
Sign of the Times

By Kerry Pechter *Wed, Jun 5, 2013*

A 'grey market' phenomenon in more ways than one, Airbnb's lodging website allows Boomers and others to boost their retirement incomes and, conversely, to afford their dreams of retirement travel.

My first experience with the 21st century hospitality phenomenon known as “Airbnb” occurred last April in New Orleans.

My cab from Louis Armstrong Airport had just arrived in front of the blue Victorian townhouse with white trim and lavender shutters where I'd booked accommodations for two nights. It was located on a narrow street in Treme (pronounced Truh-MAY), a ragged neighborhood where architectural and horticultural beauty vie with urban decay for your attention—as they do in many parts of that city.

But there was a slight problem. The taxi driver, an Israeli-Arab who was also a part-time graduate student, had not wanted to deliver me to Treme. Too dangerous. During the ride from the airport, he told me, “If I were you, I would not stay there.” Slightly shaken, I used my cellphone to call Felicity, who owned the Victorian and was my Airbnb host. I told her what the driver had said. Naturally, she was furious. “This is a *wonderful* neighborhood,” she said.

So, when we arrived, cabbie and innkeeper were both stoked for a confrontation. Felicity, a vibrant woman in her sixties whose blue eyes and caramel complexion seemed to embody New Orleans' overall ethnic make-up but whose accent hinted at a cultivated Manhattan upbringing, scolded the cab driver for disrespecting her neighborhood. The driver looked at her skeptically, perhaps sardonically. He spread his arms as if to say, “Whatever, lady.” Then he sped off, leaving Felicity and me alone on the brick sidewalk in front of her house. She was exactly the person I was hoping to meet.

Accommodating retirement needs

For those who haven't heard of it, Airbnb.com is an online lodging platform where people who have an unoccupied penthouse or a spare bedroom or sometimes just a futon behind a curtain in their living room can advertise and rent them to budget travelers who relish a lodging experience that can range from the luxurious to the equivalent of visiting a relative or, as we used to say, crashing at a friend's pad.

Founded in 2008 by two Rhode Island School of Design grads and a Harvard-trained computer programmer, the San Francisco-based start-up already boasts over 10 million lodging-nights booked at some 300,000 locations in 34,183 cities in 192 countries.

Airbnb's potential as a source of supplemental retirement income for cash-strapped retirees seemed obvious to me the first time I read about it. It offers Boomers with empty nests and others a way to monetize the equity in their homes. Simultaneously, it offers retirees a way to afford the global travel they've been dreaming about. Airbnb's sudden global success can't help but be, to some extent, a marker for Boomer under-saving as well as a leading indicator of the resourcefulness we can expect from millions

of oldsters worldwide as they grapple with income shortfalls in the decades ahead.

To use Airbnb, you just surf to its website and respond to the prompt that asks you where you want to go and when you plan to travel. You can shop by city or by neighborhoods in a city. Accommodations start at \$25 per night and climb from there.

Heading to New York City? How about Soho? You can rent an immaculate apartment that sleeps four for \$175 a night or \$1,295 a month. Want to relax on the Adriatic island of Corfu for a while? You can stay in a whitewashed, flower-decked hideaway in a small village for \$49 a night or \$328 a week. Or you could choose from 112 other listings for an apt/home on Corfu.

If you're wondering how absolute strangers in this somewhat grey-market lodging industry achieve a level of trust high enough to share living quarters (and perhaps a bathroom), Airbnb has an app for that. Guests must submit a request to the hosts. The host remains semi-anonymous while reviewing the request.

As an added measure of security, the host may demand enough personal information about the prospective guest to achieve a sufficient comfort level. The host retains the option to reject the request. If the request is granted, the lodger pays in advance. After the visit ends, the host posts a review of the lodger online where other hosts can see, and the lodger posts a review of the host where other potential lodgers can see. (There are a few horror stories floating around, like the one about the person who discovered that he'd be sharing his "private" room with two other lodgers.)

Going to [Ex]Treme

When I asked Felicity if she was using Airbnb to help finance her retirement, she said, "Absolutely." Born in New York City during the Baby Boom, she had lived in many places and worked for a series of not-for-profit organizations throughout her life. Some years ago, drawn to New Orleans by its dynamic music scene, she settled a few blocks from the French Quarter in the Treme neighborhood.

By the time she reached age 60, she hadn't socked much savings away. But she had acquired a rambling Victorian home with 14-foot ceilings, marble fireplaces and a two-story gallery next to the leafy garden in the back, invisible from the street, which might once have been servants' quarters or "dependencies." She began renting these tiny apartments to students by the month.

After Hurricane Katrina inundated Treme and severely damaged the house, Felicity used the insurance proceeds to refurbish it. She put granite counters and new appliances in the kitchen. She refilled the rooms with art, curios and antiques. Like many New Orleans homeowners, she painted the exterior in multiple colors. A few months ago, she began listing her bedrooms on Airbnb for \$90 a night.

My bedroom was at the top of a long, banistered staircase. There was a ceiling fan, a wide bed, a tall wardrobe and a non-working fireplace. I shared a bathroom with the semi-retired Minneapolis couple in the next room. About 8:30 p.m., as I was preparing for the first day of the LIMRA-LOMA Retirement Industry Conference, Felicity knocked on the door and invited me to join her and her companion, who doubles as the building's "super," for an impromptu dinner of beef, baked sweet potatoes and boiled greens.

Sign of the times

Homeowners have always taken in lodgers during hard times. Little wonder that Boomer-era retirees—who themselves may have bunked in makeshift “pensiones” while vagabonding through Western Europe in the 1970s—would think of supplementing their income by renting rooms. To be sure, not all Airbnb hosts are Boomers. Many are young artists, and many of their guests are young artists.

People with a bohemian bent are most likely to be comfortable operating an Airbnb or staying in one. At least some of the hosts skirt a few regulations and avoid a few municipal taxes by not registering their homes as short-term rentals or, in some cases, by subletting without telling their own landlords (not that these practices are condoned by Airbnb, which declined to be interviewed for this article). This is a grey-market phenomenon, both in the sense that it is sometimes off-the-books and in the sense that it’s linked to Boomer aging.

In addition to helping Boomers pay for retirement, Airbnb also makes it easier for Boomers to afford their dreams of global travel in retirement. Airbnb’s rapid growth is undoubtedly driven as much by a rising demand for thrifty accommodations as it is by a rising supply of thrifty accommodations. Boomers who used the book “Europe on \$5 a Day” in the ‘60s are likely to gravitate to Airbnb’s website today.

Experts in the retirement industry often project a Ghost-of-Christmas-Future dystopia for people who retire without bounteous savings. They overlook both the resourcefulness of the Boomers and the wealth of fallow resources—including spare bedrooms and finished basements—that are currently invisible or ignored but await monetization. Airbnb is just one manifestation of this new reality.