



HOLIDAY PROPERTY

Slice of heaven

Sharing the cost of a vacation home is a lifestyle rather than an investment decision, writes Denise Cullen.

Dodgy sales tactics tarnished the image of timeshare in the 1980s, but the industry is bouncing back. Across Australia, more than 150,000 timeshare enthusiasts have bought into pre-paid, inflation-proof, currency-hedged holidays for life, says Laura Younger, general manager of the Australian Timeshare and Holiday Ownership Council.

"Owners of timeshare have been unshackled from the archaic concept of being tied to a specific week in an apartment at a particular destination, with points-based systems allowing freedom to choose holiday locations, size of apartment and time of year," she says.

Meanwhile, according to the World Tourism Organisation, timeshare is the fastest-growing segment of the tourism and leisure industry, at 14 per cent a year. It has also gained a new respectability with the entry into the market of companies such as Accor, Marriott and Disney.

A large part of its resurgence in popularity is the higher level of legal protection for buyers. Timeshare purchases are now regarded as managed investment schemes, which fall under the supervision of the Australian Securities and Investments Commission.

Even so, timeshare still doesn't stack up as an investment when it comes to capital growth or rental return. Greg Tanzer, the commission's executive director of consumer protection, says the concept of "timeshare investments" is an oxymoron. "Although they are legally structured as an investment, timeshares are usually a lifestyle or holiday choice," he says.

"Unlike shares or managed investments that trade on the Australian Stock Exchange, there is no real secondary market where other consumers or investors buy and sell timeshares.

"It's probably sensible to see a timeshare as an illiquid investment that may prove hard to sell."

Buying a strata-titled apartment at a holiday destination is an alternative. Younger says the stand-out attraction of this is that the unit is

managed by the resort and let out when you are not using it. This means there is a possibility of rental income and capital appreciation.

However, owning this type of property is a double-edged sword, because the owner typically cannot use the apartment at the best times of the year without sacrificing revenue.

"A further attraction of timeshare over strata-title property is that timeshare property expenses are pooled, with ongoing running costs shared between all the club owners, rather than all costs being paid by an individual owner."

A fresh twist on the 40-year-old concept of timeshare is that of fractional ownership, which occurs when a single property title is split into smaller, transferable portions.

Though used in Europe and the United States by the Ritz-Carlton, the Marriott Grand Residence Club and Abercrombie & Kent, fractional ownership is a relatively new concept in Australia with the Deep Blue Apartments on Moreton Island, near Brisbane, one of the first starters.

Fractional ownership is five to 10 times more expensive than conventional timeshare, which carries a typical entry price of \$10,000 to \$20,000, plus annual fees of about \$500. However, it buys a bigger slice of the property.

Another increasingly popular option is to buy a serviced apartment, which caters to the overnight and short-stay market and is managed and let on an investor's behalf.

According to Garth Rennie of Prime Property Investments, a company that builds, develops and sells serviced apartments, the biggest drawcard for investors is guaranteed rental returns of 5 to 7 per cent of the purchase price a year, depending on where you buy.

By comparison, whatever the opportunities for capital gain, it is difficult to achieve positive rental yields in Sydney and Melbourne because the purchase price of standard residential apartments is so high, he says.

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Greg Tanzer, ASIC

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**Take it easy ...
buy into a holiday
destination for
pleasure value, not
business.**

Photo: Joe Castro