

# FINANCIAL TIMES how to spend it

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## divide and drool

**Some of the world's most exclusive properties in some of the world's most enviable locations are now for sale on a fractional basis – and offer a dip into a way of life that money alone can't buy. Lucia van der Post reports.**

**S**o, you've won the lottery. Or your hedge fund is swelling up grotesquely with easily gotten gains. Or you're a trust fund babe who's just come into more blue-chip shares than you know what to do with. You've just begun to realise that all sorts of things that you once thought were beyond your reach could be yours at the tap of a credit card: a house in the Bahamas, a chalet in the Alps, an apartment in Paris, perhaps...

Then reality begins to bite. You've still got the day job, so how often would you be able to go to the Bahamas? Even if you were to give up your job, the skiing season is four months long, and you wouldn't want to spend all winter at the chalet, would you? Even a master of the universe might blanch at the sheer scale of the upkeep – the housekeepers, the gardeners and caretakers... They'd all have to be recruited, looked after, paid regularly. And all these expensive

residences would spend most of their time lying idle. That's when the charms of part-ownership begin to kick in. For the cost of just one of these properties, you could probably buy a share of most of them. You could enjoy their delights as often as you like for a fraction of the cost that total ownership would set you back. And they'd be hassle-free. You wouldn't have to worry about upkeep or staffing problems – all of it would be done by "management".



**The newly built Pezula Private Resort and Residence Club in South Africa. The 70 fractional shares of £50,000 (74,000€) have been sold.**

The fancy term given to these arrangements is “fractional ownership”. It’s being bandied around in the most high-falutin’ of circles, though some of you may feel that it is merely our old friend “time-share” dressed up in posher clothes. As Bob Trotta, one of the earliest developers to see the benefits of time-share (his Palm Beach Club on Tenerife, set up in 1983, was the largest time-share operation in the world with 9,000 families owning over 15,000 weeks), puts it: “Fractional ownership is really an upmarket name for what has always been a sensible product: time-sharing.”

The problem, as almost everybody agrees, is that the concept of time-sharing in Europe was tarnished by rogue operators who used high-pressure salesmanship to sell meansized apartments in not very attractive, out-of-the-way places. Buyers were lured by the notion of a week or two in the sun in perpetuity for what seemed like a giveaway price, but then found that they were bored with going to the same dreary place every year. The pool for exchanging weeks at other properties wasn’t interesting enough and the market was saturated, which meant there were no new buyers. They ended up saddled with annual maintenance charges for a holiday home they no longer cared to use and with no hope of selling on.

In the US, where very reputable companies such as Four Seasons, Starwood, Marriott, Disney and Hyatt saw the benefits of time-share very early on and introduced highly desirable, fine-quality, well-managed properties, time-sharing as a notion isn’t so debased. Yet even there, where the dubious antics of some of the early time-share operators had been observed from a distance,

companies seem to prefer to avoid the words “timeshare” and use phrases such as “interval ownership” or “holiday ownership”.

Traditionally, time-shares are sold in units as small as a single week, while its more upmarket relation, fractional ownership, is usually sold in bigger blocks of three weeks or more. In both cases, the ownership rights vary – sometimes owners merely have the right to use the properties for the set number of weeks, sometimes they have a stake in the equity of the property. But it was NetJets, bought in 1998 by Warren Buffett, that really moved the goalposts. Way back in the 1980s, the company realised that the cost and the hassle of owning your own plane were prohibitive and started selling fractional ownership in a jet, which is now the paradigm for the industry. So flourishing is the notion that just the other day Cessna Aircraft Company announced that NetJets had placed a new order for 96 Citation business jets.

**N**etJets showed that the rich, too, could see the point in fractional ownership and this set the real-estate world thinking. What is new now is the grandeur, the scope and the scale of the properties on offer. Whereas time-share really came into being to offer not very well-off people a small share in a holiday home that they would never have been able to afford on their own, fractional ownership in its new, ambitious guise is offering serious million-, billion- and zillionaires the chance to have a stake in a wide range of truly sybaritic destinations. The fact that many of the fractional owners could afford to own the whole place is beside the point – they don’t want to. They don’t want the hassle.

Properties on offer range from a fantastic 15th century palazzo in the heart of Florence to an aristocratic lifestyle on a Tuscan estate or chalets in Aspen. One of the lures of the most upmarket of these schemes is that they are selling much, much more than a piece of fine real estate; they're selling a whole experience, a dip into a way of life that otherwise mere money couldn't buy. As David Burden, the founder and CEO of Timbers Resorts, one of the top-end players in the fractional ownership game, puts it: "The key is that the property must be what we call 'front row'; it must be in the most enviable location you can find. If it's a ski chalet it must have quick access to the best trails, if it's a beach resort it must overlook the best beach on the ocean. If you cut corners and go for the 'second row' you won't attract the top rank."



**Castello di Casole in Italy will have a boutique hotel at its centre.**

Take Palazzo Tornabuoni, possibly the most magnificent of them all. It's a 15th century palazzo right in the centre of Florence. From its roof terrace there are views of the cupolas and bell towers of the city. It's filled with wondrous works of art (including a baroque statue of Diana the Huntress by Gherardo Silvani valued at €2m – about £1.3m, and a fireplace by the 18th century mosaic master Giacomo Raffaelli valued at about £1m),

marble floors, stone fireplaces, carvings, soaring arches and gorgeous frescoes, including 16th century ones by Ciampelli in one residence. Though every apartment is different and has to be fitted round the grand architecture of the building, the one-bedroom apartment that is the first to be finished and furnished is brilliantly done – the high ceilings are adorned with elaborate plasterwork, there's a huge arch between eating area and living room, the bedroom features a frescoed ceiling, a four-poster bed and a balcony, while the dining room is all stainless steel Boffi with every device the modern kitchen needs.

For your €319,000 (about £216,000) share in a one-bedroom apartment (plus annual fees) you'll get three weeks' usage per year of any of the building's 11 one-bedroom apartments plus extra use, depending on availability (or you could buy into one of the four studios for about £148,000, or the 21 two- and three-bedroom apartments for about £357,000). But – and the investors behind Palazzo Tornabuoni make great play of this – fractional owners don't merely own the right to use one of the apartments, they also get a whole lot of private treats, the idea being that while on site they can live the life of a Florentine nobleman. Preferential access to museums (including the Uffizi's Vasari Corridor and the Duomo's cupola), entry to private gardens and art collections, trips to the vineyards of one of the investors, boar-hunting on a private estate, a 24-hour concierge service – all this and more comes with owning a share of the palazzo.

Meanwhile at Castello di Casole, also in Tuscany, Timbers Resorts is offering the fractional owners of its restored farmhouses on the 4,200-acre estate of

the Bargagli family what it calls “immersion into authentic Tuscany”. It also – unusually – offers a mixture of full and fractional ownership so that anybody who wants to own one of the farmhouses outright can do so. The stone villas, each several hundred years old, are being restored and furnished with fine Italian furniture and modern amenities. At prices from about £2.8m for a whole farmhouse or between about £213,000 and £399,000 for a one-tenth share (plus annual charges of £5,750 to £8,120), the new owner can live the life of an Italian aristocrat, even if just for a few weeks a year. One of its charms is that the villas are all on a fully functioning estate – olives and vines are grown and pressed, shooting can be had in season. Like most of the resorts being developed in this way, there’s a boutique hotel with a restaurant and a spa but there’ll also be a bilingual concierge, airport transportation, personal cars and drivers, pools, a fitness centre and wellness spa, biking tours, horse riding, personal chefs, cooking schools and guided day trips to Siena, Florence and other nearby villages which dot the Tuscan countryside.

In South Africa, Keith Stewart, who was born in the UK but grew up in Zimbabwe, has done much the same with the Pezula Private Estate in the Eastern Head of Knysna. He bought 612 hectares of what may be one of the last pieces of land on which South Africans will be able to build beachside houses (new laws prohibiting this are pending). The site is surrounded by sea on one side and the indigenous forest of the Sinclair Nature Reserve on the other. Through the land runs the Noetzie River. Having made his fortune in the US, Stewart doesn’t seem overly interested in maximising the commercial opportunities the land offers – much

more to the forefront of his mind was that just 15 per cent of the land should be built on (leaving 85 per cent as natural vegetation), that alien exotic trees and vegetation should be eliminated and the natural forest encouraged to grow back. He, too, offers a mixed bag of access to Pezula. Just 255 residential sites will be built: some can be bought outright (Roger Federer, Nick Price and Jonas Björkman, among others, have already done so), but there is also the Pezula Private Resort and Residence Club, where 70 people have paid \$100,000 (about £50,000) for a fractional share of five residences – all sold in eight weeks flat.

“Fractional ownership,” says Stewart, “used to be just syndication, a sharing arrangement, with no structure and no management. Today’s rich want these things managed for them. Any scheme should be underpinned by a luxury five-star hotel, plus access to an estate and a whole range of facilities such as a spa, golf course, tennis courts and all the rest. It’s also vital that it’s equity-based – this means that if you sell it on you get a share of the rise in the equity value.” Stewart must be doing something right because so far, he says, there have been no sellers of shares in the resort, only a long queue of would-be buyers. Now, he’s about to do the same thing with an island in the Seychelles. Just 10 amazing villas will be available to be bought in shares and besides the right to stay in the villa will come a whole host of other services – everything from use of a yacht to a children’s centre, tennis courts, a spa, gym and swimming pool.

All over the world, these schemes are proliferating. In New Zealand the tantalising prospect of owning a share in one of its iconic fishing lodges, Kingfish Lodge, might become a real possibility

(at the time of going to press, vendor and buyer were still negotiating, so check the website if you're interested), whilst in California one of the latest trophies for those with excess capital to spend is a slice of some of the Napa Valley's beautiful wine country. For from \$275,000 (plus \$8,100 in annual maintenance payments) some 170 different buyers could own a share in 17 private cottages on an estate called The Orchard at The Carneros Inn (a PlumpJack Resort). The Carneros Inn itself is a 27-acre resort in amongst Napa's prime vineyards and apple orchards which has guest cottages and multimillion-dollar homes. The two-bedroomed, two-bathroomed Orchard cottages are the ones that are being sold for fractional ownership, with the first cottages coming on stream round about now (they will all be complete by the end of October). Together with a guaranteed three weeks a year, state-of-the-art fitness centre, spa and pools, fractional owners have a concierge service to make arrangements, whether for private chefs, tee times or restaurant reservations.

**W**hat's clear is that the popularity of fractional ownership is growing – so fast that websites devoted to the genre are proliferating. Probably the most useful is [www.fractionallife.com](http://www.fractionallife.com), which keeps those interested up to date with fractional ownership news, while [www.theregistrycollection.com](http://www.theregistrycollection.com) allows owners to check on what is available and to swap weeks with other owners.

Burden of Timbers Resorts says that several of his owners have also found that what they bought is a very good investment: “For instance, at our Timbers Resort at Snowmass outside Aspen in Colorado, the one-eighth

shares of three-bedroom condos that we sold for \$279,000 in 2002 are now selling for \$470,000 [about £235,000], while our houses at Cabo San Lucas in Mexico in which we sold one-sixth shares for \$679,000 now sell for about \$1.6m [£800,000]. But,” he stresses, “if you're looking for a financial return, only buy into developments in places that are front-row locations that can't be duplicated, which means that few owners ever want to sell.”

One final piece of advice: always check on what the arrangements are if you wish to sell on your fractionally owned property. Often the properties can only be sold through the original development company and sometimes they charge quite a high premium for their services – Palazzo Tornabuoni, for instance, will charge you a 10 per cent handling fee for selling on your share.

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## PROPORTIONAL REPRESENTATION

Castello di Casole, through Timbers Resorts, 003905-7796 7510; [www.timbersresorts.com](http://www.timbersresorts.com). Fractional Life, [www.fractionallife.com](http://www.fractionallife.com). Kingfish Lodge Resort, [www.kingfishresort.co.nz](http://www.kingfishresort.co.nz). The Orchard at Carneros Inn, 001888-400 9831; [www.theorchardatcarneros.com](http://www.theorchardatcarneros.com). Palazzo Tornabuoni through Fingen and Kitebrook Partners, 0870-609 8555; [www.palazzotornabuoni.com](http://www.palazzotornabuoni.com). Pezula Private Resort and Residence Club, 0027083-382 2303; [www.pezula.co.za](http://www.pezula.co.za). The Registry Collection, [www.theregistrycollection.com](http://www.theregistrycollection.com). TimbersSnowmass, 001970-922 1000; [www.timbersresorts.com](http://www.timbersresorts.com).

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