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New way to own vacation home, for a select few

By Judi Rutland
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Fractional ownership of vacation homes is a relatively new concept that allows you to enjoy four to 12 weeks of home ownership privileges per year at an upscale, luxury resort but at a fraction of the cost of whole ownership.

If you want to own an impressive second home complete with personalized services and located in an expensive resort area but can't quite justify the expense because you'll only be using it a few weeks or months of the year, this type of real estate arrangement can be appealing.

•Amenities galore

Most private residence clubs offer extensive amenities. These may include an extravagant clubhouse and spa, plus five-star hotel services, the kind you couldn't expect to have in a wholly owned vacation home, high-end condo or timeshare.

Imagine this: You are going on vacation and you call ahead to the staff at your private residence club home. At your request, the staff shops for your groceries, dry-cleans your clothing, makes your restaurant reservations, heats your private splash pool, and places knick-knacks and favorite pictures of family members around your residence. You are met at the airport by a staff person who shuttles you to your home where a just-detailed Jaguar is sitting in your parking space for use at your disposal.

Get the picture? Fractional ownership is not your ordinary second home.

•Outstanding locations

Fractionals have sprung up in exclusive, world-class resort destinations such as Destin and the Beaches of South Walton.

In the United States, the first fractionals were in major ski areas out west, particularly Colorado, where real estate was so costly that wholly owned second homes were out of the question for many people. Eventually they spread to northeastern ski areas. Since then, fractionals have begun appearing in resort and golf-oriented communities all over the United States and abroad.

Some of the most popular fractionals can be found in Jupiter, Fla.; Aspen Highlands, Bachelor Gulch and Aspen Snowmass, Colo.; Lake Tahoe, Calif.; and Whistler, British Columbia. Fractionals located in the United States usually offer good access to major airports that allows for easy transportation arrangements. The key to the success of fractionals is their professional management.

•Hassle-free ownership

Part of the appeal of fractionals is that they are hassle free. In addition to having a staff for personalized service at your disposal, at a private residence club you never have to worry about repairs, maintenance or housekeeping. Everything is included in the price and annual fees and is taken care of by the professional management company.

•Appreciation potential

To date, there have been very few fractional resort developments. The demand is high. As a result, it is likely there will be substantial appreciation, rather than the depreciation that often occurs with timeshares.

Real estate experts say the outlook for investment appreciation appears excellent. You can expect at the very least an appreciation parity against other real estate in the resort area in which the fractional is located.

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•Prices

To buy a fractional, you pay a one-time purchase price and then a yearly upkeep fee that covers all of the expenses associated with property ownership and its use and services. The fees in some cases include taxes and insurance.

What do fractionals cost? Prices vary based on the size, amenities and location. But most are in the $100,000 to $500,000 range. Keep in mind that these are truly top-of-the-line homes that would cost you two to five times as much if purchased outright as wholly owned vacation homes.

•Comparison of fractionals to timeshares

How do fractionals compare with timeshares? They really don't.

Fractionals are a form of timeshare but are more exclusive and include more luxury amenities and services. They tend to be larger homes, usually three to five bedrooms. Timeshares usually allow you use for just one to two weeks per year. Fractionals offer from two to 13 weeks, and those don't necessarily have to be consecutive weeks. Pick the weeks you want. With regard to financing, obtaining a bank or mortgage company loan on a timeshare can be difficult. Conversely, banks and mortgage firms consider fractionals to be appreciating assets and will often treat them like any other second-home purchase.

Why do fractionals tend to appreciate while timeshares usually depreciate? There are a couple of reasons. With fractionals, more of the buyer's dollar goes to high quality finishes and "bricks and mortar" vs. sales commissions, which can be as high as 40-50 percent with timeshares.

Furthermore, timeshare values have historically been poor because of the large number of resales on the market, not to mention a continuous stream of new developments. The fact is, the secondary market for timeshares has never really developed.

Conversely, there are a limited number of fractionals on the market.

Most likely, that number will stay small because fractionals are built in only the most desirable locations. Therefore, demand outpaces supply.

Judi Rutland ABR, CRS, GRI, is a Realtor with Rutland Resort Properties.