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## YSP Podcast Transcript: Episode 140. The technology that protects your building from short-term letting

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**Intro:** Welcome to Your Strata Property. The podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source. To access previous episodes and useful strata tips, go to [www.yourstrataproperty.com.au](http://www.yourstrataproperty.com.au).

**Amanda Farmer:** Hello and welcome. I'm Amanda Farmer, and this is Your Strata Property. Reuben Schwarz describes himself as an ex-journo, ex-scientist, ex-data guy, ex-writer, ex-consultant, ex-product manager, ex-delivery manager, and he says that he is currently the pre-ex-co-founder of [bnbguard.com.au](http://bnbguard.com.au). BnbGuard protects your building from short-term rentals, working with property managers, strata buildings, building managers, and local councils to control the problem. Reuben is experienced in all aspects of digital product management, including development, strategy, UX, launch, customer growth and rapid lean delivery.

He has been involved in numerous early stage startups as founder, advisor, coach, and employee. The industries he's been involved in span financial advice, superannuation, insurance, content marketing, news media, real estate and PropTech, IT consulting, caravans ... yes, caravans ... EduTech and more. Today, I am delighted to welcome Reuben Schwarz of [bnbguard.com.au](http://bnbguard.com.au). Hi, Reuben.

**Reuben Schwarz:** Hi, Amanda. Thanks for having me.

**Amanda Farmer:** Absolute pleasure to have you here today. And Reuben, I think our names came up together in an article, I think it was a domain.com.au article, where we were both quoted on the very hot topic in New South Wales, if not around the world, of short-term rentals. And I thought I'd bring you onto the podcast to have a chat about exactly what BnbGuard is, what service you're providing, because it sounds pretty cool, and how our listeners might be able to make use of it. So I'll start by asking you, Reuben, why do you say that our strata buildings need protection from short-term rentals?

**Reuben Schwarz:** I think for most people it comes down to them wanting a home, not a hotel. There are places out there already, apartment hotels where you can get that kind of mix, but most people don't want that. They want an apartment they can live in. They want a community around them. They want neighbours. They don't want strangers coming and going every day. There's a lot of risks around short-term rentals, too, that other people in Australian communities unfairly wear. Those are the risks like having loud parties, a frequent complaint. The most common complaint we get from short-term rentals is just the parties.

We have this image of short-term rentals as being something that mom and dads do for tourists who come from overseas kind of thing, but there's actually quite a lot of activity which is just a bunch of teenagers or twenty-somethings get a room and have a party. And if you've got 10, 20 people, it's very cheap to book a four bedroom house, or what happens in Melbourne a lot, these teenagers rent an apartment and they can do it for 10 bucks each, and that's where you get a lot of these problems, because the hosts don't vet short-term guests like you do a long-term guest. There's not the time and obviously the resources to do that.

So we don't really know, other than the strata communities, well we don't really know who's coming and going in these buildings, and that poses risks. Those parties increased crime, there's also been incidences of people who get access to strata buildings and copying the keys, copying the access fobs, which can be done for about 40 or 50 bucks if you know the right people, and then have complete access to that building after that. And if you look around downtown Sydney and downtown Melbourne, you see these lock boxes around attached to bikes, to trees, to what have you, and it's relatively easy to figure out where those lockboxes actually ... what building they belong to, even what unit they belong to, if you know what you're doing like we do.

There's also financial worries, potentially increased insurance costs for having the short-term rental activity, because obviously much higher risk than a long-term rental. More wear and tear, more fines for garbage infractions, parking infractions, those kinds of things. And there's sort of unsavoury things that come along with them as well, which is, there's something called a pop-up brothel, which is something not a lot of people know about, but it's something happens a lot in short-term rentals, because it makes economic sense, really.



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**Amanda Farmer:** Before we move on, I have to ask you, can you, perhaps with some tact, describe the pop-up brothel?

**Reuben Schwarz:** Sure, it's a lot more common than we think, and a lot of our customers see it, although for obvious reasons they don't talk about it a lot, and that is when a prostitute will rent out an Airbnb for the night and use it as his or her headquarters. And then you get their customers coming and going on that floor for that night. And then another night they went somewhere else. It's a really cheap, easy way for them to do it.

**Amanda Farmer:** Now, our long-term listeners will be well across many of those issues that you've helpfully outlined there, Reuben. Some listeners are dealing with short-term letting in their building, trying to find ways to regulate it. Others who've been very active in the policy-making that's been going on here in New South Wales. What are you doing with BnbGuard? What is it? How does it help these buildings?

**Reuben Schwarz:** Sure, BnbGuard is ... We have technology that monitors all the major short-term rental websites in Australia, websites like Airbnb, HomeAway, Booking.com, as well as some sites that you don't normally about that way like flatmates.com. We find maybe 5 to 10% of our short-term rentals are actually on Flatmates, people taking over the lease, people who welcome backpackers in for a spare room, as well as small niche sites like misterbandb.com, which is an overseas gay-friendly site which is quite popular in Sydney, especially around events like Mardi Gras. There are all kinds of smaller sites, too, like Holiday Paws, which is pet-friendly, Kid and Coe, which is a family-friendly site. So we're seeing a lot ... There's been kind of an explosion, and we'll see a lot more in years to come now that Airbnb has normalised the phenomenon of this short-term rental activity moving to those smaller niche sites where they've got a community of trust.

So we monitor those websites, all the major ones. Our technology does this efficiently. We have some technology that sort of looks at the images, looks at the metadata around the building and around the listings of it. Does it have the same pool and a spa and that kind of thing? Then we have a final human layer, which does a check on whether that listing is a match to our customers' buildings. When it is, we notify our customers, and then we work with them to try to get that removed.

**Amanda Farmer:** Okay, how do you get it removed?

**Reuben Schwarz:** That's the tricky part. You don't talk to the platforms, because even if they'll do it, it'll take a long time, and then you have to have clear evidence of illegal activity. We find that about a third of the listings we find are by tenants, not by the owners, and those are always against the lease agreements, so those can be shut down right away. In New South Wales, until the new legislation comes in, it's still possible to have by-laws banning it, which a lot of our customers do, and so they pursue those avenues. But to be frank, the best way to do it is to have a proactive building manager, a proactive strata manager, and for them to make life difficult to undermine the economic case for short-term rentals in the building, and push that activity elsewhere.

**Amanda Farmer:** Okay, a couple of things there. You do the monitoring, you do the identifying and matching your customer with the listing. Do you then continue to work with the customer as part of your service, working together with them through that process of trying to eliminate the short-term letting? Or do you let them know it's there, and they're on their way to try and solve it themselves?

**Reuben Schwarz:** At the moment, we're more in the second camp. We notify them and keep them notified if their listing comes back. We keep monitoring those listings. But moving into the first, we're trying to become more of a service that a building can sign up to, or an OC can sign up to, and then we'll help them navigate the often complex legal environment and come up with the kinds of policies that will push this activity out of their building or allow them to control it. Some buildings don't mind people who do it over Christmas or people who do it every now and then or rent out a spare room. It's the people who are renting out a whole property all year round and not caring who comes in that they want to crack down on. So we want to help the OCs control short-term rentals in the way that they see fit and help them navigate the laws and come up with the right policies to do that.

**Amanda Farmer:** Yes. I think you've got the right idea there, where it seems like we can't really rely on our legislators to give us some useful, perhaps, tools to deal with this problem, and the platforms themselves won't deal with it. You've said there earlier, it's

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no good approaching, say, the Airbnb platform to say this listing is illegal, it's not permitted in our building, you need to remove it. They're simply going to ignore you. Or something that I just saw just within the last couple of days. I'm not sure if you're across it, Reuben what's happening in Boston. I think Airbnb is taking the government there to court over their new laws, which are due to commence the 1st of January, I think.

**Amanda Farmer:** I'm not quite across exactly what the laws are, but their argument is that Airbnb cannot remove what they call third-party material or third-party content from their website. They're saying the host has put the listing up. That listing belongs to the host. If you have laws, Boston, that tell us we need to take that down for whatever reason, we can't touch that. That'll be really interesting to see that play out as to what the courts there say about those kinds of rules and third-party content.

**Reuben Schwarz:** It's kind of the seekers' problem is probably too strong of a word, but the short-term rental industry is very much two industries that get mashed together, especially in lobbying efforts by the platforms and the interest groups. There is a short-term rental industry which is mom and dad's renting out a spare room, which is people who live in Coffs Harbour or Byron Bay, doing what they've always done and renting out their place over Christmas, New Years. And for the most part, we have customers who are councils as well. We work with them to identify properties who have a commercial operation but aren't paying proper levies. They don't care about the stuff that's always been going on.

And the same with the strata's. They don't really care about the good actors who have been doing it all along, who are mom and pops. What they care about is the commercial operations. From what the data we can see ... the companies don't release the data ... it seems like the bulk of the activity and the revenue actually comes from those professional investor listings, the full-time ones. The reason I think potentially that there's been such a pushback in Boston is because Boston's come on really hard against the investor short-term rentals, basically banning them completely. Airbnb doesn't want that to set a precedent. The laws themselves, in terms of registration and licensing and things, kind of follow the best practice, what we've seen elsewhere.

**Amanda Farmer:** Interesting. From what I've seen of your website and the commentary that you've got up there, you are across what's happening around the world and looking at the different approaches, whether it's a more hands-on and regulatory approach or less so. Perhaps looking at a place like Victoria, where they've got their relatively new laws, that's pretty laissez-faire, we may say, which is really helpful to have that body of knowledge, that documentation that you have. And of course, second to that, you've got the data, so your technology is going through these websites, and you must have quite a mountain of useful data there, building up.

**Reuben Schwarz:** We're definitely collecting a lot of really interesting data. What we're seeing in particular, like I said before, a lot of activity on those professional listings. We're a young company. We didn't start out doing data science, so we're still building that out, that functionality or that capability. The other thing we're seeing is more and more listings on these smaller niche sites. Interestingly, more and more listings on those smaller sites that aren't on the bigger sites. We just had one launch earlier this year, which has only about 10 listings in Australia, called NaturistBnB, which is a nudist-friendly BnB. It's taken off overseas, and Australia will follow.

But those listings, we can't find them on other sites. They're targeting specifically that market, and we see that more and more with Airbnb or Inclusive, which is an African American-friendly one. Misterbnb. People realise that using the aggregator sites in particular, like tripping.com, where they just pick up listings from everywhere, you don't need to be on Airbnb. You can be on these smaller sites, which offer you often better rates, and you keep under the radar of the regulators. So we see ourselves as playing a pretty pivotal role in Australia, helping councils and helping strata keep on top of this activity across multiple websites because as you said with Boston, you can't rely on the platforms themselves to play ball. Once they sense they're going to lose too much money, they're going to start looking at other avenues.

**Amanda Farmer:** And they indeed have the money to spend-

**Reuben Schwarz:** They definitely do.



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**Amanda Farmer:** ... fighting those battles and looking at those avenues.

**Reuben Schwarz:** In London, for example, Airbnb gets a lot of bad flak, but they're actually one of the better players in the industry, potentially because they're under the spotlight as the biggest player. But they actually cooperate a lot better with the authorities than a lot of the other smaller sites. For example, in New Orleans and London, they focused on Airbnb, and all the illegal activities moved off to HomeAway and Booking, who then saw a huge increase in their revenues and stonewalled any attempts to cooperate after that.

**Amanda Farmer:** Interesting. Are you able, Reuben, to share with us any case studies, perhaps, any buildings that you're working with or have been working with and the results they've been able to achieve working with using BnbGuard?

**Reuben Schwarz:** Sure. One of our first customers was actually Bennelong Apartments, which is the one right next to the Opera House, looks like a toaster.

**Amanda Farmer:** Yes, very famous.

**Reuben Schwarz:** They've been a customer of ours for almost since the beginning now, about 9 months. They [inaudible 00:14:20] with a potential host in their building, who wants to put up these listings against Airbnb, against the by-laws of the building, and they do it in a sneaky way where they put it up just for a few days, and then it disappears. The reason they do that is because they know with such a high-demand property, they can charge 2 or \$3,000 a night for a booking over Christmas. You get 2 or 3 weeks' worth of that, which is easily done in a few days during peak time, you're making 20, \$30,000. That's enough to pay for any of the fines or anything like that. So we keep a really, really close eye on those listings, on that site, and we find a host that perennially tries to sneak them through. We find them and then send them to the building manager right away, who can then shut them down before they actually receive any bookings.

**Amanda Farmer:** Is that an owner, did you say, or a tenant who is doing this?

**Reuben Schwarz:** That is an owner who's using a professional host company, like a MadeComfy. It's kind of a luxury version of MadeComfy.

**Amanda Farmer:** What do you think about the new New South Wales legislation, which is intending to regulate this area for us here?

**Reuben Schwarz:** Yes, as you said before, it's not as bad as Victoria. It could be worse. On the face of it, it seems like it's quite a sensible thing to do. It means that as an investor, for example, if you want to rent out your entire place, you can't do that for more than 180 days in Sydney. Trouble is, those kinds of laws have been tried overseas, and they're very hard to enforce. I think that's particularly true for strata, who are trying to prove this. With a 75% vote, they can pass a by-law banning short-term rentals, but only for investors, so only when the host is not there as their primary place of residence. Proving that's going to be quite difficult, and there's all kinds of loopholes that we've seen, especially in New York, which has similar laws, where you get sort of syndicates of hosts having tenants who are rotated between properties kind of thing, just to work around that principal place of residence requirement.

**Reuben Schwarz:** If the strata ever has to prove it, the OC, they wear the burden of proof, not the host, for whom it would be a lot cheaper. The same with the safety regs. Great idea, but how are you actually going to enforce it? There's no registration system. There's no license, anything like that, which is really common overseas. It's going to be essentially unenforceable, and I think the OCs are going to have a hard time using those laws to actually shape the kind of communities that they want, even if they have that 75% majority to do so.

**Amanda Farmer:** Yes, I think you might be right there, and all the more important then for buildings to be aware of and able to access resources for, I guess, taking matters into their own hands, so far as the law permits, and being creative about how do you

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identify that this is happening, how do you prove it? So we might have a by-law that bans short-term letting. Let's go to the tribunal to enforce that and seek a penalty. But how do we gather that evidence? How do we connect the listing to the lot? And how do we change the culture in our building to send the message that this is just not acceptable? So we come back to that first stage approach that you're talking about, Reuben, really working with the buildings to arm them with the knowledge and the resources that they need to do that.

**Reuben Schwarz:** That's the key point. It's really about ... I mean, we started this out as a technology business, but it's increasingly becoming almost a kind of a service, almost a people business to help OCs navigate this space. The trouble with the New South Wales laws is they ignored a few simple things like making short-term rentals opt-in, so you need 75% majority to actually allow short-term rentals in the buildings. And they don't allow buildings to just make a stand and say we're not having any of this stuff at all, we don't want it. Owner-occupier, investor, whatever. Those 2 small changes, I think, would really help the strata communities create the kind of communities that they want.

The problem is, once the activity gets embedded, especially in those popular areas like Sydney CBD, Bondi, Surry Hills, and Woolloomooloo as well in Sydney, are really popular. Once the activity gets embedded there, you attract those kinds of unit owners, you're never going to get it out. Even if you've got 60% of the building who doesn't want it, they're forced to live with it or forced to move out to a place or an area that they don't want to live, just so they can have a home and a neighbourhood.

**Amanda Farmer:** Which is really sad. Isn't it bizarre that for such a long time in New South Wales, we have been allowed to ban animals, but we can't ban, or at least under this legislation that's coming, we can't ban short-term rentals? Interesting.

**Reuben Schwarz:** Yes. I can't speak to why the laws are the way that they are. All I can say is that overseas, it's been the cities, not the states, which have taken the lead, and they've tended to come up with much more practical solutions because they understand the problems. One of the issues I have with the New South Wales laws is that they do hamstring a bit the local government's response. So we deal with a lot of political councils, some New South Wales, Victoria, Queensland, and they want to respond to their own problems. Short-term rentals affect Bondi very differently than they affect Cabramatta, or even affect Byron Bay, and the local councils should have more leeway to respond to their problems. And try different things too, because this is not a mature industry. We don't know the long-term impacts that this is going to have on an area like Byron Bay or Bondi, so they should be allowed to try different things and experiment and see what works. And that's how we're going to figure out how to regulate this long-term.

**Amanda Farmer:** Good points. What should our listeners do, Reuben, to get started with solving a short-term letting problem that they may have?

**Reuben Schwarz:** Long-term, you need good strata management, good building management, and technology like BnbGuard. Together, those give you the by-laws that you can enforce. They give you the official or unofficial policies to make life difficult for short-term rental guests and hosts, to undermine that economic case and push the activity out of the building. And then the technology, well, our goal is to just make that really cheap and easy, so anyone can just plug it in and do it. Things like enforcing that investor short-term rental ban in a New South Wales strata, that becomes a really cheap and easy thing to do. That's where we want to be, and that's where we want to play.

In the short term, though, if you can't get your OC onsite, or if your OC is onsite but your strata manager isn't cooperating, or you're worried about the legal bills and things like that, these are all natural things to be worried about, but there are things you can do to make life a bit harder for short-term rentals, to again undermine the economic case. We've got customers who make short-term rental guests wait outside in the rain, to reduce the reviews. We have customers who ask the cleaning companies the professionals use for public liability insurance every time they come in, again, just to make life difficult, just to increase the costs.

In New South Wales, there is a compelling legal argument that you can cancel swipe cards you believe are compromised. I would argue that any swipe card that's stored in a lockbox, that unit's swipe card is then compromised because as I said, you can find out where those units are. You can find out where those buildings are very cheaply, and those lock boxes are not foolproof. If all

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that is beyond the stomach of your OC or your strata manager or your building manager, and that's where a lot of it has to lie ultimately, there's always the ATO. We've had a very good success rate with shutting down short-term rentals just by threatening to report the income to the ATO.

**Amanda Farmer:** Interesting.

**Reuben Schwarz:** We're building, the next version of our product will have a feature which will estimate that income over time, so we can tell the ATO. If the place is up for 6 months, we can send a letter off to the ATO with one click, saying this listing at blah, unit X at this address, has made \$10,000 this year. Wouldn't you?

**Amanda Farmer:** Yes.

**Reuben Schwarz:** We've had very good success with that so far.

**Amanda Farmer:** Good timing as well, I think, because I know that the ATO is very involved at the moment with data matching, whatever that is. You'll have a better technical head than mine, Reuben. But they are able to connect whatever data the ATO has got with what you have then reported as being your income for the year. And they are coming after those who have not reported that income. So I think they're on the warpath, so very good tip there, along with many other very practical tips for creative ways to deal with short-term letting.

Short-term letting is something that we've discussed a few times on the podcast. All the way back in Episode 4, we got some really practical tips as well from Karen Stiles of the OCN. So check out that episode if you haven't yet. And again, I had a chat about short-term letting in Episode 7, where I specifically talked about how you can use by-laws to deal with short-term letting. So a few more practical tips in those episodes, over at [yourstrataproperty.com.au/podcast](http://yourstrataproperty.com.au/podcast).

Reuben, everyone who is on the podcast gets the book question. What books have had the greatest impact on you, and why?

**Reuben Schwarz:** I'll probably struggle with this one a bit. I've come from quite a varied background, and I've done everything from write children's books for a living to do pretty detailed data analysis and things like that, and machine learning-type stuff. I'd say off the top of my head, the book that I've read in the last few years which has had the biggest effect on me, there's 2: One is called Managing in the Gray. The author's name escapes me, but Managing in the Gray is about how to make hard decisions when you don't have all the information and how to understand the consequences and live with those consequences, whether it's shutting out a factory or firing an employee or things like that.

The other book that I found really valuable that I read recently was The Hard Thing About Hard Things by Ben Horowitz. It's a very good book, especially if you're involved in a business or a startup. It is a very honest look at actually running a company and the decisions you have to make, and just full of useful information and tips.

**Amanda Farmer:** Excellent. And Managing in the Gray, I have just been able to look up for you. Joseph L. Badaracco, if I'm pronouncing that correctly. We will make sure there are links to those in our show notes, as well as links to [bnbguard.com.au](http://bnbguard.com.au). And I'm just debating with myself here, Reuben, whether we include links to all of those smaller and not as well known hosting sites. I'll have to think about that one. A few of them I had never heard of, so it's good that you guys have your finger on the pulse there.

**Reuben Schwarz:** Thanks, Amanda.

**Amanda Farmer:** Before we wrap up, Reuben, let us know how our listeners can find you, and if there's anything you want to add, jump in.

**Reuben Schwarz:** You can find us online. We're at [bnbguard.com.au](http://bnbguard.com.au). Or search for BnbGuard, letter B, letter n, letter b Guard. Or you can email me at [reuben@bnbguard.com.au](mailto:reuben@bnbguard.com.au).



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**Amanda Farmer:** Excellent. We will all be watching closely to see what you do next. It sounds like you're doing some great work so far, and if you'd like to work with Reuben and BnbGuard, you absolutely know where to find him. Do reach out. Thanks so much, Reuben. I'm sure we'll have you back on the show, perhaps some time next year when our legislation in New South Wales has hit the ground, and perhaps assess the fallout from that and see if our predictions are in line or not.

**Reuben Schwarz:** I'd love to. Thanks very much, Amanda.

**Outro:** Thank you for listening to Your Strata Property, the podcast which consistently delivers to property owners reliable and accurate information about their strata property. You can access all the information below this episode via the show notes at [www.yourstrataproperty.com.au](http://www.yourstrataproperty.com.au). You can also ask questions in the comment section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?

