



The Changing Face of the Timeshare Industry in Australia

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What Is Timeshare?

- 51 weeks of an apartment are sold in increments (weeks / points / credits)
- The apartment is unencumbered and is held by a Trustee / RE on behalf of the owners
- The annual costs are divided equally
- Owners can Use, Rent, Gift or Exchange their entitlement into over 5400 resorts worldwide



Timeshare in Australia Today

- 150,000 owners in Australia (ATHOC)
- Average household income of \$66,000 (Ragatz)
- Australian Sales Volume 2004 estimated at A\$300 million (ATHOC)
- Approximately 150 resorts, the majority in regional areas (RCI)



Timeshare in Australia Today

- Average resort occupancy 90-95% while traditional resorts' occupancy 60-70%
- Annual spending in local communities by timeshare owners & guests - \$100 million
- Average length of stay in region increases by 53% with timeshare ownership (Jones La Salle)



In the Global Context

- The fastest growing segment of the tourism and leisure industry worldwide - a massive 14% per annum
- Global sales A\$20 billion in 2004
- More than 5,400 resorts offering timeshare in over 95 countries
- Satisfaction ratings of over 80% amongst purchasers



In the Global Context

- Brand players include Hyatt, Marriott, Disney, Starwood, Accor, Hilton & Four Seasons
- Global trend for hotel operators to develop purpose built resorts and hotels which include a major component of timeshare accommodation.



Global Timeshare Owners

- 80% of owners purchase timeshare because of the ability to exchange globally
- Having already purchased their holidays, timeshare owners ONLY stay at timeshare resorts



Australia – an Infant Industry...

- Research indicates that parity market penetration (with the US) could take timeshare ownership up to 8% of the population (1.6 million) (Interval)
- 60% of Australian households with an income of over \$35,000 have never been approached by timeshare developers (Ragatz)
- Mixed use development with a timeshare component will become more common with increased involvement by hotel operators (Jones Lang LaSalle)



Future Perfect

- Increasing demand from the baby-boomer market focused on lifestyle experiences
- Timeshare owners are resilient and dedicated travelers & Australia is perceived as an extremely safe destination
- Significant contribution towards inbound tourism
- Direct contribution to increased development and employment in regional areas



But ...

- Highly complex and potentially misleading regulatory environment
- Consumer confusion
- Environment stifling new development
- Prevents leveraging off worldwide growth
- Creates prohibitively high compliance costs
- Creates loopholes which may be exploited by the unscrupulous



The Legal Environment

- Legally, the timeshare product is regulated as a managed investment scheme
- Under the Financial Services Reform Act, a timeshare interest is considered a 'financial product'
- Thus, the purchase of timeshare is an investment!



Reality Check

- Timeshare is therefore equated with property trusts, mortgage trusts, primary production schemes and the like
- All these offer financial returns in the form of financial gains (or losses) to investors
- BUT – timeshare cannot be sold as a financial investment product!!



The Anomaly...

- Whilst the legislation presents timeshare to the world as a financial product, it is prohibited from being sold with a financial investment element



The Reality

- Timeshare is a securitised holiday accommodation
- Timeshare is part of the tourism industry
- Purchasers of timeshare are not investors but holiday owners, and this is not simply semantics
- The timeshare industry does not give investment advice



The Answer

- Working with government towards a new regulatory regime that reflects the unique product and attributes of the industry, removes loopholes, provides confidence and empowers the industry to continue to grow – for the benefit of the Australian economy



Thank you!

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