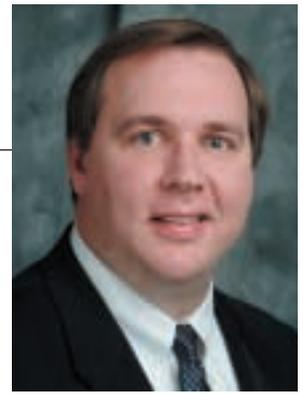


technology



technology rapidly changing to accommodate new timeshare trends

By Timo B. Jones

Over the last year or so, the traditional timeshare concept has been expanding to include two new trends. Now, in addition to the multiple-ownership timeshare model, there are two non-traditional hybrid models gaining wide acceptance throughout the industry: condo-hotels and private residence clubs. While these two models are similar to the original timeshare model in many ways, they are some marked differences.

Needless to say, technology has been quick to adjust to these new trends. Many new software solutions have been introduced in recent months to meet the challenges of both the condo-hotel and private residence club models. In most cases,

because these new models are different enough from the traditional timeshare model, completely new technology has been written to accommodate these new hybrids.

In this article we will briefly explain each of these new models and then describe the type of software solution a company must have in order to deal with the complexities that come with managing a condo-hotel or a private residence club.

The Condo-Hotel Concept

As one of the hottest trends in the hospitality industry today, condo-hotels are one of the fastest-growing segments in the real estate industry. In fact, a recent indus-

try study reports that 70 percent of all new hotel construction has some type of condo-hotel component.

The defining feature that makes condo-hotels such an appealing option to owners is the fact that the units can generate revenue when the owners aren't using them. Essentially, an owner has the benefit of owning a luxury hotel room or suite that they can use any time they want while also having the benefit of renting the unit out when they are not using it in order to defray costs and fees.

This is how it works: For a cut of the revenue (usually about 50 percent) the hotel will take care of the marketing, reservations, front desk operations, mainte-



nance, housekeeping, food and beverage, and concierge services for the owner's condo-hotel when the owner is not using it. The owners then get the other 50 percent for application toward mortgage payments and maintenance costs. It works out well for both parties.

Not only is this a great revenue-generating tool for the owner, but it is relatively stress free. Any problems with the unit are handled by the on-site hotel management company. In addition to the revenue-generating capabilities of a condo-hotel, an owner can sell the unit at any time and keep the profits earned from any appreciation.

Condo-hotels are proving to be a powerful investment for developers, lenders, and owners alike. Financing for hotel projects has become more difficult for developers to come by, and they have been forced to come up with ways to get more money up front. Condo-hotels are the perfect solution because the units are pre-sold – the developer gets his money up front and doesn't need to borrow as much from the lender.

The actual condo-hotel concept is not new. Up until 1986 it was widely used as a tax shelter. When the *Tax Reform Act* was passed, it did away with most of the tax benefits of owning a condo-hotel. However, these investments have become attractive again after hotel occupancy rates dropped sharply following the attacks of September 11th.

Condo-Hotel Technology

From a technology perspective, condo-



program when they are not being used by the owner. Therefore, a condo-hotel software solution must have powerful inventory controls that can track when the owner is using the unit and when it can be rented. The software must also be able to deal with revenue splits and reservations.

Next, a condo-hotel software system must be able to track all the accounting for the condo-hotel. This includes all billings,

with the hotel's current system and trade information freely.

Like timeshare resorts, every condo-hotel operates a little differently. Therefore, good condo-hotel software must be customizable and able to meet your unique condo-hotel requirements. It is essential that you make sure the software you purchase can handle all your condo-hotel's distinct business scenarios and practices.

Finally, and above all else, the software needs to be designed for quick installation and easy operation after minimal training. Typical installation and training time for good condo-hotel software is between one and three days. If it's going to take longer than that you should seriously look at other options.

Private Residence Club Concept

On paper, private residence clubs are a lot like timeshares. They are both shared ownership of real estate. However, there are some very important differences.

Private residence clubs tend to be exclusive. They are luxury clubs that offer extensive amenities that may include an extravagant clubhouse, spa and five-star hotel services. Private residence clubs are all about exclusivity.

Another main difference between private residence clubs and timeshares is that private residence clubs can realistically serve as

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hotels pose some unique challenges. Rental rotation programs, billings, 1099s, owner accounting, owner relations, concierge, interfacing and security issues are all very real concerns for managers of condo-hotels. Therefore, it is imperative that utilize a technology solution that can handle all these aspects.

When it comes to condo-hotels, the units need to be placed in a rental rotation

1099s and owner accounting. If your technology does not have this functionality, you should make sure that the software can interface seamlessly with your existing accounting software.

Speaking of interfaces, it is imperative that your condo-hotel software is compatible with your existing hotel reservation and management systems. A condo-hotel software solution must be able to interface



a second home for the owner – and at a much lower price point. Whereas timeshare resorts are typically one week a year, through fractional ownership of a vacation home in a private residence club an owner can enjoy up to three months of home ownership privileges at a high-end resort – and at a fraction of the cost of buying a second home outright.

Next, membership in private residence clubs is very flexible. The pattern of use and level of social interaction can be catered to best fit the needs of the individual owners.

This is how it works: An owner can purchase a one-eighth share of a \$4 million

obtain several weeks of extra time as their individual schedules permit. Again, a private residence club can be catered to each individual owner's schedule.

Private Residence Club Technology

From a technology standpoint, private residence clubs have some unique challenges. As we mentioned earlier, private residence clubs are all about exclusivity. This means the software used to manage a private residence club must cater extensively and comprehensively to the owners.

When it comes to private residence clubs, keep in mind that the average owner pays roughly \$1,400 per owned week in

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luxury home for \$500,000. Each owner receives four weeks of guaranteed time during prime season, to be reserved six months in advance. Owners can book the weeks they want on a first, second, and third choice basis. The home is guaranteed to the eight owners for a total 32 weeks. Then, the remaining 20 weeks of the year are considered “open access.” This means any owner can make a reservation at no additional charge. This allows owners to

maintenance fees for their unit. Now, contrast that with the average timeshare owner who pays about \$400 annually in maintenance fees for their unit. You can quickly understand why the private residence club owners expect a higher level of service at their units.

Good private residence club software must have concierge functionality. The more robust the better. A concierge service should have the ability to track everything

from owners' storage needs to tee times at the local golf course. The software should be able to store directions to the most popular sites, restaurants, and events in the community so that that information can be printed out on demand. Also, almost every private residence club project offers both pre- and post-arrival concierge services. This includes everything from making sure the owner's skis are waxed and tuned before they get to the unit to stocking the unit refrigerator with specific groceries for the owner to putting out family photographs in the residence. All of these things must be tracked in a private residence club's software.

Usually all transportation – from the airport shuttle to the owner's car they use while visiting – is tracked by the private residence club's software. Ski or golf valet services are also offered at 41 percent of private residence clubs. Again, all of these aspects of the club need to be tracked and monitored through a vigorous private residence club software solution.

Since most private residence clubs offer year-round storage, the software should have the capability to track each owner's storage items so the owner can leave their snowmobiles, kayaks and mountain bikes at the private residence club and feel confident that the club will not only keep track of what belongs to them and what belongs to the other owners, but also have these items ready for them when they come for their stay.

Finally, a private residence club software solution must include some level of on-line access for its owners. At a very minimum, private residence club software should allow owners to log on and book their own reservations. Ideally, an owner should also have the ability to book reservations, pay maintenance fees, file a complaint, and trade weeks with other owners on-line.

As the demand for condo-hotels and private residence clubs increases, more and more developers, resorts, and hotels will be getting into the business. Getting good software that can handle the nuances and idiosyncrasies of these new models is paramount. Make sure you have thoroughly researched the market and that you purchase a system that can keep you ahead of the curve when it comes to these new trends. **D**