

# VACATION OWNERSHIP MARKET UPDATE

## SOUTHEAST ASIA



*Bill Barnett, Managing Director*

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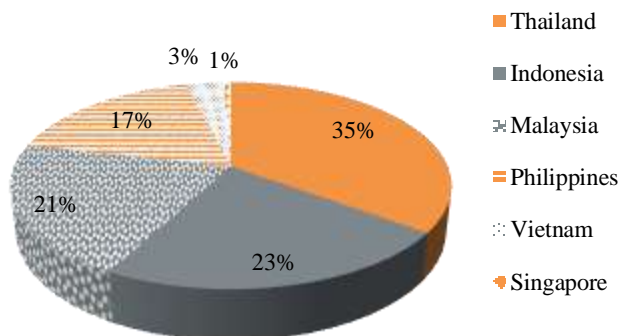
*April 2015*



## EXISTING SUPPLY OF VACATION OWNERSHIP RESORTS

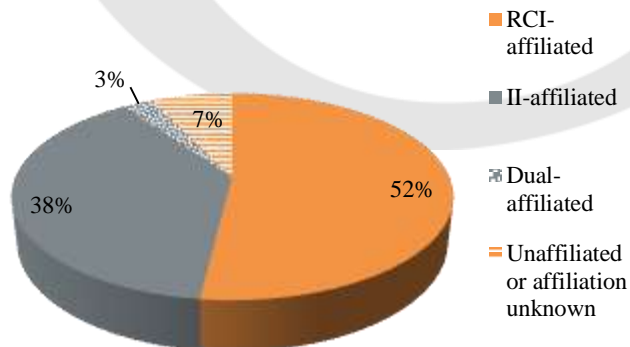
More than half of Southeast Asia's vacation ownership resorts are located in Thailand and Indonesia. More than half are affiliated with RCI for exchange. More than half are associated with a club with an internal exchange component and over one-third were actively selling during 2014.

**Location of Resorts**



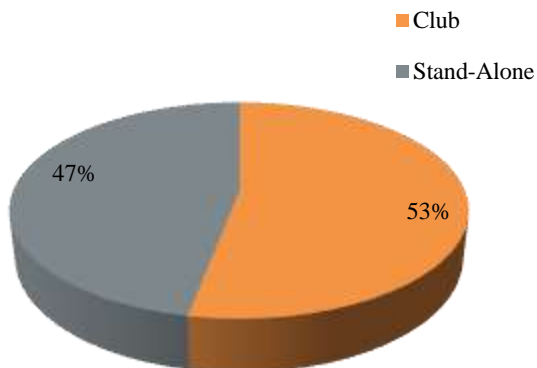
Source: C9 Hotelworks Market Research

**Exchange Affiliation of Resorts**



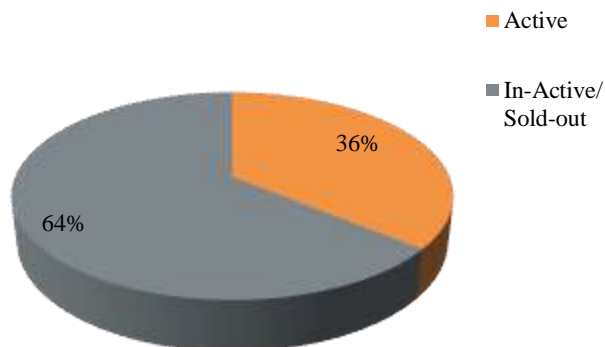
Source: C9 Hotelworks Market Research

**Type of Product**



Source: C9 Hotelworks Market Research

**Sales Status of Resorts**

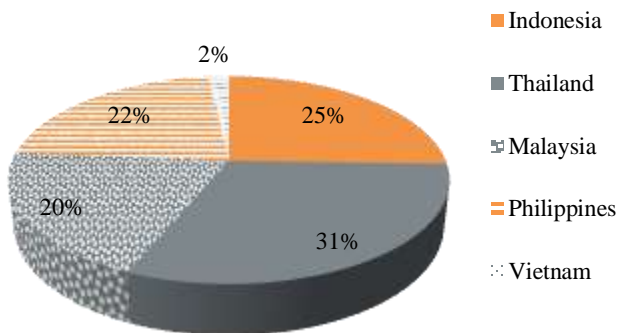


Source: C9 Hotelworks Market Research

# VACATION OWNERSHIP SALES

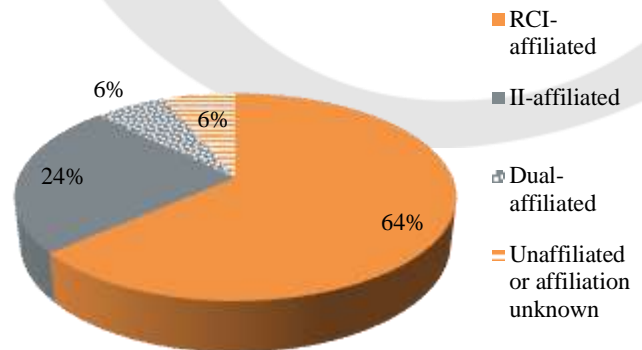
An estimated 55 vacation ownership properties were active sales by the end of 2014 in the region. Among vacation ownership properties in active sales, almost half are located in Indonesia and Thailand. Most are affiliated with RCI for exchange and are part of a vacation club.

**Location of Resorts in Active Sales**



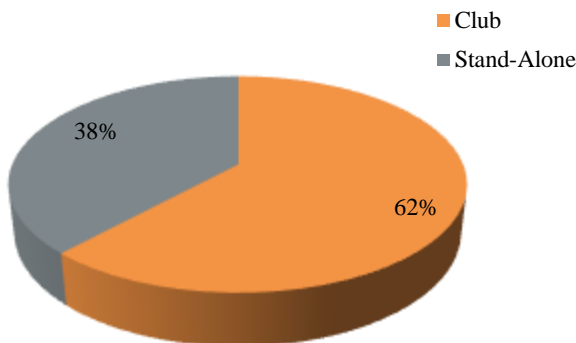
Source: C9 Hotelworks Market Research

**Exchange Affiliation of Resorts in Active Sales**



Source: C9 Hotelworks Market Research

**Type of Product of Resorts in Active Sales**



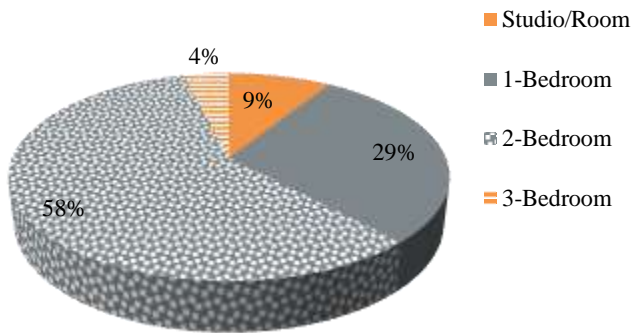
Source: C9 Hotelworks Market Research

# CHARACTERISTICS OF OFFERINGS AT VACATION CLUB RESORTS

A survey by C9 Hotelworks of vacation ownership clubs in Southeast Asia conducted in February and March 2015 reveals several interesting findings about the product in the region. The findings below include aggregate responses from representatives at most of the primary clubs and exchange companies in the region.

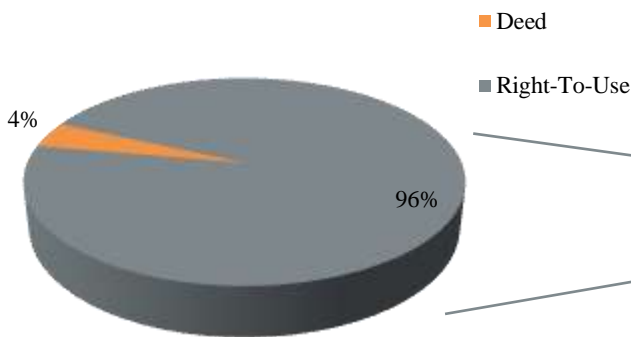
Two-bedroom vacation ownership units are the most commonly occurring unit type. Most vacation ownership sales are conveyed as right-to-use offerings with a use life of 20 to 50 years.

## Unit Types in Vacation Club Resorts



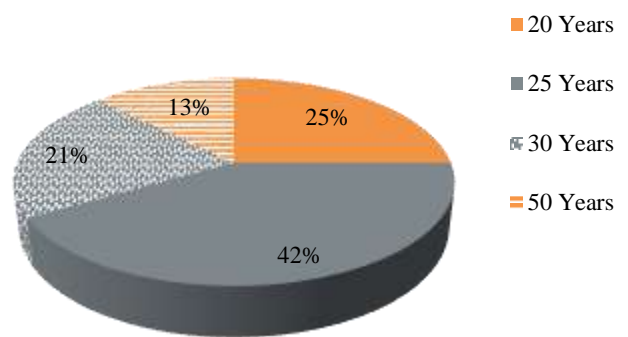
Source: C9 Hotelworks Market Research

## Conveyance at Vacation Club Resorts



Source: C9 Hotelworks Market Research

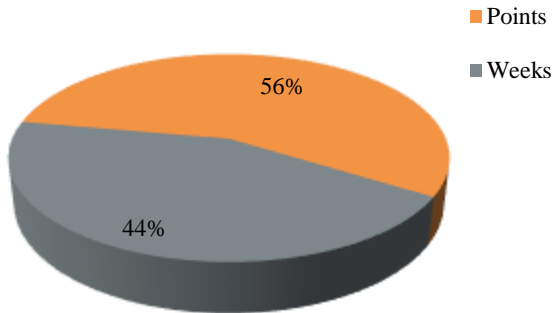
## Length of Right-To-Use Period at Vacation Club Resorts



Source: C9 Hotelworks Market Research

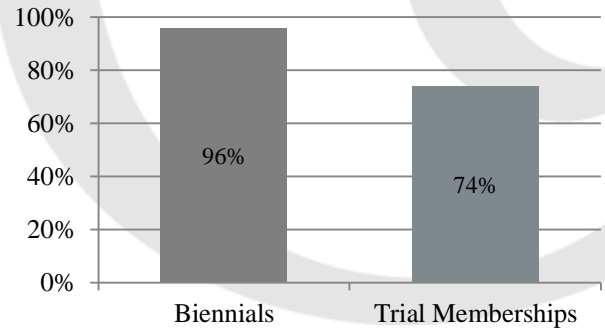
Most of the vacation club offerings in Southeast Asia sell points-based products. The majority also offer two types of drop-products for consumers not interested in purchasing an annual use product.

**Use Plan at Vacation Club Resorts**



Source: C9 Hotelworks Market Research

**Drop Products Offered at Vacation Club Resorts**



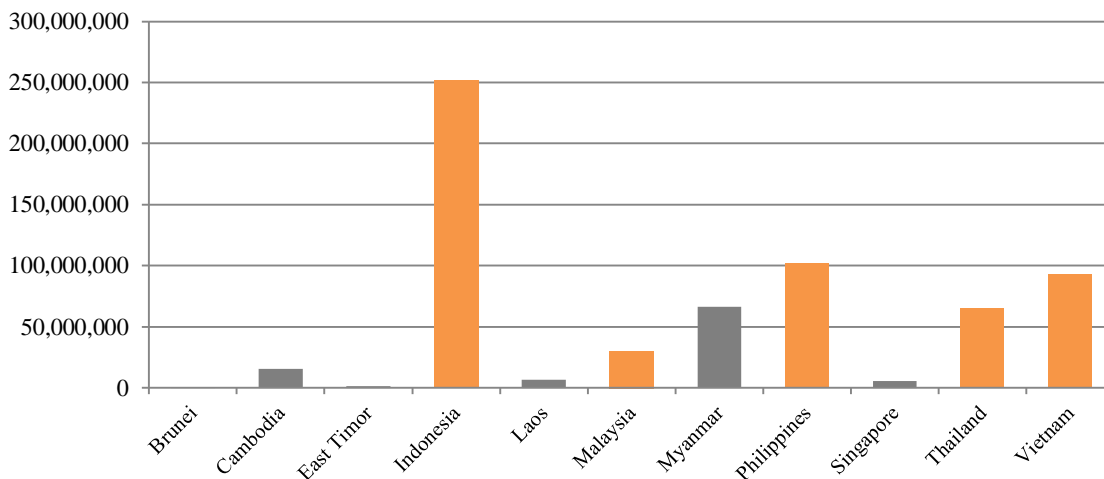
Source: C9 Hotelworks Market Research.

## VACATION OWNERSHIP POISED FOR GROWTH IN SOUTHEAST ASIA

### MARKET SIZE

The population of Southeast Asia in 2014 was 636.5 million<sup>i</sup>. Fully 85% (541.0 million) of this population is living in the five countries of Southeast Asia which currently offer vacation ownership sales – Indonesia, Philippines, Vietnam, Thailand, and Malaysia<sup>ii</sup>.

**Population of Southeast Asian Countries**



Source: International Monetary Fund and C9 Hotelworks Market Research

## **MARKET PENETRATION**

With an approximate average of 5.8 persons per household in Southern Asia<sup>iii</sup>, there are an estimated 93 million households residing in these countries.

It is estimated that there are well under 500,000 members and owners of vacation ownership in resorts located in Southeast Asia. If approximately half of these reside in the country in which they purchased vacation ownership membership or ownership, or approximately 250,000, this would mean that the penetration rate of vacation ownership in the region is far less than 1.0 percent. By way of comparison, 7.9% of all United States households are reported to own vacation ownership<sup>iv</sup>, by far the largest penetration rate of any country or region.

Vacation ownership is a pre-paid vacation rather than a real estate purchase. That said, compared to the quantity of branded hotel residences sold in Southeast Asia in 2014 alone, approximately 20,000, there is clearly a massive growth opportunity in vacation ownership in this region.

## **WHEN AND WHERE?**

All of the experts interviewed indicate that now is a good time to be selling vacation ownership in Southeast Asia. Many cite the size of the market opportunity and a growing middle class in many Asian countries. One respondent adds, “In many parts of the world vacation ownership has experienced the best growth when real estate and hospitality markets start to dip. Southeast Asia is experiencing softening of real estate markets in some areas and/or over building in other areas.”

Suggested as the best markets for vacation ownership in the region are: Vietnam, Indonesia, Philippines, and Thailand. One respondent identifies Myanmar as having potential in the not too distant future.

## **CHALLENGES FACED**

The biggest problem facing the success of the vacation ownership industry in Asia today is the public image of the product. This is typical for a developing region with limited to no consumer protection regulation. Asian timeshare legislation and regulation is lacking or non-existent and varies widely between countries.

There is also a lack of local expertise and understanding of vacation ownership in this region. Most developers don't fully understand the product and often do not wish to bring in foreign expertise.

Going forward the sector has missed a substantial opportunity over the past seven years during a massive ramp up of leisure real estate sales in Southeast Asia. International hotel groups have embraced the trend and benefited but the vacation ownership sector has yet to put forward a convincing case to developers and buyers about the benefits of the product.

## ABOUT THE AUTHOR



Bill Barnett is the Founder and Managing Director of C9 Hotelworks. The firm is a leading hospitality and real estate consulting firm based in Thailand. With over 30 years of experience in the Asia Pacific region. Bill is considered to be a leading tourism and property analyst. One of the group's key areas of expertise is hospitality-led-residences and hotel managed condominiums and villas.

For more information [www.c9hotelworks.com](http://www.c9hotelworks.com)

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<sup>i</sup>International Monetary Foundation, 2015.

<sup>ii</sup>International Monetary Foundation, 2015.

<sup>iii</sup> Worldmapper.com. Copyright 2006 SASI Group (University of Sheffield) and Mark Newman (University of Michigan).

<sup>iv</sup>2014 *Timeshare Owner Market Sizing Omnibus Survey* conducted for the ARDA International Foundation by HSR Associates.