

Grab a piece of the action

'Fractional ownership' gave high-flying companies easy access to business jets. Now the same idea is enabling individuals to buy shares in holiday homes, camper vans and yachts. Rhymer Rigby reports

WOULD YOU LIKE TO buy one-eighth of a second home? What about being the proud owner of a quarter of a Ferrari? Or maybe jointly owning a yacht with nine other people? It might seem a curious idea to purchase shares in expensive luxuries, but in the USA 'fractional ownership' is becoming almost commonplace.

The concept is familiar in the UK only in relation to business aviation. Since Gulfstream and Learjet aircraft are hugely expensive to buy and maintain, and unlikely to be required for 52 weeks of the year, operations such as NetJets have been set up to enable companies to share business-jet ownership with others. But what began with aircraft has now been applied to all sorts of other areas. And fractional owners

are now as likely to be private individuals as businesses.

An early application of the principle was to residential property: the Playground division of the giant Canadian developer Intrawest expects to sell \$250-million-worth of fractional property this year. But what is the difference between fractional ownership of a holiday home and a timeshare? Jim Lanctot, director of fractional real estate at Playground, says that 'with traditional timeshare you are just buying access. With fractional ownership you are buying an interest in the deed to the property. And in Florida the market has seen up to 30 per cent appreciation in just over a year in the value of fractionalised real estate.'

Another holiday luxury now being bought in fractions is the 'recreational vehicle', or RV. Bought outright, these

HOLIDAY HOME
The 'At Nature's Door' development by Intrawest in the ski resort of Whistler, Canada. A one-eighth share in the three- and four-bedroom homes, which entitles the owner to five weeks in the property, sells for about C\$300,000

of \$250 per month. At the end of a three-year period, the coach is sold and the residual equity divided amongst the owners. 'Our typical owners are business people who don't have more than four or five weeks per year to travel,' says American QuarterCoach's founder and president, Greg Allen.

Similarly, Chicago-based Exotic Car Share allows investors to own chunks of prestige cars such as Rolls-Royces, Ferraris and Porsches. General manager Brian Hamm says that many of his clients are downtown Chicago residents who don't have the space to store a car, while others simply 'want the freshness, interest and variety of driving different vehicles' at a cost not much higher than that of owning a single one. For anyone making regular visits to a number of cities it is also quite possible, Hamm adds, to own an eighth of a car in each location.

Is there a downside to fractional ownership? Yes, and it's what you'd expect. Any company that fractionalises an asset will charge a premium for doing so: put together the cost of shares in a fractional yacht, for example, and the total will come to considerably more than the purchase price of the whole vessel. There is also a management fee to pay. Mike Riegel, publisher of the *Fractional Insider* ➤

enormous US motor-homes are expensive: the 39ft-long, four-berth, three-room Monaco Camelot model costs \$290,000. But Illinois-based American QuarterCoach makes the Camelot's 'four-star' facilities (including air conditioning, shower and WC, washing machine/dryer and two TVs) available for five weeks per year at a cost of \$36,500 plus a set-up charge of \$1,000 and a management fee

CAMPER VAN
The Monaco Camelot RV from American QuarterCoach in Illinois costs \$36,500 for a quarter share



FULL DECK The world's largest cruise liner will join the Royal Caribbean fleet next year: it will carry 3,600 guests and 1,400 crew

bulletin

► newsletter, adds that fractional buyers have to be careful about who they do business with. 'Take aviation, for example; a lot of the companies are relatively new, and may be underfunded. The capital investment required is huge. Plus, the quality of the management is as important as the asset.' In the fractional market of the USA, says Riegel, 'the customer experience ranges from superb to terrible'.

The other, even more obvious drawback is that if you fractionalise at the most basic level – four individuals sharing a car, for example – there may well be problems with access to the asset. Many companies address this problem by 'pooling' a number of cars. Although you own a quarter of a particular car, you may find yourself driving another, identical vehicle, or one of comparable quality. Similarly,



LUXURY YACHT
The cost of maintaining large yachts makes them suitable for fractional ownership

different watch every week. 'And there has been at least one attempt to do the same with valuable pieces of art. It's a really good way to get access to a large collection.'

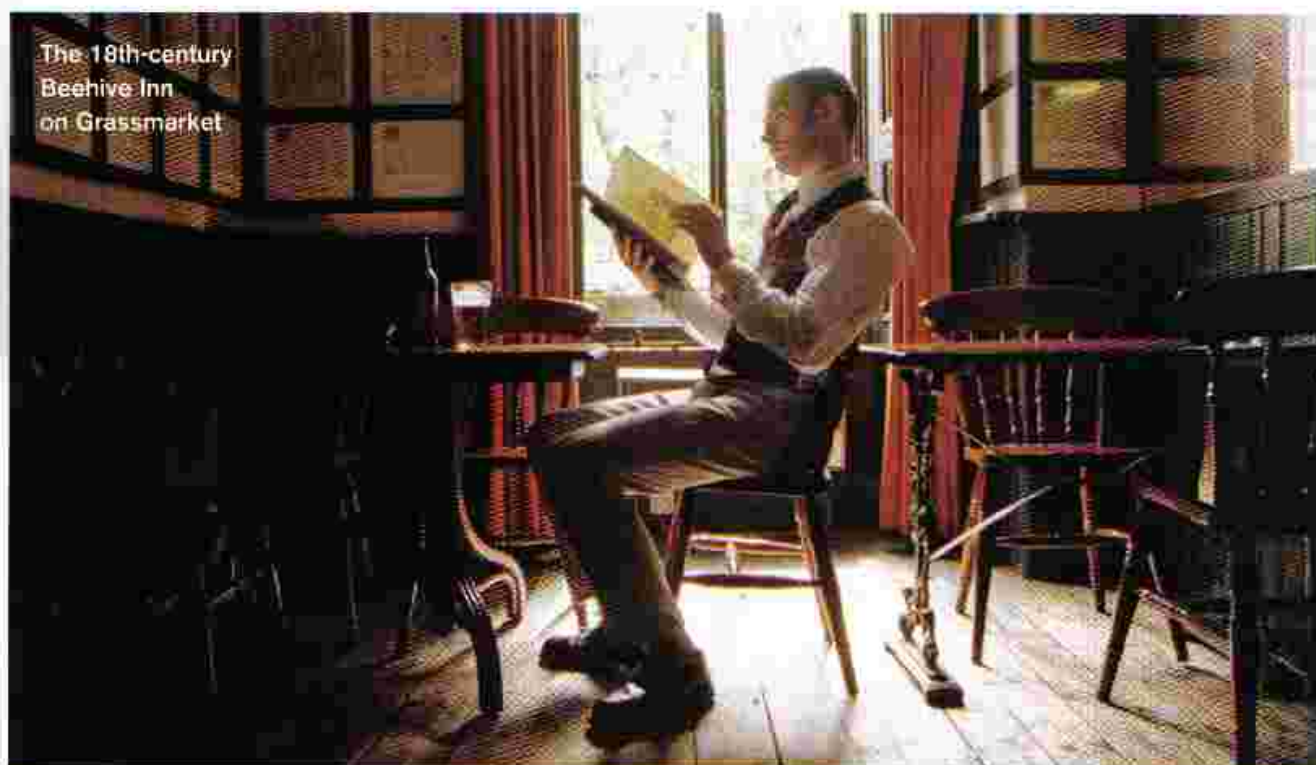
And as NetJets' Hersov points out, you can take fractionality a long way. 'There is such a thing as a fractional life. Instead of making choices about what you drive and where you holiday, with fractionality you really can have a piece of everything.' **At Nature's Door** (00 1 604 935 4545; www.atnaturesdoor.com). **American QuarterCoach** (00 1 630 986 0885; www.americanquartercoach.com). **NetJets** (00 1 877 356 5823; www.netjets.com). **Exotic Car Share** (00 1 847 358 7522; www.exoticcarshare.com)

Some jewellers let fractional owners have a different watch every week

rather than staying in a holiday home that has your name on the deeds, you may use a different property. Such pooling, says Rob Hersov, vice chairman of NetJets, means

that fractional owners have guaranteed access to an aircraft when they need one.

Aircraft and yachts are obvious candidates for fractional ownership. But the limits of the concept are being tested. 'A number of stores selling relatively expensive jewellery have put together pooled collections of items,' says Riegel: fractional owners are able to choose, say, a



The 18th-century Beehive Inn on Grassmarket

AN HOUR TO KILL IN EDINBURGH

HARDENED TRAVELLERS love to debate how best to familiarise yourself with a new city. A long walk, a sporting occasion, a museum or an open-top bus

tour can all make for good introductions; but as far as Edinburgh is concerned there is probably no better way to delve beneath the veneer of

Inspiration flows freely on a tour of literary pubs, says Rob Penn

its historic streets than on a guided, literary-pub tour.

Edinburgh has many good pubs and a distinguished literary tradition. The latter

was acknowledged by UNESCO in October 2004, when it named Edinburgh the world's first 'City of Literature'. This recognition came on the back of an initiative to encourage future literary activity in the city. The Edinburgh Literary Pub Tour, however, starts in the murky past, with Robbie Burns 'singing and carousing' at the bar of The Beehive Inn, the 18th-century pub beneath the imposing walls of the castle on Grassmarket, where the literary pub-crawlers meet.

Writers and pubs go together like coffee and cigarettes. Or do they? The tour is led by two actors, and the characters they play hold opposing views on Scotland's literary heritage. The one named Clart (an old Scots word meaning 'mucky') believes Edinburgh's writers have always been inspired by tavern-company and the language of vagrants, boozers and whores. But McBrain, ►

COSTLY CORPSE A dead hedgehog on a Marseille runway, and scavenging birds, led to €3 million of damage to an Airbus engine, says *Insurance Journal*