

Why knee-jerk prohibition of short-term rentals is not always the answer

The benefits of short-term rentals have been clear for some time. They generate more income than the long-term rental rate and owners can continue to enjoy flexible personal use of the property. However, the meteoric growth of Airbnb in cities across South Africa has sparked a fierce debate on whether short-term rentals should be allowed in housing complexes.



Chregan O'Flynn, director and co-founder of short-term rental management company Propr

Chregan O'Flynn, director and co-founder of short-term rental management company Propr, says that faced with the challenges that these rentals can bring, some body corporates have taken the decision to ban them.

"This can be problematic. Not only can this decision lead to a decline in property values in those estates, but in recent months some of these bans have actually been overturned by the courts. This changing environment has prompted body corporates to look for ways of managing short-term rentals in their buildings which can be a daunting task in the absence of clear solutions."



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Short-term rental challenges

Challenges they are faced with include noise complaints, security issues, and lack of accountability, he explains.

“What inevitably happens in a scheme with over 30 apartments is that there are multiple short-term rental operators working in the building, each managing the units with varying degrees of effectiveness. When guests don’t abide by estate rules or pre-agreed terms and conditions, it is often the neighbours who suffer the consequences as some short-term rental management companies don’t have an effective mechanism to hold guests accountable.

“In severe cases, the net effect of these problems can result in loss of reputation for the building, a drop in property values and the inability of other inhabitants to live in peace and safety.”

According to O’Flynn, however, there are ways to alleviate these challenges.

“There are solutions in place to unlock the benefits of short-term rentals for operators, hosts and even the estates themselves in maintaining occupancy of the premises and increasing property values.”

To assist short-term rental hosts as well as to appease security estate trustees and developers, he lists four solutions for them to consider:

- **Limit the number of operators:** Bringing down the number of professional management companies to two or three vetted agencies can help to address the problems listed above, especially if they have a 24-hour on-call line and offer in-person check-ins.
- **Consider having an on-site presence:** If the number of short-term rental units in the building allows, it may be worth installing a single management company. With there being a number of apartments within a building, these companies can often offer additional benefits such as a staffed front desk, one-night stays which improve occupancy and net revenue for the owners, and better control of pre-agreed procedures.
- **Install a noise sensor:** Whenever a guest breaches a certain decibel level for a sustained period of time, an automated message can be sent to the guest directly or the management company’s guest experience and after-hours on-call team, alerting them to get in touch with the guest. These sensors help resolve the frustrations that neighbours can feel and provide objective data that can be used to fine guests for repeated offences.
- **Have clear check-in requirements:** Buildings need to formulate clear rules that all management companies must follow prior to each guest’s check-in and during the stay.



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Impact on property values

O’Flynn says that it is worth exploring solutions before knee-jerking into prohibition.

“While the trustees’ concerns of the potential downsides are legitimate, they need to weigh their decision very carefully and be aware that an outright ban can affect the property values of everyone in the complex.”

He adds that when managed well, short-term rentals can provide owners with greater income, flexible personal use and a wider market into which they can sell their property.

“Moreover, in the right hands, short-term rentals are also continuously maintained and in a sellable condition, which cannot be said about long-term rentals which often degrade over the course of a multi-year lease.”

“If the above measures and tools are put in place, it will mean that trustees will no longer have to worry about the challenges associated with short-term rentals, resulting in a win-win outcome for all,” concludes O’Flynn.

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