

# [Renting or owning essay](https://assignbuster.com/renting-or-owning-essay/)

Until a few years ago, the time share industry was a parish of Florida tourism because of sales tactics and insolvent developers. But today, as the major hotel companies develop time shares and consumer protection laws have put the brakes on the industries more questionable practices.

“ Resort” time shares, nowadays, run from converted hotel rooms to brand new three bedroom town houses represent one of the fastest – growing segments in real estate, said Pauta Morabito, senior manager at E&Y Kenneth Le Venthal Real Estate group in Miami. What is vacation ownership? Vacation ownership also known as timesharing offers consumers the opportunity to purchase fully furnished condominium style vacation accommodations in a variety of forms such as fixed weeks, floating weeks, points based clubs, fractional and cruises for only a percentage of the cost of full condominium or vacation home ownership. Two basic types of timesharing units sold: fee simple where the buyer gets title to a fraction of the unit: and right-to-use where the purchaser is entitled to use the unit for a specified period of time, But does not have an ownership interest. For a one-time purchaser price and payment of a yearly maintenance fees and taxes, purchasers own their vacation either in perpetuity or for a predetermined number of years.

More than 5 million families have discovered the benefits and affordability of buying one or two weeks or vacation ownership rather than year-round ownership of a condominium unit or second home. Advantages of a vacation property ownershipBy locking in the purchase price of accommodations, vacation ownership helps assure future vacations at today’s prices at a top rated resort with amenities, concierge service and ambiance that rival the top-rated ski areas. The most frequently cited reasons why current owners purchased their vacation homes and condominiums are: the high-quality accommodations and service at the resorts where they own and the cost-effectiveness of vacation ownership. Unlike a hotel room or a rental condominium, which require payment for each use ay rates that often increase, vacation ownership enables vacationers to enjoy a resort year after year for the lifetime of their ownership, while paying only a one-time purchase price and a yearly maintenance fee. Truly a home away from home, vacation ownership provides the space and the flexibility to suit the needs of any size family or group.

While most vacation ownership suites have two bedrooms. Unlike hotels, there are no charges for additional guests. Also, unlike hotels, most units include a fully equipped kitchen with dining area, washer and dryer, linens, stereo, televisions, VCRs and more. Owners share both the use and the cost of upkeep of their unit and the common grounds of the resort property.

Vacation ownership purchases are typically financed by consumer loans of ten to twenty years, with the terms dependent upon the purchase price and the amount of the buyer’s down payment. The suites are priced according to a variety of factors, including the size of the unit, resort amenities, and location. More importantly, vacation owners can travel around the world through exchange vacations. Vacation ownership offers unparallel flexibility and the opportunity for affordable worldwide travel through vacation ownership exchange. Through the international vacation exchange networks, owners can trade their timeshare interval for vacation time at comparable resorts around the world.

Most resorts are affiliated with an exchange company that administers the exchange service for its members. Typically, the exchange company will directly solicit annual membership. Owners individually elect to become members of the affiliated exchange company. Exchange companies and the resorts frequently offer their members the additional benefit of saving or banking vacation time in a reserve program for use in a different year. Often the exchange company offers other “ travel agents” services including discounts on airfare and car rentals.

Tax advantages for vacation ownershipTime share owners are usually provided with a new program through which you can learn how to profit from every legal tax deduction and tax strategy that you can use to lower your taxes. The program teaches you the following:-How to write off timeshare purchase cost, financing charges and maintenance fees.-How to take the maximum itemized deductions for personal use of your timeshare-How to get tax free cash when you rent out your timeshare-How to use your timeshare in an existing business to create maximum business deductions; and the greatest tax strategy of them all ..

.-How to use your timeshare in conjunction with a “ special business” that enables you to travel better for less, earn more money, and make all your timeshare activities (entertainment, recreation, dining out, golf, cruises and more) up to 100%- tax deductible! Part 2: Growth in vacation ownership and advises when buying or selling timeshare:- Growth in vacation ownership activitiesAlthough the war with Iraq slowed domestic travel, the long-term outlook for the leisure vacation-ownership market is good, according to industry executives who attended the American Resort Development Assn.’s annual convention and trade show at the Gaylord Palms in Orlando in early April. The average sales pace during 2002 was five per month. This figure is down from twelve per month in 2001 and ten per month in 2000. Average annual sales volume at high-end fractional interest projects has also declined – from $13.

2 million in 2000 to $11. 2 million in 2001 to $10. 8 million in 2002. Besides more projects increased prices than did not. Among the projects that were selling prior to 2002, 58% increased prices this past year, 34% maintained price levels, and 8% lowered prices.

1. Highest-priced products sale fast: High-end fractional interest projects often are segmented by price per square foot. “ High-priced” projects typically have sales prices over $1, 000 per square foot. “ Moderate-priced” projects have sales prices between $500 and $999 per square foot. There are many fractional interest offerings that are priced below $500 per square foot.

In 2000, the average annual sales volume generated at each “ moderate-priced” project was approximately half that of the average generated at “ high-priced” projects. During the past two years this gap has grown larger, as shown in the graph below. In2002, the average “ moderate-priced” project generated approximately $5. 8 million compared to approximately $14.

9 million generated at “ high-priced” projects. The difference is not so great when monthly sales pace is considered. “ Moderate-priced” projects made an average of four sales per month, while “ high-priced” projects made an average of six sales per month. 2. The brand name influence: Like traditional timeshare, high-end fractional interest development started with independent developers. Over the past few years, major hotel brands have entered the arena – Four Seasons, Marriott, Hyatt, Hilton, Starwood, etc.

And like traditional timeshare, branded fractional interest projects have – for the most part – experienced a higher level of success than their independent counterparts. In 2002, the average hotel-branded resort made more than twice as many sales per month (eight) compared to the average non-branded resort (three). The difference is even greater in terms of average sales volume. The average annual sales volume of branded resorts in the 2002 sample was $19. 2 million, compared with $5. 2 million among independents.

Brands typically bring greater marketing and sales strength along with consumer loyalty and confidence. But independents have been successful as well, albeit on a smaller scale. Take for example a non-brand stand-alone project in a high-end ski area in Colorado. In about three years of sales, the first phase was 85% sold-out.

The average monthly sales pace was four per month. This accelerated during ski season and jumped even more once the units were open for occupancy – over two years into the sales process. No pre-construction reservations were taken, owners signed contracts locking-in price instead. These contracts matured into closed sales in 2002. With only twenty-five intervals left to sell in the first phase, the sales pace has remained steady – aided by the urgency created by an announced price increase in the second phase. 3.

Location influence: When it comes to selecting a development site, it is well known location is essential. General proximity to attractions is crucial – even more so among high-end fractional offerings than traditional timeshare. But the type of location may also have an impact. High-end fractional development began in ski destinations. As of February 2002, 65% of existing high-end fractional interest projects in North America was located in ski areas. But 67% of projects being planned at that time were going to be situated in beach and/or golf-oriented communities.

The average sales pace in 2002 was highest among high-end fractional interest projects located in ski and beach areas – at six per month. The slowest pace, two per month, was experienced by projects located in golf-oriented settings. In terms of average annual sales volume, the difference is even more extreme — $15. 7 million in beach locations, $14. 3 million in ski locations, and $2. 2 million in golf oriented locations.

4. Stand alone or mixed-use: There seems to be a trend among new high-end fractional to be part of a larger master-planned community, offering a mix of real estate options. The synergies and cross-marketing opportunities help to jump start sales. This certainly appeared to be the case for respondents to the survey in 2002. Projects with a timeshare or hotel component sold more rapidly than stand alone projects last year. The average monthly sales pace among mixed-use offerings was seven; among stand alone offerings it was five.

Average annual sales volume follows the same pattern – $16. 4 million compared with $9. 4 million, respectively. In conclusion, the slowing economy certainly impacted high-end fractional interest sales performance last year. But sales have decelerated, not stopped.

Developers are finding creative ways to weather the economic storm. Product that is high-priced, branded, ski- or beach-located, mixed-use, and was in sales prior to 2002, is faring best.