



HOME AND INCOME

All that glisters...

Owning a holiday let can offer good returns, says **Diana Clement**, but buyers need to do their homework

Airbnb Opportunity! Ultimate Airbnb? Perfect Airbnb. Views and Airbnb. Real estate agents have found an exciting new word in their arsenal of marketing phrases.

Buyers are often excited at the potential of what they can earn from Airbnb, says Andrew Murray, real estate agent at Apartment Specialists. The returns can be good.

A \$400,000 apartment in the Volt building on Queen St, for example, will return about 4.48 per cent net after costs such as rates, insurance, body corporate and management fees, says Murray. The same apartment will return 6.39 per cent on Airbnb after all costs, he says.

Naturally, real estate agents are promoting Airbnb as an option to earn an income from suitable properties. At the time of writing, 185 listings online had the word Airbnb in them. Some also mentioned Bookabach, Booking.com and other accommodation platforms.

Airbnb rentals come in two main flavours. A room in the host's own home or self-contained.

A spare room in your house gives every home, in effect, potential for Airbnb. Homeowners have always let rooms to boarders, flatmates and homestays in the past. The only real differences with Airbnb is that it's more formalised and homeowners need to pay tax because Airbnb is viewed by the Inland Revenue Department as running a business.

Self-contained Airbnbs break down further into, firstly, fully self-contained legal flats and apartments that can also be let under the Residential Tenancies Act, and, secondly, granny flats/sleepouts/converted garages that cannot legally be let to long-term tenants.

The important point to note is that the income from self-contained legal flats is secure, but there is no guarantee that the income from unconsented spaces can be maintained should the government or local councils regulate against this. The argument is that if these properties don't meet the

standard for long-term tenants, why can they be used for short-term tenancies?

Simply putting the word "Airbnb" in the listing isn't a guarantee someone would want to stay there. At the time of writing, two Massey properties were advertised as suitable for Airbnb. But as far as "location, location, location" goes, Massey isn't at the top of the list for tourists in Auckland.

In the central city in Auckland and other tourist destinations, it is often a different story and Murray has seen the Airbnb drawcard boosting prices in some buildings in central Auckland.

The jury is out with valuers as to how much value the Airbnb drawcard adds to a property. Property InDepth valuers Rene McLean (Auckland) and Vince Riepen (Nelson) say the prices of homes

with secondary dwellings such as granny flats are probably mostly being driven by demands of extended families.

In the high tourist demand or blue chip inner city locations, owners have been modernising unconsented granny flats and rooms for use on Airbnb.

It is difficult to say at this stage what value premium an Airbnb-friendly property attracts, there are so many variables with each one.

"While there is no measurable difference in value, there is an increase in ease of saleability for the property to the homeowner," says Riepen.

Buyers who see the word Airbnb do need to be careful to understand what's for sale, do their homework and check the LIM file and title.

Typically, the words "home and income" or "income" in an advertisement means "legal". Words such as "possible" or "potential" indicate that it's not a legal, fully consented separate dwelling that can be let to long-term tenants.

This terminology is important. One agent was taken to the Real Estate Agents Disciplinary Tribunal in 2011 because the property was marketed as suitable for home and income, but there was a restrictive covenant on the title that prohibited the property being used for any



commercial activity, or from use as a flat, boarding house or residence for more than one household unit, says Kevin Lampen-Smith, chief executive of the Real Estate Agents Authority.

Airbnb has been a bonanza for some owners of these unconsented units, which could only

previously be used for family, flatmates or boarders. However, buyers doing their numbers based on potential profit need to be aware that there is no guarantee of ongoing income should regulations change.

Owners throughout the country face the spectre of commercial rates, bed tax, or other charges, which change the economic equation.

Auckland Council has suggested slapping a targeted rate on self-contained Airbnb properties that are booked for more than 28 days a year. Those booked more than 135 days would have to pay full business rates.

It isn't the only centre looking at curbing Airbnb rentals or forcing owners to pay higher rates. Queenstown Lakes District Council has increased rates on holiday homes let for more than a certain number of nights per year.

Another issue that potential buyers need to think about is market saturation, which happens when Airbnb listings exceed bookings, driving down nightly rates to the point where it isn't worth investors' time.

The reality of running an Airbnb isn't often thought through by buyers. Constant turnover of guests can get tiresome. An apartment let regularly to short-term tenants may need to be cleaned 100 times a year. If owners pay this, it could cost between \$60 and \$100 a time, says Murray, although guests may pay some or all of that.

In the central city, many owners choose to use Airbnb managers, which take between 15 to 20 per cent of takings, but can be a godsend.

The jury is out
with valuers as to
how much value
the Airbnb
drawcard adds to
a property.



04 Apr 2018
New Zealand Herald, Auckland



Author: Diana Clement • Section: Property • Article Type: News Item
Audience : 117,269 • Page: 4 • Printed size: 615.00cm² • Market: NZ
Country: New Zealand • ASR: NZD 11,137 • words: 963 • Item ID: 935065881
[isentia.com](https://www.isentia.com)

PMCA licensed copy. You may not further copy, reproduce, record, retransmit, sell, publish, distribute, share or store this information without the prior written consent of the Print Media Copyright Agency. Phone +64-4-4984487 or email info@pmca.co.nz for further information.



Real estate agents are promoting Airbnb as an option to earn an income from suitable properties.
PHOTO / SUPPLIED