

Interacting with developers:

RENTAL strategies for REAL ESTATE SALES

by John Small

When working with developers on a vacation ownership property – whether it's timeshare, fractional or mixed-use – one must understand their business, their objectives and motivations. Developers want sales – real estate sales.

Think of the multiple vacation ownership properties available at any prime vacation destination as stores in a shopping center. There will be many potential buyers passing by, but how do they differentiate one establishment from another? Until they walk into the store and experience the unique products for themselves, no sale will be made.

Many developers spend extraordinary amounts of money on magazine advertising, flashy sales brochures and direct mail pieces – all looking to persuade the potential buyer to come to the property with an extreme sense of urgency.

In comparison, property rentals can be a much more cost-effective, efficient and successful way to encourage sales, while also contributing to property-operating expenses. The best way for a developer to implement a property rental program is by hiring a management solutions company that has the necessary experience, tools and team to run such programs.

Rentals => sales

As with any property sale, there is no magic formula or shortcut to selling vacation ownership real estate. It takes time.

Establishing a comprehensive rental program takes a lot of time, but is an especially beneficial endeavor. Program development takes about nine months, and there is another six to nine months before the developer will start to see occupancy flow. This can be hard for developers to understand, but explaining the process and the strategy is essential to the rental program's success, as well as the groundwork for a solid relationship between developer and the hired management solutions company.

Developers must see all guests as potential buyers. There is no additional cost to the developer to bring them to the property, and these guests want to be there. They chose this destination and stay at the property because they want to experience the accommodations, amenities, dining options, recreational activities, area sights and more. This is the

property's opportunity to show off their product and services.

During the rental guests' stay, there is little to no barrier to entry for them to take a tour of the property and consider a purchase. They are often the developer's target audience, who can afford to become a property owner.

The ideal situation

It can be highly valuable to hire, or consult with, a management solutions company at the beginning of any proposed development project. This provides the company with the opportunity to understand the quality and service expectations that need to be met. The hired company can also begin developing the rental marketing and sales strategy, so that rentals can begin immediately after the property opens. As well, management solutions companies can provide pre-opening technical advice, such as developing a website and a basic rental sales and marketing plan.

To create an effective rental sales and marketing program for a particular property, the management company will need to evaluate the property, destination, competitive marketplace, volume of tourists during different times of year, average visitor expenditures and much more. The company should also complete a competitive analysis of the local hospitality business within the same tier. Together, these factors will help the management company determine if the real estate developer has a product that is realistic for the target market. If it is not, the company can assist in reconfiguring the property so it is more marketable.

Crisis mode

However, management solutions companies are too often called in too late after the developer is desperate for sales leads and has exhausted a slew of costly options. Too frequently developers have hired groups who call themselves a management company or property manager, but they do not have experience in rentals or other essential areas of running a vacation ownership property. The property may even be running fine, meeting service and maintenance standards, but without a source of income (i.e. rentals), there is no business.

It is similar to Fram oil filter's trademark slogan, "You can pay me now, or pay me later." The

complexities of the hospitality business, especially vacation ownership, require expert help from those who have a proven and verifiable track record in the industry. Hiring a management solutions company at the start can help avoid some of the issues that will arise after the property opens. If not, the developer usually ends up having to hire a management solutions company later on, which is more challenging and expensive.

What to look for in a management company

Developers should look for a full-service management company that can provide everything required to maintain and grow the property, including resort management, rental management, food and beverage service, internal exchange programs and residential services (personalized concierge programs).

The management company and the developer should be part of weekly staff meetings that include the management team, sales and marketing, accountant, designer, architect and any other involved parties. Similar meetings are held every morning in the hotel business to oversee all details, and vacation ownership properties should follow this example. The group should talk about incoming guests and the property's current opportunities, challenges and solutions. This can help developers quickly identify and remedy design, construction and financial issues.

In order for the rental program to generate quality sales leads from the ranks of its rental guests, management and sales and marketing staffs must be integrated. This is often not the case. The entire staff should have the mentality: "We're all on the sales team. Without sales, we do not have a job." Everybody should have professional, yet friendly, interactions with rental and exchange guests. They should be able to refer and direct potential buyers to the sales room.

In turn, rental guests should want to become a part of the property because they've had a memorable on-site experience that exceeds their expectations.

In the current market, there is an optimism that has not been seen for several years. There's a great deal of activity and enormous sales potential. However, if a developer does not have sales leads, it is all for naught.

