# Flat Rich: How Airbnb Saved the Quinteros’ Retirement

By Kerry Pechter *Thu, Jan 25, 2018*

*How a family in Seville, Spain, fixed their retirement income shortfall by investing in two Airbnb apartments in Barrio Santa Cruz, a magnet for lovers and other tourists.*

The Baby Boomer retirement wave, the damage done to global social security systems by the financial crisis, and the exponential growth of Airbnb’s online lodging network, have more or less coincided over past ten years. If that convergence is an accident, it doesn’t quack like one.

For Jesus Quintero Alvarez, a 61-year-old topographical engineer in Seville, Spain, those three trends are the story of his life. Mr. Quintero was born midway into the post-WWII fertility boom, in 1955. As he and his wife neared retirement age, Spain reduced the generosity of its state pension. And he salvaged his retirement by becoming an Airbnb entrepreneur.

Mr. Quintero, his wife Rita, and his son Paulo, 35, a mechanical engineer, sat down at the dining room table in one of their two Airbnb apartments in Seville recently to tell their story. It’s a story about weakening social safety nets, personal resourcefulness and Airbnb, which, in a sense, has usurped life insurers as a provider of lifetime income for retirees worldwide.

**You’re fired!**

Mr. Quintero worked for 35 years at a multinational construction company that built homes, apartment complexes, roads and bridges. Only 52 years old when the eurozone’s financial crisis erupted in 2008, he survived several rounds of layoffs and expected to work until he reached full pension age at 65.

Spain’s social security pension is generous, to a fault. Its 80% initial replacement rate is twice the median replacement rate of Social Security in the U.S. It’s funded (or rather, underfunded; it’s running a government-financed deficit €18 billion a year) by a payroll tax of about 30% (25% from the employer and 5% from the employee).

But two years ago, Mr. Quintero’s employer, fired him without specific cause, leaving him five years short of full pension age. Unemployment benefits (which, like the pension, are richer in Spain than most other EU countries) helped ease the pain. As for severance pay, but he had to go to court to force his company to pay him the 30% (€43,000, or $53,340 at today’s exchange rate).

His involuntary early retirement would reduce his annual pension by 7.5%, he said. That shortfall alone might not sound crushing, but under Spain's recent financial reforms, pensions are no longer indexed to inflation. By capping annual increases at 0.50%, Spain hopes to inflate away a chunk of its pension burden. The Quinteros would also be without a 401(k) type savings plan or a "spousal benefit" for Sra. Quintero; Spain has neither.

The Quinteros held a family meeting to decide what to do next. They didn't need to worry about health care; it's universal. But they still faced a future of steady declining purchasing power unless they found a source of supplemental income. But how to get it? Since they live in tourist-heavy Seville, the answer was rather obvious.

**Spain's tourism boom**

Spain in general and Seville in particular have been major tourist destinations since tourism was born in the 19th century. But in recent years, Spain's tourism industry has mushroomed. That's a dividend, ironically, of the eurozone's financial crisis, which hit Spain (along with Greece, Italy and Portugal) especially hard.

After Spain's real estate bust in 2008, its citizens, banks, and government all woke up to a hangover of hundreds of billions of euros in external debt that it could never pay back. Bound to the euro, Spain couldn't devalue its currency (and thereby revive its export competitiveness). So the whole country took a pay-cut of up to 15%. This "internal devaluation" sparked booms in manufacturing and tourism. In 2016, Spain, a country of 46.5 million, received 75.6 million foreign visitors. In July 2017, 10.8 million people visited Spain, setting a single-month record.

Tourists in general are using organized packages less often and switching to DIY travel. In Spain, one result has been that while hotel traffic grew only 4.1% from 2015 to 2016, the use of short-term apartments grew 23.2% (albeit from a smaller base). The number of Airbnb properties has been doubling every year. The online service now accounts for a reported 54.2% of all available vacation rentals in Spain.

At their family meeting, the Quinteros decided to enter the Airbnb business, and to do it seriously, not as a hobby. They are now among the 37% of Seville's Airbnb hosts who have been with Airbnb for two years or more, the 69% who solicit bookings "regularly," and the 36% with two listings, according to a University of Seville survey of 100 Airbnb hosts.

**Bosch appliances, marble baths**

With caution, the Quinteros crunched the numbers. First, they calculated their net income needs. Then they imagined the type of property that could generate enough top-line revenue to produce a satisfactory bottom line–after the considerable cost of a mortgage, utilities, maintenance, management and a 20% municipal lodging tax.

They needed a safe investment—a premium property that could maintain a reliable year-round occupancy rate in the face of competition with other Airbnb properties and with Seville's bouquet of boutique hotels, which offer luxury rooms for $100 to $200 a night in winter and $200 to $350 a night in summer.

So they bought two flats in a strategic neighborhood. Seville is a 2,000-year-old city of about 700,000 people 120 miles north of Mediterranean beaches. Ornamented with Roman, Moorish and Spanish Imperial architecture, Seville's oldest, quaintest section is Barrio Santa Cruz, a labyrinth of narrow alleys surrounding Seville's landmark Giralda bell tower and Cathedral of Santa Maria de la Sede.

The epicenter of dining and lodging in the barrio is Calle Mateos Gago (pictured above), a cobblestone lane lined with orange trees and bistros, called tapas bars. There the Quinteros found an old building that had been gutted and converted into contemporary apartments, each with a small living room/dining room, a galley kitchen with a Bosch stove and dishwasher and two marble baths. If the apartment sold in line with prices of comparable properties, the Quinteros paid about €250,000 (about $300,000) for each.

Borrowing to buy two apartments was a big gamble to take late in life. But the Quinteros saw it as a multi-generational investment. The three of them handle all the chores. They charge $190 per night (discounted to $3,200 per month). By attending to detail (professional-grade photos for their Airbnb webpage; in-person welcomes; chocolate truffles for new arrivals), they've earned a five-star, 9.8 Airbnb rating from guests. Perfect user ratings are a key to success in the Airbnb game.

**No coincidence**

This story began with the question: Is it an accident that Boomer retirement, the damage inflicted on public pensions by the financial crisis, and the rise of the global Airbnb phenomenon have all occurred within more or less the same time period? Probably not.

Airbnb is in the right place at the right time. Almost as soon as the service appeared, older people and empty nesters with spare bedrooms or apartments recognized that rental income could cover their savings gaps. At the same time, Boomers with an itch for international travel in retirement recognized in Airbnb a way to see the world on the cheap. Four million properties in 191 countries now use the platform.

That doesn't mean that hosting is easy. Once Airbnb's potential for monetizing surplus real estate became clear, it was inevitable that entrepreneurs would turn it from an amateur endeavor to a cutthroat professional one. Airbnb's low barrier to entry also makes it ruthlessly price-competitive and, inevitably, reduces the odds of success. The Quinteros say they understand the risks, and they're ready to do what it takes to reap the rewards.

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