STR guests tend to do these activities on their own, resulting in specific outlays in the aforementioned areas, based on experiencing local life as if it were their own when staying in these tourist alternatives.

The main sector that will benefit from the indirect economic spillover generated by STR accommodations is the food and beverage service (bars and restaurants), with an estimated revenue generation of $35,010 million pesos (mp) or 44.8% of total expenditure of guests in 2021. Similarly, the transportation sector will also be another sector with significant revenue generation, with $12,477 million pesos projected for the same year (16.0% of the total).

On the other hand, the entertainment sector should grow its revenues by approximately $10,118 million pesos (12.9%), derived from local consumption in economic units such as movie theaters, tourist attractions, museums, theaters, among others. Finally, general purchases ("shopping") and the acquisition of unprepared food and beverages ("groceries") will bring in an indirect dissemination of benefits totaling an estimate of $15,846 million pesos (20.3% of the...
total), with other expenses accounting for an approximate of $4,686 million pesos or 6.0% of the total amount spent by travelers.

The aggregate contribution from indirect spending from accommodations in STR alternatives would be an estimated amount of $78,138 million pesos in 2021.

It is important to note that the proportions referred to represent an average of the Mexican market, but differ significantly when considering each case individually, based on the socioeconomic profile and tourism preferences of the guests and the trip in question (distance from the place of origin).

The information above is evidence of the multi-sector composition of a STR guest's expenditure. This type of traveler exerts a more diversified expenditure that results in the generation of a significant and multi-sector local economic spillover.
The dynamism and economic spillover stemming from STR offer is also of great relevance for the tax authorities since potential tax revenues increase due to the employment and economic activity that these accommodation alternatives generate.

Finally, the promotion of STR offer becomes relevant, as it boosts local and regional economies. Therefore, the potential benefits of STR offer have a direct impact on people's well-being and encourage investment and promotion. Restaurants, transporters, stores and other local businesses feed the virtuous circles of the economy and the community, which is why sizing and recognizing the direct and indirect benefits of STR offer is crucial for any political agenda or economic package, whether local, regional or national.

3.4. **Aggregate Contribution to the National Productive Apparatus**

During 2019, the tourism sector contributed 8.7% of the total domestic GDP, an absolute contribution that is close to $2 trillion pesos. This value has the potential to increase thanks to STR offer through platforms that will reach a revenue generation estimate of $16,691 million pesos (mp) in 2021, equivalent to an annual growth of 34.3%.

The availability of accommodation units related to hotel establishments in the whole country is 836,300 (71.7% of the total accommodation units), while that of STR hosts reaches an estimated 329,541 (28.3% of the total), which results in a complementarity of the offer for travelers. This latter alternative has allowed around 160,000 families to undertake business ventures and earn income.

STR contribute to the generation of value and closer relationships between the community and the tourism industry, as it is a more open, inclusive and affordable model for consumers. It also allows for efficient use of real estate resources that would otherwise most likely be idle.

Their offer is differentiated, allowing travelers to obtain enriched experiences of the tourist destination to which they travel. By expanding the offer and diversifying accommodation alternatives, STR contribute to the four priority objectives for the tourism sector, namely: "a social and human rights respect approach in the country's tourism activity; promoting the balanced development of Mexico's tourism destinations; strengthening the diversification of tourism
markets at domestic and international levels; and, to promote sustainable tourism in the domestic territory”. 32

**Figure 19. Aggregate Economic Contribution of STR Supply**

<table>
<thead>
<tr>
<th>Category</th>
<th>Economic Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer and Market Value</td>
<td>• Estimated availability of spaces for travelers through STR platforms amounts 329,541</td>
</tr>
<tr>
<td></td>
<td>o Represent 28.3% of the accommodation units</td>
</tr>
<tr>
<td></td>
<td>• STR listings through digital platforms will generate estimated revenues of $16,691 million pesos in 2021</td>
</tr>
<tr>
<td></td>
<td>o 34.3% annual growth</td>
</tr>
<tr>
<td>Job Creation and Micro-Enterprises Development</td>
<td>• STR will generate about 31,563 paid employed jobs in 2021</td>
</tr>
<tr>
<td></td>
<td>o 15.8% of total employment in travelers' accommodation services</td>
</tr>
<tr>
<td></td>
<td>• According to The CIU estimates, total domestic employment generated by STR offer amounts $976.5 million pesos per year in payroll</td>
</tr>
<tr>
<td>Spillover to Other Productive Sectors</td>
<td>• The indirect economic spillover of STR market to other productive sectors from tourist spending would be of $78,138 million pesos:</td>
</tr>
<tr>
<td></td>
<td>o Bars and Restaurants ($35,010 million pesos)</td>
</tr>
<tr>
<td></td>
<td>o Transportation ($12,477 million pesos)</td>
</tr>
<tr>
<td></td>
<td>o Entertainment ($10,118 million pesos)</td>
</tr>
<tr>
<td></td>
<td>o Shopping ($9,823 million pesos)</td>
</tr>
<tr>
<td></td>
<td>o Groceries ($6,023 million pesos)</td>
</tr>
</tbody>
</table>

Source: The Competitive Intelligence Unit, 2021

STR characteristics promote business structures that are beneficial for the economy as they foster job creation and entrepreneurship of MSMEs. It is key to highlight that in 2021, STR offer will provide employment to more than thirty thousand persons. This figure already represents 15.8% of the total number of people employed in the accommodation market and traces an upward trajectory in its historical evolution.

The total amount spent on payroll would be around $976.5 million pesos, which is significant in the communities where these accommodation alternatives are located.

---

On the other hand, the local economic spillover generated indirectly by tourism within STR offer would be an estimated amount of $78.138 billion pesos during 2021. This amount includes expenditures made by travelers who spend on local goods and services during their stay, such as: food and beverage preparation services such as bars and restaurants ($35,010 million pesos), transportation services ($12,477 million pesos), entertainment-related goods and services ($10,118 million pesos), shopping and groceries ($9,823 million pesos and $6,023 million pesos, respectively).

Thus, the aggregate of these contributions amounts $95,806 million pesos, a figure that includes the indirect economic spillover ($78.138 million pesos), the wage spillover from generated employment ($976.5 million pesos) and the direct contribution to domestic production derived from income generation stemming from STR offer ($16,691 million pesos). All these

(*) Estimated amount

Source: The Competitive Intelligence Unit, 2021
concepts have a direct and indirect impact on the dynamics of the tourism sector, local economies and the domestic productive apparatus. This is explained by the fact that STR are a means for employment creation, investments, expenditures on goods and services, tax revenues and, consequently, a catalyst for Mexico's economic growth and development.
4. THE ROLE OF STR DIGITAL PLATFORMS FOR TOURISM DESTINATION REACTIVATION: PROSPECTIVE GROWTH AND DIVERSIFICATION OF ACCOMMODATION PREFERENCES

The pandemic generated by COVID-19 impacted both the offer and demand sides of the STR market.

In the first case, social and economic paralysis led to the temporary cessation in the operation of active and available spaces for this type of accommodation, but the advent of confinement, teleworking, remote learning, and other activities carried out with the assistance of Internet connectivity transformed and encouraged the demand and preferences for STR.

STR offer is characterized by being a platform for income generation for families, a circumstance that gained momentum after the pandemic, with its consequent upward effect on the number of hosts, available spaces, employment generation, economic spillover, among others.

STR are and have been a solution to the needs of travelers in pandemic times, while benefiting the reactivation of domestic tourism in small towns and cities, as well as in less crowded and nature destinations.

4.1. DYNAMICS OF THE DEMAND FOR STR ALTERNATIVES DURING THE PANDEMIC

Thus, from the perspective of the demand, some travelers began to move to places in different destinations to cope with the pandemic crisis, prioritizing both health safety in accommodation, as well as going to cities with outdoor activities availability and low crowds’ affluence.

In a survey conducted by Ipsos to more than four thousand travelers from six Latin American countries (including Mexico), it was found that three elements are essential when traveling in this pandemic time: health and safety protocols (62% of the total), affordability (49%) and amenities
(41%) \textsuperscript{33}. It is therefore evident that health safety is a \textit{sine qua non} element that encourages STR accommodations.

Another element to highlight is that 1 out of every 2 Mexican travelers stated that their favorite destination would be one close to nature. Most travelers (58%) stated that on their next trip they would choose to go to a small city (29%), not so touristic beaches (18%) and any place within nature (11%) as shown in Figure 2\textsuperscript{1}\textsuperscript{34}. These choices demonstrate the predilection for destinations where the possibilities of contagion are reduced due to a low agglomeration of people.

Figure 21. Preferred Destinations for Future Trips
(Preference of Total Travelers, %)

![Figure 21. Preferred Destinations for Future Trips](source)

Source: Prepared by The Competitive Intelligence Unit with information of IPSOS (2021)

In this sense, hosts have been responsive to these needs and have addressed the health requirements of travelers by making various adjustments to their spaces. A survey conducted by The CIU with STR hosts revealed that 94% of them implemented anti-COVID cleaning

\textsuperscript{33} Ipsos (2021), Travel Trends Mexico.

\textsuperscript{34} Ibid.
mechanisms; 63% offered antibacterial gel, mask covers and other sanitary tools; and 32% practiced healthy distance with travelers, as shown in Figure 22.  

Figure 22. COVID-19 Security Measures Implemented in STRs

<table>
<thead>
<tr>
<th>Security Measure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-COVID cleaning</td>
<td>94%</td>
</tr>
<tr>
<td>Healthy distance</td>
<td>32%</td>
</tr>
<tr>
<td>Offer antibacterial gel, mask and others</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: The Competitive Intelligence Unit, 2021

In addition to health requirements, amenities were incorporated to address the need of social isolation and teleworking. In this regard, 63% reported having adequate space within their STR for remote office work, with a desk and broadband Internet access. This responds to a growing demand for temporary living accommodation while taking advantage of remote work. Ipsos identified that 44% of Mexican travelers would travel with this purpose.  

Despite the above, STRs were negatively impacted during 2020, as was the entire tourism sector. According to the Ministry of Tourism, accommodation occupancy dropped from 60.3% in 2019 to a paltry 26.3%, a figure that implied going from 85.3 million travelers (domestic and international) in 2019 to just 38.2 million in 2020.

---

35 The CIU (2021), STR Offer Survey.

This contraction in terms of demand was reflected in STR's revenues, which, according to estimates by The CIU, declined to a level of 12,432 million pesos in 2020, a 41.0% drop compared to 2019.

These figures gain relevance, as we mentioned above, not only because STR offer has a direct and focused impact on the pockets of Mexican families, but also because it stands as an income alternative in times of crisis, i.e., it has a procyclical behavior. In this sense, between 2019 and 2020 the amount of available STR accommodation units remained relatively stable with a slight increase of 0.5%, while for 2021 we anticipate a growth of 19.7%.

In other words, the negative impact of the pandemic on STR market resulted in lower influx of travelers, despite a relatively stable, and even procyclical, offer, as well as lower travel expenditures due to confinement and restrictions on the mobility of people.

4.2. Prospective and Adoption Perception

As previously noted, the pandemic transformed the daily lives of the world's population, which in turn impacted travelers' habits and the characteristics of the tourism industry's offer. This was mainly reflected in a reduction in the number of trips made and, consequently, in the occupancy of accommodation spaces. However, with the elapse of time and the gradual recovery from the health crisis, individuals have begun to recover their travel and accommodation habits in all its forms.

As a result, the probability of making a trip is expected to increase, with 57.9% of travelers planning to travel during 2021. At the same time, their accommodation preferences will diversify in line with the characteristics desired by everyone. Specifically, the homes of friends and relatives are ranked as the first accommodation option for the average traveler, with 49.3% of respondents registering a high likelihood of staying in this type of accommodation. These are followed by all-inclusive hotels and its general modality (hotel), with 46.1% and 28.0%, respectively.
Unique accommodations (including cabins, tree houses and bubble accommodations) and apartments or houses rented through apps or websites register a probability of 17.6% and 8.0%, respectively. 37

Figure 23. Forward Looking Accommodation Preferences
(Proportion of Total Travelers, %)

![Figure 23](image)

Source: The Competitive Intelligence Unit, 2021

This positions traditional accommodation options with important levels of preference for the average traveler. However, STR record an increase in their predilection in recent years, such that in the last year 18.1% chose to stay in apartments, entire houses or unique accommodations available through digital platforms, while in 2021, the aggregate probability of these three types of accommodation alternatives shall rise to 25.6%.

The choice of these spaces other than the traditional offer will depend increasingly on the characteristics provided to consumers. For example, from incorporating spaces and furniture for teleworking and ensuring safe travel. Specifically, for STR service providers, this resides on the quality of the service provided, supported by apps or websites that promote it.

37 The CIU (2021), STR Demand Survey.
The pandemic situation has also modified trends and habits regarding the daily activities performed by people, nowadays living and working remotely is a more recurrent option among workers, this allows people to relocate their place of residence.

In this regard, 83% of respondents are in favor of relocation as part of teleworking, a quarter believe that they could "live wherever they want and work remotely," and 1 in 5 relocated their residence during the pandemic, either temporarily or permanently. 38

There are certain age groups such as Generation Z and Millennials, with more marked and homogeneous preferences regarding teleworking and remote education, these individuals will lead the rules and trends of the labor market in the coming years. Teleworking is expected to maintain a growing and accelerating trend in the coming years and in the long term.

It is therefore worth noting that, in order to achieve greater competitiveness and a dynamic tourism market in Mexico, it will be necessary to adapt the accommodation offer to the global environment, particularly the technological environment, and to the new travel trends derived from generational and population changes.

38 Ipsos (2021), Travel Trends Mexico.
5. **General Conclusions**

STR offer enables important benefits for travelers, hosts, the tourism sector and, in general, for the economy as a whole. This is achieved by expanding accommodation alternatives for guests, diversifying the possibility of accommodation in different tourist destinations, offering enriched experiences at the local level, as well as providing security and ensuring the quality of the services offered.

Based on these offer conditions, there is a preference for this type of accommodation for a segment of the demand that precisely seeks these characteristics when choosing its travel alternative. In 2021, the choice of STR is expected to increase from 18.1% to 25.6% of total travelers.

In this manner STR offer has expanded the value chain of tourism activity in Mexico, while they have boosted the growth of the economy. This is due to their revenue generation, the remuneration resulting from the employment of persons in the tourism sector and the spillover to other productive sectors, such as restaurants, culture, transportation, food and beverages.

**STR offer in Mexico.** The estimated availability of this type of accommodation amounts 329,541 units (28.3% of the total), compared to 12,704 in 2014. Thanks to this growth in STR offer approximately 160,000 families have been able to undertake and earn an income.

**Complementarity of Accommodation Alternatives.** Considering that on average, STRs are composed of more than one room, the addition in the domestic offer of accommodation spaces is greater and more diverse. It is estimated that occupancy would increase by 16.8 million nights or 9.8% of the total during 2021, based on the offer of these accommodation alternatives.

**Job Creation.** STRs shall generate around 31,563 paid employed jobs in 2021, a figure that represents a 15.8% share of total employment in traveler accommodation services.

**Diversification and Economic Contribution in Tourist Destinations.** STR have become a catalyst for tourism activity in those states with lower flow of tourists. The most outstanding cases are Colima, Morelos, Tabasco and Yucatán, states that are among the top 10 with the lowest tourist arrivals but that have a higher proportion of STR among the total number of tourist accommodation alternatives, a circumstance that has boosted the tourism sector and the local economies of these states.
**Revenue Generation for Hosts and Platforms.** It is estimated that, in 2021, STR offer will generate revenues of $16,691 million pesos, 34% more than in 2020 and a figure that includes not only the commissions that hosts pay to the platforms, but also the revenues that the hosts themselves generate for sharing their spaces, considering the offer available in all the platforms.

**Indirect Economic Spillover.** The aggregate economic spillover from indirect spending after accommodation in STR alternatives shall reach an estimated amount of $78,138 million pesos in 2021, 44.8% of which will be spent on restaurants, followed by transportation with 16.0%.

**Aggregate Economic Contribution.** The aggregate contribution of STR offer would be of approximately $95,806 million pesos in 2021, which includes the indirect economic spillover ($78,138 million pesos), the payroll from employment created ($976.5 million pesos) and the direct contribution to domestic production derived from the generation of revenues from STR offer ($16,691 million pesos).

STR contribute to the generation of value and closer relationships between the community and the tourism industry as it is a more open, inclusive and affordable model for consumers.

STR offer is characterized for being a platform for income generation for families, a circumstance that gained momentum during the pandemic, with its consequent upward effect on the number of hosts, available spaces, employment generation, economic spillover, among others.

STR are and have been a solution to the needs of travelers in pandemic times, while benefiting the reactivation of domestic tourism in small towns and cities, as well as in less crowded and nature destinations.

Their offer is differentiated, allowing travelers to obtain enriched experiences of the tourist destination to which they travel. By expanding the offer and diversifying accommodation alternatives, STR contribute to the four priority objectives for the tourism sector, namely: "a social and human rights respect approach in the country’s tourism activity; promoting the balanced development of Mexico's tourism destinations; strengthening the diversification of
tourism markets at the domestic and international levels; and fostering sustainable tourism across Mexican territory”.39

6. REFERENCES


Airbnb (2020). "Your safety is our priority." ("Tu seguridad es nuestra prioridad") Available at: https://bit.ly/3iAkD5K


Airbnb (2021). "Verification of your host account" ("Verificación de tu cuenta de anfitrión"). Available at: https://bit.ly/3huRAyD


Government of Mexico. “4 million 308 thousand jobs registered by the tourism sector as of the second quarter of 2019” (“4 millones 308 mil empleos registró el sector turismo al segundo trimestre de 2019”) Available at: https://bit.ly/3uzWjEk


Official Gazette of the Federation. RECORD 700 04 00 00 00 2021-131 through which a list of Digital Service Providers registered in the Taxpayers Federal Registry is disclosed, in terms of Article 18-D, section I of the Value Added Tax Law in force. Available at: https://bit.ly/3otxQyl


