

Facts About Fractional Real Estate

Excerpts from an article by Carl G. Berry,
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1. Fractionals are here to stay. Fractional ownership has always been with us. Two or three couples team up to purchase a cabin by a clear mountain lake; a group of siblings opts to buy a seaside home to vacation together or separately; a ski chalet for one group of friends become a fall mountain retreat for another. Now the term “Fractional Ownership” has been formalized. Last March, Dick Ragatz of Ragatz Associates has reported that more than \$1.5 Billion in sales of Fractional Properties was achieved by this luxury component of the shared ownership industry.

Today’s Fractional Real Estate Owners have benefited by the lessons learned from Timesharing: they are protected with deeds and title insurance, have the ability to obtain consumer loans; they can even re-sell their property. Every major hospitality brand, from Four Seasons to Starwood to Ritz Carlton has given a commitment to Fractional Resort Real Estate. Star Resort Group, a sales and marketing organization in Phoenix verifies that nearly every mixed use development has a fractional component. There is no doubt that this permutation of luxury resort real estate works!

2. The most common share for high –end fractionals is a 1/8 share (6 weeks). Fractional properties are akin to second homes; division of the share ranges from 13 owners per share to quarter interest shares (four owners per unit). However, research shows that most shares for upper end fractionals are six weeks, depending on location and use. The beauty of a fractional use plan is another buyer protection of sorts. Whereas the siblings who bought a home on the Gulf in Florida to share often come to blows about who gets to stay on the Fourth of July, fractional properties can allot the time fairly and equitably.

3. Consumer loans are becoming more readily available for fractional purchases. Proof that fractionals are a readily acceptable niche in the market is the growing availability of consumer financing. Mortgages with rates similar to those on traditional homes are becoming more and more the norm.

4. Fractional projects do not have to be far from home to be successful. Although many fractional projects are located in exotic destinations such as Punta Mita or Cyprus, the drive-to (or short plane ride) family vacation is still the most popular. Witness the popularity of ski resort destinations such as Tahoe’s NorthStar Club (a two-hour drive from California’s Bay Area) or the plethora of golf resorts in Arizona (within a short plane ride from most of the Western US). The idea that a second vacation home is easy to get to makes it usable many more weeks out of the year.

Carl G. Berry RRP, Managing Director of Star Resort Group, which acquires, develops, and markets projects for its own account as well as providing sales and marketing, development and management expertise to other hospitality operators, landowners and builders. Berry has more than 30 years of resort and urban development experience. Founded in 1978 Carl’s company, California Resorts, Inc. (dba Resort Development & Advisors), is the market leader in urban share projects such as The Manhattan Club in NYC, San Francisco Suites and Powell Place City Shares in San Francisco. He is a co-founder of The World’s Finest Resorts (now part of RCI’s Registry Collection). He has served as Chairman of the American Resort Development Association (ARDA); and is a member of the Red Flight, Recreational Development Council of ULI.