

## Condominium and Fractional Ownership Tools

Recent changes in the residential real estate market have generated significant media concerning the oversupply of condominiums. Regrettably, this media attention has resulted in a negative view of the condominium form of ownership, in general, and has impacted sales of non-residential units and other types of fractional ownership interests.

This media effect has made some developers gun shy in using the tools provided in the condominium regime or in other fractional ownership interests. There are several areas in which these tools are not only still viable, despite the current market, but may be used to solve problems with existing projects.

An example of this is the use of a land condominium regime to solve the cost and delays of having to plat and subdivide property in many jurisdictions in Florida. Instead of creating out parcels in a shopping center, the shopping center would be submitted to condominium ownership, with each “parcel owner” acquiring their own land unit. The added expense associated with formation of a land condominium, when compared to the more typical cross-easement agreements, is minimal and the

burden of complying with the applicable requirements of the Condominium Act is manageable.

Another example on the residential side has grown with the advent of private resort clubs (PRCS). While the form of PRCS may vary, in most cases, the resort members receive either a fractional interest in a luxury condominium unit (or house, Ferrari, or boat for that matter), whether directly in the unit or in a trust that owns the unit or the club. With the availability of luxury condominium units and homes on the market, there is the opportunity to “fractionalize” the interests and sell units that might not otherwise be sold.

While sales of commercial condominium units, whether retail or office, have been impacted by the negative press, the push to lower interest rates should garner second looks for this product type, if properly priced. While the commercial market remains relatively strong, the reconfiguration of residential condominium projects to mixed use projects can provide a route to stability until the market rebounds.



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