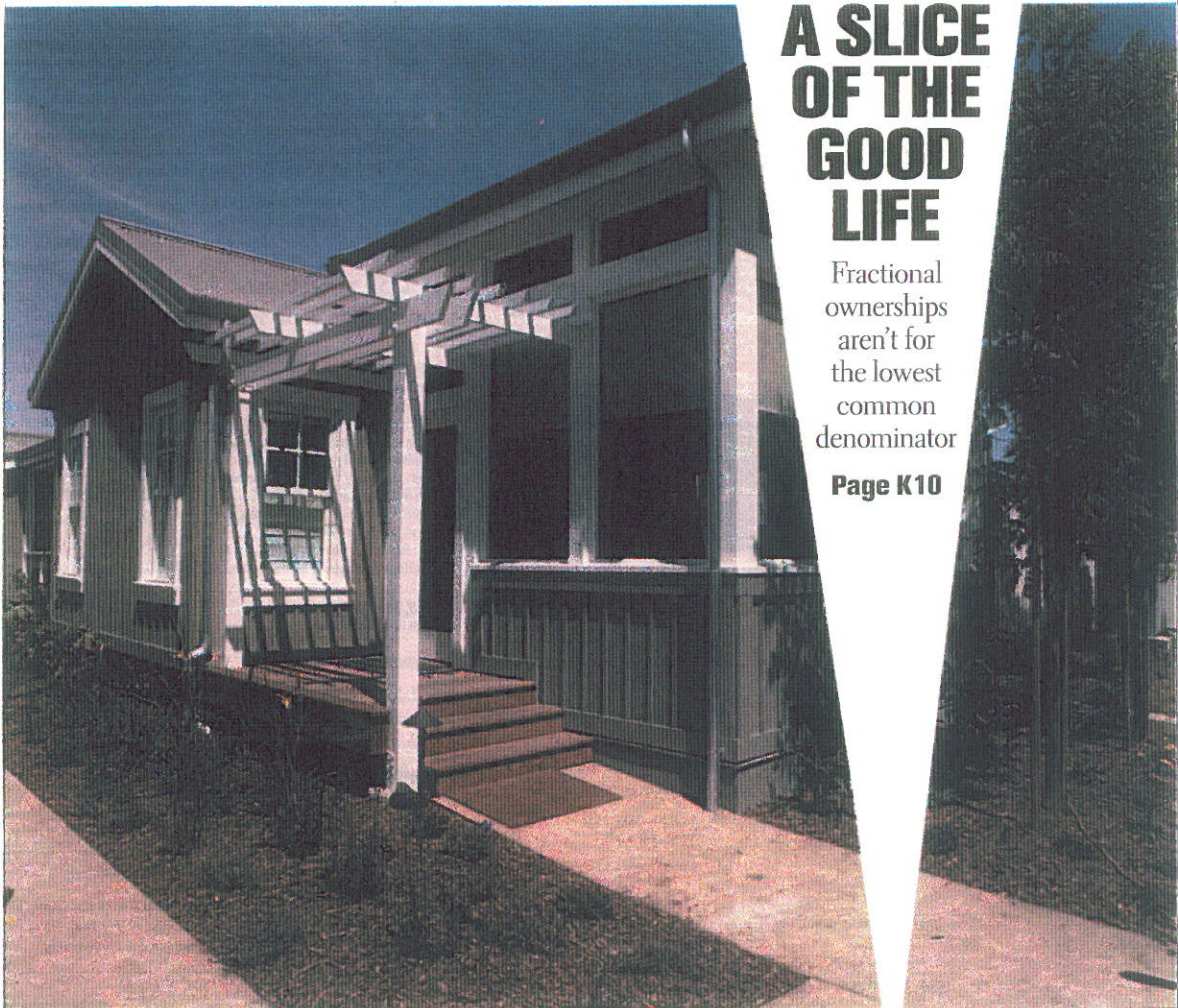


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REAL ESTATE

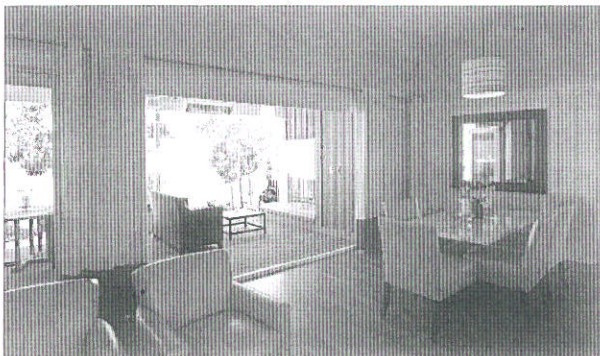


A SLICE OF THE GOOD LIFE

Fractional
ownerships
aren't for
the lowest
common
denominator

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The luxury cottages at the Orchard at Carneros Inn come fully furnished, both inside and out. Owners have access to the resort's amenities, including three gourmet restaurants.



DEANNE FITZMAURICE / The Chronicle

Fractional ownership is the preferred name for a pricey but increasingly popular way to take a few weeks and enjoy ...

A SLICE OF THE GOOD LIFE

By Carolyn Said

CHRONICLE STAFF WRITER

Don't call them time-shares.

To be sure, the "enchanted vineyard residences" in Napa are being sold on a slice-and-dice basis. The 17 private cottages will be sold to 170 different buyers via a method called fractional ownership. Each buyer gets a guaranteed chunk of time every year.

But the Orchard at Carneros Inn says it is worlds apart from the vacation business model notorious for being marketed by motor-mouth sales reps.

It's swanky, not sleazy. It's really real estate. And at \$275,000 a slice (the "founding owner" price) plus annual dues of \$8,100, it's unabashedly for rich folks.

Fractional ownership is the latest twist in luxury vacation homes. Some 250 high-end properties in the United States, Canada and the Caribbean, in desirable destinations such as Aspen and Vail, Colo.; Maui; and New York, offer fractional ownership. Marriott, Disney, Hyatt, Ritz-Carlton, Four Seasons and Starwood are among the big companies that have embraced the concept.

Fractional ownership "grew out of the time-share revolution," said Reed Anderson, director of sales for the Orchard. But he is careful to distinguish between the two concepts and only winces slightly when his luxury real estate is besmirched with the far-less-classy term.

"I don't get angry anymore when people call them time-shares," Anderson said.

In San Francisco, the Ritz-Carlton and the Fairmont at Chirardelli are developing fractional-ownership residences, set to open in November and next spring, respectively. A few already exist in the Wine Country, such as the Calistoga Ranch just outside Calistoga and Mayacama in Santa Rosa.

The fractional-ownership concept works for all sorts of jet-set

perks like, well, jets. There are companies offering fractional ownership of yachts, helicopters, race horses, wineries, exotic cars, stadium skyboxes, even designer handbags.

Fractional-ownership properties, also called residence clubs, often are built alongside a resort. When they're in residence, the owners get to use all the resort's perks, such as concierge services, housekeeping, private gyms and pools.

That's the case with the Orchard.

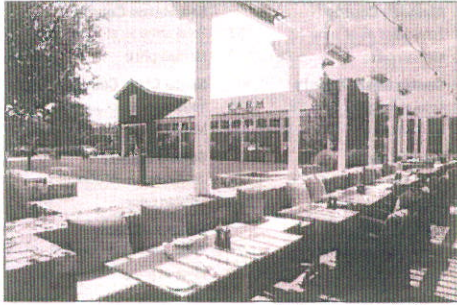
It's on the grounds of the Carneros Inn, a 27-acre rustic resort nestled among Napa's rolling vineyards. Carneros has 86 guest cottages, 24 million-dollar homes, three gourmet restaurants, a spa, pools, a fitness center, boutiques and a deli. The resort has a village feel, enhanced by having its own post office. Ironically, for a place where the very breeze seems to murmur "money," the property was originally a mobile-home park, and the guest cottages were placed according to the same plan as the doublewides.

The Orchard cottages will have their own concierge and manager, as well as access to all the Carneros amenities, Anderson said.

Carneros is managed by the PlumpJack wine, restaurant and real estate empire started by San Francisco Mayor Gavin Newsom. The mayor has divested himself of PlumpJack businesses in San Francisco but still owns stakes in its enterprises outside the city. He

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COVER STORY



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The Orchard at Carneros Inn is home to three gourmet restaurants, along with a spa, pools, a fitness center and boutiques.

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does not have any involvement in Carneros, according to his sister, Hilary Newsom, vice president and partner of the Plumjack Group.

Like Carneros, the Orchard component is "agricultural chic" — low-key, especially on the outside, where the cottages look like humble bungalows.

The two-bedroom, two-bath cottages are furnished simply but with top-notch amenities, such as large-screen, flat-panel TVs, DVD/CD players, and stainless steel appliances in the fully equipped kitchens. The limestone floors in the bathrooms are heated. Indoor-outdoor flow is a part of their appeal; each comes with a screened-in porch and a private outdoor patio with a hot tub and garden. Carneros said each cottage is 1,750 square feet, including the private outdoor areas. The indoor living space is 1,250 square feet.

Owners can't leave their personal belongings in the cottages, but the property offers two storage bins for each owner, large enough for a couple of suitcases.

The first six cottages will be ready in August; the remaining ones will be finished in November.

Fractional owners at the Orchard get a guaranteed three weeks every year, plus the option to request additional time based on availability.

Owners may rent out their three-week slots if they desire. The Orchard cottages are likely to fetch \$1,200 to \$1,800 a night, depending on the season, Anderson said. The going rate for the much smaller Carneros guest cottages is more than \$500 a night, while its two-bedroom suites (which are smaller than the Orchard cottages and do not have full kitchens) go

for \$1,200.

The \$275,000 price will be available to the first 34 of the anticipated 170 buyers. In addition, owners pay \$8,100 in dues per year, plus annual property tax of about 1 percent of their purchase price.

"Most people pay cash, (although) we have financing available," Anderson said.

All-cash purchases are common for the types of folks who can afford fractional ownership — and that's just as well, because few banks offer financing options for them, according to Jamie Cheng, co-founder of San Francisco's Helium Report (www.heliumreport.com), an online resource for people interested in fractional ownership.

While fractional ownership is a real estate purchase, most people don't do it to build equity. The concept is still so new that the resale market hasn't developed enough to judge how well fractional-ownership properties tend to appreciate.

"People don't buy this as an investment; they buy it as a lifestyle purchase," Anderson said.

That almost exactly echoed advice from Cheng.

"Our recommendation is to consider this not as a real estate investment, but as a long-term lifestyle investment," Cheng said. "You pay fairly premium annual dues, but you get a significant amount of luxury services back. In time-shares, it's all around selling it up front; once they sell it, they leave the sales office, run away and you're on your own."

Other key distinctions between fractional ownership and time-shares:

► Ownership structure: With fractional ownership, buyers get deeded real estate, which they own forever or until they sell it. Time-shares generally are con-

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COVER STORY

LUXURIOUS RESORTS AS VACATION HOMES

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tracts for some period of time, say, 15 or 30 years. That means time-shares are not real estate, Anderson said; they are leases.

► Time flexibility: With fractional ownership, owners can choose their visits according to a rotating priority system so each one gets a shot at coveted slots, such as the winter holidays. With time-shares, you're stuck with the same time block every year; say, the first week in July, unless you find someone who agrees to trade. Also, fractional ownership usually involves fewer owners and thus longer (or more) time blocks.

► Resale: This is key — and still up in the air. Time-shares got tarnished in many people's eyes when it turned out that they could only be unloaded for far less than the original purchase price. Fractional ownership holds out the lure of a stronger resale market because it involves deeded real estate — although folks at the Orchard weren't willing to go on the record about resale possibilities.

► Trading properties: Another rap for time-shares came when owners found it difficult to arrange trades for other destinations. Fractional ownership properties that are owned by major chains like Fairmont and Ritz-Carlton usually offer an option to arrange reciprocal use at other destinations in the chain. Independent fractional properties like the Orchard can join forces with chains to offer reciprocal use. "We have not (done that) as of yet," Anderson said. "We are looking at our options there."

Fractional ownership "is often an alternative to a second home, but it also can be an addition to a second home," Cheng said. "You see people who have a pied-a-terre in San Francisco, a cabin in Tahoe; they're looking for ways to supplement their vacation travel. Fractional presents an alternative. Rather than own a whole unit, make smarter use of your money: Buy a fraction and get five-star service."

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