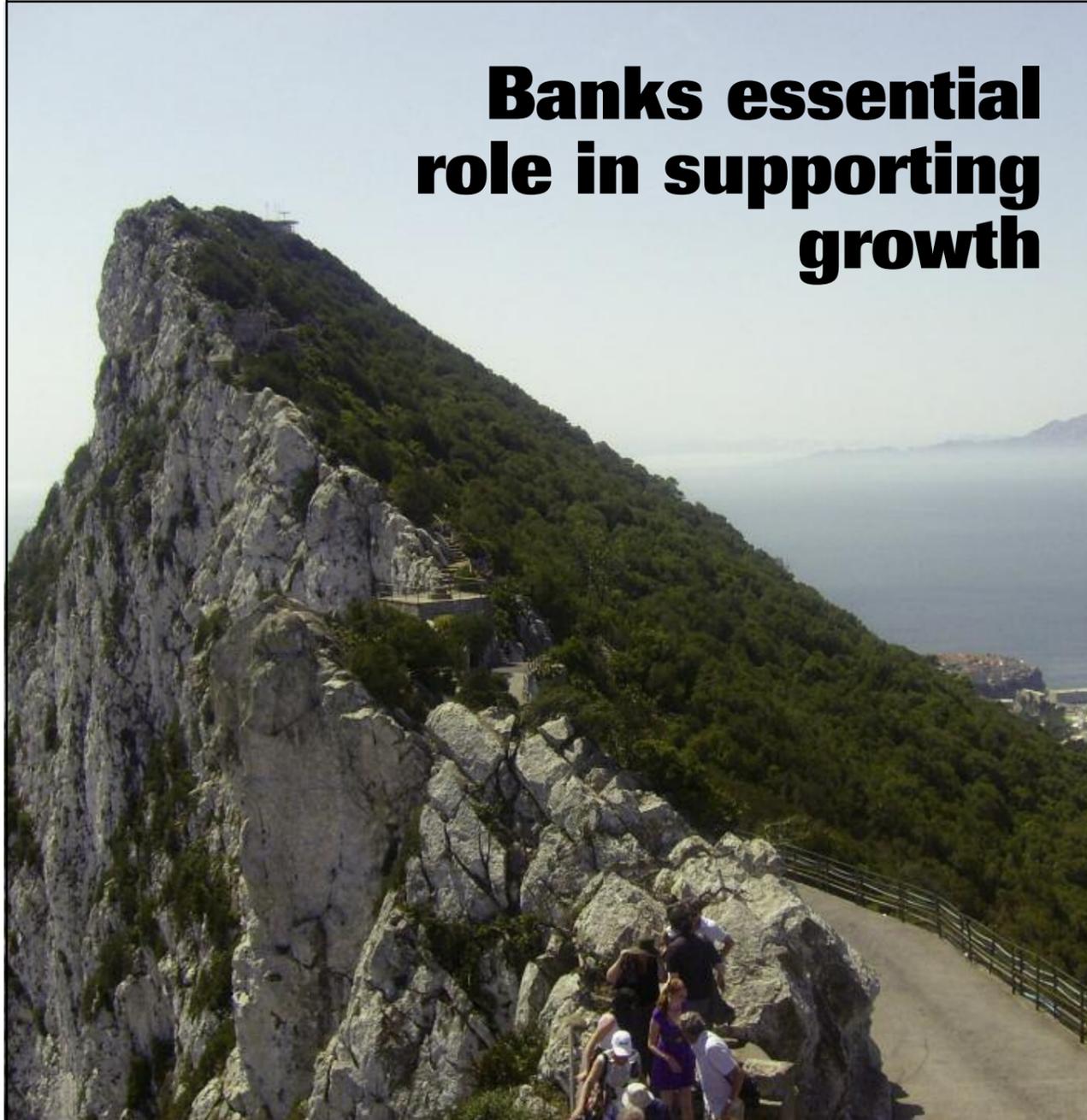


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FINANCE AND BUSINESS

**Banks essential
role in supporting
growth**



A Place for All Seasons

Fractional property spotlight: Lifestyle purchase or bricks and mortar investment?

Once upon a time, not that long ago, it was the early adopters who embraced the fractional lifestyle, spotting a trend that grew into a new way to own a holiday home. Now, as the fractional ownership story goes more mainstream, one question many are asking is, is it a lifestyle purchase or alternative property investment - or both? *Fiona Klonarides* finds out.

With the global economic forecast for the foreseeable future still veiled in a mist of uncertainty, conflicting real estate predictions abound. Spain's property sales have been sliding downwards - although recent reports are a bit brighter - while in other parts of Europe, multi-million euro estates are being marketed with knock-down price tags.

On the shinier side of the coin, last October Halifax reported sales of London's £1 million-plus homes (which make up approximately 4.5% of the city's properties) were up 118% for January - June 2010 compared to 2009.

And while big spenders, many of them foreign, have been boosting the property market in Europe's capital cities, super yacht sales are up too. Sales of 50-70-metre yachts reportedly tripled in 2010 compared to the previous year and yacht brokers are seeing healthy sales in the £50 million upward league.

With yachts, bigger is usually better although perhaps not for Roman Abramovich.

Originally scheduled for delivery by Christmas 2009, his 167-metre, £329 million James Bond-esque "Eclipse" was seriously delayed by glitches.

A large mirror on one of the nine decks shattered during North Sea tests, the electro-turbo engines rattled crystal ware, the French navigation system played up and flaking paint was spotted. Then the helipad had to be shifted, proving that owning the world's biggest yacht is not necessarily a headache-free experience.

A share of a yacht or overseas home is

a more flexible, affordable solution. The best fractional properties are often part of five-star resorts, complete with extras such as 24 hr concierge service. Just as important as what you get is what you don't - headaches like leaks, repairs and pool maintenance are normally overseen by the management company for an annual fee.

The Hideaways Club

The Gibraltar-registered Hideaways Club is one of Europe's most exclusive private residence clubs. More than a five star destination club, members own equity in The Club's hand-picked international property portfolio.



Mike Balfour

Chairman Mike Balfour explains, "Hideaways Club members not only have the choice of holidaying in over 50 beautiful properties around the world but have equity ownership in the entire property portfolio. In these uncertain financial times when security of investment is of prime concern, membership of The Hideaways Club offers both the security of having an asset backed investment in a liquid and diversified

Fund, plus strong potential for growth in the future. The Fund currently projects annual share returns of about 6.5%."

With a member to property ratio of just 6 to 1, The Club has become Europe's leading international property investment Fund. Founded in 2007 it has been catching the attention of those looking for a viable alternative to sole property ownership.

Financial advantages aside, The Club's million euro plus bracket properties in glamorous locations lend added appeal. Balfour has the globe covered: Europe,



The Hideaways Club, Chalet Lune, Switzerland

Africa, South Africa, Mauritius and South East Asia...ski chalets in Switzerland and mansions in Morocco, all for a lead-in membership fee of £132,500 to 250,000 (giving three to six weeks exclusive usage every year). Hideaways properties are serviced by their own concierge who oversees member requests from airport transfers to private chefs and everything in between.

The Fund's investors automatically become members of The Hideaways Club, enjoying year round usage of the still-widening portfolio (properties in Mauritius, Bali and Phuket were recently added, with more coming over the next three years).

Hideaways currently owns 27 properties (47 through its alliances with US-based Equity Estates and the Banyan Tree Private Collection) and to preserve exclusivity it plans to cap it at 600 members and 100 properties.

Fractionals - the way of the future?

Buying a deeded fractional property includes the potential for capital growth - you own it, rather than just "spending time" in it (which is where the often misleading correlation between timeshare and fractional comes from). Shares are usually

a quarter to a twelfth fractions - a month's usage for a twelfth share, three months for a quarter share and so on.

As Ioannis Verdelis, Senior Consultant at leading fractional consultancy The Best Group notes, "With the current dynamics of the property market being the lack of finance and confidence, we have seen a number of property buyers considering fractionals as a way in which they can still enjoy fine assets at a lower price. We have been working with a number of developers, including some very well known names, and so we can say with some confidence that fractional ownership is now really catching the eye of the property industry too".

With fractionals, the beauty is in the details. Glossy brochures may help sell the dream but with so many options out there, from NetJets to Napa Valley wineries, scouring the fine print is essential.

Do your homework

Piers Brown of Fractional Life www.fractionallife.com says it's important to do your research:

"Do your homework. There is a bewildering variety of product on offer - including timeshare masquerading as fractional ownership - so it's essential to choose the right one for you. Think about your lifestyle and/or investment needs and try to find a scheme that fits in best with that in terms of location, number of weeks, usage plan and amenities.



The Hideaways Club, Gran Vista, Majorca

"And as with any property transaction, make sure you use an independent lawyer to do due diligence and check you are actually buying what you think you're buying."

The recession slowed sales but there have been sticking points, too, including lack of financing, a hot topic at Fractional Life's Fractional Summit 2010 which

returns to London on 17-18 February 2011.

Geoff Hadwick, Editorial Director of the Overseas Property Professional Group says the sector is still being held back by a lack of funding and a lack of understanding, especially in Europe (the concept is known and accepted in the US).

"In Europe, overseas property agents and developers have a lot of educational work to do in the next few years to make buyers feel safe and confident that investing in a fractional development is a good, long-term idea," he says, but adds, "Fractional ownership is an idea whose time is coming."

Getting in (and out)

Banks are gradually starting to come around, so many developers have had to provide financing themselves. And what if you want to sell your share, can you? And when? Developers are now marketing properties that offer built-in exit strategies; if your property's value has risen when you sell, you'll gain - perhaps not a huge amount but it has paid its way in happy holiday currency.

And with 365 days in the year, what if each family wants the same Sardinian villa for the school holidays? Rotating calendars are among the ways to slice the time more fairly.

Buying a slice of the property pie has its advantages. Funds permitting, you could be in Paris in Spring, Sotogrande for Summer, Tuscany in October and Chamonix at Christmas and if your property's resort is linked to a reciprocal exchange programme, the options are wider still.

Looking ahead

Urban fractionals are untapped as yet, but The Hideaways Club kicks off 2011 in style with The City Collection, ten chic city residences in New York, London, Paris, Venice, Miami and Istanbul, expanding to Moscow, Rio de Janeiro, Bangkok and Sydney.

Mike Balfour explains, "The City Collection will provide member investors with a new way to enjoy an unrivalled city lifestyle with ultimately 120 city centre apartments in some of the most glamorous and vibrant cities in the world."

On a different note, Paul Gardner Bougaard of Fractional and Shared Ownership Trade Association (FSOTA) says fractional developers will have to comply with the new Directive due to be

implemented across the European Union by 23rd February 2011.

He says, "The implications could be far reaching as many fractional developments did not fall within the scope of the first directive which regulated timeshare sales or perhaps fell into what could be called "grey areas" where they were outside the provisions of the law". (See www.fsota.org for more information).



The Hideaways Club, Asmara, Indonesia

Fractional developments used as holiday homes are not usually SIPP compliant, but Guy Tollhurst, Managing Director at Intelligent Partnership, who specialises in this field says they do exist, one example being Caracola Beach & Spa Resort on Isla Margarita in the Caribbean.

With an established market in America and developments mushrooming in Europe, Egypt and Dubai, it's a property model to watch. Lawyer Andy Sirkin of Sirkin & Associates specialises in shared ownership and fractionals and he sees buyers tapping into the benefits of owning fractionals in this economy:

"Many people buying fractionals today would have bought an entire vacation estate three years ago. Now they fully appreciate the cost-effectiveness and risk-diversification benefits of fractional ownership, and understand that it's not so much about what you can afford but more about what makes sense to buy. In a few years, we may look back on the financial crisis as the best thing that ever happened for fractional ownership because it brought its best qualities into sharp focus."

If it's "luxury for less" you're after and you don't have time to get away often, a flexible five-star fractional property could be the intelligent answer. Yours when you want it, not when you don't.

www.thehideawaysclub.com

www.fractionallife.com