

Fractional Home Conversion

A Summary Guide for Sellers¹

¹ This summary guide is based on the book: Vacation Home Fractional Conversion: A Complete Guide for Home Sellers, Builders and Real Estate Professionals (ISBN: 978-09816427-0-3). This ebook is meant as an introductory text. To get a \$10 credit from your purchase of this guide toward the full Vacation Home Fractional Conversion guide, see the last section of this ebook for a link and coupon code.

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P R E F A C E

LET'S TALK ABOUT YOU

Before we do anything else, let's talk about you. Let's talk about where you are right now. Let's talk about the time and money you've invested in your home and the returns you're getting.

As a home owner looking to sell, you invested time and money to purchase, maintain and upgrade your home, building a valuable asset. Faced with the need or desire to liquidate that asset, you realize that the market is soft, your asset has depreciated dramatically and there are few qualified buyers who are willing or able to commit to a sale. You are wrestling with a very difficult decision: if you needed the money your home was once worth, you won't get it. If you sell now, you'll never get the chance to recoup your loss.

CURRENT TRENDS

Current statistics taken from the National Association of Realtors tells us that the broad real estate market is in a general decline: sales have fallen nearly 21% over the past two years alone – and there is no relief in sight.

This means that, for all the reasons you might care to name, the old model isn't working the way it once did. It means that, like it or not, you have two choices: You can cut your losses or you can become an expert who profits from the new model and enjoys record growth and success.

A SURE SIGN OF MADNESS

Someone once said that a sure sign of madness was to keep doing the same thing and expect different results. If you've bought and sold houses in the past and you've enjoyed success, we congratulate you. If you're hanging onto those past successes in the hope that they will support you as today's market continues to erode, we need to talk.

THE SOLUTION IS CLEAR – THE ANSWER IS HERE

The fact is, the driving forces that contributed to your past successes have changed. Some analysts are saying they've changed for good. Whether or not that is true, you know that the industry is at a crossroads. If you want to survive and thrive in today's economy, you're going to have to apply niche market thinking and adopt a model that works in today's market. You're going to have to educate yourself and upgrade your skills.

FRACTIONAL CONVERSION – WHAT'S IT ALL ABOUT?

Question: In today's down market, how do you create a unique opportunity for prospective home buyers that enables them to buy in spite of their challenges and sets you apart from traditional sellers?"

Answer: The answer is fractional conversion – transforming the single ownership model to shared ownership, providing buyers and sellers alike with a new and better paradigm for vacation home ownership.

When people look at vacation home investment, the issue they wrestle with is not whether they deserve it, want it or need it. The question they have difficulty answering is: *Why pay full price for a place that sits vacant most of the year?*

If you, as a home seller, could offer your buyers a chance to limit their costs, pay for their usage and maintain deeded ownership and appreciation potential, wouldn't that be a more desirable scenario? Wouldn't that represent a better option to them – not just for economic reasons, but for status, comfort and peace of mind as well?

Fractional ownership is catching on. Each year, more and more buyers are finding that the economics of shared ownership are hard to resist. This growing trend is driving up the demand for fractionals in every corner of the world, even while the rest of the housing market cools.

FRACTIONAL CONVERSION – WHAT DOES IT MEAN TO YOU?

How you decide to capitalize on the coming trend in fractional ownership is up to you. What is essential to grasp at this time is that a solid education in this rapidly growing industry is key to your future success. Knowledge is power and it is this power that will allow you to create value for others. When you do this, your return on your investment is a thousand-fold higher than its cost you.

“There is no security on this earth, there is only opportunity.”
General Douglas MacArthur (1880 - 1964)

INTRODUCTION

For anyone eager to get into a growth market, fractional ownership of vacation homes is clearly the breaking wave. Research study group Ragatz Associates confirms that the current down market has had no impact on the fractional industry, which has enjoyed a greater than 50% increase from only three years ago, numbers that illustrate the universal appeal and resiliency of this industry, especially in a down market.

Our focus with this guide is to introduce you to the largely untapped market of individual, stand-alone fractional homes and the incredible opportunity they offer to anyone who recognizes that interest in these types of fractionals is going to increase exponentially.

Ragatz suggests that we are looking at the tip of the iceberg today. That with a current penetration rate sitting at just 1.5%, fully 75% of the market has yet to be tapped. ³ This statistic is HUGE. It means that the opportunity in this market represents TENS of BILLIONS in sales over the next decade as people warm to the concept of shared ownership. Even if sales stay relatively constant – at the current \$1.7 billion annually – the total comes to \$17 billion in new sales in the fractional ownership industry over the next ten years.

The questions you're asking right now are...

- 1. Who are these buyers?*
- 2. What's driving this growth in fractionals?*
- 3. How can someone capitalize on this trend?*

Let's take a look at the answers...

1. Who are these buyers?

The trend is being propelled by buyers (mainly baby boomers) who are looking for better ways to buy and own vacation real estate. The demand is growing thanks to the early adopters. As they start spreading the word, mainstream buyers will jump in. We've seen this with past trends driven by the Boomers as the generation matured. Think back to...

- Housing Starts
- Baby Food
- New Schools
- Mini Vans
- Fitness clothing and gyms
- Communications Technology

And most recently...

- Anti-aging Campaigns

At the turn of this century, the first wave of Boomers turned sixty and began thinking about their retirement years. A primary focus was to maximize their ability to support a luxury lifestyle in vacation destinations here at home and around the world.

The Boomers won't be running out of money any time soon. As the generation that raised them passes, an estimated multi-trillion dollar wealth transfer will keep the party going for the Boomers for the next three decades at least, as individuals in their forties, fifties and sixties continue to invest in lifestyle purchases: cars, clothing, dining, travel and vacation real estate.

2. What's driving this growth in fractionals?

According the National Association of Realtors (NAR), the average vacation

home buyer spends less than 2 months per year in vacation homes that cost, on average, \$300,000! Furthermore, fewer than one quarter of these owners rent out their vacation homes when they aren't using them.

As the huge Boomer population drives the trend, resort and vacation real estate is appreciating rapidly and will continue to do so, despite the current down turn in traditional markets. For many people just entering their retirement years, this means they are finding themselves priced out of their favorite vacation spots. Do they want to find ways to circumvent this dilemma? You bet they do!

This trend has appeal for Gen X, Gen Y and Echo Boomers as well. Thanks to today's technology, vacation living is not just for retired people any more. People can stay connected no matter where they reside, which means that they can travel to remote areas of the world and stay in touch with the office. What better way to run your business than from a getaway destination that you actually own?

3. How can someone capitalize on this trend?

Though the model was created by big developers with high-end resorts, it is equally workable for small developers, individual home sellers and real estate agents looking for a way to join the party.

They're coming to the table with vacant spec homes in a vacation area; they're bringing vacation homes that they'd love to be able to sell three quarters of; they're agents looking for new options to take to their current clients; and they're prospective buyers looking for more details on "fractional ownership".

The bottom line:

People are drawn to the fractional ownership concept because they want to have their cake and eat it too, at a price that makes sense to them. What it means to you is that this is your chance to catch the breaking wave.

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