

*The Leading Shared Ownership Magazine*  
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# The Exchange Evolution?

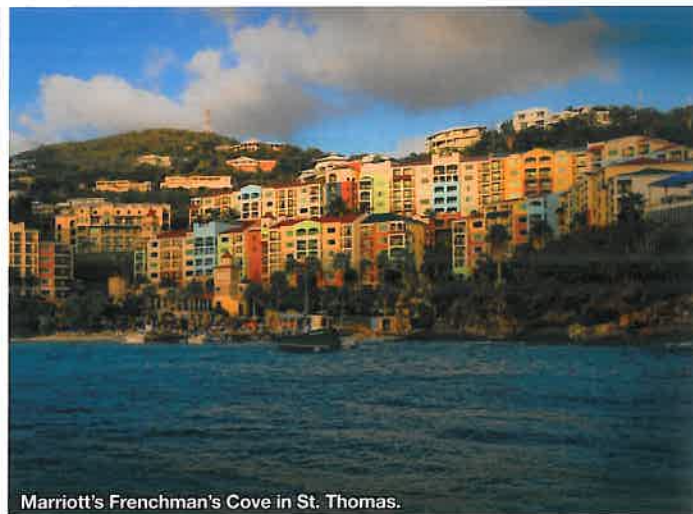
**THIS ISSUE** A List: Claire Bilby of Disney Vacation Club, The 2012 Forecast, An In-Depth Review Of Branded Residential, Convention Reviews, Customized Magazines To Increase Sales...

# THE CARIBBEAN: Navigating the New World

By Tracey Smith



Renovations at Bluebeard's Castle were extensive, resulting in a \$13.2 million makeover of common areas and the 160 timeshare units.



Marriott's Frenchman's Cove in St. Thomas.

**In the centuries since Columbus' first travels to the West Indies, hemispheres have continued to converge along its warm harbors and shores—connecting east to west, north to south—amid the windy elements of time, culture and commerce. In the current economic climate, the timeshare industry now faces rich opportunities as well as challenges for growth within the Caribbean.**

The reopening of Bluebeard's Castle last spring marked yet another milestone in the property's nearly 350-year history. The strategically situated St. Thomas gem overlooks the colorful capital of Charlotte Amalie, and with it, the even more colorful past of an island and its diverse neighbors in the Caribbean Sea.

In the case of Bluebeard's Castle, under the new management of SPM Resorts, the resort has aggressively sought to reclaim its former shine, being awarded the RCI Silver Crown rating for 2011, the first time in a decade.

Bluebeard's history mirrors that of the Caribbean at large, its focus metamorphosing from colonial fortification to trade to tourism. As a sector, tourism contributes well over one-third of the region's GDP, making it the most tourism dependent in the world.

When the economic downturn in the U.S. led many airlines to reduce lift to nearly

all destinations, the Caribbean was not exempt. Yet in this challenging environment, timeshare has emerged and surged as an ever more important subset.

"Pre-sold vacations result in relatively high demand for weekly occupancy," explains Minister Richard Skerritt, sitting chairman of the Caribbean Tourism Organisation and Minister of Tourism & International Transport for St. Kitts and Nevis. "High occupancy is especially welcome in difficult economic conditions, even when expenditure per visitor might be lower than normal."

Compared to an average hotel occupancy at or below 60 percent, timeshare resorts

online presence and sheer scale. Marriott Vacation Club reports an annual average occupancy of 94% systemwide. "That figure is even higher among our Caribbean resorts, which are always especially popular," reports Ed Kinney, the company's vice president of corporate affairs and communications.

Despite impressive occupancies, the U.S. real estate market decline has significantly impacted the overall timeshare industry in the Caribbean, for developers and purchasers alike.

"There's currently less U.S. investment for new projects," observes Geoff Ballotti, chief executive officer, RCI. "However, there are

**All Eyes on the Prize. Nearly half (46.9 percent) of Interval's U.S.-resident members cite the Caribbean as their most preferred international vacation location over the course of the next two years, and nearly one out of every four (23.2 percent) U.S.-resident members interested in acquiring additional vacation time cite a preference to make a purchase at a resort located in the Caribbean. Source: Interval International 2011 US Membership Profile**

have maintained an average occupancy around 80 percent. Those affiliated with major hospitality brands often well exceed this average, enjoying the added benefits of efficient reservations systems, extensive

still strong investments coming from Europe, Latin America and the Caribbean itself."

"Developers are challenged to source consumer financing," adds David Callaghan,

vice president, resort sales and service, Interval International. "Resorts that can self-finance and hold their own paper have a clear advantage in the marketplace."

To address the heightened need for investment and consumer financing, industry education efforts have ramped up in the Caribbean. "Barbados helped host a two-day timeshare event this year sponsored by Interval International in which experts from around the world were brought in to talk about opportunities in developing timeshare models in the destination," says Richard Kahn, president of KTCpr.

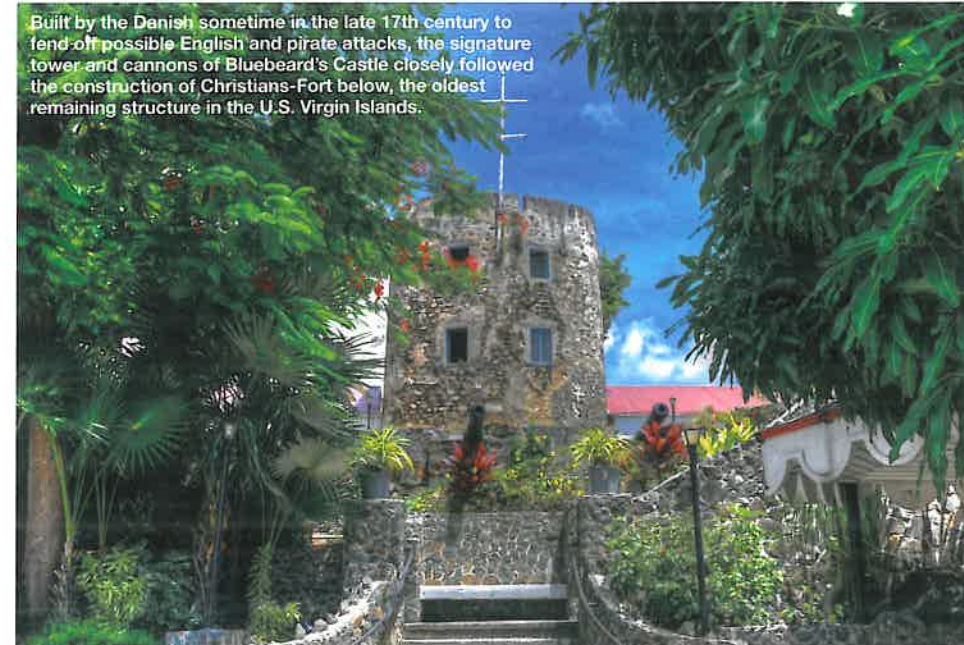
Still, new development remains largely on hold. Despite success at each of its six share ownership resorts in the Caribbean, Marriott is currently opting for a conservative approach. "There's nothing on the radar for the Caribbean for next 12-18 months, as we continue to sell down the current pipeline of points," says Kinney. "We want to become asset-light and reduce current inventory before business expansion, enhancing our shareholder value."

Meanwhile, demand for Caribbean ownership accommodations exceeds supply. "While several destinations represent mature markets for our industry, there is a significant need for new product across the region," adds Interval's Callaghan

When it comes to adding future capacity to meet this demand, governments and developers both have guiding parameters.

"All Caribbean governments have always been supportive of quality resort investments, says Min. Skerritt. "The key is to ensure that consumer protection is at the highest level of priority and that the developers have a proven track record."

Howard Nusbaum, president and CEO of the American Resort Development Association, shares developers' own checklist for evaluating a potential development in the Caribbean. "While there are many factors for a developer to consider, the most important factors are the strength of leisure travel demand to the destination, shared public-private destination marketing efforts, quality airlift, low crime rates, reasonable labor laws and a qualified labor



Built by the Danish sometime in the late 17th century to fend off possible English and pirate attacks, the signature tower and cannons of Bluebeard's Castle closely followed the construction of Christians-Fort below, the oldest remaining structure in the U.S. Virgin Islands.

market with access to hospitality education, favorable tax conditions, reasonable timeshare laws to protect developers and owners, a strong judicial system to handle grievances, reasonable cost of inputs (food, utilities, etc.) and a democratic and stable political regime."

## Legislative Priorities

According to Nusbaum, the recently expanded ARDA-Caribbean Committee expects a very active 2012 working with Caribbean national governments and private industry in the following destinations:

- US Virgin Islands - property tax related issues and other tax issues
- Jamaica - government is drafting new timeshare act
- Bahamas - working with Bahamas Vacation Ownership Council to propose changes to current timeshare act
- Dominican Republic - government working with local industry to draft new timeshare act
- St. Maarten - working with St. Maarten Timeshare Association to propose changes to current timeshare laws
- Aruba - monitoring local tax issues in partnership with Aruba Timeshare Association

## On the Horizon

- By RCI estimates, overall timeshare sales in the region have increased year over year, noting particular growth in the Dominican Republic and Jamaica and new feeder market increases from travelers and exchangers from Eastern Europe and South America.
- The rebranded Club Meliá just opened its ninth resort in the Caribbean—the fourth within its all-inclusive Paradisus brand—in Mexico's Playa del Carmen.

- Two unique resorts recently affiliated with Interval International: Ocean Two Resort, bringing on 70 residences on Barbados' south coast, and Jungle Bay Resort & Spa on Dominica, recognized as a top ecotourism resort and offering 35 treehouse-style cabins for vacation exchange.
- The newly public Marriott Vacations Worldwide Corporation (NYSE: VAC)—spun off from parent Marriott International—has transitioned to an all-points product, in effect making it possible to sell its Caribbean resorts at any of its sales galleries.
- CTO Chairman, Min. Skerritt, recommends that developers go more up-market with their proposed products and take a serious look at the fractional share sector of the industry.
- Preferred Residences, Interval International's hospitality branded membership and exchange program for luxury shared ownership resorts, affiliated its latest whole and fractional properties—Kittitian Hill, to open on St. Kitts late 2012, as well as 126 units at Blue Residence Club in Aruba, slated for initial occupancy summer 2013.
- Lifestyle Holidays Vacation Club in the Dominican Republic has just added the new Cofresi Palm Beach & Spa Resort property, adjacent to its core resort in Puerto Plata.
- The Registry Collection Program added the Park Residences At The Crane In St. Philip, Barbados, Palmyra Resort & Spa in Montego Bay, Jamaica, and Freedom Bay St. Lucia, scheduled to open in 2012, to its portfolio. 