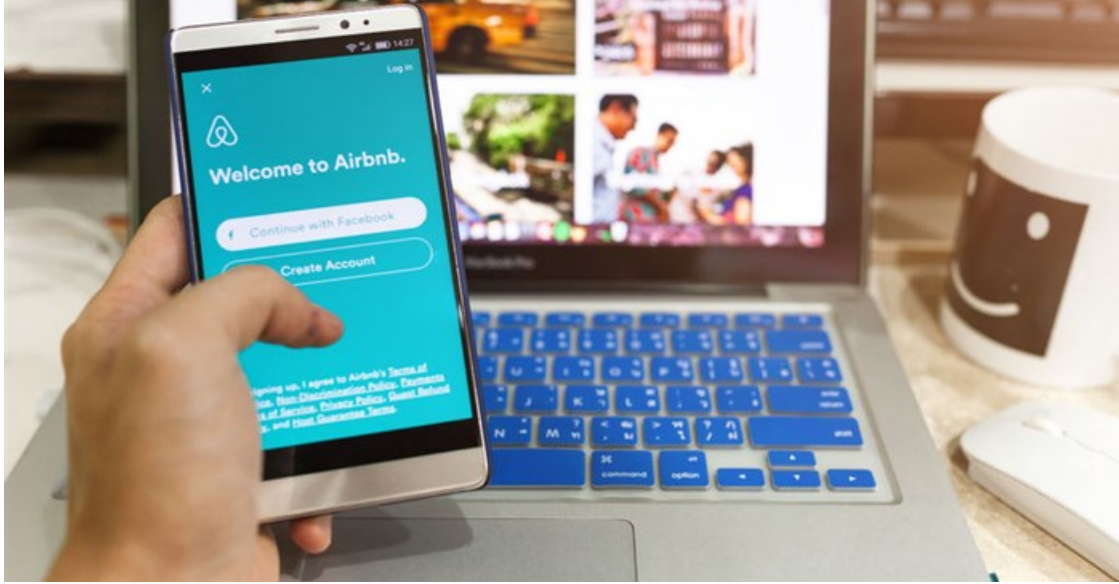


Should you buy property specifically to Airbnb?

Online property company PropertyFox says that while Airbnb can be an exciting income stream, South Africans should do their homework carefully before buying a property specifically for this purpose.



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Ashley James, co-founder of Property Fox says, “Not all Airbnb listings are created equal and you don’t want to be stuck with a financial deadweight. The average income quoted by Airbnb will be skewed by properties in the hottest locations in SA.”

James says compared with having a long-term tenant, there is a lot of extra work involved in running an Airbnb property. “I’d recommend a goal of securing at least 60% more income from an Airbnb property than you would from a long-term tenant. Anything less than this and you should consider very carefully whether it is worth it.”

James owns a one-bed unit in Green Point, Cape Town, which has a near 100% occupancy. “We are lucky because our apartment is perfectly situated in the thick of the busiest tourist hub in South Africa, and is also close to the CTICC and CBD. The same apartment in a less central location might struggle to get bookings except over the busiest times of the year.”

Feasibility study

He said a strong, rigorous feasibility study is the best starting point, particularly if you aren’t in one of the country’s hotspots. The study should look something like this:

Have a look at the current Airbnb research that's available online. Sites like Airdata provide area-specific Airbnb data, with details on the number of hosts and rentals in the vicinity, occupancy rates by percentile, the average price per listing type, revenue per room type, and price shifts according to seasonality. Additionally, Nested released an encouraging report that found that South Africans could recuperate house value faster through Airbnb than via traditional rental options. Johannesburg was ranked fifth, while Cape Town came in 12th out of 75 cities, with investors set to recoup value in 50 months. In Durban, however, the average price of a three-bedroom property indicated that investors could recover value in just 18 months. But don't be fooled – this report assumes 80% occupancy, which is certainly not guaranteed.

Read the map. Spend a few hours on the Airbnb site investigating your area and current competition. Search according to your region of interest, and remember to extend your time period across a few months when inputting the length of your stay, otherwise booked rentals won't show up. Have a look at the map alongside the listings – you can see where clusters of rentals pop up and what their prices are. This indicates popular areas, and the regions that land the host a higher rate.

Look at the listings. Choose five or six places that are similar to your prospective offering. Create a spreadsheet that charts what each place offers in terms of amenities, and record the prices. Work out the average rate, and that should give you an idea of where your pricing should sit. You can also determine what price will undercut the competition.

Check the occupancy rate. Click through to each of your chosen properties on Airbnb, select the 'check availability' option, and have a look at their calendars. Record their levels of occupancy – how many days are booked each month? Do they have any serious dips due to seasonality? This will give you a strong indication of what kind of occupancy you can expect, and whether this makes your investment feasible.

Think through all the expenses and legalities involved. Check your accommodation complies with its current zoning restrictions, and apply for permission from the city should you be renting an entire dwelling for short-term lets. If your property is in a sectional title block or development, check whether Airbnb and short-terms lets are allowed. In terms of insurance, Airbnb does provide host protection insurance, but be sure to have read through what this entails so you can get supporting coverage if necessary. Tax-wise, you will need to declare your additional revenue. Once operational, hidden costs include things like a weekly cleaning service, and welcoming gifts for guests, which go a long way to getting you good reviews.

Maximising your returns

James says that if you make the decision to invest in Airbnb, there are many ways to maximise your returns. "For instance, you can look to secure your income by identifying the gaps in your calendar and adjusting your rates accordingly. If you lower your rates in the off season, you're likely to attract medium-term stays that'll go a long way to staving off the seasonality pinch. Additionally, make use of Airbnb's new 'Trips' feature to add your itinerary to the user-friendly guide book and audio tour suggestions. Upload a short video to show off the attractions in your property's area.

"You can also work on making your property as appealing as possible so you get great reviews, referrals and repeat visits. Clean décor, an awesome espresso machine, secure parking, unlimited Wi-Fi and special little touches will all work in your favour," concludes James.