

# A tenth of a yacht is better than no yacht at all

Can't afford the Ferrari and the chateau as well as the yacht? Don't worry, you could have a little of them all, writes Lisa Freedman

Imagine yourself on the beach at St Tropez. You've arrived in the south of France by private jet and settled your guests into your luxurious, fully-staffed hilltop villa. Then, after a dip in the pool, you've zoomed down to the shore in your Ferrari to your private yacht.

This fantasy of wealthy living used to be the preserve of the out-of-sight rich, those with billions rather than millions. Now, however, the have-it-all package of yacht, plane, cars, ski chalet and chateau has come significantly closer with the advent of the "fractional luxury" industry.

Fractional luxury involves buying as much or little of a costly jet or villa as you wish while not taking full responsibility for its upkeep. And this enticing concept is taking an ever-increasing chunk of the luxury goods market, appealing not only to those who have the aspirations but not the means, but also to those who have the means but neither the desire or time to engage with the hefty overheads and responsibilities involved in owning a range of possessions only used for a small proportion of the year.

Private jets were the first into the fractional world, the brainchild of former Goldman Sachs executive Richard Santulli who, when contemplating acquiring his own set of wings, simply couldn't get his head around the figures. His answer was NetJets, which he launched in 1986.

Today fractionally-owned private aircraft have about 5,000 shareholders worldwide, and NetJets remains



Why wait for life's pleasures when you can taste them right now through fractional ownership?

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the leader in the field, offering those who participate in its ownership and membership schemes the certainty they will be able to command a private liveried aircraft, of guaranteed quality, size and service history to pick them up at an airport near them.

"It's the best of both worlds," says Rob Hersov, vice-chairman of NetJets Europe. "You buy what you need, and you're guaranteed flexibility and the highest safety standards."

But once you've landed, where do you stay? Many wealthy buyers still want to own a number of properties worldwide, but for those who'd prefer to be unre-

stricted by destination, staffing and maintenance, the fractional holiday-home market now offers a range of appetising solutions.

Hotel groups, such as the Ritz Carlton and the Four Seasons, have expanded rapidly into the market, applying their brand image to residential accommodation, usually offering a model not dissimilar to a timeshare.

In London, for example, Marriott Hotels, through its Grand Residence Club, sells a specified number of days in its five-star Mayfair hotel on a 50-year lease. Ownership includes amenities such as room service and house-

keeping and the days can be exchanged for stays at other

Marriott hotels for a small additional charge. Purchased days can be sub-let and re-sold, theoretically at least, at a profit.

For those who like to travel with extended family or groups of friends, even the finest hotels may not provide a satisfactory solution, and the relatively recent innovation of fractional resort "clubs" are designed to eliminate both the burden of owning additional properties and the uncertainties of villa rental.

These clubs offer schemes more typical of a golf club or gentleman's club. Members pay an entrance fee (wholly or partly refundable on leaving the club) and then

charges depending on the degree of use.

In the case of Exclusive Resorts, for example, founded in 2002 by Brent and Brad Handler and Tom Filipini, the entrance fee is \$375,000 (£210,000), but the daily rate for their glamorous portfolio of top of the range villas, ski chalets and beach houses significantly undercuts equivalent rental property. A fully-serviced villa in the south of France, for example, which would let on the open market for £10,000 a week, will be available to members for £1,500.

As well as a guaranteed level of accommodation, resort clubs offer members assured levels of service.

"It's not so much about the homes themselves, it's about the experience," explains Exclusive Resorts member Jeffrey Schlesinger, 45, an American analyst living in London with his wife and young son. "Whenever you go on holiday you can do all the research you want beforehand, but it's always hit or miss. You have just seven days, and it usually takes two or three to get the lie of the land. This way the experience is guaranteed."

Getting the best out of your luxury and leisure is one of the key selling points in the fractional world, and car fractionals certainly take choice to a new level. P1 cars, co-owned by Formula

One World Champion Damon Hill, was launched in 2000 and offers members a £4m fleet of more than 40 prestige and high-performance cars.

"Many of our members will already own one or more of the models we offer," says P1 marketing manager Nick Gartrell. "But we get early delivery on new models such as the Ferrari F430, DB9 Volante - which often have long waiting lists. And we also have access to vehicles that are sold by invitation only, such as the Ford GTs, of which only 28 are coming to the UK."

Banker Philip Harris, 43, has been an enthusiastic member for the past two

years, despite owning three Porsches and a BMW X5 of his own. "The club is good value for money. If you keep a lot of cars yourself you have to insure and fix them, and the more you have the less you use them. This way you drive the newest and latest models. I use the cars mainly for weekends and for the odd day off, and if, for example, I'm going to Switzerland for work, I'll drive."

Saving on running and upkeep costs is one of the major attractions of fractional ownership. Nowhere is this more obvious than with yachts where the relationship of outgoings to use is depressingly imbalanced.

"The rule is that if you need to spend more than 10 per cent of your net worth on buying a yacht, you can't afford it," says Han Verstraete, founder and CEO of YachtPlus, which launches this month with three fractional yachts designed by the Norman Foster Partnership. "An £8m yacht, for example, will cost about 15 per cent a year - or £1.24m - to fully crew and send across the world."

Clearly the number of those who might like to sip champagne while cruising the Med or Caribbean far outweighs those who have this sort of pocket money to burn on three to five weeks of annual pleasure. And Verstraete feels the fractionally-owned yacht will certainly help to open up the market. "We have three target audiences: those who've owned yachts in the past and can see the financial benefits; those who've chartered boats and found it a bit of a hit-and-miss affair; and, finally, the aspirant owner, the senior banker, let's say, who may never have considered owning a boat, but who now wants to spend more time having fun. We see this new yachtsman being as young as 35. It becomes very much a family proposition."

Which is the whole point of the fractional market. Why wait for life's pleasures, when you can have the best part of them right now?

# Where to land in 'the lap of luxury

## JETS

Aviation was the first luxury sector to adopt fractionalisation and over the next 10 years the number of business jets made for fractional ownership is projected to reach 23 per cent of a total of 1,300 aircraft. NetJets is the market leader, with more than 550 aircraft and 15 aircraft types worldwide.

Their Owner Programme, in which customers buy a share in a specific aircraft, starts with as little as a 1/16th interest (providing 50 occupied flight hours a year). Owners retain financial and legal control in a specific serial-numbered aircraft and NetJets guarantees to buy back the share at fair market value. NetJets then manages and operates the aircraft including providing flight crew, trip scheduling, ground support and maintenance. In addition to acquisition costs, owners pay a monthly management fee and an occupied hourly fee (eg fuel and landing charges), assessed when they fly.

NetJets also offers two 'card programmes'. The Corporate Card allows business users to buy 25 hours of flight time from €119,000. The Private Jet Card is aimed at private individuals, and prices start at €114,000 for 25 hours flight time.

[www.netjets.com](http://www.netjets.com)

## CARS

Fractional luxury car ownership programmes function not unlike car rental schemes in that they take care of depreciation, maintenance and insurance, but unlike Hertz or Avis they stock top-of-the-range vehicles which are only one or two years old.

Participants receive points with their purchase and these points deplete more quickly the more expensive the car and the more miles driven.

P1, Prestige and Performance Car Club, for example, is a fractional membership club co-founded by Formula One World Champion Damon Hill. Membership is by application and limited to 250 places. There is an initial £2,500 joining fee for all members, and various levels of annual charge, depending on the likely level of use. The Monaco, for example, costs £13,750, and provides 1,000 points and a mileage allowance of 6,000 miles; the Silverstone costs £11,750, and provides 750 points and 5,000 miles.

Members exchange points for driving time in five groups of car, ranging from Group 1 (Porsche Cayenne S, Lotus Exige S2, Noble M400) to Group 5 (Bentley Arnage T, Ford GT, Lamborghini Murciélago, Ferrari 575M, etc).

<http://www.p1international.com>; tel: +44 (0) 1372 374400

## YACHTS

Members of fractional yacht programmes, unlike some other forms of fractional luxury, buy a piece of one specific yacht and share this boat with a group of co-owners. The fractional organisation will take care of all maintenance and staffing, but in certain schemes owners themselves will be responsible for scheduling usage.

YachtPlus is a scheme launched in 2005 by ex-Goldman Sachs executive Han Verstraete, with a fleet of specially-designed yachts. Yachts in this scheme cost €8m, and a one-eighth owner pays for an eighth of the yacht. Owners only finance the difference between the cost of their shares and its expected residual value. They will therefore pay less than €100,000 a year to acquire their stake and will then have the full upside if the yacht sells for more. Annual crewing and maintenance costs are shared between the owners, pro rata according to their ownership of the yacht and because the number of owners is limited, each owner is guaranteed availability in both the Caribbean in the winter and the Med in the summer. Owners receive revenue from chartering out unused weeks.

[www.yachtplus.co.uk](http://www.yachtplus.co.uk); tel: +44 (0) 207591 7098

## PROPERTY

### Residence clubs

Private residence and vacation clubs require a one-time entrance fee (sometimes fully or partly refundable) and annual dues give members access to dozens of properties worldwide. The costs of joining range from £45,000 to £275,000, with varying annual maintenance fees.

Exclusive Resorts offers access to luxury residences worldwide. The joining fee is \$375,800 (£210,000), 80 per cent refundable. The annual fees are from \$15,000-\$25,000 (£8,350-£13,900). With a wide range of property choice, they currently offer more than 200 residences in over 25 destinations, from St Tropez to Telluride. [www.exclusiveresorts.com](http://www.exclusiveresorts.com); tel: +44 (0)20 7101 7911

### Part-time ownership

This involves buying a block of time - which can range from several weeks to several months - at a complex that is typically run by a hotel company such as Hyatt, Westin or Marriott. Accommodation ranges from studios to five-bedroom units. Prices start from £11,000 and rise to £500,000 depending on location, size of unit and time allotted.

Marriott Grand Residence Club, 47 Park Street, London, W1K 7EB Tel: +44 (0)20 7950 5528, [www.47parkstreet.com](http://www.47parkstreet.com)

