

TRI West's four decades of fractional history

*Four Seasons Resort Costa Rica, Playa Virador Beach.
Credit: Photos courtesy of the author.*

The history of TRI West and fractional ownership goes all the way back to 1979 when Mario Collura, the broker for TRI West, entered the timeshare industry as a developer at one of the first luxury fractional products available.

It was The Whaler on Kā'anapali Beach, a condominium conversion project in Maui, HI. The Whaler consisted of two- to three-week fractional interests, which sold for an average \$15,000 to \$20,000. Ownership was the traditional fixed-unit, fixed-date/week style, meaning owners returned to the same unit during the same time period every year.

Fast forward to 2019. Now TRI West is helping sellers and buyers worldwide with luxury timeshares and fractionals developed and managed by major hotel brands, including Four Seasons, Marriott, and Ritz Carlton, with resale prices ranging from \$50,000 to \$300,000.

These fractional interests combine ownership types that include rotating reservation priorities, points or credits systems, and exchange programs with other properties, offering owners the option of customizing their own

usage patterns.

The story in between

In the 1980s and 1990s, a number of low- to medium-priced fractionals with four- to-12-week ownership shares sold for \$15,000 to \$20,000. These fractionals typically lacked the amenities and services that a hotel could provide. Many had predetermined usage schedules which limited owner flexibility.

During this time, the fractional resale market was tracking developer sales prices with resale prices 25 percent to 50 percent below developer prices.

In the late 1990s and early 2000s, the demand for upscale fractional accommodations was steadily growing. We wanted to be one of the first resale and rental brokers specifically to address this marketplace.

With that goal in mind, in 2003 TRI West opened a "Vacation Home Alternatives" resale and rental specialty department for upscale fractionals. Upscale fractionals had many names—including residence clubs, private retreats, and exclusive resorts—but the common thread

was luxury residence accommodations with hotel-style amenities in some of the top resort locations around the world.

By 2003 over 60 medium- to high-end fractional resorts existed in North America with developer prices ranging from \$100,000 to \$500,000 for a four-week share. We felt that upscale fractionals would play an important part in our overall approach to provide our clients with a diversified portfolio of timeshare properties.

Four Seasons resales

In 2003, Four Seasons Residence Clubs Aviara in North San Diego, CA, and Scottsdale at Troon North in Scottsdale, AZ, selected two established California timeshare resale companies familiar with high-end timesharing as Preferred Brokers for the resale of intervals at both resorts. TRI West was one of those brokers. Resale prices were listed at 20 percent below developer prices.

These upscale properties were designed to meet the needs of clients who wanted the extra time and a true resort experience, and could afford the addi-



Four Seasons Resort Costa Rica at Peninsula Papagayo.

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tional amenities that Four Seasons ownership could provide. This is the buyer profile we look for in our Four Seasons Residence Club transactions. In addition to luxury and upscale value, fractional buyers are also looking for flexibility.

While many fractional properties are sold as multi-week packages, the Four Seasons Residence Clubs Aviara and Scottsdale at Troon North offer owners a level of flexibility that is unique in the fractional industry.

These properties may be purchased as individual weeks, which allows owners to mix and match unit sizes and seasons, and to vary their usage patterns from year to year. Owners can design their own fractional, customizing ownership to meet their personal needs and travel patterns, and upsizing or downsizing as their lifestyles change.

We have found that fractional ownership fits in the middle between traditional timeshare weeks and whole-ownership vacation or second homes.

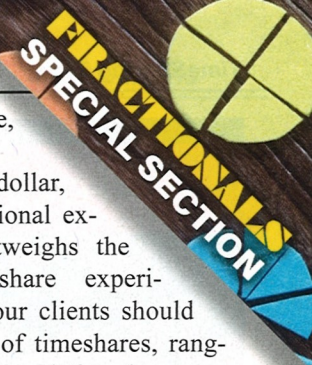
Over time, many owners move

between different types of ownership. Some upgrade from one or two weeks to a larger fractional interest. Some downsize from second or vacation homes, which require extensive attention and upkeep, to managed turnkey fractional ownership with full resort amenities. Still others sell their fractional properties and purchase whole-ownership homes nearby because they like the community they've come to know.

The recession's impact

Fractional developers' annual sales volume increased by 50 percent—from \$1.544 billion to \$2.300 billion—from 2004 to 2007, and more brand-name fractionals were coming online internationally. Then, due to the effect of the economic recession, the period from 2008 through 2012 was a quiet time for both developers and resale companies

Developer sales of traditional timeshares, including a variety of points programs, began to rebound in 2012 through 2018, but developer fractional sales



dropped and stayed flat at around \$500 million in annual sales volume.

Also during this period, the fractional resale market began to stabilize. Now most Four Seasons Residence Clubs are in the resale phase. They include Four Seasons Residence Clubs Aviara (CA), Scottsdale at Troon North (AZ), Jackson Hole (WY), Vail (CO), Punta Mita (MX), and Costa Rica.

The advent of the fractional rental market, and the potential of rental income for owners, contributed further to the stabilization of the resale market. The rental process was assisted through websites such as VRBO, which opened access to fractional and luxury-level rentals to a wider market.

While the prospect of rental income did not immediately raise resale values, it did take the pressure off sellers. By offsetting a portion of maintenance fees through rental, owners could retain their ownership and still use part of their time. It also gave prospective buyers a comfort level and incentive to purchase. As a result, resale prices stabilized and more sales transactions were completed.

Looking forward

As the fractional market expands, a wider variety of owner needs are being addressed. One of the greatest is owners' interest in flexibility, with the option to access not just one, but a selection of upscale destinations. This can occur within a certain resort group and also includes high-end external exchange options.

For example, several properties within the Four Seasons Residence Club group offer owners a priority rotating system of reservations at their home resort, while also offering, through a credits (i.e., points) network, access to other Four Seasons fractional properties and the ability to use villas of different sizes.

TRI West is the exclusive authorized broker for both Four Seasons Residence Clubs Aviara and Scottsdale at Troon North, and specializes in all Four Seasons fractional properties.

TRI West is actively selling remaining developer inventory at the Four Seasons Residence Club Costa Rica and resales at the Four Seasons Residence Clubs in Aviara, Jackson Hole, Punta

Mita, Scottsdale, and Vail.

Dollar for dollar, the upscale fractional experience far outweighs the traditional timeshare experience. We think our clients should have a portfolio of timeshares, ranging from a traditional timeshare to an upscale fractional.

Mario Collura is president and broker at TRI West Timeshare (www.triwest-timeshare.com) in Oceanside, CA. In addition to working with individual buyers and sellers, TRI West offers transition and acquisition programs for owners' associations and resorts. For more information, contact him at 800-423-6377 or 310-823-7552, email triwest@att.net.



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