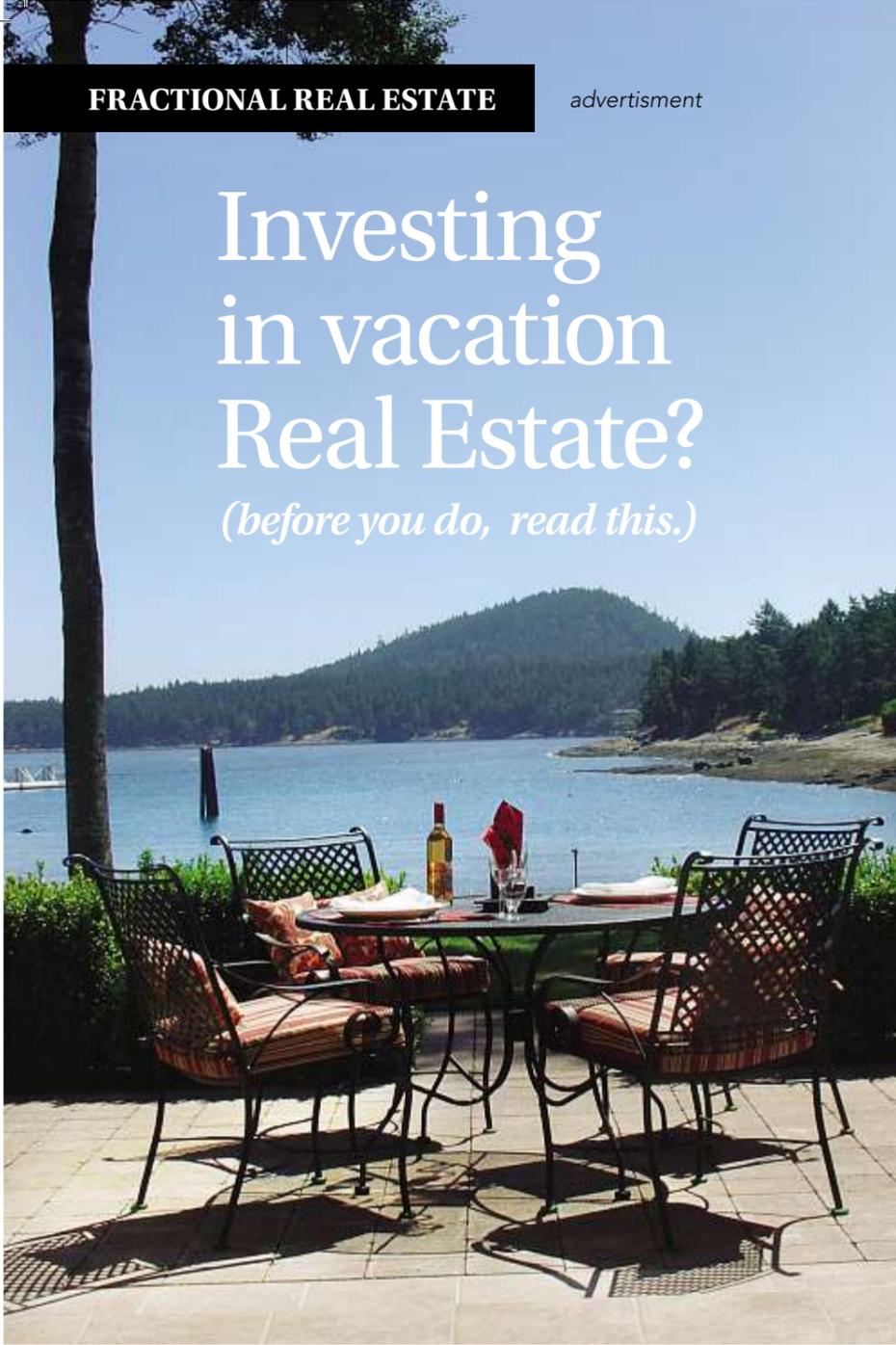


Investing in vacation Real Estate?

(before you do, read this.)



What is the Market doing now?

The market, at this time, for vacation fractionals is slow selling, for four principal reasons. First, consumer confidence has only just returned to principal home ownership and not yet to vacation property in the same way. Secondly, many fractionals are still effectively 'pre-sales' of resorts that are not completed, with restaurants or spas not yet functioning. As well, fractionals are sometimes confused with time shares in the consumers' minds. Last, and perhaps most significant, the experience to date has been that fractionals have not proven themselves to be a reliable rental source.



Mel Gibb,
Galiano Resort
Owner,
Developer

Today's economy is causing some consumers, typically investment-minded and time-strapped, to shift away from more traditional ways of obtaining vacation property to a way that not only balances their financial outlay with a practical return on their investment, but also enables them to enjoy their vacation home during their limited vacation time.

Their reasons are entirely valid and I'd like to share some of those reasons with you by exploring Fractional Real Estate ownership.

My name is Mel Gibb. I'm the developer, owner and operator of the Galiano Oceanfront Inn and Spa, a 10-year-old award-winning resort in Sturdies Bay on Galiano Island, often described as "The Gem" of the Southern Gulf Islands. The Galiano Inn and Spa is less than hour by ferry from either Vancouver and Victoria, or just 15 minutes by float-plane to our dockside.

Those looking at Fractional Real Estate do so because they see the benefits of owning and only paying for the amount of vacation property they can actually use. Why spend hundreds of thousands of dollars for oceanside property that may only see occasional use when it can be purchased at literally a "fraction" of the going rate, with buyers paying only for the time used?

Some of the confusion stems from certain similarities between Fractional Real Estate ownership and "time-share", a well-known way to lock up specific vacation dates – but not linked to actual ownership or profit making. Investment, usage and profit are the underpinnings of Fractional Real Estate ownership. "Time share" offers "usage" only.

The current market for "fractionals" is slow-selling because consumer confidence has only recently returned to principal



home ownership. In addition, many fractionals are still "pre-sales" of resorts that are not yet completed, with restaurants or spas not yet functioning. Such uncompleted fractional resorts have been major contributors to the perception that "fractionals" have not yet proven themselves to be a reliable rental source.

The Galiano Inn, however, is the absolute exception to this misperception. The Inn and Spa fractional is a completed property with 20 oceanside units, located on a beautiful sandy beach with its own dock and stunning gardens.

This intimate, year-round, fully-operational resort boasts an award-winning dining room, a superb wine cellar, one of Canada's best spas with a wide assortment of treatments for men and women, meeting rooms and a very popular wood-fired pizza and beer patio. The Inn also has a fleet of Smart cars available for owners who wish to leave their cars at home.

YOUR CHOICE: EASY FINANCING OR A RETURN ON YOUR MONEY

All of the vacation homes are clear title – no mortgage or loans – and can be bought without having a lender's agreement to



purchase. Moreover, The Galiano Inn can either give mortgage loans to a willing purchaser, or give purchasers the option of a contract to confirm rental of the unused portion of their fractional interest for any week of the six weeks that an owner is unable to use.

Here's how it works. The owner has a rental contract with the Inn for \$585 per week for the Spa Suites and \$1,335 for the Villa Suites for a rental of 4 weeks per year, and leaving the owner 2 weeks usage any time during their rotational schedule.

THE SPA SUITE

Consider Susan, owner of a Spa Suite, who decided at the time of purchase to enter into a 3-year guaranteed rental program with The Galiano Inn. She decided that she only wanted 2 weeks usage in March and August for the first year of her rotational schedule. The remaining 4 weeks, January, May, July and November, were put into The Inn's Rental Program entitling Susan to \$585 per week for a total of \$2,340.

Susan bought her Spa Suite at \$33,900, plus HST of 12% (\$4,068) for a total payout of \$37,968. Because she purchased a vacation property for personal use and also for short-term rentals return with The Galiano Inn, Susan is entitled to claim an 'Input Tax Credit' (ITC) for the HST paid or payable because she was registered for the ITC at the time of purchase.

Therefore, her \$4,068 HST payment will be credited back to her by way of the 2/3 ITC claim and the balance by The

Galiano Inn, for a total of \$4,068. She will also receive \$585 per week for the four weeks her unit was in the rental program for a total of \$2,340. After deducting maintenance, strata fees and property tax against her rental income of \$1,308 per year and generating Susan \$1,024 in net revenue for the year.

In this example, Susan used her 2 full weeks and made a 3% profit on her investment. If Susan had decided not to use her unit for a year, she would receive 6 weeks rent of \$3,540 – a net return of 6%.

THE VILLA SUITE

Paul is the owner of a Villa Suite who also decided to just use 2 weeks for his vacation and put the remaining 4 weeks into the Rental Program. This decision generated \$5,200 in rental revenue along with 2 weeks usage. Paul's decision to rent the suite for 4 weeks gave him a net return of 3%. If Paul had decided to put all 6 weeks into the Rental Program, his net return on the investment would be 6%, or \$8,010.

Both Susan and Paul opted to invest their vacation home dollars in a resort with a unique Rental Program. They own a fraction of beautiful oceanfront property with a full maintenance and property management program in place. Their property is well taken care of with no effort on their part.

Fractional has a great many benefits. As the above examples demonstrate, Susan and Paul are not only enjoying care-free vacations at their vacation home, they are also receiving net income, their vacation property is fully-managed, and they are realizing an increase in capital appreciation of their property.

If this 'fractional' approach to acquiring vacation property has caught your interest, I invite you give me a call to discuss how to purchase real estate at The Galiano Oceanfront Inn and Spa.

And finally, Thanks for taking the time to consider this opportunity. I look forward to your call.

Sincerely,
Mel Gibb



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