

## Fractional Real Estate Trends 2008-2009



*by Sherman Potvin*

Even in the economic downturn of 2008, the fractional market was still the fastest growing real estate product. Luxury Fractional Guide itself has seen its listings and traffic grow exponentially.

Despite the economy, fractional real estate is steadily selling, and. They might not be selling as quickly, but people are still buying. One of the biggest issues impacting fractional sales in this market is the lack of both developer and consumer financing. With the economic downturn that we've experienced in the past year, financing is near impossible to get right now.

Many of the larger, branded companies are not feeling this impact because they have their own in-house financing. Smaller resorts private developers are more and more local lenders issuing fractional financing. There are pockets around the country where banks understand fractional funding and the quality of the people seeking the funding, and they are continuing to loan money. Perhaps it is because they understand that there is rarely a problem with 2<sup>nd</sup> home consumer borrowers. They're high end people with high credit scores and great credit history. The only thing that's holding anyone back right now from funding consumers is that the lenders still aren't confident that they understand the product. I predict that not only one, but three or more big companies will come into this marketplace and provide funding.

### Looking Forward to 2009

Over the next year, we are going to see a substantial growth in the fractional industry. The good news is that people are not going to give up their lifestyle. They are still going to vacation in nice places. Because of the current economy, many of those people who would have otherwise purchased a wholly-owned vacation home will turn to the alternative vacation home market and fractional real estate will be there waiting.

I view the fractional world today as the same place that timeshare was 30 years ago. We are just on the cusp of public knowledge and awareness of this product. With the recent inauguration, a new president in office, and new policies taking place, in the next few months, we're going to see everyone relax and come back to a regular way of doing business in America. Buying and selling real estate will be a part of it, and financing will come back.

I think there is always going to be a Private Residence Club mentality and market. I don't think that will ever change and I can see PRCs remaining and growing at a reasonable place. I see the real sales coming from the mid-market from \$120k to \$250k per share. These will be the fastest growing segment of the fractional market, especially if financing comes into place. We're also seeing some wonderful little cabins in the mountains and on lakes with a share price of under \$100k that are becoming very popular with everyone because it opens up the entire market in affordability for people and young families just getting started.

Although the fractional industry is poised for growth, it still remains a highly competitive marketplace. I would give the following advice to anyone who wanted to enter the fractional market right now. If you are a homeowner looking to fractionalize your home, you should be seeking the help of a trained fractional professional.

If you are looking to become a fractional professional, high-quality education from seasoned industry veterans is a must, and it will help to distinguish you and the service you provide from the outset. The fractional industry can only grow as fast as it has good people putting projects together and selling them, and that all begins with the proper education and right methodology.

### **About Sherman Potvin**

Sherman Potvin is the founder of [Luxury Fractional Guide](#) and is a leading fractional consultant. He is the author of the informative and popular book [Fractionalize to Maximize](#).  
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