

PACIFIC BUSINESS NEWS

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Grand Waikikian opens, Hawaii time shares thrive

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Amid all the gloom evident in Hawaii’s tourism industry, one business is still growing: time shares.

While the number of visitors who chose to stay at a hotel or a condominium in 2008 is down almost 10 percent from last year, the number of visitors who chose a time share ticked upward.

State tax revenues from time-share occupancy jumped 31 percent in fiscal year 2008 to \$6.7 million, compared to the previous fiscal year.

Seeing the heightened interest, hotels chains are increasingly adding time shares to their portfolio.

Many of the newest and largest time-share properties in Hawaii belong to international chains such as Hilton, Starwood and Marriott. Just last month, **Walt Disney Parks and Resorts** broke ground on an \$800 million resort at Ko Olina that will include 350 hotel rooms and 480 time-share villas.

“There certainly is a direction toward time shares when looking at new visitors,” said Dan Dinell, vice president of strategic business development for Hilton Grand Vacation’s Asia-Pacific region. “Time shares are not overtaking hotels, but they definitely represent new activity and are a nice complement.”

Hilton Grand Vacations Club’s newest property, the 38-story, \$350-million Grand Waikikian, began accepting its first guests this week.

It is Hilton’s fifth time-share development in Hawaii, joining the 236-unit Lagoon Tower (formerly an apartment building), 72 units in Kalia Tower in Waikiki, the 120-unit Hilton Grand Vacations Club at **Waikoloa Beach Resort** and the 198-unit Kings’ Land by Hilton Grand Vacations Club on the Big Island.

Dinell said the 331-unit Grand Waikikian, located between **The Ilikai hotel** and the Hilton **Hawaiian Village Beach Resort & Spa** — a site formerly occupied by the old Waikikian hotel and Tahitian Lanai restaurant — is the first “purpose-built” time share in Waikiki, meaning it was not converted from a hotel or condominium.

The growth in time shares is welcomed by many in an industry hungry for new business.

“My own belief, and studies that have been done for the industry have shown, that time shares are a very positive addition to the product mix,” said Rick Egged, president of the **Waikiki Improvement Association**. “Given the way they work, they are very portable, meaning you don’t necessarily have the same people coming back — although repeat guests are always a good thing — but different people from different segments each year. That means a much higher occupancy that tends to stay steady through thick and thin.”

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Year ended 12/31	2008	2007	% Change	Amount
Revenue	1,000	1,000	0%	1,000
Expenses	800	800	0%	800
Profit	200	200	0%	200
Operating Profit	150	150	0%	150
Net Income	100	100	0%	100

The interest in Hawaii time shares is especially pronounced among international visitors, with the number of Canadians and Japanese choosing to stay in time shares this year growing to double digits over last year.

(Dinell's business card is printed in both English and Japanese.)

Even in the troubled West Coast market that Hawaii depends on for its single largest segment of customers, those electing to stay in time shares — about 340,000 — remained stable year over year.

Though there are far fewer time shares compared to hotels and condominiums in the state, the number of time-share units has doubled since 2000.

Maui has the most time shares — 32 properties and 2,918 units — followed by Kauai with 23 properties and 2,073 units, according to 2007 figures.

Time shares vary in price, but they generally run much higher than a hotel room. At the Grand Waikikian, for example, owners will pay between \$40,000 and \$80,000 for a week's stay per year in a two-bedroom unit, and more than \$100,000 for a penthouse.

In return, time-share users have large accommodations that are ideal for families. Units range from studios to three bedrooms to penthouses, most with amenities such as a full kitchen and laundry, and even pullout beds for extra guests.

The fine linens, state-of-the-art entertainment systems and high-speed Internet access that have become standard fare at luxury hotels are also found at many time shares.

Hilton is positioning the Grand Waikikian as an upscale product, Dinell said.

Just over 25 percent of the units have been sold — “ahead of the sales pace we expected,” he said.

“Time shares are very different than condos in that we pace the sales, using the excess inventory for rental and marketing purposes, and continuously increase pricing,” Dinell added. “And, unlike a condominium, which would typically have a couple of hundred owners, we literally have tens of thousands of owners, each who purchased a one-week interest in a unit.”

The 7.25 percent transient accommodations tax on time-share occupancy, which is based on a fair market rental share, brought in \$6.7 million in fiscal year 2008, up from \$5.1 million in fiscal year 2007.

While that's a drop in the bucket compared with revenue from the T.A.T. on hotel gross receipts — \$222 million in fiscal year 2008, up from \$219 million the year before the growth in time-share tax revenue outpaced hotel tax revenue 31 percent to 1.3 percent.

Time shares have multiple owners or parties holding rights, with each sharer allotted a stay usually lasting one week each year. Most time shares involve points systems, in which points can be given as gifts, traded for stays at other properties, or to buy airline tickets and other travel packages.

The steady business benefits not only property owners but area businesses that depend on them.

“I think we are fortunate to have an ownership base,” said Denise Wardlow, general manager of Starwood Vacation Ownership's first Kauai property, the **Westin Princeville Ocean Resort Villas**. “What it does is, it keeps our associates gainfully employed as well as support community with car rentals and activities. If we didn't have this time-share owner base, I think the Kauai economy would really feel it more than right now.”

Wardlow said the 346-unit property, which opened in April at a cost of \$165 million, is currently running at

70 percent occupancy.

The guests are part of the Starwood Vacation Ownership network, meaning that a guest at Princeville could, for example, include Texans who own a unit in Orlando, Fla., or at the Westin St. John in the U.S. Virgin Islands.

“People like the whole condo concept with kitchens and free Internet access, yet you are staying at a branded property where you expect a certain level of service and membership advantages,” Wardlow said.

That’s the case with the Grand Waikikian, which has been integrated into the rest of the Hilton’s 22-acre oceanfront property, allowing guests to walk about freely.

“The hotel industry has come to realize that time shares are here to stay,” Dinell said.

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