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The Benefits of Fractional Ownership in Private Residence Clubs

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A New Way to Own a Vacation Home - For the Select Few: Fractional ownership of vacation homes, also called private residence clubs, 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 may appeal to you.

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? Private residence clubs are NOT your ordinary second home.

Outstanding Locations

Fractionals or residence clubs have sprung up in exclusive, world-class resort destinations worldwide. St. Thomas, Virgin Islands, Puerto Vallarta and Mexico are popular locations.

In the U.S., 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 most people. Eventually they spread to northeastern ski areas. Since then fractionals have begun appearing in golf-oriented communities like Hilton Head Island, South Carolina and popular beach states like Florida.

Some of the most popular fractionals can be found in Jupiter, FL; Aspen Highlands, Bachelor Gulch, and Aspen Snowmass, CO; Lake Tahoe, CA; and Whistler, British Columbia. Fractionals located in the U.S. usually offer good access to major airports that allows for easy transportation arrangements.

Management by Five-Star Companies

The key to the success of fractionals is their professional management. Most are operated by well-respected hospitality companies known worldwide for their world-class resorts. Among them are Ritz Carlton, Four Seasons, Starwood, Intrawest and Millennium, brands known for their five-star services and amenities.

Hassle-free Ownership

Part of the appeal of fractionals is that they are completely 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 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 usually occurs with timeshares.

Real estate experts say that 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.

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.

What do fractionals cost? Prices vary based on the size, amenities and location of the individual property. But most are in the \$100,000-\$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 far more exclusive and include many more luxury amenities and services than timeshares. 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 is difficult. Rates are high, regardless of how good your credit. That's because it's a well-known fact that most timeshares depreciate over time. 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% 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 very best, most highly desirable locations. Therefore, demand outpaces supply and results in property appreciation.
Comparison of Fractionals to Condo Hotels

Fractionals (private residence clubs) differ from condo hotels in that you have a set amount of time when you can use your vacation home. Condo hotels are in fact, condos located within hotels. You can use your unit whenever you want, and place it in the rental program when not using it. Fractionals do not offer rental program participation.

Fractionals tend to be larger than most condo hotel units. Most fractionals offer three to five bedrooms, while most condo hotel units are studios, one bedrooms or two bedrooms. Currently, most condo hotels are located in Miami and other surrounding cities in South Florida. Fractionals are most prevalent on the West Coast, particularly in ski areas. However, both types of real estate are rapidly gaining popularity and soon there will likely be more of a supply across the country to meet the growing demand.

For more information on fractional ownership in private residence clubs and on condo hotels, including listings and photos of available properties, visit www.condohotelcenter.com.

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Joel Greene is the President of Condo Hotel Center located in Miami Florida which specializes in the sale of condo hotels and private residence clubs. Visit his information-packed web site, www.condohotelcenter.com, for more details on these unique real estate products and to see listings, photos and prices for condo hotels and private residence clubs. You can also sign up for his free Property Alert newsletter to be notified when new properties come on the market.



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