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Fractional Ownership...The Affordable Alternative

With the unprecedented surge in property values over the past few years, real estate ownership has either slipped through the fingers of many would-be owners or has discouraged those shopping due to stiff competition or lack of inventory.



If you fall into one of those categories, an affordable alternative to consider is fractional ownership. A hybrid of timesharing, fractional ownership has been around for nearly 40 years and has grown in popularity from a segment of the population who find it more practical to just own the portion of a property they intend on using. Fractional ownership is defined as ownership greater than one week of use per year and less than whole ownership.

Some projects call themselves a “Private Residence Club”. They are identical to fractional ownership but may be more upscale in product and services offered. In fact, some of the most exclusive condominium / townhome complexes in Steamboat offer both whole and fractional ownership options. Property sizes range from studio condominiums of 386 square feet to spectacular five bedroom, 5,000+ square foot townhomes, and locations range from ski in/out access to quiet neighborhoods a few blocks away. Over the past two years the Steamboat Springs Multiple Listing Service has posted over 201 sales with prices ranging from \$18,000 to \$760,000.

Deeded Ownership

Like whole ownership, all fractional properties in Steamboat convey fee simple ownership. Owners have all rights as if they own the property in whole, but those rights are just for the percentage they own. Owners can use, bequeath, trade, let friends or family use, or sell their interests. Some fractional properties do not permit owners to rent their residences, however.

Ownership Interests

Fractional ownerships can be divvied up several ways and subject to a use schedule. In Steamboat the most popular fractional shares are quartershares – giving an owner a 25% interest in a condominium, and in turn, a quarter of the year (13 weeks/yr.) of use, eighth shares (6.5 weeks/yr.), and seventh shares (7 weeks/yr.). Half of those weeks would be summer and half winter use.

Owner Use

Use varies with each property. Fractional properties could either be on a rotation basis with each owner taking turns selecting their use weeks each year; have fixed weeks or depending on the project have a block of weeks in a row.

Added Benefits

Most fractional ownership projects are affiliated with an exchange company to facilitate owners who want to swap their time with units at other resorts around the world of similar quality and size. Some projects offer a “Space Available” option, where an owner can stay at their resort outside of the time they own, provided there is space available. Others offer year ‘round use of the facilities (pool, owners club, ski lockers, parking, etc.).

Steamboat Projects

Steamboat Springs is home to several exceptional fractional ownership properties. The most popular are The Steamboat Grand, One Steamboat Place, Christie Club and The Porches. There are quite a variety of properties to consider. Below you will find a chart of properties in the Steamboat Springs marketplace:

Steamboat Springs Fractional / Private Residence Clubs								
Property	Year Built	Bedrooms	Intervals	Calendar	Weeks / Yr	Space Avail	Rentals	Exchange Affiliation
Christie Club	1997 / 2002	3, 4	1/7, 1/14	Planned	2W/2S ; 1S/1W	Yes	No	Registry Collection / Elite Alliance
Grand Summit	2000	Studio - 4+	1/4, 1/8	Fixed/Rot	6W/7S ; 3W/3S	Yes	Yes	Resort Condominiums International
One Steamboat Place	2009	3, 4	1/8, 1/12	Planned	2W/2S ; 1S/1W	Yes	No	Timbers Collection
Phoenix	1981	2, 4	1/10	Block	~5	Owner Swap	Yes	Interval International
Porches	2005	4, 5	1/8	Planned	3W/3S	Yes	Yes	Registry Collection / Elite Alliance
West Condos	1973	1	1/5	Block	6W ; 6S	Yes	Yes	None

Steamboat

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The Affordable Option *cont...*

The Search Process

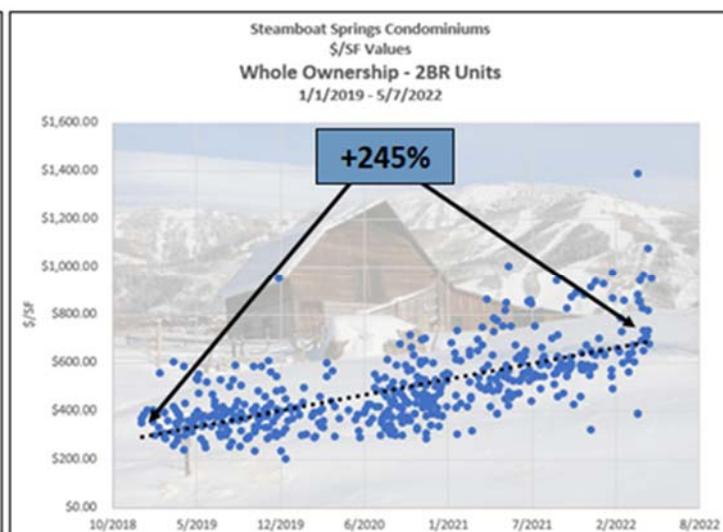
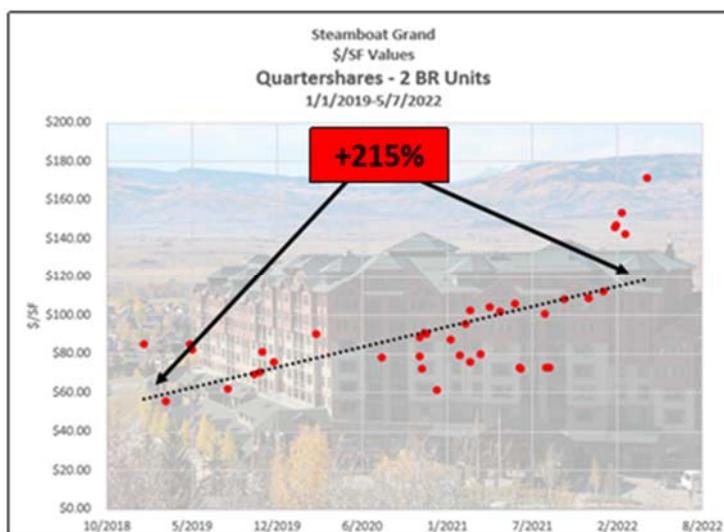
Fractional interests can be purchased from the developer or on the resale market. Buyers should carefully consider how much time they will use their property before their search begins. Buying too little interest in a condominium will only produce an unsatisfied appetite, while owning too much may feel like a financial burden. The latter may be alleviated by renting the unused time, but not all Steamboat projects offer that option.

Financing

There are a few lenders in Steamboat who can offer financing. One option to consider with more favorable terms outside of a mortgage is getting a home equity loan from your local bank.

Fractional vs Whole Ownership Value Comparison

How has the fractional ownership fared over the past few years to whole ownership? Comparing \$/SF pricing trends of two-bedroom Steamboat Grand quartershares to whole ownership condominiums from January of 2018 to April of 2022, Grand units appreciated 215%, whereas whole ownership units appreciated 245%. Grand values did not perform as well as whole ownership, but not bad, either! The last five Grand sales averaged over \$150/sf, which is substantially higher than the trend line (black dotted line), showing rapid growth, but still a value, for that quartershare price is a whole ownership \$/sf of \$600, and the whole ownership properties in 2022 averaged \$747/sf. However, one should first look at a fractional purchase for use and enjoyment, and any appreciation should be icing on the cake when coupled with the fun times a property like this offers.



Several Steamboat Springs fractional properties offer highly desirable locations and are coupled with equally high standards for design and services. Their attraction is offering a quality experience at a fraction of the cost of whole ownership, and with the flexibility of having that experience in Steamboat or around the world. It is an affordable alternative to whole ownership and should be worth considering.

ABOUT DOUG...

Doug Labor has over 37 years of real estate experience, including executive level positions with some of the largest ski and golf resorts in North America. He is the General Manager of Sotheby's downtown Steamboat Springs office. What he enjoys most in his real estate practice is providing imaginative, yet logical and valuable guidance in helping clients reach their goals.



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