

# Is the Airbnb model a true threat to the traditional rental industry?

While many were at first sceptical when Airbnb first launched in 2008, sentiment quickly swayed after the company announced that it had generated R2.4bn in economic activity in South Africa in 2016, transforming it into a widely used platform for those looking to make some extra cash.



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With the large crowd of users it has drawn, the question on everybody's lips is what effect this might have had on the real estate industry. Adrian Goslett, regional director and CEO of RE/MAX of Southern Africa, says that while the novelty of the app drew a few rental owners over to the Airbnb model over the traditional long-term renting model, many have since decided to return to long-term renting.

## Initial slight dip

"We did notice a slight dip in the rental market when Airbnb reached its peak in terms of its popularity, particularly in tourist hotspots such as Cape Town. But, the hype has since died down as many are coming to realise the frustrations of short-term tenants," Goslett explains.

Operating in the Cape Town area, Michael Hauser, estate agent at RE/MAX Living, has often dealt with landlords who were previous Airbnb hosts. "Being an Airbnb host is a huge time commitment. You have to constantly adapt your listing and price to the ever-changing market and the taste of the guests. If you choose not to work with a third-party manager, you have to check guests in and out, do all the cleaning, restocking, respond to guest enquiries, lock-outs, handle complaints, as well as possible grievances from the neighbours."

## Oversupply of Airbnb properties

"Time commitment is not the only issue with the Airbnb model. Owing to its popularity, the oversupply of properties available to rent through Airbnb has caused the prices to decrease. Quite a number of clients are not satisfied with the Airbnb rental returns and are now putting their properties up for long-term rent or even up for sale," Hauser elaborates.

"Airbnb is also seasonal – the summer months are high earning, but during the winter months your property could be standing empty for large portions of time. One of the most important things to take into consideration is the location of your

property. If your property is located on the Atlantic Seaboard or within the CBD, the demand will be much higher and will be more likely to generate income year-round than if, for instance, your property is located in the suburbs.”

## **Sporadic income**

It is for this reason that Hauser believes that the Airbnb model is not a true threat to the traditional rental industry. “With long-term rentals, you are guaranteed a stable income with less hassle. While I do believe Airbnb has its place – it is for the independent traveller who likes to interact with his or her host – I do not think that Airbnb will take over the rental market. Because the income of Airbnb is only sporadic, the demand for long-term/corporate rentals through an estate agent will always exist,” says Hauser.

“The key lesson that can be taken from this is that property matters – in terms of both renting and buying – are better dealt with through a reputable agent who can do all of the time-consuming ground work on your behalf. Airbnb might seem like a good way to earn extra income without incurring expenses, but nothing in life is truly free. Airbnb might not cost you cash, but it will cost you your time,” Goslett concludes.

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