

LEARNING TO SHARE

Timeshares and fractional ownership beats the street in a challenging economy

BY ASHLEY NEWPORT



ENOUGH FOR EVERYONE: (Clockwise from top left) InnSeason Resorts, Falmouth, Mass.; Fairmont Vacation Villas, Hot Springs, B.C.; Bellstar's Blackstone Lodge, Canmore, Alta.; Quinta Real-Aguas, Aguascalientes, Mexico; Disney's Animal Kingdom Villas, Orlando.

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hen the recession pummelled most of the world's economies, the hospitality industry became a bruised casualty. Many vacation-spot areas — normally boasting hotels and resorts packed with sun-soaked tourists and slope-seeking adventurers — were almost ghost towns, with properties reporting disappointing occupancy rates and even worse levels of profitability. But despite its many challenges, the vacation ownership sector was able to weather the worst of the economic storm and, in some cases, reported occupancy rates as high as 80 per cent.

Timeshares and fractional ownership certainly weren't immune to the effects of the downturn, but both fared considerably well under the circumstances. Moreover, industry insiders are optimistic that profits will climb as people's hearts, minds and wallets recover. "There's a lot of pent-up demand," says Ross Perlmutter, president and CEO of the Toronto-based Canadian Resort Development Association (CRDA). "[Fractional ownership] has never been price-sensitive; it's more of a lifestyle product."

The vacation ownership market does indeed differ from the hotel industry in that it's not a one-time treat or splurge, but a long-term investment. Those who purchase a permanent vacation spot — be it as a timeshare or collectively owned vacation property, like a cottage — are in it for the long haul, and are often reliant on the reassurance that a well-stocked, homey living space is available, if and when they need it. "We were inundated with news that the economy was tanking," says Perlmutter, "but then people realized that they had security and equity. A lot of people were frightened, which was compounded by a weak U.S. real-estate market, but part of [fractional ownership] is that you're not purchasing a piece of real estate. A consumer has made a commitment to a lifestyle product."

While many industry stakeholders are still hoping to see people flock to Canada, even for a temporary escape, other experts offer a more sobering perspective on projected growth during turbulent times, especially when it comes to the hospitality industry as a whole.

"We're looking at about three per cent growth [for the hospitality industry in general]," says Brian Stanford, director of PKF Consulting in Toronto. "If you look at some recent data, it suggests we're up 10 per cent, but if you take Vancouver out of the equation, we're down from 2008."

According to Stanford, that encouraging seven per cent is an illusory boon linked to the Winter Olympics. National occupancy and rates were up when the games were in full swing, but as Vancouver's tourists packed their bags and headed home, so did the spike in revenue.

"It's hard to say if we're out of the woods," Stanford continues. And, in what's long been the mantra at PKF, he warns that the industry may have faltered when trying to stay competitive during 2009. To combat the effects of the recession, many hoteliers lowered their prices, which had a detrimental impact on industry profitability. "Bottom lines decreased by up to 30 per cent," he notes.

A better method, he argued, was to offer more value for a customer's dollar. The hotel, resort and fractional ownership industries needed to find out what travellers really wanted, says Stanford, and decide whether to focus on constructing better golf courses, for example, or take the emphasis off recreation and look to develop facilities with more practical purposes, such as meeting rooms.

As for the cottage market, some experts predict a rise in profits will be accompanied by a much-desired rise in temperatures. Though it's still early in cottage season, Canadian Resort Consultants' Sue Nickason says that the level of interest remains encouragingly high. "In 2009, consumers were taking more time to study resorts before making a choice [to buy]," says Nickason. "There was an uptick in sales in the second half of 2009, and as the real estate market picked up, it had a ripple effect in a region like Muskoka."

Nickason says three key green lights seem to be in place for a strong rebound in the vacation ownership sector. The economy is recovering, interest rates are staying low, and the summer weather appears to be better than it was during a dismal 2009 season. Last year, according to Nickason, fears about financial security in a volatile market were compounded by weather that simply didn't conjure images of boating and sunbathing.

However, when the bottom seemingly dropped out of the economic world, the fractional ownership market managed to retain a majority of its clientele. "Fractional held its own," says Nickason. "There was no dramatic vertical drop."

The encouraging support can be attributed to the lifestyle appeal of fractional ownership. Since an initial purchase comes with a lifetime term, one bad year might not be a disincentive. Essentially, if a buyer really wants to spend summers by the lake, a temporary recession may not deter them from making that long-term investment.

Geoff Ballotti, CEO of U.S.-based timeshare giant RCI, says it has become crucial to cater to the exclusive needs of travel-wise consumers. "Marketing wise, there were things we did differently in 2009. There was a trend that showed people wanted to stay closer to home. People were shy about travelling," he adds. However, Ballotti is optimistic the timeshare industry will continue to grow as consumers become more aware of the value inherent in the product. "Timeshare has been resilient," he says. "If you look at the American Resort Development Association (ARDA) statistics from 1990 to 2008, timeshare has always grown."



