

# Knowledge is key to capitalising on the competitive holiday rental market

Written by eProperty News

Tuesday, 14 November 2017 20:54

**Cape Town's popularity as a world-class tourist destination has resulted in a spike in the number of homes available for holiday lets and fuelled investor demand for sectional title units with short term rental potential.**



But realising solid returns isn't as simple as a lick of paint and new furniture; in order to successfully capitalise on the market landlords must be thoroughly prepared.

Foreign and domestic visitors may throng to the Mother City, but they are also spoiled for choice when it comes to accommodation, so a low-cost renovation and listing on a web site aren't likely to make tourists queue at your door. Landlords need to be savvy with their marketing, service and quality of their offering and have a clear understanding of current bylaws and consumer regulations as well as pitfalls that can and do arise.

To this end, they must ensure that their Terms & Conditions are comprehensive and take into consideration all eventualities that might leave their businesses exposed to tricky disputes and possible financial damage when things go wrong.

Lara Colananni, Specialist Conveyancing Attorney at Guthrie Colananni Attorneys, says: "Another mistake people often make is neglecting to update their home insurance when circumstances change. Whether you are renovating your home or renting it out to strangers, your policy always needs to be adjusted accordingly to cover or you could find yourself up the financial creek without a paddle."

Another crucial step is for landlords to ensure they are fully compliant with city regulations. Cape Town is the only South African metro with bylaws in place to regulate short term rentals, but as they were not routinely enforced up until now, most property owners are unaware of their existence.

And, this is where it can get a little complicated as there are several regulatory bodies that influence this industry, the first being the city's Land Use management department which oversees the zoning of properties in the city.

According to Councillor Brett Herron, Mayoral Committee Member for Transport and Urban Development, holiday letting in apartment blocks is not automatically permitted in Cape Town. Consent from the City is required and the property must have the applicable zoning for running such an enterprise.

The next issue is largely one of definition, because the bylaws that regulate businesses such as guesthouses and B&Bs were determined by the specific nature of the services they offer which is essentially very similar to that of hotels, but on a more intimate scale. And because they generally provide at least one meal and housekeeping, often accompanied by in-room mini bars with snacks and drinks, they are bound by a host of regulations from health codes to fire and emergency compliance.

Conditions include that the owner must live on the property, that no more than three rooms are let to no more than six people and for each room that is let, a parking bay must be available on the property. If the conditions are not all met, it will be necessary to obtain departures or consents from the City of Cape Town.

However, in most cases, the properties let on portals like Airbnb are offering accommodation that, one could argue, are not unlike standard residential rentals, only with very short lease periods.

Colananni adds: "This method of renting out accommodation is a modern phenomenon that differs considerably from the traditional options. Like so many other aspects of the digital age it's not a simple or quick process for legislation to keep up with the rapid pace of global trends change. In this instance when the local regulatory framework was being drafted for the small-scale tourist accommodation sector, portals such as Airbnb simply weren't on the radar."

The City of Cape Town recently signed a landmark "collaborative tourism" agreement with Airbnb; the hospitality platform's first alliance of this kind with an African city.

Lew Geffen, Chairman of Lew Geffen Sotheby's International Realty, says that a darker side has been rearing its head because the very nature of online letting portals that makes them so convenient also makes them susceptible to criminal abuse.

"Our Sea Point office was recently contacted by a very irate tour guide who was standing outside an apartment she had booked and paid for online waiting for the keys to be dropped off. However, we don't do short-term letting and the property she said she had booked was, in fact, one that we had listed for sale on our website – and it was definitely not for rent.

"It turns out that someone had copied the photos from our website and posted them on an online holiday booking site. And the upshot was that the tour operator lost her clients' money, they had nowhere to stay and it undoubtedly damaged her reputation in the industry."

His advice to existing landlords is to do a compliance check with the council rather than wait for the City to come to them, and for potential investors to do their homework thoroughly before laying out a substantial sum with a high-return expectation, only to find that the property is unsuitable.

"Cape Town is one of the most desirable global tourist destinations and as such top accommodation commands top dollar – in the past year reportedly more than R750m for Airbnb-style accommodation alone – but unless you intend to live in the property or can

afford to run a second home somewhere like Camps Bay or Clifton and leave it unoccupied for 11 months of the year, cross all your Ts and be sure you're permitted to rent to tourists before you fork out one single cent."