

# FRACTIONALLY BETTER?

BY ALASDAIR FORBES

Fractional ownership of property has been around for some 18 years, and since 1986 in aviation, so it is perhaps a little surprising that the concept has only just reached the shores of Thailand. But now it is getting going, with "fracs" available or imminent for homes in Phuket, Samui, and Pattaya.

Among the first is Phuket-based Siam Real Estate, which is marketing fractional ownership of four new apartments at Layan Gardens, in a high-end residential area about five minutes' drive from the north end of Bangtao Bay. In addition to time in their apartments, frac buyers will also get free use of a car. The cost for a one-month-a-year fractional ownership is around 3 million baht.

Layan Gardens developer Paul Moorehouse explained why he decided to start selling fracs. "I have been asked for it several times in the last couple of years – more so of late.

"Many people want to be [in Phuket] two to four months a year. They don't want to lay out 20-30 million Baht [to buy a property outright] in order to do so, but they do want that quality of property and environment. So this is the answer."

"People can have a much better, larger apartment in a better location for a much cheaper price, albeit for only a part of the year – but that suits them."

The fracs at Layan Gardens, Moorehouse says, have been "exceptionally well received". As a result he is now planning to sell fracs for four villas in the second phase of the nearby Luna villa development. "So we will have both apartments and villas, at about the same price."

Further south in Phuket, a collaboration between Absolute Development and the David Lloyd Group (DLG) is to build the Absolute David Lloyd Beach Resort@Nakalay, a block containing 33 apartments just north of Patong. Seven of these are being sold as fracs, at prices starting from 775,000 baht for 28 nights a year. These are based on 30+30+30-year leases. Absolute and DLG will also sell fracs in the 17-unit Absolute David Lloyd Marina Resort@Tongkrut on the southwest tip of Koh Samui.

Absolute, this time without DLG, is also selling fracs in its Bangla Suites Jacuzzi Condos in the heart of Patong and will sell more in two developments in Jomtien – the Absolute Villas at Palm Grove and the Absolute Platinum Suites – and in six units at the Amara Gardens on Koh Samui.

The company has long been associated with time shares. CEO Bryan Lunt says the group has sold more than 20,000 vacation club memberships in Thailand, China, Hong Kong,



**Absolute David Lloyd Marina Resort at Tongkrut - Samui**

Russia and Europe over the past 10 years. So why the switch to fracs?

"The demand seems to be for a real estate product, but not all year – maybe a quarter- or half-share in a unit is sufficient," he explains. "Of course, the benefits of having to pay only for what you own [and use] rather than for all year are excellent, and having the benefit of real capital appreciation, too, is also a big draw for this product."

Selling fracs may be a different proposition from time shares (see box), but Lunt reports that Absolute has already seen "quite a lot of interest from vacation club clients looking to buy more with us. This, we anticipate, will be where a lot of business is generated from."

That said, he adds, "Marketing technique is still king; no clients means no sales. Lots of target-marketed clients means you have much better chance to sell, so our focus recently has been on preparing the foundations so that we will be seeing six to 10 inspection tour clients every three or four days."

He also believes that the current worldwide economic slowdown, along with the rising costs of travel due to soaring fuel prices will actually benefit sellers of fractional ownership. "This will cause both shared ownership and vacation club sales to be more attractive [because they are] less risky than full ownership," he explains.

"So I expect many developers will look at various shared ownership selling options in the future."

Moorehouse agrees. "I think you'll see more top-quality fracs coming to Phuket ... because [property] prices are now getting higher yet are still much cheaper than for comparable properties in Europe or the Caribbean."

## FRACS VERSUS TIMESHARE

**On the face of it, fractional ownership is similar to timeshares. Indeed, one form of fractional ownership is known as "deeded timeshare". The two concepts are closely related: a group of people buying shares in a property, typically in a holiday or resort area, and receiving use of the property proportionate to the size of their share.**

**The big difference is that while timeshare owners buy time in the property, frac owners actually own a part of the property. To put it another way, timeshares are a form of lease, while fracs are a form of ownership.**

**Frac owners may sell their shares in the property, or bequeath them to heirs. In addition to the time they can spend in the property, they can also benefit – in good times – from any appreciation in the value of the property. Also appealing is the fact that maintenance, cleaning and the other irritations that would normally come with wholly-owning a second home are taken care of by someone else – the management company.**

**Timeshare buyers, however, can sell only the time they have bought. They own nothing that can be bequeathed; the property is still owned by the developer or timeshare company. Like a lease, timeshares usually last for a finite period, after which the buyer has nothing – until he buys more time.**

**As a result of this crucial difference, timeshares are generally much cheaper than fracs and the two concepts appeal to very different markets. While the timeshare buyer is usually looking only for affordable holidays in luxury destinations, the frac buyer is typically much wealthier, with a great deal more disposable income, and the investment potential of the property is a significant consideration.**