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## Demand for alternative accommodation picking up

MAN'S search for the new and unique is never ending. It goes beyond the four walls into space travel. Neither their pursuit for gains and rewards.

The journey to find both was clearly evident when Airbnb's head of public policy for South-East Asia Michelle Goh said a couple of days ago the Airbnb community in Malaysia is among the fastest growing in South-East Asia. Thanks to the growing community of Airbnb hosts who put up their vacant units for short and long-term leases and the two million travellers who use the platform, a 99% growth over the previous year. There are now 44,000 listings, a year-on-year increase, says Goh.

She says the home-sharing platform is growing rapidly in Malaysia because tourists increasingly want unique, local and authentic travel experiences. There is demand for new experiences and there is a growing supply of alternative accommodation that goes beyond hotel rooms.

Property owners are putting aside their reservations, listing their properties on homesharing platforms and opening their investments to a steady stream of strangers. Technology enabled this. The search for gains and yields motivated it.

The supply of offerings from Malaysian Airbnb hosts is diverse. Just check out the Airbnb website.

Brand new units, some not so new. Some plushly furnished. Some offer up to 12 guests which average out to RM20 a night.

Says Goh: "They expect a diversity of accommodation options. Up to 84% of our guests globally use Airbnb because they want to live like a local. For them, Airbnb is the antidote to modern, mass tourism and a gateway to experience true Malaysian hospitality."

Goh says around the world, 44% of all guest spending on Airbnb takes place within in the neighbourhoods where they are staying.

"In 2017, our Airbnb community in Malaysia contributed RM200.4mil to the Malaysian economy. A typical Malaysian host earned RM5,200 in 2017 renting out their space 19 nights a year, and because hosts keep 97% of the money they charge, that's more revenue generated for local communities that do not typically benefit from tourism," Goh says.

Malaysians, she says, are increasingly recognising the benefits of home sharing through turning their biggest assets – their property – into income generators to help ease cost of living. Home sharing platforms like Airbnb enable thousands of Malaysians to share their properties and earn vital supplemental income.

This is especially beneficial in Malaysia where the current residential overhang has generated hundreds of thousands of unutilised apartments, she says in an email.

Goh is smack on. A residential overhang refers to completed units which remain unsold nine months after being certified fit for occupation. This overhang is exerting pressure on units which are



**Changing scenario:** See says the current situation is a result of oversupply.

already sold because owners planning to flip their units above launching price are unable to do so.

This inability to re-sell at a profit and to get the rent they want have resulted in owners putting their vacant units on platforms like Airbnb.

Says John, an Airbnb host: "I can't sell my units because there are so many units out there. I can't rent them out at a figure that will cover my loan instalment either. And I have monthly instalments and maintenance bills to pay." (See main story)

Bank Negara reported a RM22bil worth of completed unsold residential, including serviced apartments which are built on land zoned as commercial.

An agent whose office is located in a high-rise project around the Kuala Lumpur City Centre (KLCC) has been seeing owners opting for Airbnb for the last few years.

She says some owners have kept their units vacant because they are unable to get the rental they want. After a year or so, they decide to drop rates because there is no yield keeping the units empty. The next step is to opt for Airbnb although many try not to because building managers are not agreeable to this.

But there are ways to get around this. About 10% of the units in serviced apartment block her company is located in are listed on home-sharing platforms.

The rental income from a unit of less than 500 sq ft in the block where her office is located is about RM3,000 a month today, which average out to about RM100 a night. It was about RM4,000 a month about 10 years ago, she says. For comparison, a 600 sq ft unit was listed on a homeshare basis at RM235 a night.

Booking sites like Booking.com and Agoda, which previously only sell hotel rooms, offer alternative accommodation as well.

Metro Homes Realty Bhd executive director See Kok Loong says the situation facing the country, especially in the Klang Valley, is a consequence of oversupply. Local authorities have failed as gate-

keepers of the country's resources.

Local authorities cannot increase density arbitrarily, See says. Local authorities increasing density in an arbitrary fashion results in overbuilding.

"Land owners and developers are profit-driven. The higher the block, the more they can sell. If the plot ratio is 10, the developer can build up to 10 times the land area, it should remain so and should not be increase to 14 or 18.

"When density increases, the price of the land rises and developers, being profit-motivated, seek a higher price when they sell their units. The buyer is driven by investment instincts.

"But the opportunity to flip or to rent at a rate that would cover monthly instalments and monthly maintenance charges did not happen because banks gave too much credit. So buyers did not get the value they were seeking. So today, we have come full circle," See says.

While the property market is having its run, a segment of the population have grown up to be rather Internet-savvy. And along comes tech-enabled home sharing platforms, says See.

He says a buyer may be able to afford the instalments of two or three units, but when he has five, that becomes a problem. "They have no time to look after five units on Airbnb because that is a lot of work involved. So they hire agents to look after the units," See says.

Because there is little buying and selling, or renting, real estate agents are helping clients in their personal capacity to look after Airbnb units with one in Johor managing between 30 and 40 units.

Incidentally, Johor tops the list with about 6,000 units of completed unsold residential units in an October 2018 press report. This is followed by Selangor at 4,694, Penang 3,958 and Kuala Lumpur with 2,350 units.

See says this is the side effect of overbuying by investors, over building by developers, easy credit by banks between 2010 and 2014 and the government not managing the situation.

The other residents are affected because they see new "neighbours" every now and then. See says there is little to justify high plot ratios.

See says because the Singapore economy is reliant on a stable real estate prices, it is keeping an eye on this new trend to protect its real estate market. Up to 80% of its population live in Housing and Development Board units. Singapore has 7,000 listings as at October 2018.

Thailand has 61,000 listings in February 2018 although the court has ruled them illegal. According to Bangkok Post (May 18, 2018), owners who rent out their rooms via Airbnb on a daily or weekly basis are acting illegally. The court ruled that people renting out their rooms have not obtained a licence to run a hotel business under the 2004 Hotel Act. Only rentals of 30 days or more are legalised.

Over in Kuala Lumpur, plans are afoot to have Airbnb hosts register with City Hall.