

Airbnb oversupply causes return to traditional letting

Traditionally a property could be rented out for any period, but most landlords would opt for a six months lease agreement or longer with a potential tenant, also referred to as long term rentals.

"Short-stay rentals on the other hand are seen as a different kettle of fish as they relate more to the tourist industry and holiday makers," says Linda Erasmus, CEO of Fine & Country, Sub-Saharan Africa.

Erasmus says that one of the great ways of maximising rental returns on a residential property of late is the Airbnb option. "Many landlords who traditionally would have opted for a long term rental have done the maths and realised that in a good month with an Airbnb type option, they could actually make more money."

Caryn Gilman, rental specialist in the Constantia area in the Cape, points out that the sheer number of traditional homes and cottages being offered as an Airbnb option have had some really interesting consequences in the market place.

"In a number of Southern Suburb territories, more and more landlords who have taken the detour from the traditional route of long term rentals and are instead renting out fully furnished rooms, houses or apartments for shorter stays, are now bearing the brunt of the oversupply of these opportunities against a slower demand. A lot of homeowners who opted for the short-stay option have now had to drop their prices to make their offering more attractive to holiday makers," she says.

In fact, Gilman points out that many landlords are now reconsidering reverting back to the traditional long-term rentals where a consistent income becomes more attractive than the risk of an empty promise.

She says that the most popular homes among those looking to rent in Constantia are family homes with three to four bedrooms and reasonably-sized gardens that are available for monthly rentals of between R20 000 and R40 000.

Her advice to landlords is to get the property into a good condition with neutral tones throughout. She also suggests landlords ensure that the property has a well point or borehole. "A home that ticks all the boxes is easier to find good quality tenants for as there will then be competition between the tenants. This will allow the landlord to choose the best possibly tenant who is house-proud and will do their bit to look after the property as well," says Gilman."

The most important thing landlords need to know before renting out their property is the ins and outs of The Consumer Protection Act. "They should also remember that their rental agent is there to act in your best interest to find you the best tenant for the property."

Erasmus concludes by saying that property investors can still enjoy the benefits of rental returns, but landlords need to go back to basics and focus on the quality of the tenant rather than quantity, as well as understand the value of consistency and a good long term lease.

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