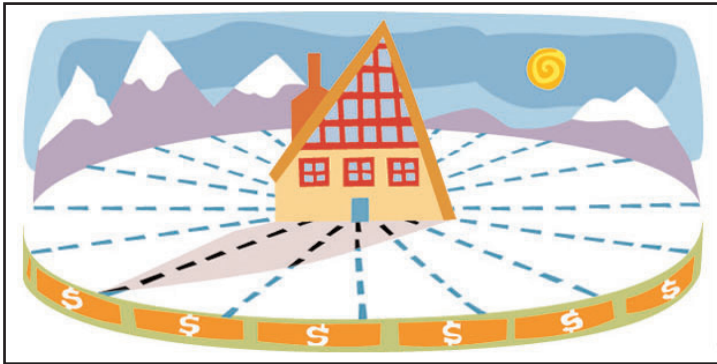


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Great Homes

Selling a Slice of Luxury



By Amy Gunderson

It is almost too easy to be charmed by the latest trend in time shares, what is called fractional real estate. After all, who wouldn't be wooed by amenities like ski-in/ski-out access, granite countertops and outdoor fireplaces?

A high-end spin on the traditional time share, fractionals typically entitle users to multiple weeks' stay, and the developments themselves have decidedly luxury touches, with upmarket appliances, finishes and linens, as well as amenities like spas. In short, developers say, it is a way to get access to a million-dollar-plus property for much less than the full price of ownership.

With all the variety on the market today, buying would appear to be a snap. But how these units stand up in the resale market remains to be seen.

In markets like Aspen, Colo., that have seen a tight supply of real estate and continued escalation of prices, sales of fractionals remain strong. The Residences at the Little Nell across from the Silver Queen gondola in Aspen is selling one-eighth shares of its three-bedroom units, entitling buyers to six weeks of use, for \$1,475,000. The developer increased prices 10 times over the past year and a half, pushing the sales price for a share of

a four-bedroom unit to \$2.5 million from \$1.35 million.

But in La Scala, a fractional development planned for the Lake Las Vegas community in Henderson, Nev., the sales shop was

shut down at the end of September. "We didn't meet pre-sales requirements so we had to cancel the project," said Melissa Clancy, the director of marketing for Storied Places, the developer of La Scala. After a year-long sales push, only 30 shares were sold. Storied Places also recently cancelled a fractional project in Mammoth Lakes, Calif.

When it does come time for individuals to resell shares, one concern is whether the developer has already sold its own inventory. Dennis Jung, an agent with Frias Properties of Aspen, has several fractional listings, including units at the Ritz-Carlton Club Aspen Highlands. "They still have a few interests left to sell," Mr. Jung said. "That would set the market in that case."

And it can take years for the developer to completely clear their inventory. The Timbers Club in Snowmass Village, Colo., took about four years to sell all of its shares, while the residences at Esperanza resort in Cabo San Lucas in Mexico, sold out this year, three years after sales began.

For now, there is little data on fractional resales. Ragatz Associates, a research firm, estimates that resales made up just \$48 million of the \$2 billion fractional sales market in 2005.

The newness of the industry has academics scratching their heads, saying that they can only look toward the history of timeshares to gauge how these homes might do on the resale market. "While it's ultimately too early" to make a call on fractional re-sales, said Stuart Gabriel, the director of the University of Southern California's Lusk Center for Real Estate, "it should be noted that the resale market for time shares is generally quite weak."

Agents report that it can take longer to sell a fractional property than a house or a condominium. Heather Stolz, a real estate agent with Remax Vail Valley who spent several years working for developers selling fractionals before joining her current agency, is seeing more developers start to handle their own resales.

But the entrance of these companies into the fractional market is serving to boost the image of the industry. "The big guys — the Ritz, Four Seasons, Starwood and Marriott — have given legitimacy to timeshares even though they don't want to be called timeshares," Ms. Stolz said.

Gene Northup, a real estate agent in Las Vegas, said he is still not convinced. In fact, when the La Scala sales project ended, he said he wasn't surprised. "I was scared to death of it. It was around \$350,000 to \$400,000 to purchase," said Mr. Northup, noting that buyers still had to pay \$12,000 in annual association fees for six weeks of use a year. The general slowdown in that price range of the market did not bode well for the project either. "The big money is still moving around, but anything on the market from \$300,000 to \$400,000 is not moving," he said.