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A fraction of the price

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Aspen is poised to see nearly 1,600 new second homes developed within its exclusive borders. Or are they hotel rooms?

Actually, they're a little bit of both.

The fractional-ownership boom is transforming the resort lodging industry, and nowhere is it more pronounced than at ski destinations with stratospheric real estate prices. Hmmm, does that sound vaguely like Aspen?

Developers have embraced fractional-ownership projects - the newer, popular cousin to the traditional timeshare - because they make a hotel-style development financially feasible in markets where a standard hotel may not pencil out as profitable or even break-even.

Buyers are apparently jumping at the chance to own a vacation home - or at least a share of one - without plunking down millions for a residence that will sit empty much of the time.

Resorts have embraced the arrangement in hopes of gaining "hot beds" - ones with people in them. The revolving influx of owners spending time in their new luxury digs will presumably do what vacationers do: Shop, dine and ski. In other words, they'll spend money.

Ski resorts are seeing some of the largest growth in fractional-ownership opportunities, and Colorado is setting the pace, with 35 projects either built or on the way, according to Oregon-based Ragatz Associates, which specializes in market research and consulting for the timeshare industry.

With fractional ownership, buyers actually own a piece of real estate, as opposed to a chunk of time offered by a timeshare development.

Despite a slowed economy, interest in fractional vacation homes has been on the upswing, with total sales of about $373 million last year, Ragatz reported at its annual symposium in May. And sales in the high-end fractional/private-residence club market have been up an average of 30 percent since 1999, according to Ragatz.

Aspen has hardly escaped the trend. Five downtown fractional projects have received either the go-ahead or at least a conceptual approval.

"It's sort of the fastest-growing segment of resort development in the country right now," said Don Schuster, vice president of real estate for the Aspen Skiing Co.

The Skico entered the fractional market in Snowmass Village, replacing the old Snowmass Lodge and Club with The Snowmass Club - 30 condos sold in one-seventh shares. Ninety percent of the 210 shares have been sold.

The first 10 townhomes at The Sanctuary in Snowmass, adjacent to The Snowmass Club, opened to residents this summer. In all, 21 residences, to be sold in one-eighth shares, are planned. The Skico and Intrawest are partners in the project. The largest townhomes in The Sanctuary - 3,200-square-foot, five-bedroom residences priced at $589,000 per share - were snapped up first.

"They're totally sold out - they went early and went fast," Schuster said. Half of the $389,000 shares in the four-bedroom townhomes have also been sold, he said.

The Timbers Club in Snowmass, a private club at the base of Assay Hill, has garnered similar interest. The 36 residences have been open for a year; sales began two years ago, according to broker Kirk Brinks.

"They're selling like wildfire. We'll be done, probably, by the end of the next ski season," he said.

Timbers Club members own a share of the entire club, rather than an individual condo. More than two-thirds of the 288 available memberships have been sold. The current purchase price - $379,000 - guarantees use of the club and its clubhouse amenities for at least six weeks a year.

Downtown Aspen has yet to see construction of any of its recent wave of fractional projects, though the posh Ritz-Carlton Club at the base of Aspen Highlands has been annexed into the city's borders.

The 73 Ritz-Carlton residences are being sold in 1/12th shares, with prices starting at $160,000 for a share in the lowest-priced two-bedroom unit. About half of the 876 shares have been sold.

For the first half of this year, sales at the Ritz were up almost 20 percent more than the same period last year, according to Dan Bruder, director of sales and marketing in the Ritz-Carlton's western division, headquartered in Los Angeles.

The Highlands project marked the luxury hotel chain's debut in the fractional market; it has followed with four other private residence clubs, including the Ritz-Carlton Club at Beaver Creek's Bachelor Gulch, which opened last January.

Starwood Hotels and Resorts, with 50 high-end hotels among the more than 700 hotels it owns or operates around the world, plans to convert part of the St. Regis hotel in Aspen into its first fractional project. The $30 million renovation, to begin next spring and be completed by November 2004, will create a new spa at the St. Regis and convert one wing of Aspen's largest hotel into 25 fractional-ownership suites, to be sold in 1/11th shares.

There's a demand for the fractional product that the St. Regis can't ignore, according to Richard McLennan, the hotel's general manager. "This is a growing market segment, particularly in ski resorts," he said. "It is certainly the wave of the future, especially in ski resort destinations."

An ownership opportunity at the St. Regis will help it compete with other high-end resort hotels and meet a growing demand among its guests, McLennan said. The mere announcement of the hotel's plans generated phone calls from prospective buyers. "We've had a tremendous response," he reported.

Also on the horizon is the 51-suite Hyatt Grand Aspen, to be sold in 1/20th shares for an average price of $150,000; the nine-suite Dancing Bear Lodge, to be sold in one-eighth shares; and an expansion of the Boomerang Lodge, with five chalets to be sold in one-seventh shares.

The Residences at Little Nell, with 24 fractional suites and eight standard lodge rooms extending up the Little Nell ski run at the base of Aspen Mountain, won a conceptual nod from the city last month. It still requires final approval.

"That's what we believe the consumer would like to see at the base of Aspen Mountain," said Brooke Peterson, a partner in CWA Development, developer of The Residences. "If we get this project approved and we get it built, it will be the best location anybody could have in Aspen." The anticipated average price of a share at The Residences is $850,000.

Taking a slightly different tack, owners of the former Sardy House hotel in Aspen are pursuing formation of the Sardy House LLC in order to make a public offering for shares in what will be a luxurious private residence. A preliminary prospectus indicates 25 memberships in the historic home will be sold for an estimated $700,000 to $850,000 apiece.

Whatever the arrangement, a buyer will own real estate with a prestigious zip code. It's home ownership without the hassles or the price tag that come with a house in Aspen. Instead, owners are more likely to enjoy all the luxuries of a fine hotel when they stay at their home away from home. At a place like the Ritz, the family photos will be placed on the fireplace mantel and the fridge will be stocked to the owners' specifications before they arrive.

"You buy a home on Red Mountain, you don't get a concierge, you don't have room service," noted David Brown of Stryker/Brown Architects, designer of the Dancing Bear Lodge. "It fits into the lifestyle of people who come to Snowmass and Aspen. They don't want to put $5 million into something that's used two weeks a year," he said.

Aspen doesn't want something that's used two weeks a year either. Bracing for the flood of fractional projects, the city adopted new rules to govern timeshare/fractional developments last year. Most significantly, the city requires fractional units to be rented as standard hotel rooms when their owners aren't using them.

Critics, however, argue the price per night can make a fractional suite essentially unavailable to the average tourist. A suite at the Ritz for the walk-up customer will run $1,200 a night, said Richard Kittner, senior sales manager.

On the other hand, owners of fractional residences appear anxious to use them, at least in the early going. The Snowmass Club, for example, is seeing considerably higher use of its condos than did the old Snowmass Lodge and Club, said the Skico's Schuster. This summer, all of the units have been reserved from mid-June through mid-September, and the adjacent new golf course isn't even open yet. The project has seen 30 to 40 percent occupancy during the off-seasons. "For Snowmass, that's huge," said Schuster.

Occupancy at The Timbers Club, open solely to members and their guests, averaged 72 percent last ski season, according to Brinks.

The use projections are not lost on the St. Regis, which anticipates 80 percent occupancy rates for its planned fractional suites. While the hotel's existing 257 rooms are often completely booked at peak times, year-round occupancy has hovered at 60 percent for the past few years.

"That also means we've been 40 percent empty," said general manager McLennan.

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