

## select land and property investments

### CONDO HOTELS – A BRIEF OVERVIEW

#### What is a condo hotel?

For our purposes, the term 'condo hotels' cover hotel room purchase AND villa purchase within a resort. (Typically, the resort has a quality hotel on site and you also get a share in the room rate.)

#### How do condo hotels work?

In essence, you purchase a hotel room (or villa on a resort), and receive a percentage return of the room rate. This return varies from around 40% to 60%, although in some cases can be higher. In a resort scenario, the return is commonly offered as a percentage rental guarantee. Normally, rooms or villas will come fully furnished down to flat-screen TV, furniture, towels and linen etc.

#### What are the usage restrictions likely to be?

Investors are often restricted to a maximum number of days of personal use per year. This varies with each resort but typically falls between 28 and 90 days, with a cap on the number of days that can be taken in peak season. (Rarely, some developments offer unlimited usage. This may well be advantageous if your usage requirements are likely to change in the future.)

#### What are the key issues I should consider?

1. The predicted percentage return. Check that occupancy forecasts are realistic compared to other hotels/ villas in the area?
2. Remember to look at the true package on offer and compare net rental returns – clearly some variables are country specific, such as interest rates for borrowing, and others are controlled by you, such as the amount of borrowing.
3. Find out what extra costs there are. (Some condo hotels / resorts include all room maintenance and service charges, whilst others charge several thousand per year, significantly reducing your yield.)
4. When you consider different condo hotel options, make sure you're comparing like with like.

#### Are condo hotels SIPP compatible?

SIPP providers accept some condo hotels, although you normally need your lawyer to draw up a contract stating you will have no personal use, or that if you do, you will pay the full market rate for that use.

#### What are the advantages of condo hotels?

Low-hassle investment  
Potentially higher rental yields  
Can be SIPP compatible  
Can give you a 'free' holiday

#### Are there any disadvantages?

Capital growth is likely to be less than on a conventional property purchase  
The resale market is not as proven

As part of a portfolio, condo hotels can be a wise form of investment.

For more details and independent thought, see the article from The Times 14 May 2006 in our research section.

For information on current and future condo hotel opportunities worldwide,  
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