

Timeshare & Fractional vs. Unique Ownership

Timeshare has over the years been a highly successful means of taking a holiday. It has a poor reputation however due to the sometimes unscrupulous sales methods and pressured selling techniques that have been employed by many timeshare sales organizations. A number of reputable companies do still exist and Marriott and Hilton have now entered the market offering an excellent, albeit highly priced product.

New products can range from Butlins - Minehead at £6,000 per week, to more exotic locations priced at £50,000.

You buy time, in other words specific weeks that last for a particular period, or in some cases for life. You have to find the cash purchase price and there is no mortgage facility because there are no bricks and mortar as an asset for the bank to take a charge on. If finance is needed, the timeshare company usually has a facility with a finance company to lend over 5 or 10 years using your UK property as security; or if unsecured, at a high interest rate.

However, the value of what you have bought in many cases, deteriorates immediately due to the fact that most of the initial payment goes in marketing and sales costs.

This is evidenced by looking at the new price of a timeshare, then looking at the prices charged by resellers of second hand units. In most cases the resellers prices are 80% or 90% less than the new list price. The commission charged by the reseller is also contained within the published prices, so the vendor gets even less.

Nearly all timeshare carries a significant ongoing maintenance cost. Apart from the necessary maintenance on a daily basis, the resort management needs to make a profit on all the maintenance. In addition, if they choose to decorate the outside every year or employ highly paid staff for example, then they are able to do that and the cost is spread amongst the timeshare owners.

These costs are also variable costs and therefore when you buy a timeshare, you are really signing an open cheque each year for life. If you don't pay, you lose your investment and your holidays. You simply get the right to use the property for a limited period each year with a commitment to pay open ended payments throughout, and at the end there is no easy or guaranteed exit.

Some people, having bought, see the "ownership for life" principle, as a "burden for life".

Many Timeshare resorts have the ability to swap weeks for weeks in other resorts, through membership of organizations such as Resort Condominiums International. RCI.

This is an excellent way to get to new destinations. The cost burden of the membership and organization however, falls upon the timeshare owner in one way or other and increases significantly the overall maintenance costs, even if you don't use the facility.

Fractional is relatively new as a concept and has to date been a process where a developer offers an alternative, cheaper means of purchasing by offering shares in a company set up to buy one of the units for sale. In the past this has been typically split between four owners. Not a bad idea; as an owner, you share your costs with others and have about three months each for your holidays.

However, many times a developer sets everything up for you with the company in place and all you do is buy shares in a foreign company and don't really have full knowledge of the legals and title and you still have to find for example £100,000, if it's a £400,000 property. In addition you have also taken on the liabilities for that company and the burden of legal responsibility, taxes and statutory arrangements with 3 other people you have never met!

Fractional has moved on in recent times and some developers and other organizations that have used the fractional principle, offer properties with mortgage gearing. This makes the purchase price less, because of the gearing and it's often now spread amongst 8 people.

You of course, have to be approved to get the additional mortgage.

Clearly this makes it cheaper all round. However, the same burdens exist as before - you are effectively “in business” with 7 other people you don’t know as part of a foreign company, in a foreign country with finance you are responsible for, and you have joint liability for everything. You are personally guaranteeing it all.

That means if they don’t pay, you have to!

Would you do this in a business in the UK!

To add insult to injury most organizations now set a significant premium on the sale price as well. Thus a £400,000 property is fractionalized at £1million for example, with a mortgage of say, 60% with some at more than 8% interest.

Therefore if you want to sell at some stage, you have to find someone to pay way over the top for the property, as you did AND who is acceptable to the bank lender, assuming always, that they, as buyers, feel comfortable about taking on the liabilities and the personal guarantees that you have.

Again, there is no easy or guaranteed exit.

That also assumes, there have been no issues or problems with the company during its life to date and that the deed you signed originally, does actually release you from personal liability, even though you are effectively removed. Some fractional owners have joined RCI, again the cost burdens are shared between the owners.

Unique Ownership differs from both Timeshare and Fractional.

Unique forms part of an overall planned programme of ownership.

1. You are guaranteed an exit, in ten years.
2. You are guaranteed to get your capital payment back.
3. You are guaranteed to get the mortgage gearing.
4. You are guaranteed NOT to have the liability of the mortgage in your name.

5. You are guaranteed that the price of the property you buy is normal market value.
6. You are guaranteed NOT to have liabilities of the company in your name.
7. You are guaranteed that maintenance costs and utilities are, at cost. Not at a premium.
8. You are guaranteed that if you want to sell to anyone, anytime, you can.
9. You are guaranteed that if you do, there is no ongoing liability.
10. You are guaranteed to get your part of the increase in value, exactly in proportion.
11. You are guaranteed to have the ability to swap your weeks for another destination.
12. You are guaranteed the price the property is sold for will never be lower than was paid.

And your payment is managed by Capita plc, a FTSE 100 and £2billion FSA regulated company. And the property purchased has been thoroughly investigated by UK regulated lawyers.

That's because Unique Ownership is part of a structured programme, put together by UK based professional organizations, with impeccable credentials - You don't have to deal with overseas organizations you're never quite sure about.

So you can enjoy your holidays, where you want, when you want, with no hassle and the lowest costs.