

A piece of the holiday pie

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A CLEAR distinction needs to be made when investing in lifestyle assets compared with those that are recognised as investable ones.

The fundamental considerations are so different. The pleasure of watching a beautiful sunset with dolphins rollicking in the sea, compared with negotiating good leases with escalating increases – as well as negotiating personal security from not only a tenant but by the wife as well – indicate a different strategy.

I could go on, but I am trying to illustrate the difference between lifestyle and investment properties. This does not mean that the value of a lifestyle property will not grow and create super wealth. The main difference is the investor's real intention. Many lifestyle assets are never sold, but passed on to future generations for their use and enjoyment.

I am asked more regularly where fractional ownership fits into an investor's financial puzzle.

Fractional ownership, which is still in its infancy in SA, is not an untested concept. It has been around since the early 1980s, initially created for the private jet market in the US. It was soon extended to the luxury yacht market, and shortly after to leisure property. Warren Buffett, one of the greatest financial gurus, was one of the initial pioneers in the industry.

Fractional ownership is the fastest-growing sector of the property market in the US, and looks to reach the same level in the European market in the next two years.

Fractional ownership has bridged the gap between outright ownership and timeshare in that it offers investors an asset with capital growth prospects, as well as an affordable holiday home. Furthermore, the owner gets to enjoy the property without the hassles usually associated with holiday home ownership. No more wasting the first few days of your well deserved break cleaning your home and repairing things; no more worries about more break-ins; and no more worries about finding decent tenants to rent to when you are not using your home (so that you can subsidise your weighty expenses). A reputable promoter will take care of all cleaning, repairs, handle all administrative issues, and rent out your unit for you (should you want to rent all, or a portion, of your annual allocation).



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One drawback of ownership is the fact that most properties' usage rights are based on a rotational system. Yes, it does mean that fairness prevails, but people have different needs with regard to their leisure calendar. A father with school-going children who takes his annual family holiday over Christmas

would not be happy to pay a few hundred thousand rand for the privilege of using his holiday home only every 13 years.

What some might consider negative is that many people get bored with going to the same holiday destination year after year. A few developers have woken up to the benefits of affiliation to an exchange programme, allowing shareholders to exchange some or all of their annual usage with a range of resorts all over the world.

Fractional ownership should primarily be viewed as a way of saving money on holiday costs, and a way of ensuring regular family vacations at desirable destinations. The potential investment growth should be secondary to this. It is therefore crucial to invest only in a product that is flexible enough to match your personal usage requirements.

As an investment, it is possible these properties could perform better than the national residential average because properties are in high-demand tourist areas and a full range of different holiday venues.

A concern I have is that they might not be easy to sell, and capital growth may be limited if supply exceeds demand. But the appreciation of most holiday homes also has to take into account annual costs and the cost of lost opportunity had the money been invested elsewhere.

Other issues to investigate when buying this type of investment are whether you are buying direct or indirect ownership. Each of these methods has advantages and disadvantages. Please ensure that before embarking on this concept you understand fully what you are getting into.

Thanks to Greig Fitzell of Suite Satisfaction for his contribution to this article.

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■ Bryan Hirsch hosts *You and Your Money on Summit on DSTV*, Mondays at 8.30pm