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AIRBNB

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Everyone seemed to have an opinion about how Uber wouldn't work in Africa back in 2012. Four years down the line, the Uber bug has spread to 11 cities in Egypt, Kenya, Nigeria, Morocco and South Africa. There are also plans to open shop in more cities like Abuja and Accra. Airbnb finds itself in a similar situation, expanding a global brand into the unknown – as many people refer to business in Africa.

The original idea about Airbnb is quite simply to connect homeowners with a market of bargain seekers in the short stay accommodation market. Quite easily done you might think? Well, the statistics certainly show so. Airbnb operates in 191 countries around the world including an estimated 10,083 property listings in Africa, as reported by AirDNA in October 2016. In effect, there are an estimated 17 countries in Africa operating on the Airbnb platform. By far the largest market, South Africa was the pioneer in the African expansion of Airbnb back in 2015, but the list has since included Kenya, Morocco, Nigeria, Mozambique, Namibia, Rwanda, Senegal, Swaziland, Uganda, Zambia and Zimbabwe.

There are several reasons why the Airbnb model will work in Africa. First, not every city has a branded hotel that appeals to the international traveller, so with Airbnb, visitors have access to secure and trusted accommodation in whichever city they choose to travel to. Unfortunately, this won't be the case until there is expansion to more cities and greater connectivity capacities.

Second, reading through a success story, Godwin Ndosi of Arusha, Tanzania, is an Airbnb host with a five-star rating. His accommodation is a modest home where he lets out a room. Hardly comparable to sleek loft apartments in big cities, his home provides an opportunity for adventurous tourists to experience his city as it is, free from the inevitable photoshopping that accompanies well-oiled tourism packages.

Third, the opportunities for budding entrepreneurs abound with this model. The typical young and vibrant people found all over the continent have an opportunity to buy into a global brand and make it work with minimum investment. Building a hotel or owning real estate would certainly be out of reach for the majority of young business people. But renting out your room or flat...now that can make a lot of business sense!

The highly successful model of sharing one's personal space with virtual strangers certainly raises some concerns, especially in an environment where not everyone falls within the radar of the government. For instance, in America, the existence of a social security numbers easily lends itself to assuring guests and hosts alike that in the (un)likely event of a breach of contract (or other), there will be some means of identification. Aside from bigger more advanced economies like South Africa, Egypt and to some extent Kenya and Nigeria, verification issues will pose the biggest threat to the viability of Airbnb on the continent.



South Africa is by far the largest provider of accommodation on Airbnb, not surprising as the tourism industry there is so large. Airbnb reports 9,400 homeowners are on the platform, with over 5,000 in Cape Town and over 1,000 in Johannesburg, but homeowners in other locations also provide rooms on the Airbnb platform – Nicola D’Ellia, Airbnb’s Regional Manager for Africa & Middle East comments "We want to bring tourists to parts of the continent that aren't covered by traditional accommodations — only places where you could stay in other people's homes".

Listings in South Africa are increasing 138 per cent a year, and the number of people staying in Airbnb homes in the country is growing at over 250 per cent.

Opposition from the hotel industry and from government (and even residential communities) has been rising over the years, as the number of Airbnb listings increases. Evidence of this opposition was clearly shown recently with the passing of a law in New York protecting local housing, a move which is set to redefine the very business model on which Airbnb is built. The main reason for the NY law was the misuse of Airbnb by commercial landlords and the loss of badly-needed residential space in the city centre. This regulation has caught on in other cities like Berlin and even San Francisco, the home of Airbnb. Basically, the concern is about the highly unregulated nature of Airbnb. Who knows who or what homeowners are selling, more importantly who gets taxed and who doesn't?

Commercial landlords should be regulated by the community in which they operate, Airbnb hosts literally sweep the carpet from under the regulators’ feet and operate virtual business deals without due recompense to the authorities – and hotel owners cry “foul”! Safety issues are also a major concern as residential communities are now host to strangers without ties and with no accountability to the communities. This is a major concern, given the recent spate of terror attacks in major cities across Europe and the States. Other safety issues relate to the safety of guests of homeowners, in case of fire and other catastrophes, and also hygiene.

There are also concerns from hotel owners about pricing. Airbnb and accommodation can easily be added to or taken out of the supply; when there’s a big event in town, such as an international conference, hotels want to premium price their rooms, but the addition of home stays at that time, typically charging less than half a standard hotel room, can limit the hotels’ ability to do that. According to research undertaken in the USA, lower-priced hotels and those catering primarily to leisure travellers are the most affected by this.

Has there been an impact by Airbnb on the African hotel industry? Probably not much so far, but investors need to be aware of it as the industry grows, particularly in cities such as Marrakech (2,344 listings) and Cape Town where the emphasis is on leisure travel. As many General Managers of hotels will tell you, every room is a competitor. But the main users of Airbnb in Africa are still likely to be backpackers and others who would not anyway have used mainstream hotel accommodation – and are typically young travellers, who when older could well return to the destination on vacation or business, and will then be hotel clients.

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