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SPOTLIGHT

Fractional Ownership Heads to Europe

By AMY CORTESE

A FEW years ago, Michael Farver decided that it was time to start thinking about making changes in his life. For one thing, he wanted to travel more with his wife, Susan, and their 4-year-old daughter, Natalie.

"If I could spend six months a year in Italy, I would buy an old farmhouse and fix it up," Mr. Farver said. "But that's not going to happen."

Mr. Farver, who lives in Plantation, Fla., still maintains a busy schedule running the nonprofit group End Childhood Hunger. But he found another way to fulfill his dream: he bought a share in Borgo di Vagli, a restored 14th-century hamlet in the Tuscan hillside.

"The thought of being able to own a piece of that struck a chord," he said.

Long popular in the United States, fractional ownership — in which the costs of a vacation home or other asset are divided among a pool of members — is steadily making its way across the Atlantic. For prices starting at $100,000, not including annual dues, buyers can own a piece of a coveted property in the Tuscan hills, in the heart of Florence or in other European locales.

The concept was introduced in the United States in the early 1990s as a more cost-effective alternative to buying and maintaining a high-end vacation home that might be used only a few weeks out of the year. Unlike two other cost-sharing models — timeshares and destination clubs — fractional ownership plans give members an equity stake in the property, which can be sold or transferred like wholly owned real estate. The members typically own the club and the real estate, while the developers make money from the initial sales.

Fractional properties can be found in popular vacation destinations like Florida, Colorado and the Caribbean, but they were virtually unknown in Europe until recently, as developers saw an opportunity to transform crumbling farmhouses and historic buildings.

The hottest segment of the market in Europe, as in the United States, is the so-called private residence club, a fancy term to designate high-end properties that come with luxury amenities and services. The clubs have limited membership and generous use policies, and because they are in premiere locations, they are often viewed as investments that can appreciate.

While the second-home market has dropped off, sales for private residence clubs grew by 12 percent in 2007, according to a study of the North American market released this year by Ragatz Associates, a consulting company in Eugene, Ore., that tracks the shared-ownership resort industry. "Developers in Europe can't help but take notice," said Peter F. Kempf, the chief executive in Europe for DCP International, a real estate consulting firm.

Nor can developers in the United States. Timbers Resorts, a developer based in Carbondale, Colo., has been hard at work at Castello di Casole in Tuscany, among the largest private land holdings in Italy. Thirty restored farmhouses scattered across 4,200 acres of quintessential Tuscan landscape, with vineyards and olive groves, will eventually be available for full or fractional ownership. (Nine of them are now available.) A one-twelfth interest in one of the houses, or "casali," ranges from 290,000 to 590,000 euros, or $436,000 to $887,000. That guarantees three weeks a year, and unlimited time on a space-available basis.

Abercrombie & Kent, a luxury tour operator based in Oak Brook, Ill., plans to buy properties in Paris, Rome and other European cities as part of a residence club it is starting later this year.

The Hideaways Club, a residence club based in London that was created last year, plans to develop properties in several European areas, including southern France, Italy and Spain.

The bulk of the activity is now in Italy, a perennial favorite for American travelers. Palazzo Tornabuoni is an urban private residence club located in a former Medici palace, one of four such palaces in Florence and the only one in private hands. It is filled with original artwork and frescoes spanning five centuries, and it has a club room with 30-foot ceilings, a cigar room and a wine cellar.

When a $150 million renovation is completed later this year, Palazzo Tornabuoni will feature 36 residences — from studios to three-bedrooms — that will be available exclusively to 288 members from 218,000 to 549,000 euros, or $328,000 to $825,000, for a one-eighth share. The Four Seasons will manage the property, and members may use the amenities of a nearby Four Seasons ho-

PHOTOGRAPHS ABOVE, PALAZZO TORNABUONI; PHOTOGRAPHS BELOW, BORGO DI VAGLI

Among the new fractional ownership properties popping up in Europe are the Palazzo Tornabuoni, above, a former Medici palace in Florence, Italy, and Borgo di Vagli, below, a restored 14th-century hamlet in the Tuscan hillside.

tel set to open this fall.

The Palazzo's members will have access to Florentine hunting lodges, golf clubs and special wine tastings, thanks to the connections of one of its developers, Jacopo Mazzei, who is from one of a handful of Florentine noble families. His family is also one of the oldest Chianti producers.

"Our raison d'être is access to a Florentine lifestyle," said J. Byrne Murphy, the chief executive of Kitebrook Partners in Washington, Mr. Mazzei's co-developer.

Patricia Gellar, an interior designer who lives in Los Angeles, and her husband, Marshall, bought a share in the Palazzo a year ago. Ms. Gellar, who collects old masters drawings, loves the cultural access that comes with membership, while her husband, an investment banker, enjoys the perks, which include having a chauffeur-driven Maserati meet them at the airport.

About an hour-and-a-half drive away is Borgo di Vagli, the restored hamlet on 32 bucolic acres where Mr. Farver paid $85,000 for his one-tenth share of a two-bedroom residence. The developer and architect, Fulvio di Rosa, spent 10 years restoring the hamlet's 10 stone buildings, retaining its medieval spirit while adding modern amenities like a 66-foot swimming pool. An on-site concierge can arrange wine tours and dinner reservations and stock homes with groceries.

For those who prefer a Mediterranean getaway, the owners of the Regina Isabella, a resort on the isle of Ischia that was once a favorite haunt for Fellini, are turning a neighboring villa into a private residence club. Villa Isabella, expected to open next summer, will offer shares in seven spacious apartments, with sea views, to up to 70 members. Members will have access to the resort's spa, restaurants and services.

Club developers say they believe that their prospects are good. "It's a lifestyle investment with real estate ownership," said Steve Dering, founding partner of DCP, the consulting firm. "That makes sense in any market."

At Palazzo Tornabuoni, about half of the first 160 memberships being offered have been sold, well in advance of its December opening, Mr. Murphy said.

Still, for Americans — the primary target market — the weak dollar can hurt. Although a majority of their members pay cash, the developers of Palazzo Tornabuoni are offering buyers the option of paying in euros, which they borrow and pay back later at a presumably better exchange rate.

Mr. Murphy and Mr. Mazzei plan to expand into other "cities of culture," like Venice, Rome or Paris, and to create a reciprocal network of private residence clubs.

Mr. Murphy has been instrumental in importing other American business models to Europe. In the 1990s, a company he founded, McArthurGlen Europe, helped establish designer outlet centers in Europe — a story he recounts in a soon-to-be published memoir, "Le Deal."

"The potential for P.R.C.'s in Europe is just as great," he said. □