

## Should you let short-term or long-term?

Short-term rental demand is no longer only common in popular holiday and tourism destinations, but also increasing rapidly in business districts, student zones and the areas around airports and conference centres.

“One reason is that many more skilled people around the world now work on a contract rather than a full-time basis, and prefer to rent a flat wherever they are working for a few weeks or months instead of staying in a hotel or a guesthouse,” says Greg Harris, CEO of Chas Everitt Property Rentals.

However, property investors should weigh-up the pros and cons very carefully before they decide to go into this market, and make sure they work with a managing agent who really understands it, he says.

“Of course everyone who buys an investment property wants to make the best possible returns,” he says, “and by letting short-term at a daily, weekly or monthly rate, owners stand to make considerably more money than if they rent long-term. What is more, short-term letting makes it easier for landlords to raise the rent to cope with any increases in interest rates or sectional title levies.

“However, investors need to look beyond these numbers and take other factors into account, such as the consistency of short-term demand in the area where the property is located, and what competition they might face from hospitality establishments in the same area - or even local homeowners with a room or two to let.”

Harris says additional positives associated with short-term letting include:

- Better condition. Short-term tenants generally won't be moving furniture in and out, painting the walls or changing the carpets, so the property should need less heavy-duty maintenance.
- Tax advantages. If you let your property short-term, you may well have more advertising, cleaning and management costs to deduct from your rental income. However, you will need to seek professional financial advice in this regard.
- Flexibility. If your property is in a holiday town, for example, letting it out on short-term arrangements during peak months will probably mean that you can afford to use it yourself for at least a few weeks a year.
- Fewer tenant clashes. Letting short-term will reduce the likelihood of having to deal with troublemakers, hoarders and defaulters – especially if you have a great managing agent.

“But short-term letting is definitely not all wine and roses,” he says. “Investors could find, for example, that the body corporate or home owners' association of the complex or estate where they own an investment property is quite happy for them to let it long-term but has a rule against short-term letting.”

Other negatives to look out for are:

- Fly-by-nights. It is important to find out why prospective tenants want a short-term rather than a long-term lease – and if there are any employment or financial issues that make it more likely that they will default.
- Additional costs. Short-term tenants usually won't pay for municipal services such as water and electricity, furniture, appliances or linens, so you will need to budget for these as well as regular cleaning and restocking.
- Turnover management. It takes time and energy to look for a new tenant every few weeks or months, and to make sure every time that the property is clean, inventoried

and ready for the next tenant. This is where the help of a managing agent experienced in this market can make all the difference between profit and loss.

Issued by Chas Everitt International  
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