

Time for Timeshare: The Future of Virgin Islands Tourism

Although the concept of timeshare ownership has been around for over half a century, only recently has it begun to have a definitive impact upon tourism in the U.S. Virgin Islands. Today, they are almost 20,000 timeshare owners of 1,071 timeshare units located throughout all three major islands composing "America's Paradise".

According to a 2008 report issued by the international accounting firm of Ernst & Young, The U.S. Virgin Islands timeshare industry accounted for "1,300 jobs, \$25 million of income and \$130 million in total sales in 2006." The report also notes that the economic activity from the timeshare industry generated some \$15.5 million in additional tax revenue for the Government of the Virgin Islands.

Although the current economy may suggest otherwise, if the past is any indication of what will happen in the future, hotel room rental rates are anticipated to more than double over the next ten years, putting quality vacation accommodations out of range for many baby boomers, especially those on fixed incomes. For this reason, among others, timeshare may make good economic sense; the idea of locking in a significant portion of one's vacation costs at today's prices is appealing. Because of this, a number of hospitality industry analysts paint a very bright future for timeshare in the U.S. Virgin Islands. Many feel that the influx of baby boomers into the islands' vacation economy will drive an even steeper upward trend in accommodation costs.

Howard Nusbaum, President of the American Resort Development Association (ARDA), the organization that represents both timeshare developers and owners, is quite optimistic about the future: "Although the industry has been hit hard by the current credit crisis, the fundamentals remain sound, especially in fulfilling the need for better vacationing at a great value. The entrepreneurial nature and creative spirit of our members will continue to meet the needs of a new generation of Americans eager to answer their wanderlust with vacation ownership."

SPM Resorts, Inc., an independent management company that manages timeshare resorts for owners' associations such as those at Bluebeards Castle Hotel on St. Thomas, believes that the future of timeshares in the Territory is only limited by the number of people who know about the U.S. Virgin Islands and its beauty and value as a vacation destination. SPM President Bill Young explains that a significant part of the value of timeshare ownership is that "once the owners take over control of the association board of directors from the developer, the owners set the level of maintenance and services they desire -- as well as control the costs of their vacations."

Marriott International has recognized the value of timeshare in the Territory and has invested heavily in the new aspect of the tourism market with their recent construction of the Marriott Vacation Club's Frenchman's Cove Resort and the Ritz Carlton Club. Starwood Vacation Ownership has also entered the market with the only timeshare on St. John at the Westin St. John Resort & Villas. St. Croix has also come aboard with St. Croix One, LLC's Chenay Bay Beach Resort. In total, there are now 13 different timeshare programs throughout the U.S. Virgin Islands.

The President of the USVI Hotel & Tourism Association, Lisa Hamilton, commented on the new trend toward timeshare in the Territory, "The timeshare industry currently composes almost one fifth of all our hotel rooms in the U.S. Virgin Islands. With an 80% occupancy rate and an overwhelming product approval rate, our timeshare partners have help sustain U.S. Virgin Islands tourism during the current economic downturn."

According to ARDA's *Vacation Timeshare Owners Report, 2009 Edition*, recent timeshare purchasers are younger, wealthier and happy with their vacation product. Overall, more than six in ten timeshare owners are age 45 or older, with Baby Boomers ranked as the largest generation.

As Hamilton noted, 86% of all timeshare owners responded that owning a timeshare was an excellent, very good, or good experience.

- 69% of all owners would recommend their own resort or vacation club.
- On average, timeshare owners have owned their intervals for 8.26 years.
- Timeshare owners say that beaches (52%), attractions/entertainment (48%), and shopping (39%) are the most appealing resort characteristics – all found in the U.S. Virgin Islands.
- 81% of all owners say that their timeshare offers a vacation home away from home.

Depending upon the stage of development, location, quality and amenities, prices can vary greatly amongst the various timeshare properties in the Territory. Resorts that are in the pre-construction or developmental stage will often offer significant incentives to entice buyers: that usually means big savings.

When purchasing your first timeshare, one should seek out and buy from an established, reputable developer who has been in business for many years. Look for timeshares with a strong member services, dedicated to training owners in how to maximize the value of their timeshare. Conversely, one may shop online for re-marketed timeshares, but like everything, let the buyer beware and if it's too good to be true, it probably is. However, that doesn't mean there are not fabulous deals to be had. Always check the experiences of other timeshare owners at the resort development you are considering - a list should be made readily available to you upon request. If the developer is hesitant to provide such a list, you should be hesitant about buying from the developer.

Clearly, the opportunity for timeshare represents a new trend in U.S. Virgin Islands tourism that is here to stay and potentially a terrific value for island visitors. There's no question about that. However, neither should be viewed as a way to corner the island real estate market, but rather as a way to access quality vacation accommodations that would otherwise be out of most people's financial range.

SPM's Young remains quite confident in the U.S. Virgin Islands timeshare market and feels that timesharing in the Territory will continue to grow for the foreseeable future due to "the ability of timeshare to provide an ownership opportunity in one of the most

beautiful places on earth without the day to day maintenance or operation challenges while still affording ownership control.”