Fractional ownership — It's not just for rare breed pigs anymore

By Myles Lawlor

The term "shared ownership", sometimes referred to as "fractional ownership", is becoming a household phrase as the concept catapults into the 21st century. This type of ownership is asset-sharing that enables purchasers to enjoy items they might not be able to otherwise afford, for a more realistic amount of time than sole ownership offers.

It started years ago with the sharing of jets, and creative-thinkers have jumped on the shared/fractional bandwagon for other expensive items such as jewelry. Think about it — how many times each year will a woman wear a $40,000 necklace? There are even asset-sharing handbag clubs for those who want to carry Luis Vuitton and Prada without carrying steep credit card charges to do so. Through www.shouldercandy.com you can "own" a $600 Marc Jacobs chocolate leather satchel for $65 for the first week and $25 for every week after that.

People are enjoying shared ownership of everything from race horses to yachts, artwork, vineyards, helicopters and Ferraris — items that might otherwise be under-utilized assets. If you want to impress, purchasing a share of an 1887 Van Gogh on canvas from www.theartflex.com might be just the thing. Or maybe a share of a Monaco Dynasty motorhome from www.coachshare.com (starting at $135,000 per share) would win your family's undying love. If you prefer cruising on water to the highway, check out www.aboardtheworld.com and www.yachtshare.com.

One of my favourites is the Number One Pig Consortium (www.numberonepig.co.uk), which offers shared ownership of England's "very best, rare breed, free-range pigs". At maturity, your portion of the pig is delivered to your door so you can add it to your best pork recipes. Whatever your desire, chances are that someone, somewhere, is trying to find a group of people who want to share in the ownership of something none of them can afford, or want to own alone.

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The concept of shared or fractional ownership has also taken a prominent place in the world of vacation property. In 2006, fractional real estate reached $1.65 billion in sales for the U.S., Canada and the Caribbean — an increase of more than 30 per cent from 2005.

With prices skyrocketing and a hectic work pace cutting leisure time to a minimum, the idea of sharing the cost and use of luxury items makes sense. Even shared ownership of exotic sports cars like a Ferrari Testarossa or an Austin Healey are available — just the thing to drive to your new vacation home where you can hang your fractional artwork, wear your fractional jewelry and carry your fractional handbag!

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Appreciate your investment: growing demand drives value

By Myles Lawlor

A couple of weeks ago, a friend of mine visiting from Vancouver asked me about the fractional ownership of vacation properties. He had lived in the Muskoka area for 10 years and was curious. He asked whether fractional properties retain and/or appreciate in value. I explained that the "real" value in this vacation lifestyle choice, and the thing that fractional owners appreciate the most, is the concept. Being able to tap into a fantastic vacation property for a cost that is proportionate to the time spent using it is a huge attraction. Add the luxury of having maintenance and upkeep handled for you, and it's an incredible scenario.

But my friend's question about property value appreciation was interesting. Of course, there's no guarantee that any real estate property will increase in value, but considering the fact that the demand for this type of vacation property ownership is on the rise and there are still relatively few developments being sold this way, the likelihood is good. Gloria Collinson, president of the Canadian Resort Development Association, has been involved with the marketing of nine fractional ownership properties since they were first implemented in Ontario. As far as she knows, they have all maintained their value.

I phoned several other industry veterans and asked their opinions. Fractional ownership vacation properties haven't been around in Ontario in large numbers long enough for definitive studies to have been completed. Anecdotally, however, there are several examples in the province where substantial appreciation has occurred. Two years ago, fractionals in a development in Muskoka sold for $120,000 and are now selling for $140,000. Another development in central Ontario started in the low $30,000 per fractional and has increased to the $50,000 range. According to the eighth annual *Fractional Interest Report* from NorthCourseSM (an international leader in providing leisure real estate research and services), fractional sales in North America and the Caribbean increased 32 per cent from 2005 to 2006, with total sales volume reaching $1.65 billion. Of course, after 24 years in the real estate industry, I understand that appreciation in value has a lot to do with location, and the quality of the builder.

In terms of investment, however, fractional ownership vacation property is better looked at in terms of quality of life. The reasons for buying into one of these properties should include the desire to totally relax during your holidays without worrying about upkeep and maintenance of the property, and passing on this opportunity to your kids and grandkids to enjoy for years to come.

People are buying second homes for seasonal use in the form of vacation properties like never before. Demographics make a strong case for believing that this trend will continue. The major market is baby boomers born between 1946 and 1965, who comprise one-third of Canada's population and control approximately 45 per cent of the country's wealth. In a report released last year by RE/MAX, affluent baby boomers are driving the demand for luxury recreational property. Canada's healthy economy and stock market profits are fueling their willingness to spend. In preparation for their retirement years, many are seeking a second home where they can spend holiday time enjoying their family and friends.

RE/MAX also reports that recreational properties have seen tremendous equity gains in the past few years, and that the demand for this real estate option is swelling across the country. Fractional ownership is taking over some of this market share because boomers see it as a way to regain some of the money they put into cottages or other vacation homes that they rarely use. It also opens the door to allowing for different vacation destinations without having to sell or rent the vacation home.

Demographically speaking, this tremendous force will be around for quite a few years to come. Predictions are that the number of Canadians aged 45 to 64 will rise by 15 per cent, while the number of Canadians 65 and over will increase by a whopping 65 per cent. Members of this aging population are involved in moving up and downsizing, and en masse are choosing lower maintenance options such as second homes and vacation properties.

The great news is that developers are rising to the challenge with a variety of fractional opportunities that appeal to the spectrum of buyers. These include everything from rustic cabins to modern condos near ski hills or golf courses, and ultra-luxuriant million-dollar estates on the water. Adding to that the appeal of having maintenance and cleaning handled for you, and the fractional ownership idea is the perfect vacation scenario for a growing number of people.

For decades, families and friends have shared ownership of cottages and other vacation-type homes. Affordability, flexibility, outstanding amenities and services, potentially increasing equity, and freedom from the work that comes along with whole ownership are driving sales — and demand — for fractional ownership properties.

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