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Fractional Property to 'Outsell Freehold Within Five Years'

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- More and more developers are looking to fractional as a way to secure sales in an uncertain future

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Fractional property will take over from freehold sales in Europe within five years, according to industry specialists, as poor economic conditions leave its legacy on the world's mid-range buyer market.

Fractional ownership was already growing in prominence with global buyers before the downturn, according to data from Mintel and the world's two biggest fractional consultancies, the Ragatz Association and Northcourse Ltd, which revealed that in 2007 the fractional ownership industry was worth US\$1.98bn, (20% up on 2006) excluding destination clubs which registered a further \$2bn in sales.

In 2008, the market is predicted to be worth \$1.2B alone in the Middle East, with the majority of establish European and Mediterranean markets all recording strong growth in sales figures.

The industry is also taking root in Egypt, with agency Egypt Real signing a new affiliate partnership with consultancy Fractions Abroad, making it, what it claims, the first company to offer fractional ownership in Egypt.

"Fractional ownership is a great tool to enable you to secure business from almost any client no matter what their aspirations or budget," said Peter Mitry from Egypt Real. Commenting on his structure in the country, he added: "Contracts will be tailored to the individual developers who adopt fractional and can be produced in all of the major languages which will feature alongside Arabic."

Meanwhile, more and more developers are looking to fractional as a way to secure sales in an uncertain future. Brad Lincoln, CEO of fractional consultancy The Best Group, said his company has been approached by an average of two developers per day to help them consider structuring a fractional product, but turn down 85% because there are not enough trained sales people to handle fractional sales, also stating that "fractions do not turn a poor resort into a good one". "In five years time the only people not buying fractional will be retirees. Fractional is going to take over completely," he added.

As a result, the new launch RGM Fractional held its inaugural Fractional Awareness Day in London, designed to raise awareness within the industry about fractional ownership and advise those brokers looking to enter the sector.

The audience of property professionals were taught the workings of fractional ownership, how this can be sold against freehold properties, either as a lifestyle, or an investment proposition, and the distinct differences between fractional ownership and the infamous timeshare industry.

"We have flown over from Spain today to learn more about fractions and the different financial vehicles open to interested buyers," said Allen Cooper, from World Properties and Land. "This is a growing market, but there is a clear lack of knowledge in the industry."

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Enda Maguire, from Equity Share International, added: "The day was very informative, accurate and well targeted at those looking to sell in the sector."

Speaking about the future of the international property industry, Lincoln suggested that freehold ownership will become a "luxury, with only high-end buyers taking this path" in the future, with fractional ownership, and its lower cost of entry, taking over.

Graeme Grant, MD of Resort Group International, agreed with Lincoln and said, at the awareness day: "Fractions have been successfully marketed in the USA for some 10 years now and will become the major leisure property product in Europe within five years, easily outselling freehold within that period."