Management Contracts and Home Owners Association Controlled Timeshare Resorts: Is There a Difference in Performance Metrics?

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Abstract

This study reviewed performance metrics for HOA controlled timeshare resorts. The study found no difference in occupancy rates between the three models. Self-managed resorts had improved performance metrics over resorts managed by management contracts in areas of maintenance fees costs, collection of maintenance fees, and reserve funds. However, self-managed resorts offered less assistance to owners in rental, resale and exchange programs, and had the lowest resale pricing. Some differences between management company types was found for metrics of foreclosure, special assessments maintenance fee increases, maintenance fee delinquencies, reserve fund expenditures, refurbishment and replacement processes, and rental programs.

Keywords: Timeshare; HOA; Management contract; Resort

Introduction

The hotel and resort industry has developed many products over the last century to meet the needs of travelers. Starting with inns, boarding houses and standard hotels, the industry has expanded to offer a variety of products [1,2].

One of those products is timeshare. Timeshare can also be referred to as vacation ownership or interval ownership [3]. Timeshare is a segment of the lodging business that has seen exponential growth throughout the last three decades [4,5]. Timeshare is defined as “to purchase a specific time period in which a purchaser can use a unit within the timeshare resorts at a geographical location of choice” [6]. Timeshare resorts differ from traditional resorts in that the “guest” is actually an owner, purchasing a real estate deed or other trust that provides them use of the resort for an interval of time, generally one week. “Thus each unit of the resort is divided into intervals, either by the week or a point equivalent” [7].

Timeshare and vacation ownership structures in the United States generally involve the establishment of an Owners Association [8]. For most timeshare developments the developer controls the Owners Association in the initial years. Transfer of the governance of the Owners Association from the developer to the owners is generally dictated by state laws. Most of these laws require transfer of the governance to the owners at a certain percent of sell out or at a fixed time period [8]. The Home Owners Association (HOA) can then choose to retain the developer affiliated management company, manage the resort themselves, or contract with an outside management company for the day to day operations and management of the resort. The result is that timeshare resorts have many models of ownership, management and finance.

State laws dictate the legal structure of the owners associations for timeshare resorts. In some states, timeshare properties have Home Owners Associations, while other states have Property Owners Associations or Condominium Owners Associations [8]. For the purpose of this study, the term Home Owners Association or HOA is used to represent any of the three legal formats of owners associations.

There are marked differences between HOA controlled resorts and resorts still under developer control. Some of the known issues that affect HOA controlled resorts are: an aging product, lifecycle changes of long term owners, challenges in the resale market, and a multitude of factors that contribute to increased delinquencies in maintenance fees [8]. Timeshare resorts are typically managed by one of several management structures. In the early years of a timeshare resort the developer usually manages the resort [9]. Often the developers will establish a separate company to manage resorts.

Timeshare resorts can also enter into a management contract with a separate company or 3rd party company not affiliated with the developer. Finally, once control of the resort has passed to the HOA, the HOA can choose to manage the resort themselves [10]. Within the commercial hotel and resort industry, the affiliation of a property with a management company has been shown to positively correlate to hotel and resort performance [11-13]. The question arises: do timeshare resorts which are affiliated with a management contract company have higher performance metrics, than those that do not? Should HOA’s seek to contract with management companies for improved resort performance?

The most common metric for measuring timeshare company performance is sales of new contracts or purchases of ownership intervals. However, most timeshare resorts that are under HOA control are at sell out, therefore sales metrics are not the most accurate tool to measure performance themselves [10]. For the purposes of this study performance was measured using: occupancy, maintenance fee metrics, special assessment metrics, and foreclosure metrics, and rental and resale program offerings.

Occupancy

Occupancy rates have long been a metric of performance for
hotels and resorts [14]. While several factors contribute to timeshare
occupancies such as the offering of exchange programs, number of units
in resale, etc. overall, resorts with higher occupancies are considered to
have better performance than resorts with lower occupancies.

**Maintenance fees/costs**

Owners of timeshares are assessed maintenance fees on an annual
basis. The term maintenance fee is misleading: while a portion of the
maintenance fee is generally allocated each year towards maintaining
or maintenance of the resort product, the majority of the fees cover
operating expenses for the resort. Maintenance fees are in essence the
budget and capital available to operate and maintain the resort [9].

Maintenance fees have increased steadily over the past years, with
the average maintenance fee of $845 reported in 2014 [10]. Consumers
have expressed concern over the rising costs of maintenance fees [7].
When owners do not pay the annual maintenance fee the maintenance
fees are considered to be delinquent.

**Special assessments’ and reserve funds**

Special assessments occur when reserve funds and contributions
from annual maintenance fees are not sufficient to cover costs of
maintaining or upkeep of a resort. Timeshare resorts typically maintain
reserve accounts to address the needs of major repairs, refurbishment,
and other capital outlay. When these reserve accounts are not sufficient
a special assessment can be levied on the owners [9].

**Re sales and foreclosures**

While many timeshares are sold for life or perpetuity, the reality is
that like many products timeshare intervals have a product lifecycle
and are also subject to the life cycle of the owner [8]. For some owners,
changes in life circumstances may affect the usage and perceived
value of the interval. The timeshare interval may be geographically
located near an amenity that the owner no longer enjoys. Owners
may not have children or grandchildren at ages that enjoy the nearby
theme park. Likewise owners may no longer be able to ski, or enjoy
other recreational activities due to increased physical limitations that
occur with age. Some owners may have moved farther away from the
geographic location of the resort. These result in a need for sale of
the interval by the owner [3]. This aftermarket sale has been identified
by the industry as a “resale.”

Theory suggests that a management company has additional
expertise and resources to help owners with resale. When an owner
is not able to resell the interval they often resort to fire sale pricing
to relieve themselves of the burden of annual maintenance fees,
degrading the value of the resort overall [15]. Additionally owners
with intervals in resale are less likely to be current on their payment
of annual maintenance fees resulting in increased foreclosure. HOA-
controlled resorts report less likelihood of having the legal or logistical
resources to enact foreclosure on owners that are severely delinquent
on maintenance fees [8]. The question remains do resorts with
additional resources of a management company have more robust
resale programs and are therein less likely to have intervals that should
be in foreclosure but are not due to lack of resources.

**Rental program assistance**

Advantages of economies of scale suggest that a management
compny would have greater resources to assist the owners or HOA
in renting unsold or unused intervals [8]. The income from the rental
can then be used to assist the owner or HOA in paying the annual
maintenance fees, resulting in lower rates of delinquency.

This study seeks to address the following hypotheses:

- **H1** There is no difference in occupancy between timeshare
  resorts managed by an HOA, a management company affiliated with
  the developer or a 3rd party management company.

- **H2** There is no difference in maintenance fee metrics between
timeshare resorts managed by an HOA, a management company
affiliated with the developer or a 3rd party management company.

- **H3** There is no difference in special assessment metrics between
timeshare resorts managed by an HOA, a management company
affiliated with the developer or a 3rd party management company.

- **H4** There is no difference in reserve fund metrics between timeshare
resorts managed by an HOA, a management company affiliated with
the developer or a 3rd party management company.

- **H5** There is no difference in foreclosure metrics between timeshare
resorts managed by an HOA, a management company affiliated with
the developer or a 3rd party management company.

- **H6** There is no difference in rental and resale program offerings
between timeshare resorts managed by an HOA, a management
company affiliated with the developer or a 3rd party management
company.

**Literature Review**

The timeshare segment of the hotel and resort industry is not
well studied in comparison to other commercial hotel and resort
segments [3,4]. The majority of timeshare research has focused on
the marketing and purchasing processes [16-18]. Other research has
looked at consumer satisfaction [15,16,19-23]. Very little research has
been conducted on performance of timeshare resorts as regard to the
management structure.

Some of the consumer satisfaction research for timeshares can be
related more closely to this study. Owner services have been found to be
a key driver in satisfaction with the timeshare product [15]. This study
found that an owner’s ability to contact an owner’s services office with
relative ease was an important component of owner satisfaction. This
would support the theory that the efficiencies of scale would permit
more robust owners’ services centers. However the same study found
that an agent’s knowledge of the resort was also important to owner
satisfaction, thus supporting the concept that small locally managed
owners’ services would have a better knowledge of the resort.

Resale pricing of timeshared is considered a metric of performance
[22]. Sparks found consumers expressing concern over the low resale
value for timeshare products. One study examined the impact of large
branded hotel corporations’ entry into the timeshare market [24].
They found that consumers already loyal to hotel companies had an
improved perception and loyalty to both the timeshare product and
the hotel company as a result of the association.

Another study examined privately held versus publically held
timeshare companies in India [25]. They found that timeshare
consumers in privately held companies had a lower satisfaction rate due
to limited exchange opportunities. The study also revealed a perception
that maintenance fees for privately held companies were higher than
for publically held timeshare companies.

**Management contract companies**

The management contract model is common in the commercial
hotel and resort industry. A management contract allows the resort to maintain independence from a brand while enjoying many of the benefits such as management expertise, reservation systems, etc. [12]. The timeshare industry also employs management contracts as one of the varied means of ownership and operating structure.

The area of management contracts for hotels and resorts is also not well studied [12]. Some studies have looked at hotel equity for commercial hotels under management contract or franchise agreements [26]. Other studies have examined management contracts as a means of hotel development and expansion [1,11,12]. Research has suggested that hotels associated with a management contract company or a franchise agreement perform better than independent hotels [1].

**Advantages of a management company**

Management companies bring many advantages to the resort. The primary advantage is expertise or knowledge transfer of the management company [12]. Additionally management companies often have more robust reservation services, marketing programs, volume purchasing opportunities, public relations support, quality control programs, and expanded human resources, accounting and legal expertise [1].

Theory presents that a management company has a wealth of expertise that cannot be matched by a single resort manager, or HOA board [12]. Opposing theory is that a local manager charged with managing only one resort may be closer to the product, owners and community, which brings a specific form of expertise to the management of the resort [11].

A timeshare resort is in fact many businesses in one and as such requires a greater breadth of knowledge to manage well [9]. This brings greater credence to the theory that it is less likely that a single manager will contain the breadth and depth of expertise necessary to manage a timeshare or vacation ownership resort as well as a management company. The HOA appointed manager is closer to the product, owners, market, etc. and has only the interests of one resort to manage, allowing for better management [13,27].

Many of the timeshare resort management companies have established a brand name in the marketplace [5]. The brand or name of the company managing a hotel or resort is expected to “surpass location as a deciding factor” [28]. In the services industry the parent company brand name holds greater value than the local hotel or resort name [29]. Thus the brand name of the management company is expected to bring added value to the resort, resulting in positive performance.

The value of a brand has been extensively researched across many industries. Overall brand equity has been associated with price premiums, increased market share and lower costs [26,30-35]. Brand name has also been shown to be associated with higher profit margins, and greater resiliency in enduring economic crises [36].

In the hotel industry brands have been associated with higher operational and financial performance [29,37,38]. Brand awareness has been shown to have a positive influence on brand performance of luxury hotels [39]. Company name recognition has been shown to result in higher room rates, and occupancies [33,37]. “Consumers use brands as cues to infer certain product attributes, such as quality” [26].

A vacation product presents several intangibles that make branding more important to the consumer. A brand name makes the product recognizable, providing the vacationer consistency and predictability of the product [40]. In the resort industry, a management contract company may also bring tangible assets such as a reservation or accounting system; assets that may be cost prohibitive for an individual resort [11].

**Disadvantages of a management company**

Affiliating with a management company is not without disadvantage. The largest concern is the potential for cultural distance of the management from the resort [12]. Research has shown that sometimes there are divergent goals, interests and priorities between a management contract company and the owner [11]. Centralization of the management and processes of the brand have the potential to eliminate the local cultural feel for the property, creating what is known as cultural distance in management [12]. Practices and standards which are important to the management company may not work at the local level (Gannon, et al., Prahalad and Bhattacharyya). A similar concern in management contracts is that the focus of the management contract company may be towards expansion of the company rather than towards the local property. Assets, decisions, and company expertise may all be diverted from the needs of the individual resort, instead, focusing on goals or needs of the management company [41,33].

Affiliating with a management company is not without additional costs [26]. Management companies require profits returned in royalties and fees. Some management companies have what are called “brand standards”, or minimum requirements for product and service. These standards may not always make sense for an individual resort or market, creating additional costs without compensating revenues [26]. There is very little research regarding the management structure of timeshare resorts. This study seeks to fill the gap by providing insight into performance metrics of timeshare resorts as compared by management contract structure.

**Methodology**

Resorts in this study were governed by HOAs in the United States. One exception to the criteria in this study was resorts developed in the state of Virginia. In Virginia, the developer is not required to turn over control to the HOA until the resort is 90% sold out. HOAs then enter the “initial board term” of 25 years, however, control remains with the developer. Virginia resorts were included in the study regardless of status of HOA control.

The population for the study consisted of resorts listed in the American Resort Development Association International Foundation (AIF) database. Timeshare resorts can be part of a multinational hotel corporation, receiving financial support and other factors that can impact performance, therefore, resorts from large multinational hotel companies were excluded from the study, as well as resorts that were still under developer control (with the exception of resorts in Virginia).

The study was administered using two methods. For single site resorts and resort companies with less than three identified resorts, resort managers were contacted initially by electronic mail to explain the purpose of the study and were invited to participate by clicking a link to an online survey service (Qualtrics). Resorts that exist in companies or organizations of four or more resorts were invited to contribute by filling in a spreadsheet. In other studies, larger multi-site resorts had requested spreadsheets to simplify responses for multiple resorts. The only requirement for the study was that only timeshare or vacation ownership resorts controlled by an HOA should participate (except for Virginia). Participation was voluntary and was encouraged by follow up emails and telephone calls to each resort.

A total of 875 resorts were invited to participate. Results yielded
256 resorts participating. Closer examination of the data yielded valid responses for 207 timeshare resorts or 23.7% of all resorts invited to participate. The invitation for the study recommended that only resorts that were under HOA control participate; so it is not known if those resorts not participating in the study were not HOA controlled or if they simply chose not to participate. It should also be understood that the respondents could elect to participate in the various survey questions which explains the varying response size (n size) noted in the various tables and charts noted in this study.

Because most numeric response variables had a small number of extreme outliers, the three management models were compared using the nonparametric Kruskal-Wallis test. Follow-up pairwise nonparametric tests were conducted when the test comparing all three models was significant. Descriptive statistics for numeric variables included the five number summary consisting of the minimum, 25th percentile, median, 75th percentile and maximum or the median ± IQR (InterQuartile Range). In some cases, averages (means) were reported to facilitate relating results of the current study to previous work. For categorical response variables, the management models were compared using a Pearson chi-square test and percent distributions within each management model were reported. Analyses were conducted using SAS version 9.3 software and significance was defined at p ≤ 0.05 [41].

Results

There were 74 resorts that reported that a management company affiliated with their developer managed the timeshare's day to day operations, 89 resorts were managed by a 3rd party management group and 44 resorts were self-managed. Management company size varied with anywhere from one resort to 160 resorts managed by the management company. Management companies affiliated with the developer ranged in size from one to thirty resorts, while 3rd party management companies managed as many as 160 resorts.

Occupancy

Occupancy has long been considered a measure of lodging performance [14]. Annual occupancy percentages for all three management models were relatively close with medians ranging from 81-87% (averages ranged from 77-81%). Thus there was no significant difference in occupancy between resort management models (Kruskal-Wallis test). Nonparametric tests were conducted when the test comparing all three management models were relatively close with medians ranging from 77-81%. Thus there was no significant difference in occupancy between resort management models (Kruskal-Wallis test). Follow-up pairwise nonparametric tests were conducted when the test comparing all three models was significant. Descriptive statistics for numeric variables included the five number summary consisting of the minimum, 25th percentile, median, 75th percentile and maximum or the median ± IQR (InterQuartile Range). In some cases, averages (means) were reported to facilitate relating results of the current study to previous work. For categorical response variables, the management models were compared using a Pearson chi-square test and percent distributions within each management model were reported. Analyses were conducted using SAS version 9.3 software and significance was defined at p ≤ 0.05 [41].

Maintenance fees and foreclosure metrics

There were significant differences in maintenance fees between the management models. Maintenance fees for 1, 2 and 3 or more bedroom units were significantly higher for resorts managed by management companies affiliated with the developer. Maintenance fees varied between resorts, and between and among management categories (Table 1). While self-managed resorts had the lowest median maintenance fees for each unit size, their maintenance fees did not differ significantly from 3rd party management companies’ maintenance fees. Two 2 bedroom units reflect a typical pattern with the maintenance fee medians for self-managed and 3rd party management companies of $545 and $595, respectively, with both significantly lower than the median developer maintenance fee of $760.25.

In reviewing maintenance fees across the past few years there were significant differences between management structures (Table 2). About 47.6% of self-managed and 56.7% of 3rd party management companies reported that fees were less than or the same as the previous year while only 28.8% of developer affiliated companies held fees at or below the previous year’s rate.

In comparing maintenance fee increases for the past one and two years as compared to this year versus last year, similar patterns follow; however resorts in all three categories saw more increases last year as compared to this year (Tables 3 and 4). One should note that for the past one year, 28.2% of self-managed and 35% of 3rd party managed resorts reported fees that were the same or lower than fees two years ago versus 15.5% of developer affiliated companies. Differences among management models were not significant when comparing two years to three years ago.

Maintenance fee delinquencies have been a concern in recent years [8]. Resorts in this study indicated some concerns with maintenance fee collections with median values of 5-10% of intervals more than 121+ days past due. The median current maintenance fees for self-managed resorts were 86.5% with developer managed and 3rd party

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Management</th>
<th>n</th>
<th>Lowest/Minimum</th>
<th>Quartile 1</th>
<th>Quartile 2</th>
<th>Quartile 3</th>
<th>Highest/ Maximum</th>
<th>pValue</th>
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<tr>
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<td>$215.00</td>
<td>$294.00</td>
<td>$379.00</td>
<td>$525.00</td>
<td>$835.00</td>
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<td>$476.78</td>
<td>$601.00</td>
<td>$814.00</td>
<td>0.0009</td>
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<td>$491.50</td>
<td>$611.00</td>
<td>$988.00</td>
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</tr>
<tr>
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<td>Management Company Affiliated with Developer</td>
<td>48</td>
<td>$315.00</td>
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<td>$743.39</td>
<td>$1,135.98</td>
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<td>$100.00</td>
<td>$427.50</td>
<td>$524.11</td>
<td>$657.78</td>
<td>$1,273.00</td>
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<td>2 Bedroom</td>
<td>Self-Managed</td>
<td>33</td>
<td>$333.00</td>
<td>$428.00</td>
<td>$545.00</td>
<td>$746.00</td>
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Table 1: Maintenance fee summary and p-value from Kruskal-Wallis test.
managed medians similar at 90% and 87% (Table 5). Examination of the data across the quartiles showed that the quartiles among the three management models were similar but extreme outliers were observed. When asked how maintenance fee delinquency rates had fared over the last three years self-managed resorts reported the highest incidence of increasing delinquencies (79%), while resorts managed by a company affiliated with the developer reported the most resorts (32.7%) with delinquency rates remaining the same, however the findings were not significant (Pearson χ² = 6.4349, p=0.1689).

When asked how many maintenance fee delinquency foreclosures had been completed in the past year resorts managed by management companies affiliated with developers (76 intervals) averaged more than three times as many intervals foreclosed as both self-managed (24 intervals) and resorts managed by 3rd party management companies (20 intervals). However when data were examined across the quartiles, very few resorts reported maintenance fee foreclosures, suggesting that the means were influenced by several resorts with a high number of maintenance fee foreclosures.

More than 25% of respondents in each management category noted having no (zero) maintenance fee delinquency foreclosures in the past year. Differences between management models were not significant even though self-managed companies had a median of 12 while medians for developer affiliated and 3rd party managed were zero and one respectively (Table 6). For developer affiliated companies, more than 25% of respondents reported having 53 or more foreclosures.

<table>
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<td>53</td>
<td>815</td>
<td>0.2124</td>
</tr>
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<td>3rd Party Management Company</td>
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<td>0</td>
<td>0</td>
<td>1</td>
<td>20</td>
<td>200</td>
<td>0.2124</td>
</tr>
</tbody>
</table>

Table 6: Maintenance delinquency foreclosures and p-value from Kruskal-Wallis test.
and a high of 815 was observed. Consequently means may not be an appropriate measure of this category.

Similarly when asked whether intervals should be in foreclosure but were not due to time and cost constraints, 71% of 3rd party management companies, 60% of developers and 56% of self-managed respondents reported intervals in need of foreclosure (Pearson $\chi^2=2.5770$, p=0.2757). Among respondents indicating having units that should be in foreclosure but were not resorts managed by a company affiliated with the developer had almost twice as many intervals on average (279 intervals) in need of foreclosure as self-managed (167 intervals) and resorts managed by a 3rd party (155 intervals). However, the differences again, were not significant even though a similar pattern is observed in the medians even though due to outliers, medians were much lower than means (Table 7). Most importantly the number of resorts needing to foreclose on intervals but had not due to time and cost constraints for all three categories of resorts (56-70%) was very high. When this information is paired with the previous table which shows very few resorts completing maintenance fee foreclosures, this brings to light the need for attention from the resort communities.

While reported average costs to foreclose an interval did not differ among management models (Table 8) with medians of $500 to $750 but extreme values of $5000 (3rd party management) and $6500 (self-managed) suggest that there may be cases where these costs are poorly controlled (Table 8). Foreclosures due to lack of mortgage payment were minimal for all three categories of resorts. Remembering that the reserve plan or refurbishment schedule, there were no significant differences between the management structures (Pearson $\chi^2=2.1843$, p=0.3355).

Resorts typically conduct a reserve study which examines expected capital expenditures against reserve fund savings and schedules. For this study resorts were asked to report how often a reserve study was completed Table 9. Differences were significant with (Pearson $\chi^2=81.7795$, p<0.0001). While more self-managed resorts indicated that they conduct a study every year, there were resorts reporting various frequencies, with 18% of resorts reporting a reserve study conducted less than 5 year periods. Most of the resorts managed by management companies conduct a reserve study every other year, with the remainder reporting a reserve study conducted every year.

Resorts were asked to report the percentage of reserve funds on hand as compared to total estimated reserve fund spending. Results for this question were low. Resorts in all three categories indicated an average of 3-4% of reserve funds were on hand. Close examination of the data revealed the average to be an accurate reflection in this instance with resorts reporting only zero to ten percent of funds on hand. There were no significant differences between the management structures (Kruskal-Wallis $\chi^2=0.0772$, p=0.9621).

When asked if the resort had been able to refurbish and replace according to the reserve plan or refurbishment schedule, there were significant differences in the responses (Pearson $\chi^2=10.3417$, p=0.0057). Both self-managed (81%) and resorts managed by a 3rd party management company (86%) indicated an ability to refurbish and replace on schedule. Resorts managed by a company affiliated with

### Special assessments

When resorts were asked to indicate if special assessments had been levied in the past 3 years, there was no significant difference between management structures (Pearson $\chi^2=4.4323$, p=0.1090); only about 21% in the combined sample reported special assessments in the past 3 years. Resorts were optimistic looking forward with only 7-12% of resorts anticipating a special assessment in the upcoming year.

### Reserve funds

Reserve funds allow a resort to plan and save funds in anticipation of capital replacement costs. Nearly all (94%) in the combined sample of the resorts reported having reserve funds in place, with no significant difference (Pearson $\chi^2=2.3053$, p=0.3158). Only about 22% of resorts reported reserve fund expenditures for the past year were higher than budgeted. There were no significant differences between management structures (Pearson $\chi^2=2.1843$, p=0.3355).
the developer reported a lower rate of refurbishment and replacement at 58%.

**Rental programs**

Rental programs allow owners to rent intervals that cannot be used. When asked if the resorts had a rental program to assist owners in renting their intervals or to assist the HOA in renting intervals held from foreclosure, there were significant differences in the responses (Owners Pearson $\chi^2=13.8278$, $p=0.0010$; HOA Pearson $\chi^2=21.7208$, $p<0.0001$). Resorts managed by a 3rd party management company fared best in the rental arena with 93% of resorts reporting programs to assist owners with rentals and 98% having rental programs to assist the HOA with rentals. Self-managed resorts fared well with 74% of resorts with rental programs assisting the owners and 100% of resorts with rental programs assisting the HOA with rentals. Resorts managed by a company affiliated with the developer fared the lowest with only 66% of resorts with a rental program assisting owners, and 75 percent of resorts with rental programs assisting the HOA.

Inquiries as to the management of the rental program yielded significant differences according to management structures (Pearson $\chi^2=85.9439$, $p<0.0001$). For self-managed resorts, the HOA managed the majority of the rental programs (83%), with 17% of resorts reporting rentals managed by an outside entity. For resorts managed by a company affiliated with a developer only 5% of resorts reported rental programs managed by the HOA, with 93% reporting rental programs managed by the management company and 2% reporting rental programs managed by an outside entity. Ten percent of resorts managed by a 3rd party company reported the HOA managed the rental program with 89% of resorts reporting the rental program to be managed by the management company. Similar to resort managed by a company affiliated with the developer, only 2% of resorts managed by a 3rd party use an outside entity to manage the rental programs.

**Resale programs**

When asked if the resorts had a resale program to assist owners in reselling their intervals or to assist the HOA in reselling intervals held from foreclosure, there were significant differences in the responses (Owners Pearson $\chi^2=29.6308$, $p<0.0001$; HOA Pearson $\chi^2=27.1808$, $p<0.0001$). More resorts managed by a 3rd party management company offered resale assistance to owners (82%) than self-managed resorts (62%) or resorts managed by a management company affiliated with the developer (26%). One hundred percent of self-managed resorts reported resale assistance to help the HOA, followed by 90% of resorts managed by a 3rd party management company, and 55% of resorts managed by a management company affiliated with the developer.

Management of the resale program differed significantly by management structure ($\chi^2=69.0130$, $p<0.0001$). The HOA managed the resale program for 77% of self-managed resorts, with 23% of resorts utilizing an outside company to manage the resale program. For resorts affiliated with a developer, the HOA only managed 3% of resale programs with the majority of the resale programs managed by the management company (83%). Another 14% of resorts indicated the resale program was managed by an outside entity. For resorts managed by a 3rd party management company 5% of the resorts indicated the HOA managed the resale program with 64% of resorts' management companies managing the resale program. An astonishing 31% of resorts managed by 3rd party management companies utilize an outside entity to manage the resale program.

Pricing of resale intervals for the resorts differed significantly by management structure (Table 10). For studio and 3 bedroom units all pairwise comparisons were significant with prices for self-managed tending to be lowest and for studios 3rd party management prices tended to be higher. But for 3 or more bedrooms the developer managed companies appeared to have higher prices. For one and two bedrooms self-managed units resale interval prices were lower than for developer managed or 3rd party managed. Resale intervals for self-managed resorts were priced much lower overall, with the exception of maximum pricing for studio units. For studio, 1 and 2 bedroom units, resorts managed by a 3rd party management company had several intervals listed at nominal values, while resorts managed by companies affiliated with developers had higher minimum pricing. Self-managed resorts had minimums indicating intervals listed at nominal levels for every unit size.

**Exchange**

Exchange programs allow an owner to trade the use of their interval for intervals during other time periods and at other resorts. While exchange programs were not specifically examined by the hypotheses, the presence or lack of exchange programs can affect several of the metrics in the hypotheses, and so they will be discussed here. When an exchange occurs within the company or group of resorts owned or managed by one entity, the exchange is called an internal exchange.

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Management</th>
<th>n</th>
<th>Lowest/ Minimum</th>
<th>Quartile 1</th>
<th>Quartile 2</th>
<th>Quartile 3</th>
<th>Highest/ Maximum</th>
<th>pValue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>Self-Managed</td>
<td>10</td>
<td>$0.00</td>
<td>$100.00</td>
<td>$250.00</td>
<td>$1,000.00</td>
<td>$3,000.00</td>
<td>0.0001</td>
</tr>
<tr>
<td>Studio</td>
<td>Management Company Affiliated with Developer</td>
<td>17</td>
<td>$250.00</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td>$5,000.00</td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>3rd Party Management Company</td>
<td>25</td>
<td>$10.00</td>
<td>$2,500.00</td>
<td>$2,500.00</td>
<td>$2,500.00</td>
<td>$3,500.00</td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>Self-Managed</td>
<td>22</td>
<td>$100.00</td>
<td>$500.00</td>
<td>$1,295.00</td>
<td>$2,500.00</td>
<td>$7,500.00</td>
<td>0.0009</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>Management Company Affiliated with Developer</td>
<td>27</td>
<td>$600.00</td>
<td>$2,000.00</td>
<td>$2,000.00</td>
<td>$5,000.00</td>
<td>$23,297.00</td>
<td></td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>3rd Party Management Company</td>
<td>30</td>
<td>$10.00</td>
<td>$3,500.00</td>
<td>$3,500.00</td>
<td>$3,500.00</td>
<td>$4,800.00</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>Self-Managed</td>
<td>23</td>
<td>$0.00</td>
<td>$750.00</td>
<td>$2,495.00</td>
<td>$2,495.00</td>
<td>$5,800.00</td>
<td>&lt;0.0001</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>Management Company Affiliated with Developer</td>
<td>27</td>
<td>$600.00</td>
<td>$2,500.00</td>
<td>$2,500.00</td>
<td>$7,900.00</td>
<td>$29,393.00</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>3rd Party Management Company</td>
<td>32</td>
<td>$10.00</td>
<td>$2,970.50</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
<td>$6,500.00</td>
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<tr>
<td>3 or more Bedrooms</td>
<td>Self-Managed</td>
<td>7</td>
<td>$0.00</td>
<td>$100.00</td>
<td>$1,000.00</td>
<td>$3,750.00</td>
<td>$4,389.00</td>
<td>&lt;0.0001</td>
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<tr>
<td>3 or more Bedrooms</td>
<td>Management Company Affiliated with Developer</td>
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<td>$10,000.00</td>
<td>$12,000.00</td>
<td>$14,500.00</td>
<td>$26,995.00</td>
<td>$38,990.00</td>
<td></td>
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<tr>
<td>3 or more Bedrooms</td>
<td>3rd Party Management Company</td>
<td>19</td>
<td>$3,200.00</td>
<td>$7,500.00</td>
<td>$7,500.00</td>
<td>$7,500.00</td>
<td>$7,500.00</td>
<td></td>
</tr>
</tbody>
</table>

Table 10: Resale pricing summary and p-value from Kruskal-Wallis test.
Exchanges that utilize resorts beyond the immediate ownership or management portfolio are called external exchanges.

Nearly all of the resorts indicated participation in an exchange program with no significant differences between management structures (Pearson $\chi^2=3.5886$, $p=0.1662$). The largest gap occurred with self-managed resorts. Five percent of self-managed resorts do not have an affiliation agreement or contract with an exchange company. Resorts managed by a company affiliated with the developer reported 98.5% of resorts had an affiliation agreement or contract with an exchange company. Resorts managed by a company affiliated with the developer (73%). Of resorts indicating an exchange agreement or contract, 50% of resorts reported being affiliated with a management company or brand affiliation due to revenues generated, while resorts under management contract reported reserve fund studies being conducted at varying intervals, according to schedule. Self-managed resorts report reserve fund studies being conducted at varying intervals, while resorts under management contract reported reserve fund studies were conducted every year or every other year.

Discussion

Literature on management companies and brand affiliation indicates that performance metrics should be higher for companies affiliated with a management company or brand affiliation due to economies of scale, resources of knowledge sharing, marketing and technology infrastructures [1,29,37,38]. Data from this study disputes those theories.

The theory is divided over whether management companies affiliated with a developer should have improved performance metrics over 3rd party management companies. Theories of economies of scale, knowledge resources, etc. indicate improved performance metrics can be expected. However theories of unrelated diversification indicate that competencies related to development may differ from those in resort management and dilute company resources, thereby predicting lower performance metrics [11,26,33]. The data from this study found that in comparing resort performance metrics between resorts managed by 3rd party contractors and management companies affiliated with developers some differences were present. Third party management companies had improved performance metrics in areas of maintenance fee increases, maintenance fee delinquencies, reserve fund expenditures, refurbishment and replacement processes, rental programs, and resale pricing.

If we examine the hypotheses for this study we find several of the hypothesis upheld: with no difference in the performance metric between management structures: H1, H3 and H5. The remaining hypotheses were discarded as the data illuminated some significant differences in performance metrics for H2, H4, and H6.

H1 There is no difference in occupancy between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. The data in this study supported this hypothesis. There was no significant difference in occupancy.

H2 There is no difference in maintenance fee metrics between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. The findings of the study were divided on maintenance fee metrics. There were significant differences in the actual maintenance fees. There were no significant differences in collection rates of maintenance fees.

H3 There is no difference in special assessment fund metrics between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. The data from the study supports this hypothesis with no significant difference in special assessment metrics between management structures.

H4 There is no difference in reserve fund metrics between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. The findings of this study are divided on reserve fund metrics. There were no significant differences in the number of resorts that reported conducting a reserve fund, nor to the query as to the expenditure of reserve funds against budgets, nor to the percentage of reserve funds on hand as compared to projected expenditures. Similarly there was no difference between management structures for the ability of a resort to refurbish or replace according to schedule. One significant difference appeared in reserve fund metrics with the schedule of a reserve fund study. Self-managed resorts report reserve fund studies being conducted at varying intervals, while resorts under management contract reported reserve fund studies were conducted every year or every other year.

H5 There is no difference in foreclosure metrics between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. There were no significant differences in foreclosure metrics between management structures. The number of resorts that reported maintenance fee foreclosures completed last year was very few. The number of resorts reporting a need for foreclosure was higher, with some resorts having a significant number of intervals in need of foreclosure. This is an area that needs more attention in future research and industry action. There was also no significant difference between management structures for the cost to foreclose.

H6 There is no difference in rental and resale program offerings between timeshare resorts managed by an HOA, a management company affiliated with the developer or a 3rd party management company. This hypothesis was rejected with rental and resale programs aligning with the economies of scale theory that larger companies have more resources [1]. Self-managed resorts offered less assistance to owners in rental, resale and exchange programs, and had the lowest resale pricing. Theories of management strategy differ regarding the question of whether an HOA should contract with management companies for improved resort performance [1,11,26,33,37,38]. While the decision of whether or not to contract resort operations to a management company has many facets, as regards resort performance the data from this study suggest that self-managed HOA controlled resorts performed as well as if not better than resorts managed by 3rd party management companies or management companies affiliated with the developer.

Limitations and Future Research

While the purpose of this research was to examine performance...
metrics of timeshare resorts managed by a Home Owners Association, its methodology did not include resorts associated with large multinational hotel development companies. These companies also utilize management contracts affiliated with developers and 3rd party management companies. However, resorts associated with large multinational hotel companies have additional resources and different processes which strongly affect metrics such as those studied; as such they were not included in this study. Thus, data in this study is not representative of resorts associated with multinational hotel companies. It is recommended that the results of this study be extended in future studies by including resorts affiliated with multinational hotel companies.

Resort performance is dependent on many factors. Factors such as customer satisfaction, exchange values and other financial data should also be a part of any evaluation of resort performance.

Performance metrics cannot also be considered in isolation. For instance while low reserve funding may indicate good management of reserve expenditures, it may also indicate a lack of willingness to replace and repair. Maintenance fees are also dependent on amenity offerings of resorts. Resorts with more amenities will have higher resort maintenance fees than those with fewer amenities, regardless of management performance or skill.

References