TRENDS IN FRACTIONAL REAL ESTATE 2009

Europe

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1. EXECUTIVE SUMMARY

Developers, planners, architects, and others working in the resort development industry are faced with the most challenging environment in generations in light of the recent turmoil in the financial markets. Opportunities still exist for well-funded developers not reliant on credit markets and the survivors in the resort industry will be those who successfully invent entirely new business models to cater to changing and developing consumer demands and trends. The fractional industry has only recently entered the European market and many developers unable to sell whole-ownership units in appealing destinations are increasingly looking at fractional opportunities to generate sales.

The fractional real estate market is thought to be less affected by the credit crunch due to the following reasons:

- Many purchasers of fractional ownership are cash buyers and are therefore not dependent on obtaining a mortgage. If they do need to raise mortgage finance against their primary home, they are most likely to fall into the category of consumers which banks are still willing to lend to (high value in home and a sound credit rating).
- Trends in the past have illustrated that the people purchasing fractional ownership are not principally motivated by investment factors. It is predominantly sought as a lifestyle investment.
- A traditional second home purchase exposes the purchaser to the full purchase price, all the annual upkeep and maintenance costs and potentially long periods in which the property will remain unused. These are negatives aspects under the current market conditions.
- Under the current market conditions, trends have shown purchasers to be more cautious when considering an overseas property purchase. Whilst there are still undoubtedly strong levels of desire in the market, purchasers are now considering the purchase costs of the property with the furniture and annual running costs and comparing that to the usage and rental incomes they are likely to have. Many are deciding that that these costs are not acceptable which has resulted in a proportion opting not to buy whole ownership.
- Travel to destinations closer to home, including domestic travel is expected to be favoured against long-haul travel (UNWTO, 2009).
- Despite stagnant inbound growth to Europe in the latter half of 2008, 80% of Europeans claim that they will travel at least as much as before, despite the credit crunch (UNWTO, 2009).
- Market penetration is still small and the negative effects of the current credit crisis can be offset by the rapidly increasing expansion and acceptance of the fractional concept.

The report covers the current fractional real estate supply in Europe, and further recent additions to the market include:

- The Registry Collection® programme, the world's largest luxury exchange provider has recently increased its portfolio in Europe, adding new properties in France.
- Abercrombie & Kent, a luxury tour operator based in Illinois plans to buy properties in Paris.
- Timbers Resorts is expanding its branded properties in Europe.
- Salvatore Ferragamo is branding other hotels and PRC's in addition to its portfolio in Tuscany.
- Taylor Woodrow recently launched two developments in Spain.

- Caribbean Residence Club has recently launched the Italian Residence Club with an 18 hole championship signature golf course.
- David Lloyd Resorts of Britain have several projects in the pipeline.
- GrupoPinar in Spain and The Oceânico Group of Ireland are also planning to expand their portfolio.

Primary research was undertaken on high end affluent travellers' and second home buyers' attitude to the fractional real estate concept and are summarised as follows:

- A substantial 49% claim that their travel patterns will remain the same; with 9% indicating that they will travel more; 35% indicating that they will travel less; and 7% not travelling at all.
- Wealthy consumers generally prefer to invest in prime locations over areas in emerging markets.
- When given information on the fractional product, approximately 38% of the sample indicated that staying in an owned fractional residence over a rented apartment or condo (36%) or hotel (26%) would suit their lifestyle more over the forthcoming years.
- Approximately 66% of the sample confirmed that they would use a fractional residence for themselves and 34% confirmed that they would rent it out to others. This falls in our contentions that the product should ideally be marketed as a lifestyle investment for a consumer.
- A significant 33% are inclined towards likely, whilst 13% cited very likely when questioned if they were likely to purchase a fractional residence in the next forthcoming years.
- The most popular destinations for visiting and hence potential for fractional developments are in Italy, followed closely by France. Portugal is also popular, followed closely by the UK, Turkey and Spain.
- Currently, financial reasons (24%) are the most common reason for not investing in a fractional residence at this present time. This is expected given the current uncertainty in the market. The next most common reason is unfamiliarity with the business model (21%) followed by a lack of availability in desired location (17%). These respectively present opportunities for fractional developers in Europe as both can be overcome. 13% cited that the legal structure was a barrier, 9% did not like the idea of sharing a home, 9% cited reputation as a reason, and 7% expressed a lack of interest in the product.

Looking in more detail to the potential for fractional ownership in Europe, the buying purchase behaviour of Europeans is vastly different to Americans. With no prior research conducted on the European fractional buyer, NorthCourse undertook further primary research and the report covers a Fractional Real Estate Buyer profile for Europe as well as highlighting further important characteristics and trends.

Over the next five years, NorthCourse contends that there will be substantial growth in the fractional industry, on a global basis and in Europe. Despite the current economic situation, not everyone will give up their lifestyle. There is vast potential for many of those people who would have otherwise purchased a wholly-owned vacation home, to turn to the alternative vacation home market, and fractional real estate can be a lucrative offer for themselves and their lifestyle. Many investors are also looking beyond the mainstream property sectors and alternative asset classes which have a more bond like cash flow will remain very attractive from a protective point of view. Astute spenders, who do not want the demands of a second home, therefore have the option to invest in a fractional real estate product and maintain their lifestyle at a fraction of the cost.

The findings of this report were discussed and distributed at Fractional Summit 2009, 23-24 April, London

2. INTRODUCTION

2.1 Objectives of Report

The fractional real estate concept is at the cutting edge of the resort real estate industry and offers many rational benefits to today's consumers, developers and operators of upscale resort property. Fractional ownership is at various stages of development in different parts of the world. The trend and success in the Americas for alternative vacation accommodation types has been attributed to a lifestyle purchase; the search for a more personalised and unique experience tailored to the consumer. The pioneer of success of the fractional market in the Americas has resulted in an increasing number of developers around the world looking to fractionals as a way to secure sales in an uncertain future.

There are two fields of notion; a belief that this sector is in decline; and a belief that this sector stands strong above all other forms of real estate, as consumers turn to these convenient and cost-effective options instead of committing to the responsibility and cost of a whole ownership second-home. In January 2009, NorthCourse and Fractional Life commissioned a study to better understand the potential of the fractional interest industry in Europe with the aim of assessing if there is a sizeable demand for the product. This report therefore provides a clear understanding of the fractional concept, market dynamics and psychographic trends, and emerging trends of fractional resort products in Europe.

2.2 Approach and Methodology

Data and information were gathered by the following techniques:

- Primary market research was undertaken to establish the supply of fractional real estate products across Europe.
- Desk top research and secondary source publications on tourism trends, psychographic and lifestyle trends, second home ownership trends and supply and demand in the fractional market in Europe.
- Primary market research was undertaken by NorthCourse on 1) high end luxury travellers and 2) second home buyers in Europe. NorthCourse used convenience sampling for n= 50 per market and targeted eight European markets.
- Primary market research was undertaken on the motives behind fractional buyers in the European marketplace via a survey including closed and open ended questions and ratings on a Likert scale. NorthCourse used convenience sampling for (n=100) and this primarily assessed psychological considerations, attributes considered when purchasing, preferred destinations, preferred amenities as well as a generic list of demographic questions to conclude with a Fractional buyer profile for Europe.

FRACTIONAL REAL ESTATE OVERVIEW

3. FRACTIONAL REAL ESTATE OVERVIEW

3.1 Introduction

An increase in preference for value and personalization has opened the doors for the shared ownership market allowing guests to share the options in exchanging shared ownership allotments around the world. The shared ownership concept refers to vacation accommodation and lifestyle products developed for medium to high-net-worth consumers. In response to growing demand for this, the resort industry has undergone substantial changes in the last decade to broaden the market, and new products have been devised to better respond to peoples' needs and affordability.

Shared ownership can be categorized into five different types that respond to different purchase motivations to varying degrees:

Project Type	Buyer Motivation	Typical Fraction Size	Predominant Product Type	Ownership
Timeshare	One or Two Week Annual Vacation	One or Two Weeks, or Points	1 and 2 Bedroom Condos	Typically a Deeded Interest or Right to Use
Fractional Condo Hotel	Rental/Investment	Up to 30 Days	1 and 2 Bedroom Suites and Studio Hotel Rooms	Deeded Interest
Traditional Fractionals	Rental Income and Second Home	1/4th to 1/8th	Mid-Size 1,2 and 3 Bedroom Condos	Deeded Interest
Private Residence Club (PRC)	Second Home	1/6th to 1/12th	Spacious 3 and 4 Bedroom Condos and Single Family Homes	Deeded Interest
Non-Equity Destination Clubs	Luxury Vacation Time in Multiple Locations	30 to 60 Days per Year	Large Luxurious 3 and 4 Bedroom Condos and Single Family Homes	Right to Use

Source: NorthCourse, 2009

One of the most creative advancements has been the introduction of fractional real estate, a growth segment in shared ownership. Fractional purchases are correlative to lifestyle interests and fractional ownership distinguishes itself as a high-end real estate product for a very specific demographic set.

The notion was introduced in the United States in the early 1990s as a lucrative alternative to buying and maintaining a high-end holiday home which would possibly have the usage of only a few weeks out of the year. Vacation homebuyers have, for decades, split ownership and use of second homes to defray costs for vacation properties that are often used infrequently. Historically, the one-quarter fractional has been the time-tested resort product and has sold successfully for many years to unrelated parties. In these developments, however, services, project amenities, and management are often minimal, particularly at the lower and mid-range of the market. This fraction is most compared to the timeshare concept.

Fractional ownership is rapidly growing in popularity as an alternative to full ownership of vacation homes as consumers looking for a cost-effective alternative to hotels and vacation homes are discovering the benefits of owning a fraction of a second home. Furthermore, unlike two other cost-sharing models - timeshares and destination clubs - fractional ownership provides buyers with an equity stake in the property, which can be sold or transferred like wholly owned real estate. Fractional owners generally purchase their property with a deeded title which effectively means (subject to local laws) that they can mortgage, buy, sell or pass deeded property to others.

Fractionals serve two purposes and are a benefit to both the consumer and the developer. Firstly, they allow for affordability which gives the buyer an opportunity to purchase much higher quality real estate than what they ordinarily would. Buying a fractional is an actual purchase of the property itself. It serves, then as a real estate investment, not simply the purchase of "right-to-use". Secondly, fractionals broaden and diversify the market for the developer by creating new demand through better market price points which usually result in increased profitability when accurately conceived and executed. Thus, the members typically own the real estate and developers have the opportunity to gain profit from the initial sales.

The new fractional product is an upscale luxury home that often incorporates a private residential club (PRC) to appeal to the affluent buyer at the highest end of the household income scale at the highest end of the fractional industry. There are also other new mid-priced fractional products being developed that are designed and priced to appeal to upper middle-income households.

3.2 Private Residence Clubs

The newest type of fractional is the Private Residence Club (PRC). A PRC is designed to target and penetrate the same market that would normally purchase, or aspire to purchase, a wholly owned second home. The buyer perceives they are making a real estate purchase and buying a second home. By sharing the ownership the buyer is purchasing only what they need and can use, at a fraction of the price of whole ownership.

With respect to household income, there are two markets. The first is the affluent market that can afford whole ownership of an equivalent million dollar home, but finds it impractical because of the limited time they have to use the home and the angst generated from having capital tied up in a relatively underutilized asset.

The second market is a less affluent household that cannot afford whole ownership of a home that has the square footage, quality, and location of the homes proposed for the subject property. However, they can afford to purchase a fractional share in this home and the usage program provides them with adequate time to enjoy and experience a second home that is far beyond their expectations and the quality of what they otherwise could afford. PRC's communicate exclusivity and a sense of belonging. Property management is provided so people can relax while vacationing. The experience is similar to staying in a luxury hotel suite, except the member is an owner and pays annual homeowner association dues instead of renting by the night.

The purchase is typically emotional and is based on the luxurious lifestyle they envision while in residence. A PRC can allow the developer to broaden the market by selling a million dollar plus home at a substantially reduced price point and therefore create value and affordability. On the average, most second home owners only use their vacation home three to four weeks per year, so shared ownership of a luxury home is far more practical for households who are not retired.

3.3 Traditional Fractions



The second type of fractional is a home that is sold mostly in quarter shares, although it is not uncommon to offer one quarter to one eighth shares. With 1/4th or 1/8th shares, typically the owner receives 12 or 6 weeks of use per year respectively. The owner either uses all or a portion of his weeks or places unused weeks in a managed rental pool. The operator splits the income and the owner then realizes an annual return on his investment that helps to defer ownership costs. Thus, the motivation to buy this type of product is both enjoyment and investment.

Statistics show that the market for homes with rental income potential is nearly twice the size of the market for vacation homes that are seldom rented. As expected, the typical buyer is at least partially motivated by investment and rental income; and may be younger and less affluent than the luxury whole ownership second home buyer. The typical usage plan for a quarter share is to give every owner one week per month on a fixed rotating calendar that shows the weeks of use for the next ten years. The owners then have the option of using any of these weeks, gifting them, or placing them in a managed rental pool when not in use. Most owners choose to use the rental pool and rental income is split between the owner and the property managers.

3.4 Product Summary

- Fractional real estate ownership refers to the legal sharing of a property with multiple owners. The property title is generally divided in a manner such that each owner has an individual free hold title. This title can then (subject to local laws) be mortgaged or sold without affecting or needing approval from other owners. Frequently, however, owners of the fractional unit are given first refusal on a resale.
- Fractions range from one-quarter share -- which equals three months of annual use -- to a 20th share -- which translates to two week's usage every year. Owners are responsible for annual maintenance fees and property expenses.
- Fractional property can be purchased almost anywhere in the world and it has become quite prominent in resort destinations. Most often, fractional ownership is usually found in resort properties that have a professional management company in place that will operate as a hotel or resort, with maid service, concierge, room service and a large amenities area.
- In fractional ownership the developer is responsible for finding the other fractional owners who will split the costs and the usage equally and supply each owner with an individual title or real right in the property.
- Similar to a whole ownership home, fractional real estate can be sold by the owner or through a licensed realtor, making the process simple and hassle free.
- Owners can rent out time slots if they don't want to use the property themselves. Fractional owners can elect to participate in the resorts' rental pool. This allows the owner to benefit from revenue while their unit is not in personal use and revenues are allocated on a nightly basis.
- Owners can exchange to other properties around the world through a fractional exchange programme such as The Registry Collection® programme.

3.5 Fractional Ownership Opportunities

Consumer Opportunities	Developer Opportunities	Investor Opportunities
• Potential asset appreciation through freehold ownership • Properties are larger, more exclusive and more luxurious than traditional timeshare • Benefiting from a professionally managed home and resort • An affordable, manageable alternative to outright ownership • Generating income from rental and resale • By owning a fraction of the equity a buyer is only committed to paying the same proportion of the annual costs. • The owner can have the freedom to experience luxury holidays around the world by exchanging their property	• Mitigates risk in a mixed use environment. • Access to an untapped market • Provides the viable profit option to outright sales; a market that may well remain difficult for some time • Fractional ownership is a sales tool allowing developers to offer their properties fully furnished, fully managed, on title, without the downtime at ¼ of a fraction of a traditional sale • Aides in creating higher occupancy all year round. • Provides the opportunity for higher revenues through rental and resort management service • Marketing costs for fractionals are proportionally lower than traditional timeshare • Higher overall ROI • Partnering with an exchange company offers an added advantage at point of sale	• Lower entry levels to investment • Often out performs market averages. Buying a quarter of a larger and or better located property is likely to lead to greater appreciation than outright purchase for a similar level of investment • Increased liquidity as the sale of fractions in a quality resort is often easier due to buoyant re-sales driven by a developer's sales team • Greater diversification within one asset class by investing in different resorts, with different developers, in different markets • An option is available to buy all four shares of a quarter share property and sell each fraction when the timing is optimal

Benefits of Fractional Ownership

- Efficient Usage: Since most purchasers only plan on using a particular property for a fraction of the time, such as during summer holidays, this reduction in cost allows efficient use and hassle free ownership.
- Equity Appreciation: Similar to whole ownership, the owner fully benefits from any increase in equity appreciation.
- Investment Diversification: An additional benefit to fractional ownership is that its fractional cost gives an investor the financial flexibility to diversify their investment portfolio over different markets.

Why Fractionals?

- Lower entry price point for the buyers
- The buyer purchases the time they have to use
- Provides access to a higher quality product
- Higher development profitability
- High average occupancy
- Fractional resorts report an annual occupancy of 70%

3.6 The European Legal Approach to Fractional and Shared Real Property

A short overview of the European Legal position for fractional real estate is set out below. The most appropriate legal structure must be considered in each case in light of the relevant local laws governing property ownership and security arrangements. The reader will appreciate that specific legal advice should be taken in relation to each project being contemplated. There are various legal aspects to consider for any fractional project: including:

- Country specific real property legislation
- Planning (zoning) laws
- General consumer protection regulation
- The potential application of financial services and investment rules
- Legislation specific to fractions (particularly the application of the Timeshare Regulations)
- Taxation treatment (direct and indirect tax) as it applies to the project, the promoter and purchasers

3.7 Country Specific Real Property Legislation

The first aspect to consider on any fractional project must be the applicable local law and regulation where the real estate is situated. In that consideration exercise, you will need to consider whether it is legally possible to provide a direct real estate title to each fractional owner or whether it is necessary to create a structure whereby individual fractional owners participate in a legal entity which holds or controls the underlying legal ownership of the real estate.

3.7.1 Planning (zoning)

It is essential to ensure that the chosen shared use format is in compliance with the planning regulations that apply to the specific location.

3.7.2 General Consumer Protection

In promoting fractional ownership, there are various aspects of general consumer protection which should not be overlooked such as:

- Data protection (privacy) legislation
- Regulation regarding the provision of consumer finance
- Protections in respect of unfair contract terms
- Rules on distance selling
- Advertising and marketing regulations

3.7.3 Potential Application of Financial Services and Investment Rules

There are rules and legislation which apply to the promotion and sale of investment and financial products which need to be carefully looked at in the context of structures for fractional ownership. This aspect is often overlooked as promoters seek to emphasize the potential returns and position the fractional offers as an investment. The consequences of failing to properly address these aspects are severe.

3.7.4 Specific Legislation

Across the European Union, legislation has been implemented which applies to the promotion and sale of timeshare. The European timeshare legislation with its requirements applies to the provision of information, for fractional offerings in Europe. Furthermore, a cooling off (recession) period and prohibition on deposits (advance payments) applies to fractional offerings in Europe. The European Union has enacted a Second Timeshare Directive which is to be implemented across the EU for February 2011:

The 2008 Directive sets out four types of contracts:

- Timeshare Contracts: being contracts with duration of one year or more pursuant to which a consumer acquires the right to use one or more overnight accommodation for more than one period of occupation.

- Long-term Holiday Product Contracts: being contracts with duration of one year or more pursuant to which a consumer acquires the right to obtain discounts or other benefits in respect of accommodation, in isolation or together with travel or other services. Payments for long-term holiday products must be on a staggered payment basis with equal annual instalments. After the second instalment the consumer has the right to terminate the contract without incurring any penalty.

- Resale Contracts: being contracts pursuant to which a trader assists a consumer to sell or buy a timeshare or long-term holiday product.

- Exchange Contracts: being contracts pursuant to which a consumer joins an exchange system which allows that consumer access to overnight accommodation or other services in exchange for granting to other persons temporary access to the benefits of the rights deriving from that person's timeshare contract.

While the existing provisions relating to business-to-consumer commercial practices continue to apply to contracts covered by the 2008 Directive, it was considered appropriate to adopt specific provisions in relation to the contracts covered by the 2008 Directive to improve consumer protection.

The 2008 Directive adopts detailed provisions regarding information requirements, both at the pre-contractual and contractual stage, which are to be provided in written durable form in the language of the consumer's Member State or a language of the consumer's choice. These requirements seek to provide consumers with the opportunity to fully understand their rights and obligations under the contract. The pre-contractual information to be provided includes information about the rights to be acquired, information on the properties, information about accommodation under construction, information on costs, and information on termination of the contract. The form of the contract and the information to be included is set out in the 2008 Directive and includes the identity, place of residence and signature of each of the parties and the date and place of conclusion of the contract as well as incorporating the pre-contractual information.

The 2008 Directive extends the period of withdrawal to 14 calendar days during which consumers may withdraw from the contract without justification or cost and sets out that in the event of a consumer withdrawing from the contract all ancillary agreements (including exchange contracts and related credit agreements) will terminate automatically and introduces a ban on advance payments before the end of the withdrawal period (or the date of sale in relation to resale contracts). The period for withdrawal will be extended to three months and 14 calendar days if the requisite information is not contained in the contract and if the standard form of withdrawal is not included in the contract the withdrawal period will be extended to one year and 14 calendar days.

The 2008 Directive sets out provisions relating to the advertising of timeshare, long-term holiday product, and resale and exchange contacts. In particular, the advertisements must indicate that the pre-contractual information is available and where it may be obtained, the commercial purpose of an invitation to a promotion or sales event must be clearly indicated and timeshare and long-term holiday products must not be sold as investments.

The 2008 Directive repeals the 1994 Timeshare Directive in its entirety and must be adopted into national law by each Member State by 23 February 2011.

3.7.5 Taxation Treatment

In structuring a fractional product, it is important that the taxation treatment as it relates to both the promoter and the consumer are fully analyzed. That taxation treatment needs to take in account the indirect tax position as it relates to value added tax and transfer taxes on the sale of the fractions and over the lifetime of the fractional.

Source: Howard Kennedy Legal Firm

3.8 SWOT Analysis

STRENGTHS	WEAKNESSES
• Successful in areas where real estate supply is limited or where prices are exceptionally high. • Provides a rational alternative to whole ownership. • Appeals to a market segment that is not primarily driven by a financial return. • Reasonable brand penetration; gives credibility and creates consumer confidence. • Proven to be successful in areas associated with regional amenities e.g. mountains, lakes, sea. • Positive image • More exclusivity and status • More personalized services	• Existing market in Europe is in its infancy stage. • Lack of skilled personnel within the market place makes recruitment difficult and costly. • Regulatory environment is still being defined; an alignment of the legal structure is needed to solve the competing force phenomena.
OPPORTUNITIES	**THREATS**
• Changes in demographic and psychographic trends will have a positive impact for prospects in Europe. • Increasing consumer wealth in eastern and central Europe will create new source markets for fractionals. • New emerging European markets with low development costs. • Low cost carriers can act as a catalyst.	• Lack of consumer acceptance of the product in some European markets. • A low market entry price for real estate erodes purchase rationale. • Consumer preference for whole ownership products in Europe. • Relative lack of European big brands to enter, define and shape the industry. • Resale market will be a major defining factor in the success of this industry.

FRACTIONAL REAL ESTATE IN EUROPE

4. FRACTIONAL REAL ESTATE IN EUROPE

4.1 Current Supply in Europe

The fractional market has only recently entered the European market having established itself in America in the early nineties. The first few fractional products in Europe were developed at key holiday destinations/ markets such as Costa del Sol and Algarve. Although particularly successful with Americans the product was at its infancy stage in Europe and usage rights and arrangements were particularly inflexible.

Currently there are 90 fractional deeded products located across Europe in the form of Private Residence Clubs or fractional properties. The bulk of supply (85%) is located in England, France, Spain, Portugal, Italy, and Scotland. The established destinations include the Algarve, Tuscany, Paris and Florence. As no major study has been conducted since the product was introduced in Europe, no trend data relating to the growth in the market is available. However it is clear that the majority of supply entered the market over the last two to three years.

The table below presents the spread of fractional properties across Europe. 'Others' relates to fractional properties located in Austria, Germany, Greece, Ireland, Montenegro and Turkey.

Fractional Offerings by Country	
Bulgaria	**2%**
Cyprus	**2%**
England	**14%**
France	**18%**
Italy	**11%**
Portugal	**20%**
Scotland	**8%**
Spain	**14%**
Switzerland	**3%**
Others	**7%**

Source: NorthCourse Research, 2009

The list of fractional properties analysed for further inference and trends are presented below:

Property	Country	Property	Country
Castello di Casole	Italy	Oceanico Private Residence Club	Portugal
Aberlady Views	Scotland	Oyster Circle	Ireland
Aquapura Douro Valley	Portugal	Palazzo Tornabouni	Italy
Auchterarder	Scotland	Palheiro Village	Portugal
Avenue Priere	France	Paris Residence Club, Paris Pied A Terre	France
Azuala	Portugal	Park House	Scotland
Barrasford & Bird, Halcyon Hills	Greece	Parque da Floresta	Portugal
Belle Vue Du Chateau	France	Parque do Redondo	Portugal
Bom Sucesso	Portugal	Patrolus	Cyprus
Borgo di Colleoli	Italy	Penhaven Cottages	England
Borgo di Vagli, Tuscany, Italy	Italy	Pestana Resorts	Portugal
Calanova Grand Golf	Spain	Pine Cliffs	Portugal
Capricorn Villas	Italy	Polaris World	Spain
Casa Naranja	Spain	Prada Biala	Switzerland
Chateaux Chaalis	France	Private Residence Club	Switzerland
Clarence House	England	Property Options	Spain
Collogna della via	Italy	Quarter Share, Groupe Royal Polmen	France
Costa del Sol	Spain	Quinta da Aldeia	Portugal
De Vere Cameron House	Scotland	Quinta da Flortaleza	Portugal
Exclusive Resorts	Italy	Quinta da São Roque	Portugal
Exclusive Resorts	France	Quinta do Moninho	Portugal
Exclusive Resorts Bovey Castle	England	Quintess George V Paris	France
Four Seasons	Scotland	Regency Club	France
French Heritage	France	Residence Jardin Luxembourg	France
Gratis Golfer	Austria	Rocksure Property	Portugal
Hideaways Club	England	Rue de l'Université, Saint Germain des Près	France
Horizon Sky Bodrum	Turkey	Rue Malher, Paris Marais	France
Kingfisher Apartments	England	Sanference	Montenegro
La Passionata	Italy	Santa Cristina	Spain
La Varzea Polo	Portugal	Solandalusi	Spain
Living Quarters, Newquay	England	St Andrews Grand	Scotland
Loch Lomond Waterfront	Scotland	St Germain	France
M Private Residences, The Views	France	Stepping Stones, Oceanico Developments	Portugal
Malketo Selo	Bulgaria	Sunvesta	Germany
Meltemi Residences	Turkey	Taylor Woodrow, Costa Blanca	Spain
Miraflores	Spain	Taylor Woodrow, Costa Del Sol	Spain
Moores Yard	England	The Beach Porth	England
Murcia	Spain	The Cliff	Bulgaria
North Cyprus Luxury Home	Cyprus	The View Salema Beach	Portugal
Nortre Maison dans Toulouges	France	The View 2	Portugal

Source: NorthCourse Research, 2009

FRACTIONAL REAL ESTATE IN EUROPE

Fractional offerings are split between the traditional fractional offering and Private Residence Clubs ('PRCs'). PRC's have only recently been introduced to the market and therefore currently only represent a quarter of the market of deeded fractional properties as seen in the table below.

Type	Percentage
Fractional	75%
Private Residence Club	25%

Source: NorthCourse Research, 2009

Recent trends in the industry demonstrate that developers in Europe are beginning to understand the benefits associated with fractional properties and are incorporating shared ownership products to their mix of inventory. Over 57% of all fractional properties were found to be located within a larger mix-use development. The split between PRC's and fractionals are further detailed below demonstrating a similar trend.

	PRC	Fractional
Mixed Use	69%	78%
Stand Alone Project	31%	22%

Source: NorthCourse Research, 2009

Fractional properties are easily incorporated within a real estate development; however PRC's tend to be more closely associated with high end hospitality offerings such as 5 star hotels. Other land uses for mixed use projects incorporating fractional properties in Europe are presented below.

Dominated Land Uses	PRC	Fractional
Whole Ownership, Townhouses, Villas	22%	52%
Hotel	31%	23%
Condo Hotel	12%	
Fractional	11%	
Mixed Use	24%	25%

Source: NorthCourse Research, 2009

4.1.1 Location and Amenities

The main amenity and/or physical attraction of European fractionals are presented in the table below. Fractionals and PRC's have been grouped together due to the similarity of their trends. Properties located near the beach and/ or golf course are the most popular with 60% of fractional properties associated with either of these amenities.

Main Amenity/ Attraction of the Location	
Beach	15%
Beach and other natural beauty e.g. mountains	10%
Beach and Golf	12%
Golf	23%
Ski	12%
Spa	8%
Urban *	18%
Woodland	2%

Source: NorthCourse Research, 2009

* Fractional properties in urban locations have recently been introduced and an increasing number of developers are aiming to incorporate major cities within their portfolios.

4.1.2 Unit Sizes

Typically PRC's are slightly larger than Traditional Fractionals in size and more significantly, offer higher end finishes with quality design and open plan layouts.

Unit Type	PRC (sq ft)	Traditional Fractional (sq ft)
One Bedroom	810	790
Two Bedroom	1,440	1,250
Three Bedroom	2,050	1,920
Four Bedroom +	2,750	2,630

Source: NorthCourse Research, 2009

4.1.3 Prices

Fractionals prices vary across Europe and are based on the following key criteria:

- Location (land value)
- Size of units
- Quality of product (fixtures and fittings)
- Share size
- Brand value
- Additional amenities and affiliations including exchange options

Due to varying prices offered for similar products across Europe, the range of prices for traditional fractional and PRC products are presented below based on the whole-ownership price. This is equivalent to the base share price multiplied by the number of owners. Some exceptional properties that are classified as ultra-luxury have not been included as they distort the overall trend.

Average Price per Sq Ft (€)	PRC	Traditional Fractional
One Bedroom	850	740
Two Bedroom	805	685
Three Bedroom	720	550
Four Bedroom +	680	410

Source: NorthCourse Research, 2009

From the sample analysed a 2 bedroom unit for a 1/10th share is priced at approximately €85,600 for traditional fractionals and €116,000 for Private Residence Clubs. In an attempt to reduce the entry point, developers are offering properties in larger number of fractions. PRC's tend to be priced higher due to their larger unit sizes, high end finishes, more exclusive locations and brand value. As the majority of PRC's are offered in larger unit sizes (typically between 3 and 4 bedrooms), the average price is approximately €170,000, and however prices vary significantly and are much higher at the most exclusive end of the market.

As with traditional real estate the price per square foot decreases with larger properties. This is because the majority of the unit cost is in the kitchen and bathrooms, and additional bedrooms reduce the average price per square foot.

4.1.4 Maintenance Fees

Maintenance fees of fractionals in Europe depend on the location and type of product offering however prices vary between <1% and 4% of the purchase value. Typical Home Ownership Association (HOA) fees range from €1,500 to €10,000 a year with traditional fractionals at the lower end of the market and PRC's at the higher end.

4.1.5 Base Share

Fractional properties across Europe vary significantly in their type of offering. The base share size of all properties have been analysed and presented below. 1/10th share is the most common offering for PRC's, whilst the average ownership is five to six weeks. Traditional fractional tend to offer larger shares up to 1/4th , however with the current trend of reducing pricing entry points several fractionals are offered in smaller even numbered shares (e.g. 10 or 12) which can be sold individually or in multiple shares to increase ownership.

Base Share Size	PRC	Fractional
4		25%
6		12%
8	8%	6%
9		2%
10	67%	16%
12	11%	29%
13	14%	8%
17		2%

Source: NorthCourse Research, 2009

4.1.6 Usage

As fractional products have developed globally, developers and operators have increasingly offered more flexibility in usage rights. An analysis of the market supply confirms that PRC's are more likely to offer more flexible arrangements than traditional fractional offerings as the purchase is more of a lifestyle decision. Open annual reservation systems offer greater flexibility of usage as the owner reserves an allotted number of guaranteed weeks use for the following calendar year.

Each project can differentiate itself by offering unique usage plans and the analysis uncovered several customised plans which incorporated one or more of the more traditional usage systems. The most popular customised plan incorporated a primary fixed usage period with a secondary rotating period

The majority of traditional fractionals offer a rotating usage calendar which is one of the simplest and fairest usage systems. Rotating usage calendars allow owners to know exactly which weeks are theirs far in advance, which makes participation in rental programs easier.

Usage Rights	Fractional	PRC
Rotating Calendar	45%	16%
Open Annual Reservations	5%	22%
Fixed Weeks Calendar	15%	
Primary Fixed, Secondary Rotating	20%	24%
Rotating priority/ Customised Plans	15%	40%

Source: NorthCourse Research, 2009

4.2 Current and Emerging Players

Economic conditions today are vastly different compared to last year and the real estate market has been at the forefront of the most impacted sectors by the downturn in the global economy. Many developers unable to sell whole-ownership units in appealing destinations are therefore looking at fractional opportunities to reduce pricing points and increase their target audience in order to generate sales.

The fractional market is predominantly comprised of non-branded, single site developments with the majority of projects to date on ocean front and golf course locations. Emergence of the luxury tier was driven by positive economic conditions in previous years and an increased focus on lifestyle and work/ leisure balance, targeted to the cash rich/time poor consumers who wish to ensure that available leisure time is spent in the optimum available environment. Due to this growing demand, brands such as the Timbers Company, Marriot. The Registry Collection® programme, Park Hotel Waldha, Four Seasons, Exclusive Resorts have recently established a presence in the fractional and PRC market in Europe.

The most important trend in the fractional industry is the entrance of established brands from the hospitality industry. Several hospitality companies such as Ritz-Carlton have already established PRC brands successfully in America and are looking to add more properties in Europe to their portfolios. Hospitality brands currently involved in or planning to enter the PRC and fractional market are extensive and include:

- Fairmont Resorts
- Ritz-Carlton
- Conrad Hilton
- Exclusive Resorts
- Raffles
- Banyan Tree
- Four Seasons

Recent players and additions to the fractional market in Europe include:

- The Registry Collection® programme, the world's largest luxury exchange provider has recently increased its portfolio in Europe, adding new properties in France.
- Abercrombie & Kent, a luxury tour operator based in Illinois plans to buy properties in Paris.
- Timbers Resorts is expanding its branded properties in Europe.
- Salvatore Ferragamo is branding other hotels and PRC's in addition to its portfolio in Tuscany.
- Taylor Woodrow recently launched two developments in Spain.
- Caribbean Residence Club has recently launched the Italian Residence Club with a 200 acre project in Cortona, Italy. The Manzano Golf Resort will include a 18 hole championship golf course designed by Gary Player.
- David Lloyd Resorts of Britain have several projects in the pipeline.
- GrupoPinar in Spain and The Oceânico Group of Ireland are also planning to expand their portfolio with new resorts.

4.3 Estimated Sales and Growth of the Market

Considering the relapse of the global economy few industries are expected to grow in the next few years. However, the fractional industry in Europe is a recent initiative and significant interest lies in the potential for developers and consumers alike.

Inexperienced developers in the hospitality industry are also looking at fractional products to increase sales of properties across Europe's tourism hot-spots as regular real estate sales grind to a halt. Fractionalising properties offer a feasible possibility to lower entry points and increasing customer flow at development resorts.

The main obstacle hindering the global economy is financing and this is an increasing concern for developers and consumers alike. However, as noted in our primary research in the latter stage of the report, the most cited reason for purpose of purchasing a fractional residence is for vacation purposes or a location of interest (32%) followed by a lifestyle choice (30%), hence there remains significant interest for the product from the consumers perspective irrespective of pricing. Furthermore, the typical fractional buyer earns in excess €150,000 per year. This indicates that buyers may not need significant financing to purchase a fractional property.

There is a two fold argument to the status of Fractional ownership in the current economic climate.

Negative Fractional Insight:

- Fractionals were thought to be insulated from the recession thanks to their appeal to affluent consumers. However with global credit markets collapsing, the shared ownership market in the United States has been affected having relied so heavily from mortgages sold as asset backed securities. Whilst consumer interest has remained relatively strong, developers have not been able to monetize consumers' debt and those companies reliant on securitizing mortgages have been forced to alter their business models, or have had to significantly slow their sales pace down. Whilst cash flush companies are still financing when required to close sales, incentives as a whole are generally not being offered. As a result, there has been a trend of hesitation amongst affluent consumers in the United States to purchase shared ownership properties until the market stabilizes.
- Furthermore, owners are still using their units but advance rentals bookings have decreased. Whilst projects that are already in the launch process are continuing, new projects are on hold and mixed use projects currently under construction have minimized their shared ownership component by decreasing the unit sizes.
- In terms of the situation in Europe; the credit crunch led to the freezing up of access to capital markets for providers of mortgages. They also faced more expensive interbank lending and periodic restrictions in its availability. These difficulties have been compounded by the loss, or rescue, of some previously major players in mortgage markets: most notably in Britain but also in the Benelux countries, Germany and to a lesser degree elsewhere. Others have been reluctant so far to expand their lending in order to replace those lost, or much reduced, market shares. Despite falling interest rates, this has generally not revived mortgage markets or economic activity and may not do so for some time to come.
- With whole ownership prices decreasing, consumers may be more inclined to purchase a wholly owned property.

Positive Fractional Insight:

Conversely, fractional ownership is thought to be less affected by the problems in the credit market in comparison to other real estate products. Whilst the main selling point of fractional ownership is that one owns a fraction of the real estate; an asset that is currently declining in value with the current financial crisis, there are still legitimate reasons for the continuing success of fractional ownership:

- Many purchasers of fractional ownership are cash buyers and are therefore not dependent on obtaining a mortgage. If they do need to raise mortgage finance against their primary home, they are most likely to fall into the category of consumers which banks are still willing to lend to (high value in home and a sound credit rating).
- Trends in the past have illustrated that purchasers of fractional ownership are not principally motivated by investment factors. It is predominantly sought as a lifestyle investment.
- A traditional second home purchase exposes the purchaser to the full purchase price, all the annual upkeep and maintenance costs and potentially long periods in which the property will remain unused. These are negatives aspects under the current market conditions.
- Under the current market conditions, trends have shown purchasers to be more cautious when considering an overseas property purchase. Whilst there are still undoubtedly strong levels of desire in the market, purchasers are now considering the purchase costs of the property with the furniture and annual running costs and comparing that to the usage and rental incomes they are likely to have. Many are deciding that that these costs are not acceptable which has resulted in a proportion opting not to buy whole ownership.
- Travel to destinations closer to home, including domestic travel is expected to be favoured against long-haul travel (UNWTO, 2009).
- Despite stagnant inbound growth to Europe in the latter half of 2008, 80% of Europeans claim that they will travel at least as much as before, despite the credit crunch (UNWTO, 2009).
- Market penetration is still small and the negative effects of the current credit crisis can be offset by the rapidly increasing expansion and acceptance of the fractional concept.

4.4 Prevalent Industry Challenges

- Hesitancy based on developers and consumers lack of familiarity with the product.
- The buying purchase behaviour of Europeans are very different to Americans; there is a need for further market research to be undertaken with regards to fractional consumers needs' and wants.
- There has been a trend in preference for the Buy-to-use-to let model versus the Fractional model
- The general reluctance to enter industries in an infancy stage.
- European consumer financing is not available yet. A significant factor in the success of selling timeshare is the availability of consumer financing. This issue is a major catalyst to move the fractional industry forward and banks and developers will have to come up with structures for consumer financing.

- The resale market will be a major defining factor in the success of this industry. The resale market of timeshare has been a quandary in the past with too many sellers flooding the market. The fractional resale market however will be far smaller, more select and restricted offering.
- Legal complications: In Europe two main legal structures co-exist:, "Common Law" versus the "Civil Law System". An alignment of the legal structures used for fractional ownership as far as possible is needed. It is perhaps unlikely that a single system would work in every European jurisdiction unless this was through the introduction of new legislation on a Europe wide basis.

4.5 Predictions for the Future

In these challenging economic times it is more important than ever to look beyond usual business boundaries and it is crucial to identify new potential markets. Developers, planners, architects, and others working in the resort development industry are faced with the most challenging environment in generations. Despite this, opportunities still exist for well-funded developers not reliant on credit markets. Furthermore there will be a focus on renovating, rebranding, and redefining existing resort and hotel products rather than on entirely new developments.

Over the next five years, we predict that there will be substantial growth in the fractional industry, on a global basis and in Europe. The pioneer of success of fractional developments in America has been over a span of ten to fifteen years and Europe is still an immature market. Despite the current financial turmoil, not everyone will give up their lifestyle. Fractional real estate can be a lucrative offer for themselves and their lifestyle and developers have the opportunity to capture this segment in new or existing developments.

TOURISM TRENDS

5. TOURISM TRENDS

5.1 Introduction

It is imperative to assess the exogenous factors and factors out of our control which will undoubtedly affect fractional ownership and tourism trends are useful predictors for fractional real estate opportunities. This chapter will therefore analyse the underlying travel trends and buyer behaviour of key markets for Europe.

5.2 The Current Economic Situation

The outlook for the world economy has become very uncertain after the recent turmoil in financial markets and the volatility in commodity and currency markets. A crucial debate is how widespread, deep and prolonged the recession will be. According to a European Union assessment, Europe's recession risks lasting into 2010. Europe will have less economic growth and consumption, investments will be blocked due to financing difficulties and unemployment rates will rise. The prospects of a return to economic growth in 2009 are indeed highly uncertain.

5.3 Global Tourism Performance

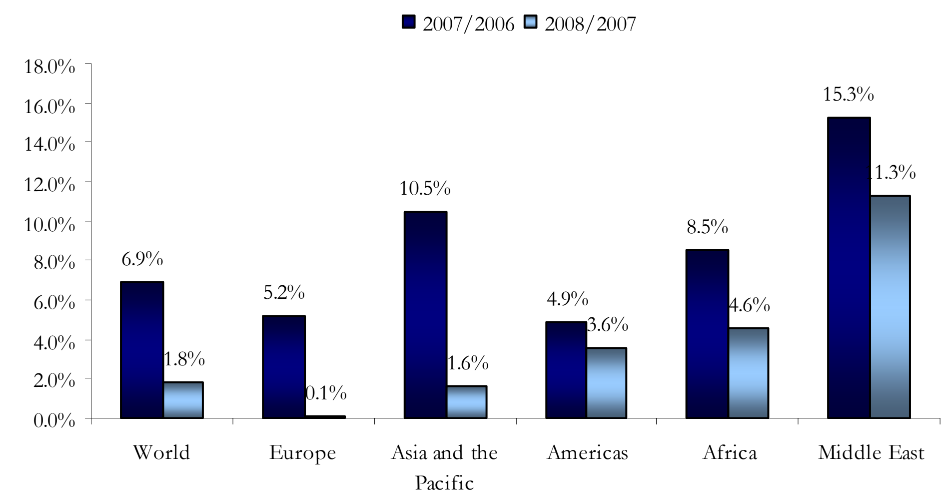
International tourist arrivals reached 924 million in 2008, an increase of 16 million over 2007, demonstrating a growth of 2%. Tourism demand however declined considerably through 2008 under the pressure of an extremely unstable world economy (financial crisis, commodity and oil price rises, sharp exchange rate fluctuations) diminishing both consumer and business confidence and consequently contributing to the current global recession. Growth in international arrivals came to a virtual standstill in the second half of 2008, a trend which is expected to continue into 2009.

Statistics from the UNWTO in January 2009 illustrated that:

- Growth was negative in the last six months of 2008 in both Europe (-3%) and Asia (-3%). The Americas (+1%), Africa (+4%) and the Middle East (+5%) however demonstrated positive results in the second half of 2008, although with a considerable slowdown in comparison to the first half of 2008.
- For 2008 as a whole, all regions were positive with the exception of Europe, the world's largest and most mature destination region which came to a standstill in arrivals. The best performances were recorded in the Middle East (+11%), Africa (+5%) and the Americas (+4%).
- In Europe the stagnant results are due to the negative performances of Northern and Western Europe and the stagnation of destinations in Southern and Mediterranean Europe.
- Asia and the Pacific's growth (+2%) is well behind its 2007 levels (+11%).
- The Americas demonstrated strong performance in the first half of 2008 (North America was up by 3%) and had a positive performance of most Central and Southern American destinations.
- The Middle East continued its strong growth over 2008, at an estimated 11%, the highest among world regions.

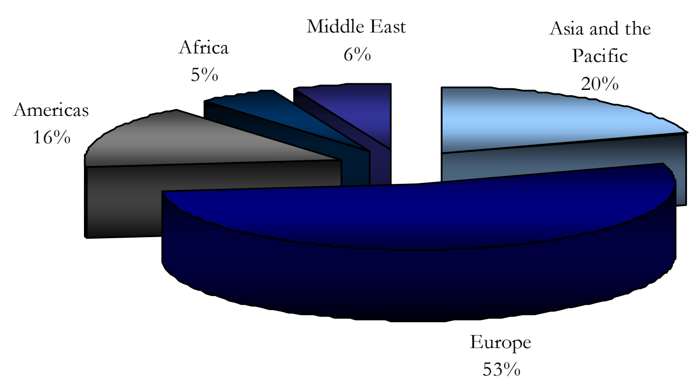
- Africa's growth (+5%) at half the level achieved in 2007 was still relatively positive during the second half of the year and North African destinations performed particularly well.
- Despite the general overall decline , a variety of destinations around the world demonstrated exceptionally positive results over 2008; namely Honduras, Nicaragua, Panama, Uruguay, The Republic of Korea, Macao (China), Indonesia, India, Egypt, Lebanon, Jordan, Morocco and Turkey.

International Tourism Arrivals (% change over same period of the previous year)



Source: World Tourism Organization (UNWTO), 2009

World Inbound Tourism: International Tourism Arrivals 2008



Source: World Tourism organisation (UNWTO), 2009

Prospects for 2009 according to the UNWTO are as follows:

- The economic decline, combined with current qualms, acute market instability and a demur in both consumer and business confidence are expected to continue and will have an effect on demand for tourism in the short to medium term.
- UNWTO expects international tourism to stagnate (0%) or even decline slightly (-1% to -2%) during 2009. Much will depend on the developing economic conditions and there is still a high degree of uncertainty.
- If the economy starts to show signs of an earlier recovery, international tourism may increase slightly over 2009, however if the economy declines further, the current forecast will accordingly be revised downwards.
- As well as the Americas, Europe will be the most affected with regards to overall tourism results; most of its source markets are in, or are entering into recession. In Asia and the Pacific results are expected to be positive, although growth will continue at a slower rate in comparison with the region's performance in previous years. This also applies to Africa and the Middle East.
- Despite these trends UNWTO has highlighted the fact that the toning down of international tourism growth has still demonstrated four historically strong years:
- +7% a year on average between 2004 and 2007, well above the 4% long term trend.
- 2008 with an increase of 2% still followed the particularly optimistic results of 2007 (+7%) however were predominantly due to the results of the first half of the year.

As the present insecurity prevails in markets, it is expected that some of the following trends will be seen as experienced in previous crises:

- Travel to destinations closer to home, including domestic travel is expected to be favoured as against long-haul travel.
- Segments such as visiting friends and relatives (VFR), repeat visitors, as well as special interest and independent travellers, are expected to be more buoyant.
- The decline in average length of stay as well as expenditure is forecasted to be more distinct than the decline in overall volume.
- Destinations offering value for money and with favourable exchange rates have a competitive edge as price becomes a key issue.
- Late bookings are expected to increase as uncertainty leads to consumers to delay their decision making and hence wait for special offers or value for money.

5.4 Europe Tourism Related Trends

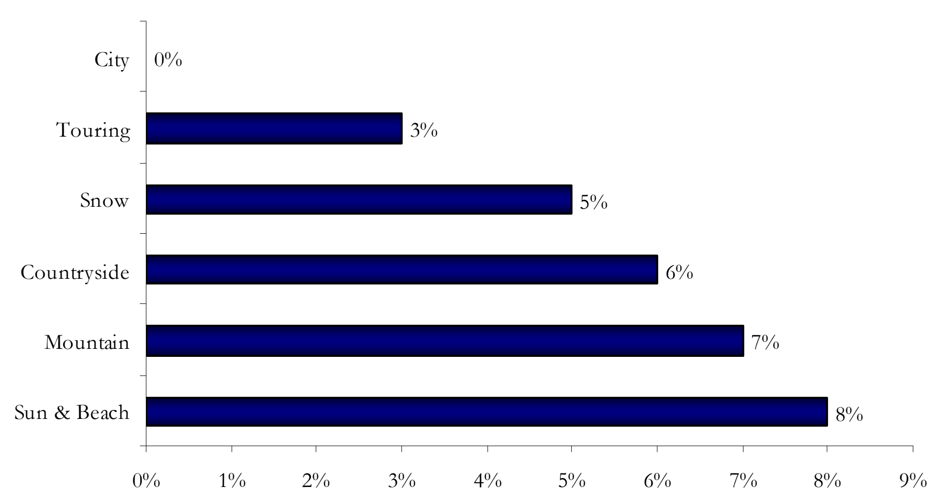
According to the International European Travel Monitor, tourism arrivals in Europe may decline by as much as 2% over 2009. This forecast takes into consideration the fact that economic growth is expected to slow everywhere and will be predominantly concentrated in emerging and developing countries in which outbound travel is still an immature and delicate product. With the current economic situation, today's travel and tourism industry has no experience of financial systems on the brink of collapse, or of currencies (and assets and inputs necessary to the industry) fluctuating in significant value over the course of a few days.

Conversely, much of the tourism industry in Europe is based on low-cost travel, globalization, higher disposable incomes in emerging markets, and higher propensities to travel in developed markets and this has demonstrated to be extremely resilient (IPK International European Travel Monitor, 2009).

The outbound holiday market in Europe is dominated by sun and beach travel (as presented in the chart below) and this actually demonstrated a recovery in the first eight months of 2008 (primarily during the peak summer months) following three years of only moderate growth. Furthermore, there were notable increases in travel for mountain, countryside and snow holidays yet only diminutive growth rates for touring holidays. There was no growth at all for city breaks and this stagnation in demand has been attributed to a reduction in demand for multiple secondary trips due to reduced capacity on low-cost carriers.

This is due to a number of low cost airlines collapsing over 2008 with others reducing their routes and frequencies following the increases in price of oil over the beginning of 2008 (IPK International European Travel Monitor, 2009).

Trends European holiday travel by main type of holiday, January through August 2008 (% change on same period in 2007)



NB: The types of holiday are shown, left to right in order of their importance

Source: IPK International's European Travel Monitor

5.4.1 Leading Markets

The weakening demand over recent months appears to have spread across most European source markets. Despite this there were marked differences in the overall growth ranking in the first eight months of 2008.

Russia was the leading market in terms of growth, followed by Finland with Norway and Spain slightly behind. According to the European Travel Monitor, Europe's two largest sources of foreign tourists are Germany and the UK (combined account for approximately 35% of total European outbound trips), however they achieved very moderate growth in the first eight month of 2008. Furthermore, the third largest source actually decreased in growth by 4%. Such statistics are derived from tourism arrivals and overnight statistics from the European Travel Commission (ETC).

Performance of selected European outbound travel markets, January to August 2008

Markets	% change in Trips
Russia	15
Finland	9
Norway	4
Spain	4
Italy	3
Sweden	3

Source: IPK International's European Travel Monitor, 2009

Generally the markets with the highest outbound travel intentions within Europe are the UK, Germany, Belgium, Ireland and Norway. Furthermore, evaluating such trends, it is evident that destinations in the euro zone experienced the strong euro which consequently diverted certain markets to travel to cheaper non-European destinations.

With regards to Germany's performance, moderate growth recorded has been attributed to the implications of increasing airfares, the real estate and financial crisis in the USA and a sense of economic unease. The lack of growth within the UK market has been attributed to a temperamental saturation in demand for secondary short breaks using low-cost carriers, the real estate and financial crisis, the weakening pounds and the well publicized failures of tour operators and airlines. In France, travel may have been affected by decreasing confidence which persuaded many consumers to save and not spend.

Nevertheless, the following information highlights key trends of source markets for tourism in Europe:

5.4.2 UK Outbound Trends

- The Telegraph Travel Awards 2008 and their poll of over 25,000 readers have placed Greece in second place in their Best European Country ranking - only falling short to Italy - and in turn staking its claim as a growing destination of choice amongst the British.
- Activities preferred by the UK traveller still remain to be the sun, sea and sand holidays however activity and cruise holidays are on the rise.
- The UK Baby Boomer segment comprises 29% of the population and is set to retire within the next 20 years. Boomers will partake in part time jobs, probably insisting on their own terms and will substitute their spare time with leisure or educational activities. In the medium term it will be the boomers in the European market that will continue the growth in tourism.
- There is a subgroup accounting for 35% of the boomers that have an active social life and take part in active adventure travel. It is said that although much of the Boomer market does travel widely, particularly to second homes, expenditure is just regular with marginal spending behaviour.

5.4.3 Scandinavian Outbound Trends

- Sweden, Denmark and Norway have small populations but they are very wealthy, and generally have a strong outbound market.
- Within Europe, Scandinavians predominantly look for the warmth of the Mediterranean and for major cities for sightseeing and shopping
- The trend of shorter vacations is still strong with London being the number one destination from the Sweden outbound travel market.
- Further popular city/short break destinations are Barcelona, Paris, Berlin and Prague.

5.4.4 German Outbound Trends

- The German markets have more holiday days than many other generating markets with over 5 weeks annual holidays excluding public holidays.
- Another characteristic of the German market is that they are a price sensitive market.
- Austria, Spain, Italy, France and Turkey are the most popular destinations for Germans.
- An important demographic shift will however reduce the population's ability to support wealth accumulation. This change, consisting of baby boomers retiring and saving less, and a slow down in the growth rate of households, will result in a decline in the growth rate of new found wealth with important implications for households and the overall economy.
- One trend that will remain dominant is that the German market will become increasingly complex and fragmented with different motivations and target groups. The German traveller demands a spectrum of holiday products ranging from relaxation and pampering to energy filled adventure travel experiences.

5.4.5 Benelux Outbound Trends

- Spain emerges as a favourite destination for the Benelux market, appearing in first place, for the Netherlands and in the second place, behind France for Belgium.
- Despite this, the Belgian outbound ski market is growing and France and Switzerland remain the most popular destinations for this market segment with many middle/upper-class Belgian travellers and families routinely taking a ski holiday each winter.

5.4.6 Russia Outbound Trends

- Greater personal affluence and spending on leisure activities, including travel is increasing.
- Much of outbound travel emanates from the major urban centres such as Moscow, St Petersburg and Ekaterinburg.
- Top destinations are China, Turkey, Finland, Egypt and Dubai, countries where visa requirements are minimal for them (the UK visa is perceived to be relatively difficult to obtain).
- Sunny beach destinations are the preferred location for many holidays. Touring holidays are the next most popular type of holiday.
- Information and services in the Russian language are preferred and high quality food and accommodation is expected.

5.4.7 India Outbound Trends

- The Indian Outbound market is expected to increase at an average annual growth rate of 16.8% with total tourism arrivals number reaching 397,000 by 2016 (UNWTO).
- This outbound market has expanded to include all travel segments, from children to retirees with approximately 60% of Indian departures belonging to the 25 years to 45 years age group (UNWTO).
- In general, Europe receives a significantly high percentage of arrivals since Indians are fascinated by the rich cultural heritage of its cities and favour its climate. Switzerland is highly popular within Europe.

5.4.8 China Outbound Trends

- China's outbound market has been growing at an unprecedented rate and is set to be the largest outbound tourism market in the world. Fuelled by increases in disposable income, more public holidays being institutionalized and more countries being granted Approved Destination Status (ADS), the market is predicted to have 110 million outbound travellers generating US$94 billion world wide by 2020 (IPK International).
- With regards to vacation patterns across the Chinese outbound overall, vacations involving shopping, beach and relaxation are in more demand than traditional sightseeing holidays. Whilst only 3 to 4% are in reach of long distance leisure travel, this constitutes 1.3 billion of 40 to 50 million potential visitors.

- The United Kingdom acquired ADA in 2005 and now Chinese tourists can visit 25 countries within the European Union.
- The motivation of 41% of outbound travellers is to gain more knowledge, expand their vision and cultivate them (WTO). This follows the traditional proverb of 'read ten thousand volumes of books and travel ten thousand miles' (WTO). Relaxation is the priority of 33% of outbound travellers and to relieve them from work and stress (WTO). To learn something new and interesting are the motives for 15% (ibid). Strengthening family ties on an outbound tour is the main reason of travelling for 7% (WTO). Europe is particularly attractive for this market.
- In terms of consumer behaviour, it critical to segment China's three main generating regions (Beijing, Shanghai and Guangzhou) as all have differing attitudes and values as consumers.

5.4.9 Middle East Outbound Trends

- The Gulf States are numbered among Europe's most up-and-coming markets, particularly Saudi Arabia and the United Arab Emirates.
- United Kingdom (London) is the leading European destination for Middle East travellers and other key destinations are France (Paris), Turkey, Italy, Germany, Cyprus, Greece, Switzerland (Geneva) and Spain.
- Within the Middle East region, the Kingdom of Saudi Arabia is the largest outbound travel market both in terms of volume (outbound trips) and value (travel expenditure).
- 20% of the Saudi Arabia market spent more than €3, 000 on their last holiday and 64% like to go back to familiar places, particularly in Europe.
- Within the Middle East region, the United Arab Emirates is the second largest outbound travel market after Saudi Arabia, both in terms of volume (outbound trips) and value (travel expenditure).
- 27% of the UAE market is more likely to have travelled overseas more than twice in the last 12 months (compared to their income eligible peers in the Gulf) and 38% of them spent more than €3, 000 on their last holiday. The trend towards multi vacations – two/three vacations around the year – is noticeable with increase in outbound tourist numbers especially during the winter.
- While Kuwaitis travel to a number of destinations in Europe, in most cases numbers appear to be small and hence are not recorded by most national tourism boards. The most popular European destination is the UK, followed by France, Italy and Germany. There is some travel to destinations such as Cyprus, Turkey, Switzerland, Austria, and the Scandinavian countries. This is mainly for holiday purposes.

5.5 Leading Destinations in Europe

The perception that relative exchange rates (particularly in the first half of 2008 with a strong euro, a weak US dollar and a weakening UK pound) had powerful effects on the choice of destination is vaguely confirmed by the ranking illustrated in the table below.

No euro zone destination is listed within the fastest-growing destination bracket, however several countries (Germany, Austria, Portugal and Malta), and a number of other destinations in Northern and Central Europe and Scandinavia with strong currencies, performed higher than average, with arrivals increasing by more than 5%. The weak US dollar undoubtedly contributed strongly to the USA's sustained inbound recovery and it actually recorded one of the highest growth rates out of Europe of all destinations.

Performance of selected destinations in the European market, January through August 2008 (% change on same period in 2007)

>10%				
Turkey	Bulgaria	USA	Thailand	Cambodia
5-10%				
Sweden	Iceland	Germany	Austria	Portugal
Malta	Croatia	Slovakia	Latvia	Estonia
Morocco	South Africa	Cuba	Mexico	Indonesia
1-4%				
Denmark	France	Cyprus	Egypt	Tunisia
Canada	Switzerland	Chile	Dominican Rep.	China
Malaysia	India	Finland		
Weak inbound performance (0% and below)				
Norway	UK	Ireland	Netherlands	Belgium
Australia	Spain	Italy	Romania	Greece
Hungary	Czech Republic	Poland	Singapore	Sri Lanka
Maldives				

Source: IPK International's European Travel Monitor, 2009

Despite the ominous financial situation, the European Travel Monitor's findings on respondents' travel intentions over the next 12 months were considerably positive. Approximately 48% maintained that they would definitely travel over 2009 and possibly more so than in the last 12 months' 32% said they would travel as often in the last 12 months; 14% said they were travel but possibly less often and only 6% said that they would rather not travel. Furthermore, findings suggest that Europeans are poised to choose destinations closer to home. Overall, 80% of Europeans claim they will travel at least as much as before despite the credit crunch.

European Travel Commission data highlights that Bulgaria, Turkey, Latvia, and Slovakia recorded double-digit increases in arrivals for most of 2008. Austria, Croatia, Estonia, Germany, Ireland, Malta, Montenegro, Sweden, and Switzerland were also doing better than average up to November 2008. Furthermore, as previously mentioned, a trend for Europeans to divert to cheaper non-euro zone destinations has emerged. Turkey recorded an increase of about 13 percent in 2008 in tourism arrivals and should continue to be a major beneficiary in 2009.

5.6 Conclusion

The number of tourists visiting European destinations in 2009 is expected to decline slightly and, given the current economic environment, things could potentially get worse. A recovery cannot be expected until 2010 and the sector is unlikely to reproduce the dynamic growth of previous years before 2011. Despite this, Europeans earning in the Euro who manage to retain their jobs in the economic slump will find non-Euro zone destinations more affordable when travelling. There is an element of positivity with findings by the European Travel Monitor illustrating that over 80% of Europeans will still travel as least as much as before despite the credit crunch.

Although UK and Germany comprise the largest outbound market for Europe, (35%of total European outbound trips) both economies are in recession and are experiencing increasing unemployment levels. Destinations in Europe may have to look to new European source markets such as Russia, Finland, Norway, and Sweden, which all posted above average growth for much of 2008.

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MARKET DYNAMICS

6. MARKET DYNAMICS

6.1 Generic Demographic Behaviour

Current and future trends in tourism and hospitality include amongst others the changing demographics and psychographics of consumers. Each generational group is influenced by the values and deep-rooted ideals which form their demographic "type class." It is crucial to understand the motivational drivers of each of these groups. Consumer behaviour information will not only facilitate an educated target marketing strategy, it will also serve to provide a competitive edge to ensure the optimal potential for a product regardless of its industry or product type. This chapter therefore provides a short overview of key generational trends and markets, which are crucial to take into account for the fractional real estate market.

6.1.1 Baby Boomers

Aging is the biggest challenge albeit opportunity facing society. The Baby Boomers, those born between the years 1946 to 1964 are clearly the driving force which will ultimately serve every maturing generation. Whilst in the longer term there is likely to be a decline in the value of pensions and a rise in retirement age as governments struggle to fund earlier generous pension arrangements, the present and increasing number of seniors (accounting for one third of the adult population in many European countries) will inevitably change consumption patterns. This offers a considerable economic incentive for marketers to sharpen their focus to older persons.

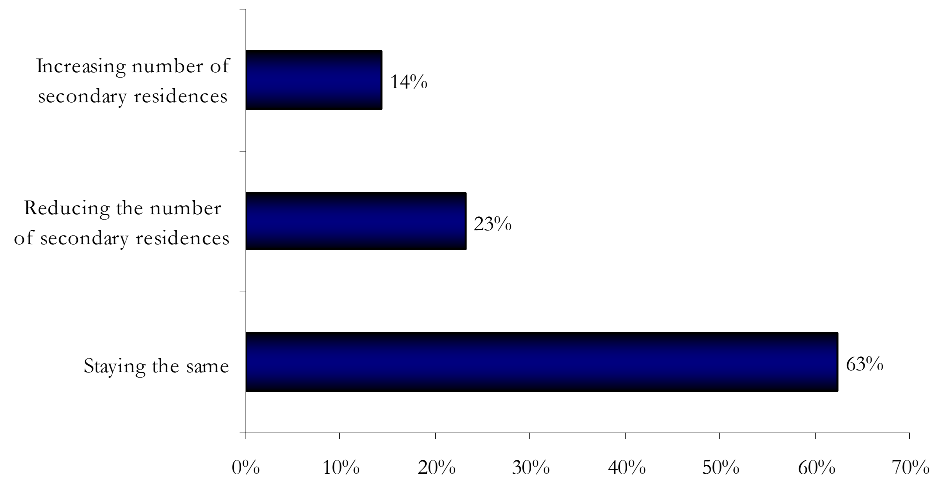
This largest segment of the population has the most leisure time and disposable income. There is however a growing polarization of the population into two groups; people with high income and little leisure time and people with little money and a relatively large amount of leisure time. Considering that one division of this generation has the most leisure time and disposable income, in combination with this age group preferring domestic destinations, provides much opportunity for the fractional marketplace. Furthermore, this generation can be attractive as consumers because they acquire the financial means, time, higher education than in the past and indulge in recreation and activities which contribute to a healthy lifestyle. The ageing population and an increasing concern for health are likely to drive a growth in demand for health tourism products, recuperation and more customized and individualized products.

Further two key sub markets are HNWI's and UHNWI's. A high net worth individual (HNWI) is a person with a high net worth typically defined as having investable assets (financial assets not including primary residence) in excess of €750,000 (~US$1 million). The number of high net worth individuals worldwide is estimated at 9.5 million. An ultra high net worth individual (UHNWI) refers to individuals or families who have at least €22, 750,100 (~US$30 million) in investable assets. The number of ultra high net worth individuals worldwide is estimated at about 95,000. Demographically, most HNWI's and UHNWI's fit into the Baby Boomer segment. Trends within HNWI and UHNWI are that they are brand conscious and look for customization and products in limited supply. The fractional world would certainly be suited to these markets.

According to the 2009 World Wealth Report, property accounts on average for 30% of HNWI's asset portfolios. Furthermore, the majority of HNWIs, (57.1%) appear to be making no change to their property portfolios, despite over 90% having seen their property portfolios decrease in value during the credit crunch.

With regards to future investment intentions for second home residences, the majority of HNWI's (63%) will maintain the status quo, 23% plan to reduce the number of houses that they have and just 14% intend to increase the number of secondary residences.

Intentions for Second Home Residences as a Result of the Credit Crunch



Source: The World Wealth Report, 2009

6.1.2 Generation X

Generation X are defined as those between the birth years of 1961 and 1980 This generation associates choice with power and important preferences seen in Generation X'ers buying behaviours are immediacy; independence; and innovation (Hoffichter, Wildes & Parks, 1999). Further research illustrates that Generation X'ers are highly affected by technology, diversity, change, and choices, leading to seemingly paradoxical and elusive behaviour in their buying patterns. Nevertheless, according to a survey by American Express, Generation X'ers spend 18% more than baby boomers on luxury goods annually including dining, travel and home services. Furthermore, with regards to travel, as Generation X'ers embrace individualism they are increasingly looking for accommodation types which are an extension of their lifestyle and for more unique places with a personality. They appreciate smart and unusual marketing campaigns and have to see the true benefit of purchasing the product before spending their money. Thus marketers should perform an honest and innovative approach which is straight to the point. This generation has much potential for the fractional real estate market place.

6.1.3 Generation Y

Generation Y are defined as those between the birth years of 1981 and 1995, are poised to become the largest consumer group in the world, and represent a lucrative future market for many consumer brands. Being the first to grow up immersed in a digital and Internet driven world, they have been exposed to a more media saturated, brand-conscious environment than other generations. Generation Y trends are more varied and fast changing demonstrating a lack in loyalty to companies or brands and these buying behaviours and responses to advertisements are likely to follow them into the future. With the majority being raised in dual income and single parent families, many have been given considerable financial responsibility compared to their predecessors. Most have high expectations for their careers and many are already thinking about some form of home ownership. Furthermore, they tend to be lifestyle orientated and like to travel.

6.2 Conclusion

The survivors in the resort industry will be those who successfully invent entirely new business models to cater to changing and contradictory consumer demands and trends. The luxury lifestyle product is continuously evolving and will continue to change in response to the demands of discerning guests and the ingenuity of designers, developers and operators. Whilst it is too complex to draw recommendations specifically adhering to a generation, it is crucial to realise their trends and to take these into account for any product typology. Furthermore, it is recommended that fractional real estate products are best suited to Baby Boomers and Generation X'ers given that 1) they exhibit desires that a fractional real estate product could meet and given that 2) they are also more likely to have the financial means to invest in them.

SECOND HOME OWNERSHIP
TRENDS IN EUROPE

7. SECOND HOME OWNERSHIP TRENDS

7.1 Introduction

With regards to the current financial crisis, the recovery will be a prolonged one because of the core importance of long-term finance for healthy housing market activity. The financial system has been collapsing because of mortgage finance, and the riskiness of holding mortgage debt for investors and lenders rises as house prices decline. Implications between housing markets and financial systems suggest that restoring assurance in housing finance systems is going to take a long time. Furthermore, as second homes are essentially discretionary purchases, their prices have been particularly hard hit by the down-turn. The attitude to second-home ownership may therefore have to undergo a fundamental change in the current economic vortex. Whilst there are two sides to it; low prices may encourage people to invest; those who currently have homes overseas faces challenges as low cost airlines announce the cancellation of routes and severe restrictions on the timing and number of flights. Furthermore, in the current climate, such properties are rapidly turning into an expensive indulgence which many may no longer be able to afford.

Whilst a second home purchase is a larger discretionary payment than a vacation, there is still considerable overlap in the attributes that second home buyers and holiday makers are looking for. This chapter will therefore examine recent residential prices as well as key buyer trends and main inbound markets in Europe.

7.2 Residential Price Change

Property prices have been increasing on a global scale over the last decade, and until now, have begun to level off with many major, markets already entering a declining phase. As illustrated in the Global House Price Index, year on year growth in house prices worldwide (excluding Dubai as Q4 data is not presented) decreased from 4.8% in Q2 2008 to 3.8% in Q3 2008. Average prices also decreased by 0.3% on a quarter to quarter basis, the first quarterly declined since the index has been tabulated. As seen in the table, over 50% of the countries demonstrate quarterly price falls, with one third also showing year-on-year price drops in Q3, 2008. However, it should be taken into consideration that for the majority of countries the latest data available is from Q2/2008. This is of significance as with the current economic situation Q3 and Q4 2008 are an important point in many markets. Of the data available, approximately 81% of the countries have displayed negative growth in comparison to 27% displaying negative growth over 2007.

Concurrently with this, buyer confidence has been affected as a result of decreasing house prices, slowing economies and increasing unemployment rates. Whilst every market is being affected by the global economic downturn, the impact and duration will vary from country to country.

Focusing on Europe, the United Kingdom and Norway illustrated the largest decline in prices over Q3, 2008; prices decreased by 5% in three months. The strongly performing Eastern European markets will undoubtedly be affected by the Russian economy entering a recession, and Spain and Bulgaria will be subject to the loss of purchasing power of UK buyers combined with an oversupply.

Global House Price Index, 2007- 2008

Country	Year on year (% change)	Rank, year on year		Quarter on quarter (% change)	Rank, quarter, on quarter		
	2008 Q4	2008 Q4	2007 Q4	2008 Q4	2008 Q4	2008 Q3	
Dubai	59.0%	n/a	n/a	-7.8%	38	15	
Russia	19.7%	1	3	-1.1%	15	8	
Czech Republic	19.6%	2	5	0.2%	6	9	
Bulgaria	12.5%	3	1	-4.1%	30	5	
Slovakia	10.9%	4	2	-0.4%	11	4	Q3
Israel	10.5%	5	32	-1.2%	18	36	
Jersey	10.4%	6	7	-5.4%	34	16	
Colombia	7.1%	7	13	2.7%	1	18	Q3
Indonesia	5.2%	8	28	0.6%	4	21	
Hungary	4.6%	9	33	0.5%	5	23	
Switzerland	4.6%	10	30	1.2%	3	19	
Ukraine	3.9%	11	10	-9.3%	40	1	
Cyprus	2.8%	12	8	-1.6%	19	12	
Philippines	2.7%	13	12	-2.2%	22	11	Q3
Taiwan	1.9%	14	24	-5.1%	33	29	Q3
China	1.6%	15	18	-1.1%	16	17	
Netherlands	0.9%	16	31	-0.7%	12	33	
South Africa	0.1%	17	17	-0.2%	10	22	
Luxembourg	0.3%	18	27	0.1%	7	24	
Germany	-0.7	19	40	0.0%	8	38	
Lithuania	-1.0%	20	16	-3.6%	28	3	Q3
Sweden	-1.8%	21	15	-3.4%	26	27	

Croatia	-3.0%	22	19	-1.2%	17	14	
France	-3.1%	23	23	-6.5%	37	26	
Spain	-3.2%	24	26	-2.4%	23	20	
Australia	-3.3%	25	14	-0.8%	13	13	
Finland	-3.3%	26	25	-3.9%	29	28	
Malta	-4.4%	27	34	-1.7%	20	34	
Japan	-4.5%	28	35	-3.0%	24	42	Q3
Hong Kong	-5.1%	29	6	-12.8%	42	2	
New Zealand	-5.3%	30	22	-0.1%	9	30	
Austria	-5.5%	31	29	1.7%	20	34	Q3
Canada	-6.2%	32	11	-2.1%	21	10	
Portugal	-6.3%	33	36	-1.0%	14	25	
Singapore	-6.5%	34	4	-6.1%	35	7	
Denmark	-7.0%	35	42	-5.1%	31	39	Q3
Norway	-7.5%	36	20	-6.2%	36	35	
Estonia	-7.5%	37	38	-9.3%	39	43	Q3
Ireland	-9.1%	38	37	-3.3%	25	37	
United States	-12.1%	39	41	-3.5%	27	41	
Iceland	-14.0%	40	9	-11.3%	41	6	
United Kingdom	-14.7%	41	21	-5.1%	32	32	
Latvia	-33.5%	42	39	-16.3%	43	40	

Source: Knight Frank Residential Research, 2009

7.2.1 Implications for second home ownership

Fluctuations in property prices have a direct effect on second home ownership behaviour; as high prices and low prices can simultaneously discourage buyers. Whilst key markets such as Italy and Spain increased in price until now; buyers in Northern Europe turned their attention to cheaper alternatives such as Turkey and Bulgaria. Furthermore, British buyers who have illustrated a trend in purchasing second homes domestically or abroad, has been buoyed by rising values in primary residences in the UK which has allowed buyers to take equity out of their main residence to use as a down payment for the purchase of a secondary home.

7.3 Second Home Ownership Trends

Discounting the effect of the global downturn on second home ownership it is still crucial to evaluate second home trends. It is important to note that there are two principal motivations for owning a second home; investment factors and enjoyment from use of the home.

Inbound destinations which attract foreign property buyers typically offer a combination of features which make them desirable. Location has also become an even more important determinant of success; nothing seems to create more buyer urgency than second home real estate built in five star resort locations where there is a scarcity of prime building sites fronting on natural topography. With regards to sales and marketing, in order to generate second home sales in today's market, the developer must provide the consumer with more than just a home; the experience and lifestyle they are going to lead in the location and product of their choice should prevail.

There is a clear link between the highly ranked practical considerations and the experiential motivations that luxury leisure travelers find essential. The following drivers comprise ingredients of country brand success filter to marketplace and should be used as an evaluation to assess what a destination can bring to the marketplace:

ESCAPISM

- The notion of leaving home and daily routine is almost a universal travel motivator.
- While the degree of desired "difference" varies among travellers, finding new places to relax or be active is critical.

DISCOVERY

- Being somewhere different and doing something different is a significant travel driver and trend.
- Being able to provide something genuine, engaging and exotic is becoming a baseline requirement.

AFFINITY

- Feeling safe, comfortable and able to communicate amidst new and exciting experiences is still a necessity for most travellers today.
- The ability to connect to the country and its people, and create long lasting memories contributes to success.

ACCESSIBILITY:

- Importance placed on both net travel time as well as ease of access (number of flight connections, transportation from airport, etc.).
- Second homes are either weekend homes or long haul homes (summer residences).
- Weekend homes should be no longer than 2 hours and long haul homes less than 10 to 11 hours.
- Long-haul homes are used less frequently but for longer periods of times.
- Hassle-free is most important, with as little connecting flights as possible.
- High Net Worth Individuals also place a high value on a trouble-free customised experience.

KEY CONSIDERATIONS:

- Portfolio liquidity (easy exit strategy) is important
- Transparency and comfort: high income Individuals are much more likely to invest in real estate if there is access to substantiated government and market information.
- Wealthy consumers generally prefer to invest in prime or super prime locations over areas in emerging markets.
- On average, wealthy individuals allocate about 13% of their net assets on primary residences and about 8% of their net assets on secondary residences.
- Low tax jurisdictions have fared exceptionally well, serving to catalyze home prices into new territories such as Monaco and Geneva.

7.4 Key Outbound Buyer Markets Trends

7.4.1 United Kingdom

- According to a survey by Savills, Britons own an estimated 425,000 properties abroad; 35,000 of which were bought over 2007 and 2008.
- France and Spain are still favourites for buying property abroad and further research conducted by NatWest illustrated that buyers prefer to stick to known tourist destinations, with 52% of those surveyed having purchased in a location previously visited on holiday.
- A second home ownership study conducted by Mintel in 2006 illustrated that 28% of Britons said that they would like to own a second home in the sun, however though most accepted that they could 'achieve their goal only with a win on the lottery'.
- A report compiled by the National Association of Realtors in the US reveals that Britons mainly buy property as a lifestyle decision - with 55% intending to use their property as a 'holiday home', 23% of British property investors intended to use their acquisition as a rental investment, while 21% planned to use the property as a holiday home for part of the year and let it out when otherwise vacant.

7.4.2 Ireland

- Whilst Ireland was one of the fastest growing markets for the purchase of foreign real estate in the world, according to the CSO, the number of overseas trips by Irish residents fell by 8.4% to 502,100 in January 2009 compared to the 548,400 recorded in January 2008. It is the first time since 1990 to see a dip in overseas visits for the last quarter of the year.

- Furthermore Irish households are now some of the most heavily indebted in the Europe. Consequently, there is a prospect of rising defaults and negative equity, especially amongst those who bought near the peak of the boom.
- Regardless, Spain and Turkey are the most favourable destinations for Irish property abroad.

7.4.3 Italy

- Approximately 85% of Italians own their own homes, which is among the highest percentage in the world.
- Furthermore, there is a trend for many Italians to have a city apartment (which may be rented) and a weekend house in the country. They however, tend to choose modern homes rather than the old farmhouses and village houses which are favoured by many foreigners.
- Many affluent Italians own property in Switzerland. There are many regions which are easily accessible from the wealthy northern part of the country. For example, Milan is approximately a one hour drive to the capital of Ticino, Lugano, which are Switzerland's major Italian-speaking canton and a major private banking centre for Italians.
- The Canton Grisons, where the renowned mountain resorts of St Moritz and Davos are located, is also a favourite of affluent Milanese families. This has been enhanced by the fact that some of the side valleys in the Grisons are Italian-speaking, and in other regions, such as Romansch, an ancient Latin dialect is spoken in the southern part of the canton.
- Furthermore, the Canton Valais to the west, a key ski destination, has attracted Italian buyers of holiday homes.
- Crans Montana, a ski resort in the French-speaking part of the canton, has become a focal point for Italian property ownership.

7.4.4 India

- More and more Indians are investing in leisure properties and second homes abroad, and the preferred markets for Indians are the UK. followed by Dubai, Singapore, Malaysia, and the US.
- The desi dollar's" burgeoning buying power and Indian thirst for brand-focused luxury has made the burgeoning ranks of high-net worth individuals in India rush to buy the kind of real estate that emphasizes their newly-affordable consumer appetite and hunger for luxury brand status.

7.5 Key Inbound Destinations for Second Home Ownership in Europe

7.5.1 Italy

- Whilst there is a steady demand in Italy for second homes from Italians and foreigners, there are few purpose-built, holiday-home developments, which one would find in for example France, Spain and the USA.
- Tuscany is the most popular destination for a holiday home and an improvement in infrastructure has resulted in northern Tuscany particularly becoming increasingly accessible
- The area to the north of Lazio also has potential with a new international airport at Viterbo scheduled for completion in 2010.
- Le Marche and Abruzzo in the centre of the country are favourable alternatives to Tuscany.
- Puglia, Calabria and the island of Sardinia are attracting more buyers.
- With the real estate market opening up, Sicily is set to be the next hot spot in Europe when property investors start to look for bargains again.
- Como and Maggiore are an hour away from the ski slopes at Madesimo and Aprica and can be reached via Milan's Linate and Malpensa airports, and Bergamo.
- The Liguria Riviera, the northern Lakes, Rome, Florence and Venice, and Umbria are also in high demand for second home ownership.

7.5.2 Croatia

- Dubbed as the "new Tuscany", Croatia represents an opportunity for real estate investors with specific room for growth and profit in the Croatian tourist market and the local and international emerging residential real estate market.
- The Dalmatian coastline has significant growth potential and many coastal holiday resorts are in the pipeline - all regulated by government plans to regulate the scale of construction to maintain Croatia's traditional charm.
- Croatia is a prime example of a location where there has been a conscious decision to protect and enhance the landscape and avoid over development. This will prove to be a very savvy policy in the future.
- Second homes are predominantly targeted to the affluent Germany, Austria, the UK and Italy markets.

7.5.3 France

- France has emerged as a preferred investment destination which offers huge lifestyle appeal for a second home.
- Domestic buyers and foreigners account for approximately 260,000 second homes across the country. Of this, the British own an estimated 29% of this, followed by the Italians which account for14% and the Swiss for 12%. The Germans and the Dutch also account for foreign owners.

- The south east; Provence Alps and Côte d'Azur region, which include the fabled French Rivera as well as the Alps Maritimes, the mountainous area behind the Mediterranean coast are favoured locations within France.
- Furthermore, winter holiday destinations in the Savoyard Alps; Avoriaz, Chamonix, Flaînes, and Méribel, are key resorts which attract second home ownership.
- The north western coastal areas of Normandy and Brittany; have gained prominence in recent years due to their proximity to southern England, particularly when it comes to holiday homes.
- As a whole, trends have illustrated that the British favour the western provinces of France, the Dordogne in the south and Brittany in the north. The Italians favour the south east coast along the Cote d' Azur and the Swiss favour the Eastern border regions, particularly within close proximity to Geneva.

7.5.4 Greece

- The traditional coastal areas remain popular among second homeowners and holidaymakers alike, particularly those from the U.K and Germany.
- According to Forbes.com Greece is said to be predicting a 2.7% growth in its economy in 2009, a positive figure given the context of the worldwide 'credit crunch' and one that will be inviting for those looking to buy a home abroad either for personal holidays or as an investment purchase. This will also be encouraged with new flight routes to the country and its islands opening during 2009 by budget airlines looking to cash in on Greece's increased popularity.
- Improvements in the leisure industry, such as golf courses, which are gaining in popularity and becoming the highly marketable focal point of many new developments.
- Athens has particularly emerged as a hotspot.

7.5.5 Malta

- Traditionally seen as a safe Mediterranean destination with a friendly connection with Britain, Malta's property market is no longer limited to the retirement market. Its tax breaks and carefully monitored developments are pulling in younger investors looking to benefit from rentals.
- With appealing tax breaks, a pleasant climate, virtually no crime and a "British" way of life in a Mediterranean setting explains why 90% of second home owners are from the UK.
- British buyers have previously targeted traditional village houses, especially on the tranquil island of Gozo and as a result, new beachfront developments are on the rise.
- Also popular, but priced slightly higher, are the central coastal towns of St Julians and Sliema.

7.5.6 United Kingdom

- The number of potential purchasers viewing rural properties for sale across the south of England is on the increase, particularly in Cornwall, Devon and Dorset.
- Euro buyers are finding that properties in the UK are now considerably cheaper.

- The weakness of sterling, combined with significant price falls, means London is very attractive to international buyers.
- Despite this, whilst prime property prices in central London are continuing to fall, they are decreasing at a much slower rate than other cities in the UK.
- Furthermore, the location is key and property in London will always be sought as a second home investment.

7.5.7 Montenegro

- A combination of improving infrastructure, a booming tourism industry and an influx of EU money has had an extremely beneficial effect on the property market.
- Montenegro is attracting the adventurous buyer.
- Off-plan development is still in its infancy, however the government has an ambitious strategy for each region, including new marinas and luxury golf resorts for bays up and down the coast, and the transforming of an old navy base at Tivat into the largest marina on the Adriatic.
- Montenegro Airlines have also started a scheduled service from Gatwick, which bodes well for the British buyer.
- Investors hunting for ancient Montenegrin renovation projects are starting to look to the untouched Lustica Peninsula.
- Another future hotspot is the Skadar Lake, which is famous for its picturesque fishing villages and abundant wildlife. It is conveniently located halfway between Podgorica airport and Bar on the coast.

7.5.8 Portugal

- Portugal, the third favourite second-home destination for Britons after Spain and France, is hugely popular due to its golf; Quinta do Lobo, Vale do Lobo and Vila Sol golf resorts have put the Algarve on the international golfer's radar and hence have given rise to a growing number of €1-million-plus villas.
- The central area, of Algarve has become overcrowded during the high season and more discerning buyers are seeking out properties in the western part of the region.
- Away from the Algarve, the Silver Coast in western Portugal is becoming a new property hotspot. Located between Lisbon and Porto and sometimes called the Lisbon Coast, it is less developed for tourists than the Algarve but offers beaches and unspoilt towns. Now that the A8 motorway links Porto with Lisbon, this region has significantly opened up for foreign buyers.

7.5.9 Switzerland

- Second homes and vacation homes are very popular in Switzerland and according to housing statistics; this sector comprises around 419,000 properties. According to Credit Suisse, of the 419,000 dwellings in Switzerland that are used on a temporary basis, around 181,000 of these are vacation homes.

- The Swiss own around 280,000 vacation homes in Switzerland or abroad, of which two-thirds (185,000) are located in Switzerland and approximately 1,400 vacation homes are purchased by foreign nationals every year.
- Germans are the front runners, accounting for one-third of all transfers of ownership, followed by the Italians and the Dutch. Furthermore, many British buyers, particularly dedicated skiers, prefer the French-speaking areas of Switzerland.
- Different nationalities tend to opt for different regions of Switzerland, either because of well-established historical traditions, or as a result of the distances involved and transportation infrastructure.
- Consequently, the majority of Germans and Italians in Switzerland live in the cantons of Graubünden and Ticino. The British, however, prefer the Bernese Oberland region and the canton of Vaud. The Dutch favour the tourist areas in the canton of Valais and a few specific destinations in the Bernese Oberland region. As for the French, they primarily look for relaxation in the skiing areas in the cantons of Valais and Vau.
- Contrary to popular belief, second homes are by no means an issue which only affects tourist communities. Some 238,000 dwellings or more than half of the total number of second homes and vacation homes (419,000) in Switzerland are located in the cities or conurbations.

7.5.10 Romania

- Most people are cash buyers targeting apartments in Bucharest or ski and coastal resorts. As Bucharest grows, particularly in the south, new areas are expected to attract more foreign money.
- Away from the capital is Transylvania, this area has year-round appeal: skiing in winter, hiking and outdoor pursuits in summer, medieval towns and interesting wildlife, including a resident wolf and bear population. The main towns here are the cultural highlights of Brasov and Sighisoara, the former being close to Romania's largest ski resort, Poiana Brasov and the Prahova Valley in the Carpathian Mountains. An airport is scheduled to open in Brasov in 2008 and a new motorway joining it with Bucharest is also planned, show good signs for the future.
- Other mountain resorts include Predeal, Sinaia and Busteni.
- Looking to the Black Sea coast, the port of Constanta with its large beach is the site of new developments.
- The Black Sea coast is still largely untapped.

7.5.11 Spain

- Spain is the original second home destination and offers something for every type of buyer – retirees, investors, holiday home-owners, young there are still untapped areas
- Spain is most popular for second home ownership for Britons, followed by Germans, Italians and French respectively
- The Balearic Islands have moved substantially upscale in recent years as the region progressively sheds its image as merely a destination for cheap package tours, and now succeeds in attracting celebrities

- The Murcia region, which includes the Mar Menor lagoon, the Costa Calida and towns of Lorca, Caravaca de la Cruz, Cartagena and Murcia City, is one of Spain's most active regions in terms of development at the moment. Self-contained golf resorts are currently being completed and are aimed at the discerning international property buyer
- Almeria, south of Murcia and famous for its desert region is seeing development, notably around Roquetas de Mar and Aguadulce.
- Transport links in Murcia are being improved: the new motorway structure will be complemented by a new international airport at Corvera (scheduled for completion in 2010), which will complement the airport at San Javier already served by low-cost airlines
- There are still opportunities for development in the Costa Tropical, a lesser-known stretch of coast immediately to the east of Malaga, including the towns of Nerja and Almunecar. Furthermore, the foothills around Granada present buying possibilities too, as is the area around Antequera, slightly further west.
- The stretch of Costa de la Luz includes the coast running from Tarifa to Cadiz as well as the stretch that runs from the Donana National Park to the Portuguese border; this is a prime area for development.
- Furthermore, the Nuevo Portil resort, within close proximity to the beach, marina at El Rompido and two international golf courses, offers potentially high occupancy for a new development.
- Despite these opportunities, holiday property sales in Spain have been particularly badly affected by the real estate crisis partly due to a lack of British buyers.

7.5.12 Turkey

- British buyers and holiday makers have traditionally headed for the northern Aegean coast, with British and Irish holiday home-owners sticking to resorts such as Marmaris, Fethiye and Bodrum.
- Many buyers have recently considered points above and below of these old favourites including Alanya, and Dalaman to the south and Kushadasi to the north.
- The main buyers of holiday homes in Turkey are from the UK, Ireland, Germany and Scandinavia, especially Denmark

7.5.13 Cyprus

- Cyprus offers a mix of exotic landscapes, archaeological sites, a range of sporting and leisure activities and an excellent climate.
- The legal framework relating to property is broadly based on the British system and the tax position is favourable to UK buyers. This has demonstrated an estimated 70,000 Britons owning a second home in Cyprus. Paphos, Limassol, Protaras and Ayia Napa are the most popular areas for second homes.
- Although the majority of overseas buyers still come from the UK, other nations have secured a foothold on the Cypriot property ladder, particularly investors from the Middle East and other European countries.

- Recent events however have seen Aristo, the biggest homebuilder in Cyprus, reporting a 41% decline in sales during the first 10 months of 2008 as demand from UK buyers decreased by 75%.

7.5.14 Bulgaria

- Bulgaria offers beaches, mountains and quaint old towns.
- Low property prices are a major attraction, and the second home market was fuelled by British and Irish buyers. The popularity however dramatically decreased over 2008 due to a weakening of the pound.
- Despite this, Russian buyers now prevail as the top buyers of Bulgarian property; they are looking for luxury accommodation and are not so concerned about price.

7.6 Transportation Trends

Many carriers are thought to be facing bankruptcy and have cancelled or cut back on routes across Europe. Ease of access is imperative to second home ownership overseas, so buyers will face the challenges in paying more for accessibility or looking further afield and risking longer travel time. This however should not deter fractional real estate consumers. Whilst low cost carriers can act as a catalyst for ease of access to a location, fractional real estate consumers are in an income bracket which should not be deterred from using regular carriers or paying extra for flights (see buyer profile in the latter part of the report).

7.7 Conclusion

Investors expect to find opportunities in direct real estate in Europe in 2009. They favour the safety of the larger, more liquid markets: the United Kingdom and Germany. The emerging market of Turkey also remains popular because of its longer-term potential. Further specific destinations within Europe which will always be attractive to high net worth buyers include Saint-Jean-Cap-Ferrat, Cap D'Antibes, Cannes, St Tropez, Mallorca, Ibiza, Portofino, Capri, Tuscany and Como.

Despite, or perhaps because of, the turbulent times, many investors are also looking beyond the mainstream property sectors and alternative asset classes which have a more bond like cash flow will remain very attractive from a protective point of view.

FRACTIONAL INDUSTRY TRENDS

8. FRACTIONAL INDUSTRY TRENDS

8.1 Introduction

This chapter examines key trends within the fractional industry itself including emerging trends on the fractional product with implications for Europe. Furthermore, industry wide research was carried out by NorthCourse on fractional consumers, potential fractional buyers and high end luxury travellers to assess the current demand for fractional real estate in Europe. This chapter concludes with a European buyer profile from primary research findings on fractional consumer for Europe.

8.2 Fractional Industry Trends

8.2.1 Buyer

Research undertaken by NorthCourse and Fractional Life has confirmed that there is an emerging type of fractional buyer; the astute high net worth individual.

- They already understand the concept of high-end fractional offerings. They may already have owned luxury assets – for example yachts, jets, supercars and have realised that 'whole ownership' has cost them significant capital. This, in combination with the likelihood that they can not utilise such assets as much as they would like has implications that fractional ownership is a very lucrative option.
- They are looking to maintain a relationship with luxury assets which they do not have to take care of and at a time of their convenience.
- Auxiliary services are important such as personalized service, maintenance upkeep due to time constraints.

8.2.2 Location

Location is a key incentive for fractional buyers. Fractional offerings located in exclusive real estate beyond the reach of traditional home builders are most successful. These locations emphasize natural beauty, picturesque settings and proximity to beaches, golf, fishing, skiing, nature trails, urban centres and other amenities. During the current economic climate buyers will look for purchases closer to home. The European buyer is therefore more likely to purchase property within Europe which is mostly accessible by an average four hours flying time.

8.2.3 Product and design

The fractional product incorporates the location, the design, the usage plan, reservation policy and the procedures that overlay the usage plan. Furthermore it should incorporate the vacation experience and lifestyle that potential buyers envision for themselves and their family.

Location as with most real estate is the key driver for successful fractional products and is even more important in difficult economic conditions. Real estate in key locations is always desirable regardless of the financial crisis.

Recent development trends have indicated a preference for larger homes with higher quality finishes and higher price points. However new developments will undoubtedly look to reduce the entry points by reducing unit sizes.

Access to attractions within the location and amenities within the development are key factors influencing potential buyers. The trend towards fly-to destinations in the global market is apparent and the same applies in Europe. Units facing the ideal views also maximise the lifestyle appeal.

In addition fractional products typically offer members a lounge, check-in area, business centre, swimming pool, fitness room, and storage space.

There is an increased trend to enhance the amenity offering in PRC's with private golf memberships (while in residence), private yachts fractional jet service, beach clubs and other similar offerings available on the fractional market. These types of lifestyle additions further enhance the marketability and perceived value of the PRC as long as the associated fees are appropriate and relative to the price of the PRC share.

8.2.4 Amenities

Since fractional real estate at the high end of the market is a relatively new product, most of the facilities offered are also high end and at the cutting edge of the hospitality market. Service levels are impeccable, drawing the best of other vacation models. The following provides a list of amenities one can expect:

- Concierge – both on site and pre-arrival services
- Valet Parking
- Main Service – at least 1 or 2 daily services
- Special areas, activities and menus for children
- Privileges at on-site; nearby golf, ski, beach, hunting/ fishing or other core attraction.
- Heated swimming pools and spas
- Assistance with special requests for private jets, yachts, parties and excursions
- Pre- arrival stocking of groceries and household items
- Full serviced salon and daily spa
- Casual and fine dining
- In room dining, including personal chef
- Relaxing lounges, patios, reading rooms and game rooms
- Exclusive "owners only" club rooms
- Business centres with private conference rooms, secretarial support and advanced data, video conference and telecom capabilities
- Wireless internet
- Storage for pre/post arrival
- Permanent storage for personal decorative highlights (photographs etc)

Fractionals in urban centres are less able to deliver space-intensive amenities, but they can compensate with extraordinary location and views, and often occupy important historical or contemporary buildings. With urban locations, services are more focused to the locality:

- Special access to exclusive dining and show tickets
- Exclusive privileges with nearby golf and yacht clubs
- Reserved parking
- 24-hour car service
- Owners lounge
- On-site gym and sport courts

8.2.5 Usage Plan

The usage plan is an important criterion for buyers and is often not fully explored by developers. Successful projects tend to design usage plans which complement the needs of the market being targeted. Usage plans have steered towards more flexibility, with the addition of exchange platforms to increase the options available to the end user.

Fraction sizes and usage plans must take into account the general buyer incentive i.e. lifestyle, personal use and investment for PRC and traditional fractionals respectively. For example, quarter shares work well for traditional fractionals because it allows sufficient number of rental weeks for the owner to receive income to offset their annual ownership costs, and enough rental weeks for a professional operator to make rental pool management financially worthwhile.

Recent trends have also indicated a preference for a combination of guaranteed weeks (rotating) with additional time on a reservation basis allowing greater flexibility but maintaining equality between owners.

The traditional fractional was initially sold as a quarter share, today fractions are available for quarters to 1/12th and smaller. Smaller fractions than 1/12th begin to cross the line into a timeshare like business model, particularly when fixed weeks are sold with varying price points depending on use-time.

8.2.6 Mixed Use Resorts

The increasingly persuasive arguments for integrating shared ownership into a wider hospitality portfolio are:

- Risk reduction through diversification.
- Revenue enhancement derived from complementary businesses.
- Cost control through operational synergies.

Whilst similar to that of a hotel there are marked differences in the development costs of a shared ownership operation. Shared ownership development can be phased in line with sales velocity. Moreover, sales can commence prior to the completion of a project thus minimising financial exposure and reducing overall risk. Shared ownership sales receipts represent an acceleration of cash flow, present an opportunity to reduce borrowings quickly, minimise the cost of debt servicing and can enhance overall profitability.

Mixed use projects are expected to prevail during the credit crunch and this is where the opportunity lies for fractional properties. Over the next few years, mixed use projects will have less risk and with yields and cost of debt rising, we can expect to see an increase in mixed use schemes in which investors can spread their risk through differentiated revenue streams. They will also remain the most attractive to financial players, investors or lenders.

8.2.7 Hospitality Branding

The hospitality industry is increasingly focusing on building customer loyalty and maximizing repeat business. Incorporating shared ownership components within hospitality portfolio presents an opportunity to realise the potential of an existing customer base; to enhance brand loyalty and to sell new products to existing customers. . Owners have also demonstrated a higher inclination to spend "in-house" than traditional loyalty club members.

Cross-marketing opportunities are considerable, with each party benefiting from an integrated approach to the promotion of both products, in turn securing a considerable amount of customers and revenues. An increased duration of stay combined with a generally high propensity to spend, can result in a significant increase in food, beverage and other amenity revenues. Integrating a shared ownership product within a hospitality portfolio can create a more loyal customer base, which in turn can boost hotel sales. Owners pay annual management fees, which contribute to the operational cost including maintenance, cleaning, administration, front desk and a general sinking fund for capital replacements. Fees are dependent on the unit size and are payable annually in advance, irrespective of occupancy.

The opportunity to leverage the existing infrastructure and further enhance profitability is evident. Capitalising on shared resources and economies of scale in order to generate long-term incremental revenues is at little or no additional cost. Despite this, guaranteed access to shared leisure and other amenities should be secured by way of a "use contract". Such agreements are a cost of servicing a shared ownership club and provide defined revenue for a hotel operation.

Combining shared ownership development with a hotel enables efficient use of common infrastructure, improving the overall viability of the project and is considered to be a long-term strategic opportunity. Hotel companies adopting shared ownership products within their portfolios can experience the following benefits:

- Increases in occupancy rates.
- Expanded customer bases.
- Enhanced brand loyalty.
- Additional revenue streams.
- Leverage of marketing expenditure.
- Absorption of fixed operating costs.
- Diversification of risk over a broader product offering.

Critical to the successful integration of these two complementary businesses is a mutual understanding of each other's business model and a congruence of operational goals.

8.2.8 Exchanges

The exchange option can either be through an internal network of associated developments or via an external exchange programme. These options simply provide the owner with the opportunity to expand their choice of accommodation with different scopes in flexibility. Traditionally associated with timeshare products, these mechanisms are now being adapted to incorporate fractional and leaseback properties that incorporate an element of personal usage. Their structures, systems, processes, knowledge and people services are directly transferable to these forms of ownership.

8.2.9 Going Green

We can expect to see more green buildings, solar power, water conservation; energy efficiency etc. as going green will become more prevalent in the development of leisure real estate. The ideas of recycling, using Compact florescent light blubs, carbon-offset programmes as well as projects demonstrating sensitivity to preserving the natural character of their developments is an emerging trend as a whole and will also transcend to fractional real estate. Apart from pleasing consumers there are other legitimate reasons for going green. Being more environmentally friendly can enhance the image of the organization, attract the ever increasingly concerned green consumer and gain a share of a lucrative market segment. Consumers will be more enticed by green efforts as it impacts their environmental and leisure consciousness; an example being that approximately 45% of UK tourists have expressed a preference towards an organization which caused no damage to the environment. Furthermore, a developer can save costs from adopting best practices.

8.2.10 Health and Wellness

An increasing amount of members in fractional real estate on a global basis expect a spa and wellness facilities with their purchase. Such add-ons have become a necessity rather than an amenity. In contrast to the trends in desire for high activity, spas have emerged as a trend to cater to motives for tranquillity, relaxation and sanctuary. The demand for such services has become more complex; evolving from beauty and pampering to more health related programmes. Further motives are fuelled by consumers looking for something deeper and more meaningful whilst travelling and many elements of spa tourism are seen as a form of adventure travel. Customization, personalization and experiential journeys which incorporate indigenous treatments are allowing guests to find this meaning and be connected to people, places and traditions. As consumers become more aware of being green, they are looking for a spa that does more than recycling and serving organic food; there is a trend towards respecting nature, local people, incorporating indigenous treatments, hiring local staff and contributing to the destination's local community. The ageing of the Baby Boomer has become a niche for this market. As these high earners rapidly approach retirement age they are becoming increasingly more concerned about their health and wellness is important to them.

8.2.11 Authenticity

Consumers value authentic products with natural materials and authentic experiences such as adventure and eco travel, arts and culture, food and wine and spas and wellness. We can expect to see resorts and fractional residences differentiate their products with authenticity.

8.2.12 Branding

As branded hospitality companies continue to overwhelm buyers with brand choices, fractional residences will need to better build their own brand identity for their niche and affluent target market. Affluent consumers tend to differentiate a brand through design and innovation which suits their lifestyle aspirations and look for extraordinary service levels which exceed their expectations.

Those developers who capitalize on these trends and brand their assists have the potential to offer an innovative experience which can stimulate consumers well into the future.

8.2.13 Urban Fractionals

In synchronization with the increasing popularity of urban areas; the growth of urban shared ownership real estate models are taking place in various parts of the world. Generally developers are offering such products for two distinct markets. The first offerings are geared towards existing fractional owners who may be interested in spending a few days in a city in addition to their usual beach or ski resorts. The second target market are people seeking fractional interest alternatives to wholly owned second homes; namely affluent buyers looking to visit a city a few times a year. These people are likely to be well educated, appreciate culture, dining, theatre and arts or may include repeat business travellers as well as urban tourists.

Urban fractionals will not work in any city. The location should be a destination that has an international appeal, a global business hub, should be attractive enough to attract visitors regardless of the weather and should be a destination that people like to visit regularly.

Top Ten Cities for Fractional Products

San Francisco	Washington DC
Chicago	Madrid
Bangkok	Rio de Janeiro
Rome	Florence
Barcelona	Prague

Source: RCI, 2009

KEY FINDINGS FOR FRACTIONAL REAL ESTATE

9. KEY FINDINGS FOR FRACTIONAL REAL ESTATE

9.1 Demand for Fractional Real Estate

This section provides a snapshot of current thinking amongst luxury travel buyers and second home buyers in Europe as they prepare to face a challenging economic climate. It reflects the thoughts of a sample which has experienced a growing personal affluence, a preference for enhancing their lifestyle and the emergence of new travel destinations and experiences.

9.1.1 Sample

Primary market research was undertaken by NorthCourse on 1) high end luxury travellers and 2) second home buyers in Europe. NorthCourse used convenience sampling and the following screening criteria was utilised (n 50 per geographical market was each split into groups 1 and 2).

Group 1	Group 2
Potential Luxury Resort Visitors	**Potential Luxury Real Estate Buyers**
Minimum disposable annual household income: €90,000 per year Travel: 5 star +, minimum 4 nights, during past 12 months, or planned for next 12 months. Identified through: a) Disposable income/net worth b) Interests (as demonstrated through past/planned luxury travel)	Minimum disposable annual household income: €90,000 per year Property purchased (group 2): €500, 000 on a second home, during the past 2 years, or planned for the next 2 years. Identified through: a) Disposable income/net worth b) Interest (as demonstrated through past/planned luxury residential property purchases)
n= 200	**n=200**
Total n= 400	

The sample consisted of the following geographical markets (n= 50 per geographical market):

- UK
- France
- Germany
- Spain
- Italy
- Scandinavia
- Benelux
- Ireland

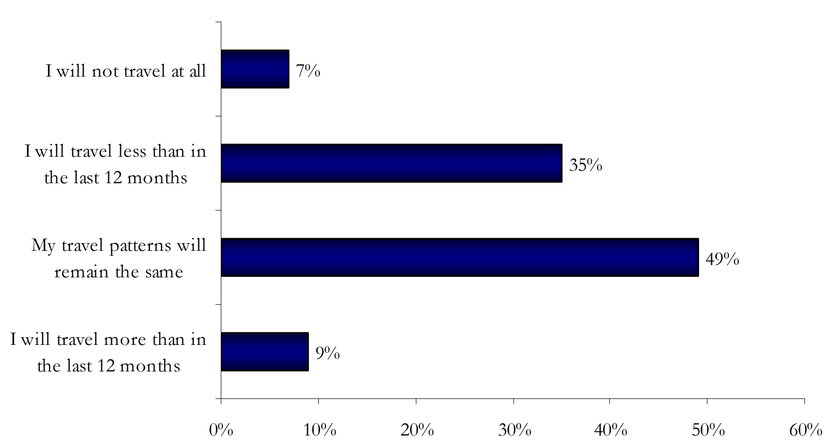
9.1.2 Methodology

An online survey was administered to the sample due to convenience reasons and to reach a larger audience in the time limitations of the study. Furthermore, surveys are consistent in studying attitudes, values and beliefs. The response options were closed-ended and were exhaustive and mutually exclusive.

9.1.3 Results

Travel Trends

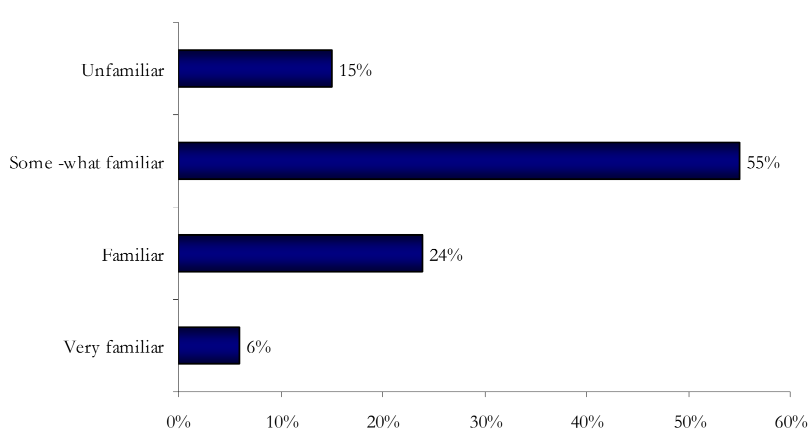
Will the Economic Climate Affect your Travel Plans Over the Next 12 Months?



A substantial 49% claim that their travel patterns will remain the same; with 9% indicating that they will travel more; 35% indicating that they will travel less; and 7% not travelling at all.

Fractional Residence Familiarity

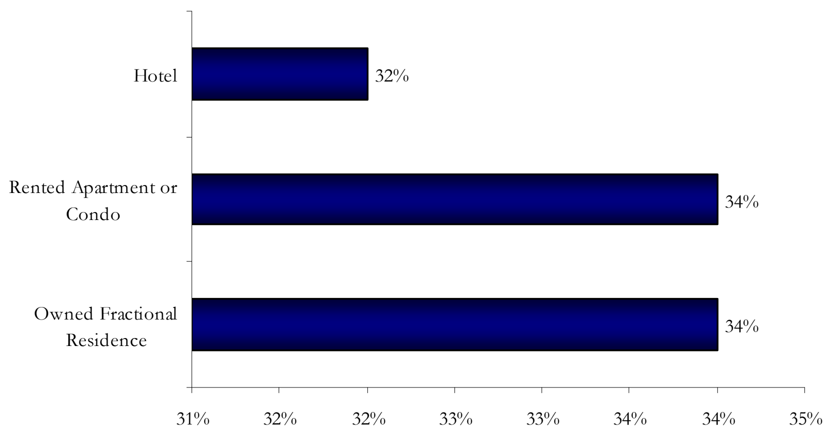
Are you Familiar with the Fractional Real Estate Concept?



The majority of the respondents (55%) are some-what familiar with the fractional real estate concept, 24% are familiar; 15% are unfamiliar and 6% are very familiar.

Preferred Accommodation Type

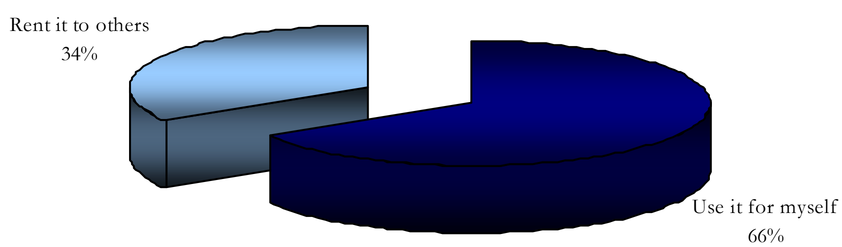
*Which of the following three accommodation alternatives would best suit your personal lifestyle in the forthcoming years? *** Respondents were given a brief overview of the fractional real estate concept for those who were not familiar*



When given information on the fractional product, approximately 38% of the sample indicated that staying in an owned fractional residence over a rented apartment or condo (36%) or hotel (26%) would suit their lifestyle more over the forthcoming years.

Preferred Use of a Fractional Residence

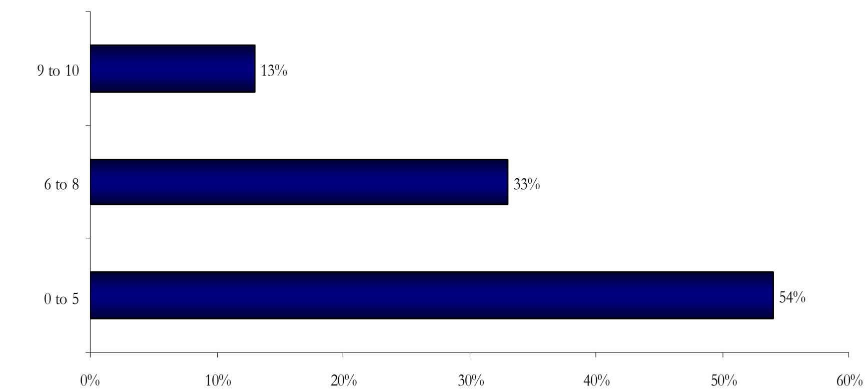
If you owned a fractional residence, would you rent it to others or use it yourself?



When asked what they would do with a fractional residence should they ever own one, approximately 66% of the sample confirmed that they would use a fractional residence for themselves and 34% confirmed that they would rent it out to others. This falls in our contentions that the product should ideally be marketed as a lifestyle investment for a consumer.

Likelihood of Purchasing a Fractional Residence

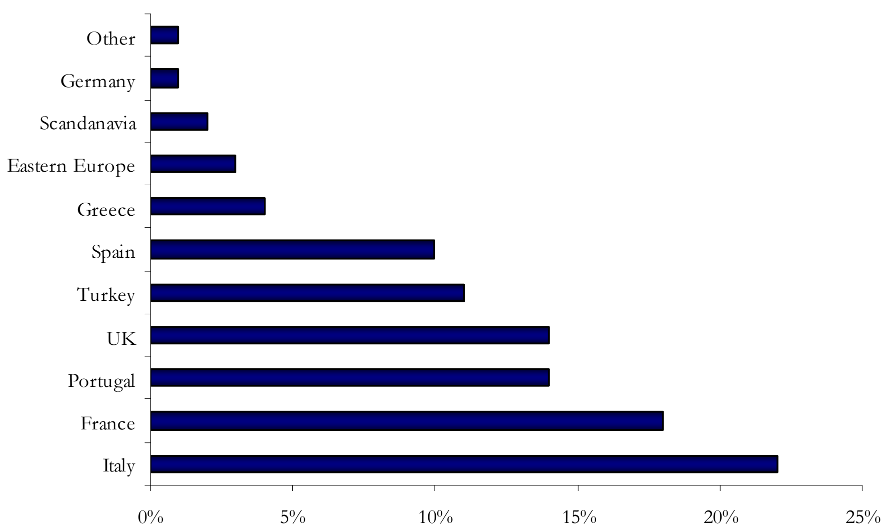
What is the likelihood of you purchasing a fractional residence in the future? 0= Likely 10 = Very Likely



A significant 33% are inclined towards likely, whilst 13% cited very likely comprising a total of 46%. 54% are not likely to invest in fractional real estate over the next few years.

Preferred Location

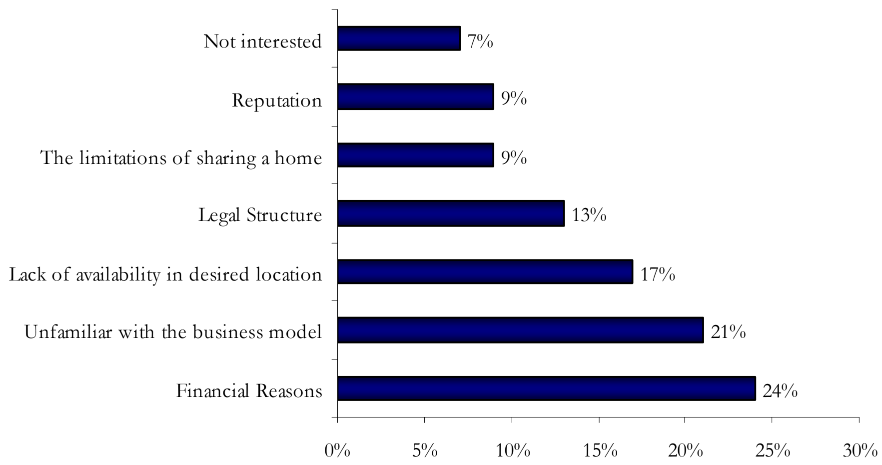
If you were to purchase a fractional residence where would be your preferred location?



The most popular destinations and hence potential for fractional developments are in Italy, followed closely by France. Portugal is also popular, followed closely by the UK, Turkey and Spain.

Hindrances to Fractional Ownership

What would hinder you from purchasing a fractional residence?



Currently, financial reasons (24%) are the most common reason for not investing in a fractional residence at this present time. The next most common reason; is unfamiliarity with the business model (21%) followed by a lack of availability in desired location (17%). 13% cited that the legal structure was a barrier, 9% did not like the idea of sharing a home, 9% cited reputation as a reason, and 7% cited a lack of interest in the product.

9.2 Fractional Buyer Profile for Europe

This section provides a snapshot of current thinking amongst fractional residence buyers. It reflects the thoughts of a sample which has experienced owning a fractional residence and assesses important dynamics for developers to take into account.

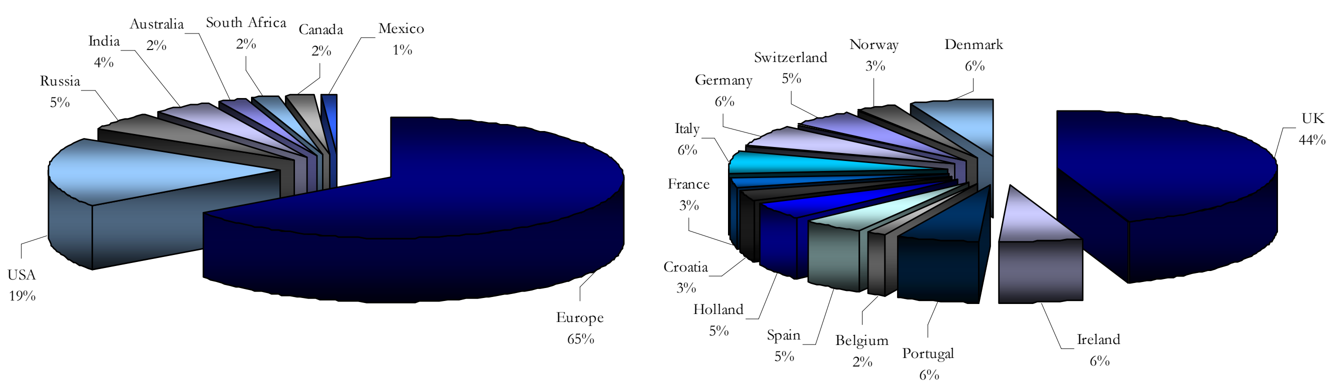
9.2.1 Sample

Primary market research was undertaken by NorthCourse on fractional buyers in Europe. NorthCourse combined both qualitative and quantitative methodologies (open and closed questions) which was distributed via an online survey using a sample of subscribers to FractionalLife.com. The sample was therefore purposeful (n=100) and targeted consumers who had bought a fractional real estate product in Europe.

9.2.2 Results

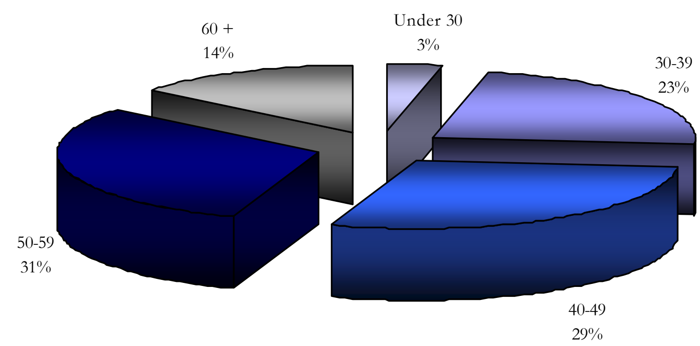
Nationality

As illustrated below, Europe constitutes 65% of the sample, followed by USA (19%), Russia (5%), and India (5%).



- Within Europe, the United Kingdom accounts for the majority of European buyers, at a considerable 44%.
- Ireland, Denmark, Italy, Germany and Portugal follow this each representing 6% of the buyer profile.
- Switzerland, Holland and Spain each represent 5% of the buyer profile.
- Norway, France and Croatia follow each representing 3% of the buyer profile.
- Belgium represents 2% of the buyer profile.

Age



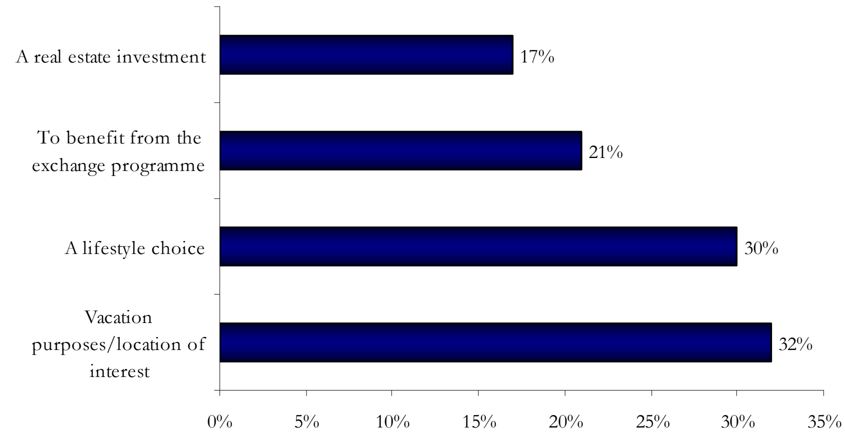
- The largest age group of fractional buyers in Europe are between 50 to 59 years of age (31%)
- This is closely followed by buyers between 40 to 49 years of age at 29%
- Those between 30 to 39 years of age represent 23% of the buyer profile
- Seniors (aged 60 plus) constitute 14%
- Finally only 3% represent those who are under the age of 30

Income Levels

Pre-Tax Income Level	Percentage
€35,000 to €49,000	3%
€50,000 to €74,999	19%
€75,000 to €99,999	25%
€100,000 to €199,999	**30%**
€200,000 plus	23%

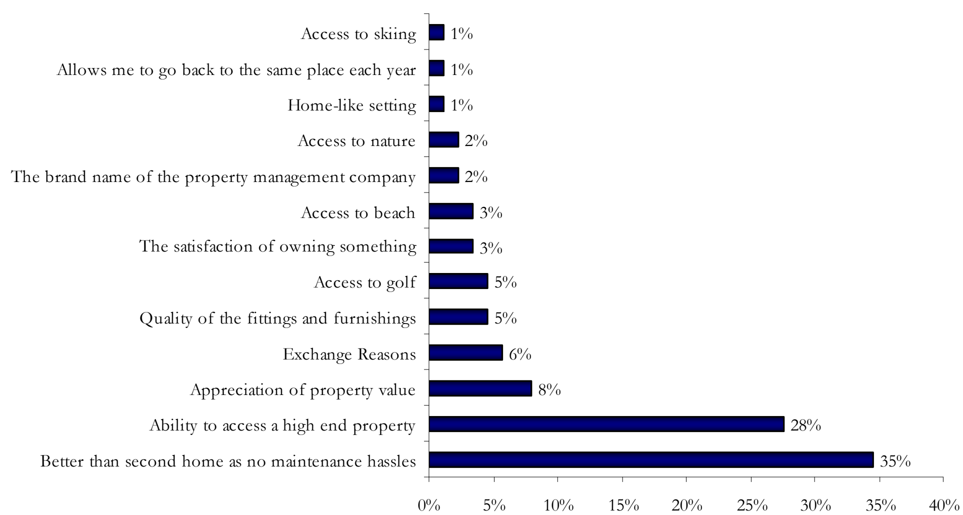
- A significant 30% of the fractional buyer earns between €100, 000 and €199, 999 confirming that this is an affluent and niche target market.
- This is very closely preceded by those earning €200, 000 plus (23%) and €75, 000 to €99, 000 (25%).
- 19% earn between €50,000 and €74,999 and 3% earn between €35,000 and €49,000

Purpose of Purchase



- The most cited reason for purpose of purchase is for vacation purposes or a location of interest (32%)
- This is closely preceded by a purchase being a lifestyle choice (30%)
- Benefitting from the exchange programme is the next most important reason (21%) and 17% of buyers cited their purchase as a real estate investment

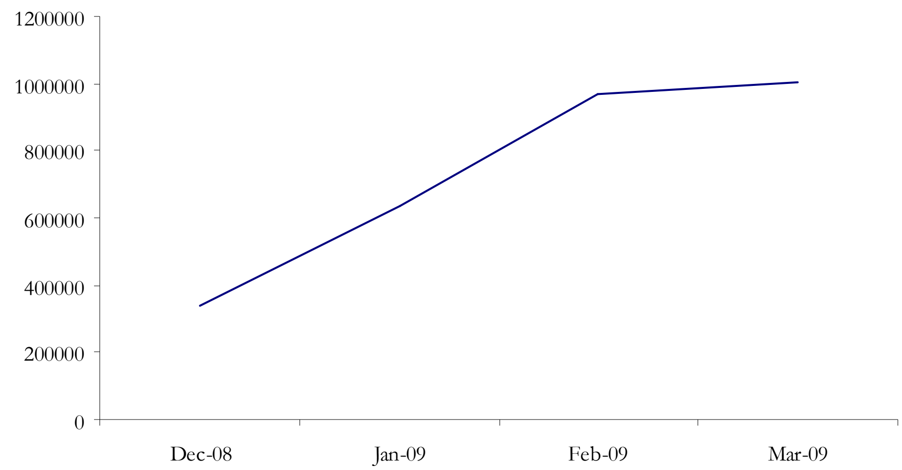
Most important Attributes



- The most popular reason for owning a fractional residence is that there are no maintenance hassles that one would obtain with a second home (35%).
- This is closely followed by the ability of buyers to access a high end property (27%).
- Other important reasons for buying are appreciation of the property value (8%), exchange reasons (6%) and quality of the fittings and furnishings (5%).

Further research from Fractional Life confirmed that fractional consumers are significantly research orientated before they make a purchase, and the majority use online sources. This research trend is even more prominent due to the current financial crisis with buyers wishing to learn more about the fractional ownership marketplace. The table below presents the number of hits Fractional Life has achieved between December 2008 and March 2009 (the highest recorded) alone.

Number of Hits on Fractional Life, December 2008 to March 2009



Source: Fractional Life, 2009

Further research from Fractional Life and RCI confirmed the additional follow facts about the fractional consumer in Europe:

- The purchase of the fractional unit highly focuses on the perceived benefits of the purchase. Other considerations that play a vital role in the purchasing decision are accessibility to desirable locations, simplicity of fractional ownership such as preparations prior to arrival and the freedom from the responsibility of handling the maintenance
- The fractional purchaser is content to pay a premium for the flexibility of owning a fraction and generally accept the increased marketing / operational costs involved. Although, if this ratio is abused in the eyes of the knowledgeable fractional buyer the offering is very quickly dismissed from their purchasing options.
- The buyers seek to ensure that their purchase matches their circumstances and that they are dealing with a reputable operator who is financially secure
- Personal use is the top priority, and as the owner becomes more familiar with the set up many use it to entertain friends / corporate guests.
- Brand is vital to the Fractional unit purchaser with 68% of potential purchasers indicating a luxury brand over an independent resort.

- The Fractional ownership purchaser is also not easily deterred from real estate investment by fluctuations in the real estate markets- access and an enhanced lifestyle is as much, if not more of a priority as an investment particularly during these turbulent times.
- Many can afford to buy a luxury second home outright but seek enhanced value from their expenditure.
- They only wish to pay for the time in property that they can use.
- They do not want the hassle of maintaining a wholly-owned second home.
- They tend to return to home property as a base and treat their fractional home as a second home for the first three years. After this they will then look to exchange.
- They want to buy in areas which already have a prosperous luxury real estate market.
- The property of that quality and scale has to be in short supply in the location that they desire.
- Whilst they are purchasing a lifestyle, they are very practical buyers and view their purchase as an investment as well

9.3 Outlook and Opportunities

Fractional Ownership meets the needs of many more potential buyers:

- Those who would like to buy a holiday home but lack the funds
- Others who may have the funds but recognise it makes no economic sense to own a property outright for 6 to 8 weeks occupation a year
- Those who would like to test holiday home ownership before making a larger investment
- Those who see fractional ownership as a way of spreading their portfolio and reducing their financial exposure
- Shared Ownership provides the most effective way to test ownership before buying outright, to live in the resort permanently

9.4 Conclusion

The primary research findings of non fractional buyers (however a sample who could be the fractional buyers for the future) provided noteworthy evidence that there are opportunities for fractional developments in Europe.

A considerable 49% of the sample indicated that their travel patterns will remain the same- this consequently leads us to believe that the current economic situation has not affected their aspirations to travel or aspirations to spend money on themselves and their lifestyle.

The majority of the respondents (55%) are some-what familiar with the fractional real estate concept, 24% are familiar; 15% are unfamiliar and 6% are very familiar. This illustrates a need for more concise and educational information to be circulated on the fractional real estate market. There are indeed opportunities for this market due to the fact that the majority of respondents, (38%) when given information on the fractional product, indicated that this would suit their lifestyle more over the forthcoming years versus a hotel or rented apartment. Evaluating this emphasis on importance of lifestyle, 66% of the sample expressed that they would use a fractional residence for themselves versus renting it out to others (34%). Therefore, even though a fractional residence can be seen as an investment, it must be realised that the target market is a niche and affluent one; and one that spends money on them to boost their lifestyle.

Whilst 54% of the sample, expressed that they are not likely to purchase a fractional residence in the future, again, it must be borne in mind that this is a niche market, not a mass market and with 46% inclined towards the likely spectrum, indicates very positive outcomes for the fractional market. This could perhaps be changed if the consumer was to learn more about the product. This is crucial seeing as our findings show that 49% of the sample is 'some-what familiar' with the fractional real estate concept and 10% are 'unfamiliar'.

In terms of favourable destinations; Italy topped the choice, followed closely by France. This correlates to second home buyer trends as well and these destinations are easily accessible and offer much opportunity with their attributes of picturesque settings, proximity to beaches, golf, fishing, skiing, nature trails, urban centres and other amenities. Portugal is also popular, as is the UK, Turkey and Spain.

Looking to the future for non fractional buyers and hence demand for fractional residences, whilst 24% cited financial reasons for not investing in a fractional residence at this present time, 21% are still unfamiliar with the fractional business model, reiterating our emphasis that more research and educative techniques need to be undertaken to provide information for the consumer. With 17% indicating that lack of availability is in their desired location, this is key, and could indicate a preference for more fractional developments in the market place either in the currently cited destinations or other destinations within Europe.

Looking to the current marketplace fractional buyer, our primary findings also provided noteworthy findings that current and future fractional developers can build upon.

The United Kingdom, Ireland, Denmark, Italy, Germany and Portugal nationalities were in the mix of the sample. As illustrated in our market trends section, the Baby Boomer and Generation X'ers are the key markets recommended to target, with the largest group of buyers in the sample being between 50 to 59 years old, closely followed by those being between 40 to 49 years old (29%). These age groups are more likely to be financially well off and prefer travel to domestic destinations.

Furthermore, as previously cited the fractional buyer is an affluent one; normally cash rich and time poor. Our findings of the fractional buyers illustrated that 30% earn between €100,000 and €199,999, with 23% earning €200,000 plus and 25% earning between €75,000 and €99,000 (pre tax). This is therefore, undoubtedly, a rather considerable and niche market.

Whilst our research on non fractional buyers highlighted their intentions of what they would do with a fractional residence (majority being a lifestyle choice), for actual fractional buyers, the findings illustrated that 'purpose of purchase' was due to the location of interest or for 'vacation purposes', (32%) with 30% citing that their purchase was a lifestyle choice. Furthermore, having the opportunity to exchange is important as well (21%) with 17% maintaining that their purchase was a real estate investment. Location is key and further findings illustrate that fractional buyers want to buy in areas which already have a prosperous luxury real estate market.

Assessing the most important attributes of the buyers' fractional residence, 35% of the sample indicated that they purchased because there are no maintenance hassles that one would have with a second home (35%). Many can afford to buy a luxury second home outright but seek enhanced value from their expenditure and look to avoid the hassle of maintaining a wholly owned second home. This is a crucial element, and is a key marketing message of fractional residences; 'buy for the time that you use'. Furthermore, 27% of buyers purchased to access a high end property (27%) – this reiterates the trend for fractional buyers only wishing to pay for the time in property that they use, and can justify a buyer's expenditure on a luxury home.

KEY FACTORS TO FRACTIONAL RESORT SUCCESS

10. KEY FACTORS TO FRACTIONAL RESORT SUCCESS

10.1 Introduction

In order to create a business model which helps developers to maximise their returns in fractional real estate, there is a need to identify and implement success factors and mitigate the risks in developing fractional real estate. Trends in America from fractional developments in America where the product is well established have been analysed to distinguish successful projects from those with a slower sales process. Projects in Europe should therefore take the following into account to best position their product.

10.2 Factors for Success

10.2.1 Location

- Desirable, Exclusive
- Establishing a home away from home
- Major attraction, amenity e.g. Golf, ski, beach front or lake front
- Large number of affluent, repeat visitors
- Land scarcity, high end real estate
- Easily accessible to general market

10.2.2 Residence Design and Product Range

- Target market needs (large homes or exclusively located apartments, flexible usage plans, fly-to or drive-to market)
- High quality finishes – luxury
- En-suite master suites
- Office area
- Views
- Multiple unit size offering with flexibility in unit designs – unit lock offs to create additional rooms.
- Deeded interest

10.2.3 Marketing Strategy/ Brand

- Establish strong brand name, International and Local recognition – through operators, designers, architects, exchange companies, hotel operators etc
- Established brands create security, prestige, exchange opportunities and assurances
- Brand perception for PRC's is even more important

- Launch strategies to create awareness and urgency in the market
- Prudent pricing strategy to strong initial sales pace
- Competitive and flexible HOA fees
- Market studies, understanding of customer requirements to enhance product offering – even during the sales period it is possible to benefit from customer feedback and amend product accordingly
- Exit strategies to ensure viability of the project in uncertain times

10.2.4 Exchange and More

- Concierge services
- High level of customer service
- Members only discounts
- Affiliations with luxury travel, retail, entertainment services and facilities
- Incorporate additional fractional lifestyle products e.g. yacht, car, jet
- External exchange programmes to enhance the real estate offering

10.3 Considerations

Developers often underestimate two crucial areas:

i) Owners' costs

Developers frequently create an unrealistic annual dues structure which will not adequately cover all expenses associated with a property, such as ongoing maintenance and repairs as well as replacing all the furnishings every five to seven years. Whilst keeping the dues as low as possible to entice buyers, developers should be realistic and should not underestimate such costs. Furthermore buyers would rather be aware of such costs upfront rather than in the latter stages of the decision making process.

ii) Marketing costs

On the marketing front, developers cannot expect buyers to necessarily come and find them. The key is relationship marketing and one may have to spend six months becoming familiar with each client. Furthermore, real estate agents should be adequately trained so they know how to sell the product.

10.4 Fractional Marketing Appeals

It is imperative for developers to market the fractional product correctly to their target market. The following are important aspects to consider before undertaking any form of marketing activities:

- Experience and lifestyle are crucial fundamentals to the message; as material goods become more commoditised, people are placing more emphasis on enjoying quality time, new discovery and experiences.

KEY FACTORS TO FRACTIONAL REAL ESTATE SUCCESS

- Consumers have short satisfaction spans and thus may only want to own for a short (shared) period of time.
- Fractional ownership allows for a powerful antidote; time. Consumers yearn for quality time for themselves and with friends and family. Consumers will embrace the thought of dedicated weeks every year to reconnect and experience new places with others close to them.
- Referrals and testimonials always factor highly.
- Brand extensions are proliferating; consider partnering with a brand to increase interest.
- Access to golf and skiing have always been popular. More recently, city locations are becoming popular fractional destinations such as Paris, Rome and London for short and easily accessible getaways.
- Locations with sound worldwide transport links are crucial.
- Locations which offer cultural heritage and a unique experience are deemed to be attractive.
- Focus on personal relationships with consumers, incorporating one-on-one marketing, transparent pricing and 100% service commitment.
- Experiential marketing strategies are essential; the trend toward the purchase of the experience rather than a distinct product has been called ‘transumerism’ and developers must capture this element.
- Owning a luxury item has almost become a status quo and fractional ownership will be marketed to the affluent more as suiting part of their lifestyle. There will be a more prominent focus on exploring the emotions of an affluent buyer and enhancing the relationship sales process.

CONCLUSION

11. CONCLUSION

There is an array of new frontiers that developers and owners need to explore and understand in order to survive and prosper in the future. These frontiers extend beyond the current economic crisis to include changing demographics and psychographics; the immediate need to invent new models for doing business; and an understanding of and ability to respond to rapidly changing consumer values in an atmosphere of rapid global change. With the global financial downturn, 2009 therefore needs to be about understanding the buyer and looking into consumer needs and demands even more so than usual. Whilst affordability will be a driving issue for many people; it will not be necessarily the most important aspect to everyone. Trends have illustrated that with the credit crunch; luxury has not disappeared but has rather reinvented itself. Luxury has been replaced with a drive towards real local experiences that are strongly linked to the destination, environment and indigenous culture. Wealthy travellers are looking for educational experiences rather than just relaxation. The most significant has been the desire to escape mass affluence and the more that wealth grows across the economy, the more that consumers will end up trying to escape the crowd. The credit crunch can therefore be seen as reinforcing a trend towards downshifting in terms of lifestyle, which has fed a greater interest in both provenance and authenticity. The fractional ownership market can still however, allow a consumer to continue maintaining their lifestyle habits.

As the leisure real estate landscape becomes increasingly competitive, especially in traditional holiday markets such as Spain, France, Italy and Greece, developers are increasingly looking for a means to differentiate their developments and to mitigate risk. Such differentiation can be by price, quality and amenities, mixed use product offerings and by fractionals. The fractional interest industry, fueled by the growing desire for luxury access, has grown and owning luxury items such as a residence club or fractional residence will become a status quo. It is the ideal solution for those who aspire to have a collection of second homes that one only needs for one to two weeks a year.

Mixed use projects are expected to prevail during the financial crisis and this is where the opportunity lies for fractional properties. They will remain the most attractive to financial players, investors or lenders because of the opportunity to spread and diversify risk. Over the next one to three years, there will also be opportunities in vacation and resort areas for real estate and investment channels as they are normally the first regions to return value when prices decline. Additional areas of opportunities will be urban destinations offering a mix of architectural and cultural significance, and high-quality property linked to desirable facilities, such as marina or golf based residential projects.

Currently there are approximately 90 fractional deeded products located across Europe in the form of Private Residence Clubs or fractional properties. The bulk of supply (85%) is located in England, France, Spain, Portugal, Italy, and Scotland. There are many other areas within these regions as well as other destinations in Europe that still pose opportunities for development. Evidence from our primary research, illustrated that additional locations for fractional residences in Europe are still in demand.

CONCLUSION

Further evidence from our primary research illustrated that a considerable 46% of non fractional consumers were towards the likely spectrum in purchasing a fractional residence over the forthcoming years. Challenges however prevail with regards to a lack of knowledge of the fractional real estate product and our primary research findings of non fractional buyers particularly highlights that further research needs to be undertaken. The consumer needs a deeper understanding of the product. In light of the economic vortex, consumers will only invest in opportunities that are both tangible and transparent.

Over the next five years, NorthCourse contends that there will be substantial growth in the fractional industry, not only in Europe, but on a global basis.

NORTHCOURSE LEISURE REAL ESTATE SOLUTIONS

12. NORTHCOURSE PRODUCTS AND SERVICES

FEASIBILITY STUDIES

Why would a developer engage NorthCourse?

- To properly manage and mitigate development risk, the developer needs to fully understand market dynamics and competitive forces that ultimately determine the success of a leisure oriented real estate, fractional, or hotel development offering.

What NorthCourse does to perform?

- Primary research of the competition in the region in which the subject property is located.
- Identification of the competitive strengths and weaknesses of the site in relation to the competition.
- Development of a strategic plan to capitalize on strengths, mitigate weaknesses, and differentiate and position the project to capture more than its fair share of the market.

What NorthCourse collects as data?

- Data related to regional market trends, access, level of tourism, and other macro and micro economic data relevant to the subject property.
- Information on the competitive product offering, pricing, absorption, amenities, and reasons for success or failure in the market.

What a developer needs to provide:

- Detailed information on the characteristics of the site, a site master plan if available and the preliminary development concept and programme for the property.

What is the deliverable?

- A detailed market driven development program designed to maximize profitability and identify and capture the highest and best use of the site.
- Product recommendations including residential and hotel unit mix and sizes, pricing strategy, and in the case of fractionals, a detailed usage plan and reservation system.
- We work closely with the development team including the developer, land planners, architects, marketing and sales, and others to provide direction and agreement with respect to the physical master plan and the product program.

OPERATOR SEARCH

Why would a developer engage NorthCourse?

- Identifying and selecting the most appropriate hotel brand and operator for a development site is a complex analysis and negotiation that is critical to the success of the hotel.

What NorthCourse does to perform?

- Following a detailed feasibility study, identification of hotel companies and brands that will be most suitable for the property.
- Meetings with hospitality companies to introduce the property, overcome objections, and solicit a LOI (letter of interest).
- Brand selection and across the table negotiations to assist the developer's lawyers in finalizing the terms of a contract.

What NorthCourse collects as data?

- Data collection occurs in the feasibility stage.

What a developer needs to provide:

- Facilitation of communication, interaction, and strategy sessions between the developer, the developer's attorneys and NorthCourse.

What is the deliverable?

- A signed contract with a hotel brand with favourable terms that is consistent with industry standards with respect to branding fees, technical advisory fees, and an operating agreement.

WORKOUT STRATEGY

Why would a developer engage NorthCourse?

- When a real estate project is failing due to soft market conditions, management deficiencies, or a poorly conceived or executed marketing plan, decisive and immediate action must be taken to correct the problem.

What NorthCourse does to perform?

- NorthCourse analyzes and identifies the problem.
- NorthCourse formulates solutions to solve or mitigate the problem.

What NorthCourse collects as data:

- Regional market information and trends
- Competitive project intelligence.

What a developer needs to provide:

- Detailed site, product, and pricing information and historical performance.

What is the deliverable?

- A strategic business plan that provides the developer with a road map for corrective action.
- Exit strategies such as alternative uses for the product like the introduction of a fractional program that will create more value and broaden and diversify the market.
- A refocus of the marketing message and competitive positioning of the project.

FRACTIONAL SALES AND MARKETING ADVISORY SERVICES

Why would a developer engage NorthCourse?

- Fractional real estate can add significant value, but inexperience and mishandling of the sales and marketing process has led to numerous failures. Advice from an experienced expert is critical.

What NorthCourse does to perform?

- NorthCourse provides the product knowledge necessary to sell fractional real estate.
- NorthCourse teaches the developer and his sales and marketing team the nuances of the fractional business.

What the developer needs to provide:

- All legal documents, CC&R's, and access to all members of the development team.

What is the deliverable?

- On-going meetings and work sessions to properly train the sales and marketing team including a PowerPoint presentation that is used as a training aid.
- Assistance in the preparation of a marketing plan and collateral materials.
- Assistance to the client's attorneys in the preparation of club documents, state timeshare registrations, the owners' package with detailed reservations and usage policies, and homeowner association budgets.

CRITIQUE AND VALIDATION

Why would a developer engage NorthCourse?

- Sometimes a developer may only need an objective third party critique of a business plan or development program and validation of the plan or recommendation on changes to the plan.

What NorthCourse does to perform?

- If the subject of the critique is site specific NorthCourse conducts a site visit to assess the highest and best use for the property and render a preliminary opinion of feasibility.
- All developer product and pricing assumptions are checked for reasonableness and their fit with the wants and needs of the target market coupled with competitive forces.

What NorthCourse collects as data:

- Competitive intelligence collected from a project specific field survey and website research.

What the developer needs to provide:

- Complete development program, site master plan, architectural renderings and floor plans, and development pro forma.

What is the deliverable?

- A brief letter report summarizing our findings.
- Recommendations on programmatic changes that will enhance the marketability and profitability of the offering.
- On occasion recommendations for an exit strategy.

Shakir Alibhai

Manager, Middle East & Europe

Shakir is a Manager in NorthCourse's Dubai based office. His work experience includes consultancy roles in London, Abu Dhabi and he joined NorthCourse Dubai in 2007. Since joining NorthCourse he has been a fundamental member of the team working with clients from different regions. The breadth of work he covers ranges from shared ownership assignments, traditional real estate to hospitality consultancy. Shakir's key strength is his financial acumen and he is actively involved in advising clients on their investment and development plans, particularly feasibility studies, business plans, financial valuations, financial modelling and further project finance initiatives.

Shakir holds a Bachelor in Actuarial Science from London School of Economics, England. He is fluent in English, Swahili and Gujarati.

Nikola Reid

Consultant, Middle East & Europe

Nikola is a Consultant in NorthCourse's Dubai based office. Prior to joining NorthCourse, Nikola was involved in numerous research assignments which assisted key stakeholders including governmental and hotel organizations in Dubai. Since joining NorthCourse Dubai in 2007, she has played a vital role in the team and has conducted assignments for clients across the Middle East and Europe. At NorthCourse, Nikola is involved in all aspects of the consultancy process, from market research, project feasibility analyses, site evaluations to strategic development recommendations for hotel, real estate and shared ownership related developments.

A British expatriate, Nikola has been based in the Middle East for 18 years, previously residing in Singapore and Hong Kong. She holds a Bachelor of Arts in International Business and Tourism Management from The Emirates Academy of Hospitality Management., in association with the Ecole hoteliere de Lausanne in Switzerland.

FRACTIONAL LIFE

13. FRACTIONAL LIFE

Fractional Life www.fractionallife.com

Fractional Life is the number one consumer lifestyle brand dedicated to growing the fractional ownership marketplace. The company has 3 divisions: interactive, fractional conferences and exhibitions, and publishing.

Fractional Life Interactive

FractionalLife.com is the leading independent consumer source of objective information for the fractional ownership industry. Available in 9 different languages, our web visitors are among the most sought after consumer demographics: established and affluent professionals who are actively engaged in 'temporary ownership' and smartly acquiring quality luxury products, services and lifestyle experiences. Updated daily, FractionalLife.com singularly focuses on the wealthy consumer's wants, needs, opinions and expectations within the fractional ownership marketplace containing the best product information from many of the world's top brands. The brand is 100% committed to growing the fractional marketplace in the USA, UK and Europe and worldwide.

Fractional Life Expo www.fractionallifeexpo.com

Fractional Life Expo is the world's only consumer exhibition totally dedicated to fractional ownership. Launched in 2006, the event takes place in the heart of London and allows visitors to see the selection of fractional products on offer and talk face to face with a variety of fractional operators - whether that means about part ownership of a luxury residence or yacht to simply the usage of a selection of true supercars without the hassles of ownership.

Fractional Summit www.fractionalsummit.com

Launched in 2008, Fractional Summit is Europe's largest fractional property trade conference. Extended to 2 days in 2009, the event attracts 250 fractional professionals and trade sponsors from around the world. Fractional Summit is the leading industry event bringing together key decision makers to drive the industry forward.

Fractional Life Publishing

The Fractional Life Editorial team regularly writes for the worldwide consumer Press about fractional ownership. We have written or been quoted in the following publications: Evening Standard, City AM, Financial Times, Spectator Business, Independent, New York Daily News, Ney York Times, International Herald Tribune, USA Today, Daily Mail, Metro, Homes Overseas Magazine.

We also write dedicated 16 page fractional ownership supplements which have already been distributed to over 5 million readers of The Times and Daily Telegraph newspapers in 2008 / 2009.

These articles and supplements are available to read on www.fractionallife.com