

BUSINESS

Airbnb-style rentals are a growing cash cow for developers and owners

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Sun Sentinel

June 21, 2018 04:00 AM

Updated June 21, 2018 12:34 PM

South Florida real estate agent Sara Dorfman hit the jackpot this month when she arranged the sale of a multi-unit complex in Fort Lauderdale's Victoria Park for \$1.65 million. The chief selling point: The property was set up for vacation home rentals. And the buyer is eager to continue that business.

"We see more investors who are looking to do things this way," said Dorfman, who works for Native Realty. "I call them the savvy investor."

On a grander scale, home sharing is becoming an attractive option for South Florida developers who are installing liberal rental programs for would-be residential owners, including partnerships with Airbnb, the third-party booking company, and Pillow, a short-term rental management service that serves as property manager and listing expert for residents.

"Historically speaking, a lot of people have had their second homes here since before the internet," said Tom Martinelli, public policy manager for Airbnb in the Southeast. "If it's a home or in a multi-family building, owners are getting smart to optimize their asset" so they can retire earlier or make additional income.

"Developers are seeing these trends and catering to this market as well," Martinelli said.

But traditional hotel operators take a dim view of the home-sharing phenomenon, particularly through the increased use of multi-unit properties. They assert that the business distorts the playing field in the favor of Airbnb and its homeowner partners. Home sharing, they argue, has ballooned into a full-blown, multimillion dollar business, and is no longer just a side hustle for moms and pops in search of extra income.

"These are not people bringing someone into their spare bedroom to make a few extra bucks," said Troy Flanagan, vice president of government affairs/industry relations for the American Hotel and Lodging Association.

"You're seeing the conversion of residential quality of life into a tourist hotel," he said. "That's something the local governments have to take a close look at."

A 13-city study by the hotels arm of CBRE, a national real estate services firm, leaves no doubt that the home-share business is booming, driven in large part by multi-unit residential complexes. The study - which included Miami and tracked the numbers of hosts, units and revenue between October 2014 and September 2016 - found that revenue generated year over year by Airbnb hosts almost doubled in 2016. And the multi-unit hosts were the fastest growing segment of the business in terms of numbers of hosts, units and revenue generated in 2016, the study found.

Hoteliers argue that many home-share operators don't register with their cities as required, don't collect and pay tourist and sales taxes, and don't follow rules of the road set by local governments.

But Airbnb says it is making a proactive effort to collect taxes through agreements it has struck with counties and states. On June 8, it announced that it delivered more than \$12 million in tax revenue to Broward and Miami-Dade counties during the first year of tax collection agreements with both jurisdictions. The agreements were signed in April 2017. Palm Beach County does not have a collection agreement with Airbnb.

Around the country, some local governments are taking drastic actions against home-share operators.

Last week, the Boston City Council voted to forbid investors from engaging in home sharing, triggering a bitter rebuke from Airbnb.

"The new ordinance unfortunately creates a system that violates the privacy of our hosts, and prevents Boston families from making much-needed extra income in one of the country's most expensive cities," said Airbnb spokeswoman Crystal Davis in a statement.

After Airbnb came on the scene, many local governments created ordinances mandating the registration of operators and rules of conduct.

Miami Beach is looking to impose tougher requirements on how properties are advertised.

Fort Lauderdale is considering additions to an existing code that governs vacation rentals. According to the city, the majority of complaints received by its staff stem from noise, parking and the number of people who occupy rental units at any given time.

In a set of recommendations issued last month, the staff urged that the maximum number of occupants approved by the city should be included in vacation rental lease agreements. It also recommended that guests of rental occupants be required to leave the premises by 9 p.m., or go indoors. The commission has yet to act on the recommendations.

South Florida developers who allow multi-unit owners to engage in short-term leasing say there is a rising demand for home-sharing among owners. Besides, they say, their partnerships with Airbnb actually ensure that local rules are followed and that taxes are collected.

David Ardit, founding principal of Aria Development Group, developer of the YotelPad project, said his high-rise's home-sharing option is an outgrowth of Miami's diversity.

"We acknowledged that, especially in downtown Miami, a large part of the ownership universe is not local," he said. "It resides out-of-state and overseas. Absentee owners use their home several months over the years, and the ability to offer the buyer universe a flexible rental option is ideal. We know people want it. We know people like it. We said, 'Why not be proactive about it?'"

"In our case, owners will have the ability to have their home professionally managed and administered through a program through Yotel or agents or services like Airbnb," he said.

Harvey Hernandez, founder and owner of Newgard, and a co-founder of Niido, asserted that his firm's partnership with Airbnb is a way to ensure that local rules governing rentals are enforced.

In addition to Newgard's home-sharing project in Kissimmee, The Gale Residences Fort Lauderdale Beach is being marketed as a "flexible living" complex with a managed rental program that encourages tie-ins with Airbnb.

"It's a way of allowing the activity in our properties and provides the opportunity to our tenants to basically monetize that asset that they lease from us when they're not using it," Hernandez said. "Instead of fighting the activity, we are controlling it."

"We're ... making sure the municipalities get their taxes, and making sure everybody registers," Hernandez said . "If anything, we see ourselves as a solution to the problem."