

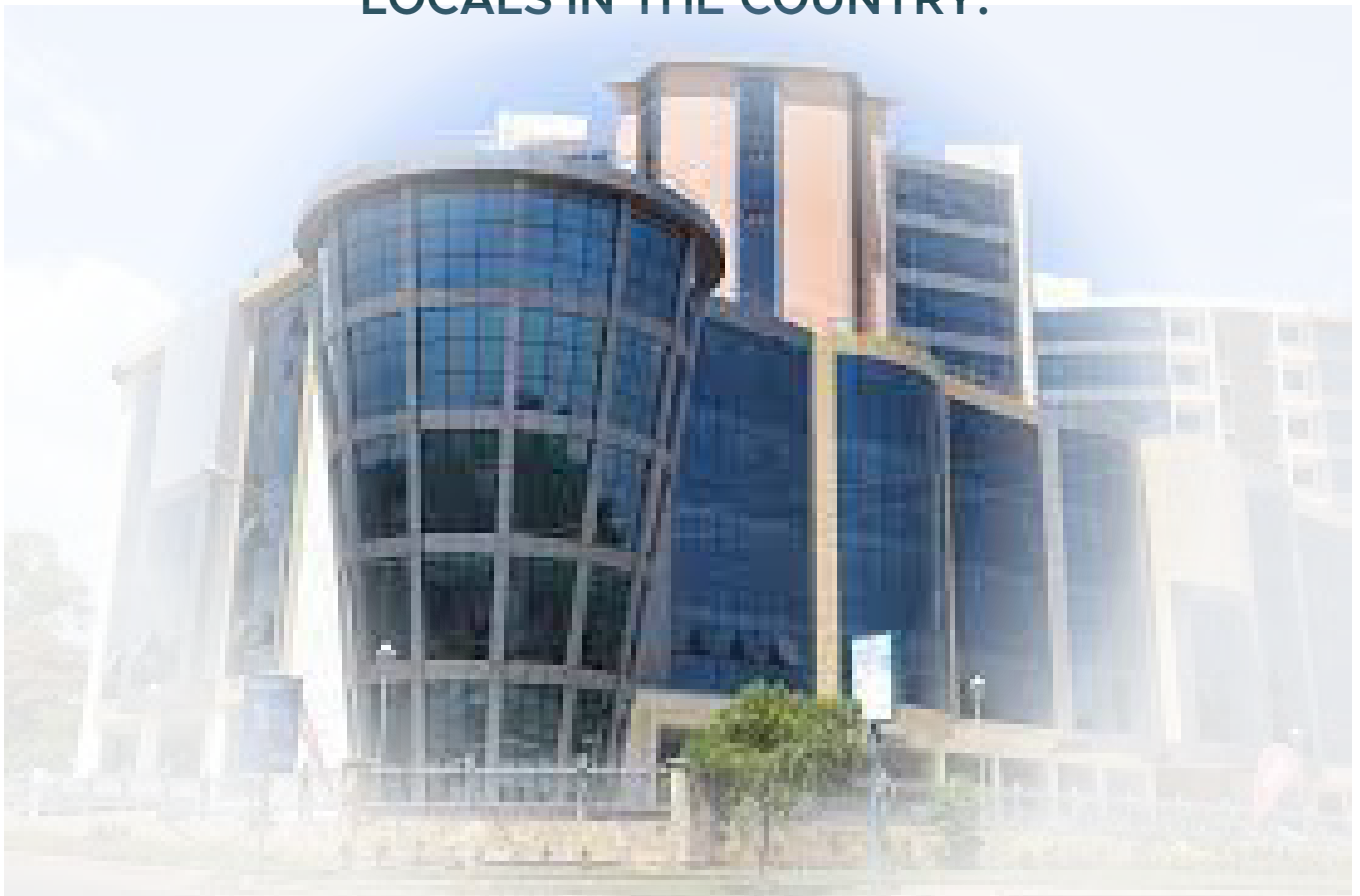


LYSON LAW GROUP
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TIMESHARE

**DISCOURSE ON WHY IT IS TIME FOR TANZANIA
TO ADOPT THE CONCEPT OF TIMESHARE AS A
FORM OF LAND HOLDING BY FOREIGNERS AND
LOCALS IN THE COUNTRY.**



MEANING OF A TIMESHARE

Tanzania has in the recent past experienced a relapse in the housing sector, with few and fewer people being able to purchase built up housing units partly due to high costs and hard economic times; which brings up the question whether this is the right time for Tanzania to adopt timesharing as a form of land holding especially now that there is increasing interest in the acquisition of housing units.

A timeshare is a shared ownership model of vacation real estate in which multiple purchasers own allotments of usage, typically in one-week increments, in the same property. The timeshare model can be applied to many different types of properties, such as vacation resorts, condominiums, apartments, and campgrounds.

The black's law dictionary defines a timeshare as a joint ownership or rental of property such as a vacation condominium by several persons who take turns occupying the property. It is also termed as timesharing.



HOW TIMESHARE WORKS

Time-sharing is a form of fractional ownership, where buyers purchase the right to occupy a unit of real estate over specified periods. For example, purchasing one week of a timeshare means the buyer owns one-fifty-second of the unit. Buying one month equates to one-twelfth ownership.

Time-sharing is popular within vacation locales where owners may want occasional control of a property. Timeshare property types include homes, condominiums, and resorts.

The timeshare model can also apply to recreational vehicles and private jets.

The ultimate aim of any land tenure regime is that it should be able to generate some income and a timeshare is one of the most ideal models of income generation if well-structured and managed. It is therefore to the advantage of Tanzania to introduce timeshares as a form of land holding and a revenue stream for the government.

According to ARDA, over 205,000 timeshare units were sold in the United States in 2020. The industry generated \$ 4.9 billion of sales from its 1,570 U.S. resorts with 7 million total nights rented during the year.

Timeshares confer upon buyers the right to annual exclusive use of a vacation property for a defined period that is generally measured in one-week increments. Timeshares typically use one of the following three systems.

FIXES WEEK

A fixed week timeshare gives the buyer the right to exclusively use the property for a specific week (or weeks) every year. While the main advantage of this structure is that the buyer can plan an annual vacation at the same time every year, the other side of this coin is that it may be exceedingly difficult to change the fixed week to another period if required.

FLOATING WEEK

A floating week timeshare gives the buyer exclusive use of the property for a week or weeks during a predefined period or even throughout the year. While it is more flexible than the fixed week system, the "floating week" may not be available during the busiest times of the year and may need to be reserved well in advance to ensure availability.

POINTS

The points system uses points to represent timeshare ownership, based on factors such as resort location, size of the vacation property, and time of availability. Points are used by developers to facilitate timeshare exchanges either within their own resorts (internal exchange) or with other resorts as well (external exchange). While the points system provides users with increased vacation choices, there is a wide disparity between the points allocated to various vacation resorts due to the aforementioned factors involved.

TYPES OF TIMESHARE OWNERSHIP

Timeshares are typically structured as shared deeded ownership or shared leased ownership interest.

1. Shared Deeded Ownership

Shared deeded ownership gives each buyer a percentage share of the physical property, corresponding to the time period purchased. A resort condominium unit that is sold in timeshare increments of one week can technically have 52 total deeds. In other words, buying one week would confer a one-fifty-second ($1/52$) ownership interest in the unit while two weeks would give a one-twenty-sixth ($1/26$) interest and so on. Shared deeded ownership interest is often held in perpetuity and can be resold to another party or willed to one's estate. However, the way land legal framework is structured in Tanzania, this type might be challenging to foreigners, the structure is more in favour of locals.

2. Shared Leased Ownership Interest

Shared leased ownership interest entitles the buyer to use a specific property for a fixed or floating week (or weeks) each year for a certain number of years. In this structure, the timeshare developer retains the deeded title to the property, unlike the shared deeded ownership structure where the owner holds the deed. Property transfers or re-sales are also more restrictive than with a deeded timeshare. As a result, a leased ownership interest may have a lower value than a deeded timeshare

Based on the above, it is apparent that holding a leased timeshare interest does not necessarily imply "fractional ownership" of the underlying property. According to the American Resort Development Association (ARDA), the trade association for the timeshare industry, "fractional ownership" is usually associated with the luxury segment of vacation properties that offer more service and amenities, and is sold in intervals of more than one week and less than full ownership. The concept of fractional ownership has also been extended to other assets, such as private jets and recreational vehicles.

TIMESHARES VS AIRBNB

Are timeshares even relevant in the era of the sharing economy as exemplified by Airbnb and Uber? For many, timeshares are still a valid option. Prior to the COVID-19 pandemic, annual timeshare revenue growth increased 10 consecutive years from 2010 to 2019. After being negatively impacted by the pandemic, the industry has more recently seen a 67% increase in timeshare sales between Q4 2020 and Q4 2021.

In any debate of the merits of timeshares vs. Airbnb, the reality is that both have specific attributes that appeal to two divergent and massive demographic cohorts. The main appeal of Airbnb and other home-sharing sites is in their flexibility and ability to provide unique experiences – attributes that are cherished by millennial.

The downside, as regular Airbnb users will attest, is that the quality of accommodation is not always guaranteed, and there's a possibility that the haven you thought you were booking is actually a hotel. In addition, because most Airbnb rentals are residential in nature, the amenities and services found in timeshares may be unavailable.

Timeshares typically offer predictability, comfort, and a host of amenities and activities – all at a price, of course – but these are attributes often treasured by Baby Boomers. As Baby Boomers with deep pockets begin retirement, they're likely to buy timeshares, joining the millions who already own them, as a stress-free option to spend part of their golden years.

Many timeshare companies allow owners to "exchange" their timeshare location with another one in order to provide more flexibility for owners among various destinations.

BENEFITS AND DROWBACKS OF TIMESHARES

Although timeshares are not for everyone, they have some benefits for those looking for a vacation spot that's convenient and reliable. However, there are some distinct shortcomings that investors should consider before entering into a timeshare agreement.

1. Benefits

Most timeshares are owned by large corporations in desirable vacation locations. Timeshare owners have the peace of mind of knowing that they can vacation in a familiar location every year without any unpleasant surprises.

Timeshare properties often have resort-like amenities and services and are professionally managed. In comparison to a typical hotel room, a timeshare property is likely to be significantly larger and have many more features, facilitating a more comfortable stay.

Timeshares may thus be suitable for people who prefer vacationing in a predictable setting every year, without the hassle of venturing into the unknown in terms of their next vacation.

Familiar location every year without any unpleasant surprise, resort-like amenities and services and avoids the hassle of booking a new vacation each year.

2. Disadvantages

The drawbacks of a timeshare are that the ongoing costs can be significant, after factoring in the substantial upfront payment and annual maintenance fees, with the latter generally trending higher on a percentage basis year after year. For a deeded timeshare, the owner also has to the proportionate share of the monthly mortgage. As a result, the all-in costs of owning a timeshare may be quite high as compared to staying for a week in a comparable resort or hotel in the same location without owning a timeshare.

There is also little flexibility to change a fixed week timeshare; a floating week has to be reserved well in advance as confirmation is generally on a first-come-first-served basis, and even so, might be unavailable during the busiest times of the year. In addition, a timeshare contract is a binding one; the owner cannot simply walk away from a timeshare contract because there is a change in their financial or personal circumstances.

It is notoriously difficult to resell a timeshare – assuming the contract allows for resale in the first place – and this lack of liquidity may be a deterrent to a prospective investor.

A timeshare resale may fetch a much lower price than the initial cost for two reasons. Timeshares tend to depreciate quickly, and there is a mismatch in supply and demand due to the number of timeshare owners looking to exit their contracts.

Ongoing costs can be significant, flexibility when changing weeks or the contract. Timeshares are difficult to resell and Aggressive marketing practices

SPECIAL CONSIDERATIONS

The timeshare industry is infamous for its aggressive marketing practices. Many timeshare acquisitions are impulsive and emotional purchases made by consumers who are swayed by slick marketing and tall promises.

For example, Las Vegas is filled with timeshare marketers who entice customers to listen to an off-site timeshare presentation.

SPECIAL CONSIDERATIONS

In exchange for listening to their pitch, they offer incentives, such as free event tickets and complimentary hotel accommodations. The salespeople work for property developers and frequently employ high-pressure sales approaches designed to turn "nays" into "yes."

The prices developers charge are significantly more than what a buyer could realize in the secondary market, with the developer surplus paying commissions and marketing costs. Timeshare marketers may also frequently conceal the actual cost of timeshare ownership and exaggerate its potential benefits. Because the timeshare market is rife with gray areas and questionable business practices, it is vital that prospective timeshare buyers conduct due diligence before buying.

RENTING A TIMESHARE

Timeshares typically become available for rent when the owner does not need the unit during a specific period of time. There are websites that list all different timeshares for rent, like Trip Advisor, Timeshare Users Group, and Redweek sites. Here you can search for your rental by location, size, dates, and price. Renting a timeshare is a good way to try one out before you purchase and/or to give yourself another option when planning a vacation.

KEY IDEAS TO A NOTE

1. A timeshare is a shared ownership model of vacation property whereby multiple owners have exclusive use of a property for a period of time within a calendar year.
2. Timeshares are typically available for various types of vacation properties such as resorts, condominiums, and apartments.
3. Timeshares are ordinarily available for a fixed week—a buyer has a set week each year, or a floating week—use of the property is limited to a season.
4. Timeshare benefits include vacationing in a professionally managed resort and a predictable setting.
5. Timeshare owners may gain shared profit collected out of leased premises during un-utilized holidays.
6. Timeshare drawbacks include a lack of flexibility in making changes, annual maintenance fees, and difficulty reselling one.
7. The law in Tanzania currently makes no provisions for timeshare form of landed property holding whether for locals or foreigners.

CONCLUSION

Tanzania both mainland and Zanzibar is now marking an extraordinary record in tourism, real estate, and hospitality industry all of which attracts investors and tourists, furthermore, the conducive investment environment and political stability in Tanzania records to be the most attractive indicators for investors.



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