

F.C.I.

Fractional Consulting International:

The Fractional Life Newsletter Number (1)

Dear Friends:

Welcome to;

The Fractional Life Newsletter...

Number (1): Fractional Ownership, Time Share and Greed.

Fractional Ownership is now an over \$2 Billion Dollar Industry and growing.

Over the last 25 years in this business as a fractional ownership consultant, I have seen many changes in the industry and most of them are truly great. I would like to take some time in this our first Fractional Life Newsletter to talk about a few changes that I see that may be improved upon based on the new financial world beginning in 2008 that we now find ourselves in. In addition to this I will try to explain some of the major differences between time share and fractional ownership, and how greed in the industry may become a factor to success in these changing financial times.

Fractional Ownership, Time Share and Greed

Back in the early years, in the early 80's, when fractional ownership was just taking form, "time share" was then the major player. Some of us in the industry envisioned some other form of vacation ownership that not only made us the developers and the sales associates a fair profit, but also had some sort of true equity position and true re-sale value for the end buyers, was easier to sell, and without a lot of arm twisting on the buyers.

Based on the old time share industries normal type formula of buy for 1 dollar and sell for 5 dollars time share became a great potential way for new developers and hotel renovators to make a very large amount of profit, and many did. The reasons, problems, and the hurdles, that many of the time share developers where up against came in big time on the sales and marketing side of there buy for \$1 sell for \$5 plan.

As the normal time share marketing and sales formula was bring in 10 potential buyers to get 1 real buyer closed, it soon became very clear that this business was in fact a numbers game, with very high marketing cost needed to get these great numbers of potential buyers to sell out the project. **Yes...** by having a great location with a great project development team this was very helpful for sure, but the bottom line is and still is numbers, and the race was on to get those high numbers. What some new time share developers failed to see at times was that by selling 50 weeks of the year, and selling each condo unit to 50 people such as in the normal time share plan it was necessary to bring in 500 potential buyers just to sell out one condo unit, using the then proven formula.

Now consider for a moment what is really needed, based on the above formula to sell out a 100 condo unit project for example. They the developers of a 100 unit condo development for example would need to figure out how to get 10 ups (potential buyers touring the property) to sell just one week, thus needing 500 (ups) to sell 50 weeks = 1 condo sold. Now with 100 units needed to be sold it would take 50,000 (ups) or people

touring the project to sell out the 100 condo units. Now just consider the amount of energy, money and time to get 50,000 (ups) or potential buyers in the door and you can then understand why the marketing and sales cost for a normal time share project would run from 45% to 55 % of there total income. *This may also give you some idea of why time share got such a bad rap during those early years, with so much pressure on the developers, sales teams, and marketing teams to get so many people in the door.*

With such great pressure on getting the required numbers of people needed to sell the condo units and to make the development successful, with such huge expenses going out so fast every day, the developers were trying all and everything to get people in the door. I remember meetings where the end goal was just “how” to get them in, “how” to get the numbers needed. We would came up with so many marketing ways, from giving away TV’s, toasters, golf clubs, free diners, overnight stays, you name we tried it. With so much stress to get so many people in the doors the time share sales people where forced and pressured to begin dragging anyone and everyone they could find off the streets to come see their projects, *and this really turned off a lot of folks in the process.*

The good news is the concept was then and is now, a very good one To be able to vacation in a quality location, in a quality home or condo paying only for the real time you need and want at a fraction of the cost of buying the entire resort or vacation home, is very desirable to everyone..

The Present Fractional Ownership programs, though having their roots in time share, are not exactly comparable, and it is a mistake to do so without understanding this.

The meaningful difference between most timeshares and fractional ownership arrangements is the extent of ownership and control given to the owners of the property. Fractional ownership is also normally a far greater quality, with larger units, better furnished and much more flexibility in the usage and possible income benefits that really exist, as opposed to time share.

An existing real life example of the fractional ownership rental potential rental income over most any time share product is one of our luxury fractional vacation homes in beautiful Costa Rica. This fractional home has 4600 square feet of living space, including one acre of land and a truly awesome ocean view only 5 minutes from Jaco Beach, in Costa Rica. This home is selling for \$189,000 for 2 months (8 weeks) or a 1/6 share of registered titled fractional ownership and has 70% fractional financing available for 20 years, at a fixed interest of 8-9%. This home would rent out in our Luxury home rental pool for \$3000.00 to \$5000.00 per week. The fractional owners by using there home for there own family vacation time, as example for 2 weeks per year and putting the rest of there time in the rental pool for the other 6 weeks, can receive 70% this income. With a \$4000.00 per week rental income or \$24,000.00 per year x 70% = 16,800.00 income to the owner. This income then can cover most of there entire yearly mortgage cost and there fractional shared expenses *plus* there 2 weeks of vacation free each year, and they own it, and not just a renter!! This 1/6th share fractional of a 4600 sq. ft. luxury home, with an acre of land will also go up in equity value, unlike most any time share product .

Fractional ownership also makes intelligent investment sense, both for the home owner and the fractional buyers especially in our present global real estate market conditions, as it matches actual usage with the real cost. It hardly makes sense in this new financial world for vacation buyers to bear the many burdens of full ownership when fractional ownership is now available.

By comparison, fractional owners pay only their pro-rated share of operating costs, the real time they use and want. Home owners who use our services receive on average 20% to 40% more income than their present normal retail selling price, and also have the option to keep as much time as they wish themselves. The new fractional owners will get with their ownership an actual, fee simple owned, deeded titled interest, which can be sold, hypothecated, left in a will, put in a trust, and or financed, practically anything that can be done with any normal deeded property.

It's a different product

There are many of my colleagues who are saying that Fractionals are a hybrid between timeshare and whole ownership. I certainly have no objection to that assessment, but I have a somewhat different observation. It appears to me to be a mostly unique offering with some similarity to both sectors but enough idiosyncrasies to justify a separate category.

Timeshare is the pre-purchasing of a week or two of vacations. It is designed for and appeals to the broadest cross section of the population and priced accordingly. It could be considered a mass market product, and that does not minimize its value, appeal or success, but, rather, increases it. Fractionals are a commitment to a leisure lifestyle in a specific location to which one desires to return periodically throughout the year. It's similarity to whole ownership is that it is in a location where one would like to have a second home, but the similarities end there. Fractionals combine all of the benefits of a vacation home with the amenities and services of a fine hotel. Additionally, it is described by developers and owners alike as rather like a country club experience with a residence included.

Another great advantage of Fractional Ownership is as Americans and other countries now struggle to cope with one of the deepest recessions in half a century, the international fractional ownership market continues to grow and expand. Leading long-term analysts conclude that fractional ownership programs are now filling a growing need for the new travel and vacation options in these financial times. The fact is, most second home owners are only using their vacation homes 3 months of the year, yet the owners are still paying the yearly taxes, maintenance, utilities, security, mortgages, and many other bills for the entire year.

Why the Worlds "Baby Boomers" will change second home ownership

1.) Demographics - 78 million US Baby Boomers that will retire in the next 15 years (the largest population turned 50 in 2004-05, with 50th birthdays occurring every 7 seconds). The under told statistic is that there will be 103 million Empty Nesters in Europe by 2009 and Japan will have 32 million boomers by 2010, in a total population of only 127 million people. 213 million Boomers will compete for a uniquely similar lifestyle in retirement.

2.) Boomers can handle debt - Unlike the previous generation, Boomers have proven that they are willing to pay, and borrow for the lifestyle they want. The boomer generation has innovated everything from disposable diapers to SUV's, they will innovate the idea of retirement homes. Vacation Finance has commissioned a study of boomer indebtedness to be released later this year. Reverse Mortgages will be another key to allowing boomers to tap their home equity during retirement for second home ownership.

3.) The Wealth Transfer - Not everyone is going to get rich. Boomers are estimated to get the biggest slice of the inheritance pie: \$17.8 trillion. Distributed evenly, each of the 78 million US boomers get \$228,205. But these inheritance dollars will not be distributed evenly. The 73.5% of the boomer cohort will likely join the wealthier classes. Within the next 15 years, 20.7 million boomers will become over \$658,000 wealthier, and 57.3 million people will get less than \$72,900 to boost their meager net worth/retirement. 20.7 million people may be able to afford luxury retirement residences if they innovate to fractional ownership, condo hotel, and private residence clubs. Whole ownership is going to be bid farther out of reach by the sheer mass of this population competing for prime property, a trend that is already under way. Boomers will need to get creative by purchasing a combination of a primary residence, Condo Hotel and Fractional and PRC ownership options, to more efficiently use their limited nest eggs and to have active and dynamic golden years.

Fast Facts:

- Traditional timeshare grew 21% to \$7.87 billion in 2004, average price \$15,784.
- High-end timeshare grew 22%, to \$1.075 billion, average price \$40,270, 50% of owners say they would buy more fractional shares in the future. Only 3% of US population currently owns fractional real estate interests.
- The average American worker gets 2.4 weeks of vacation, and will retire at age 62. Many boomers expect to continue to work, possibly in a different career after retirement.
- The \$100,000+ income cohort is growing 8 times faster than any other income group in the USA. Mortgage leverage has also grown in recent years. These people have money and are not afraid to borrow to own more real estate and this lifestyle.
- There are around 250 fractional projects in the world. In the USA, 23% are in Florida, 21% in Colorado. That's 549,295 boomers for each project in the U.S. supply alone.

- The most economical way to own more than one home in this now 2008 changing financial world is to only own the piece you really need and want to use, thus fractional ownership, who's time has come.

Our Vision at F.C.I. is to establish... in this now new real estate financial world a more basic sanity approach to giving the millions of international vacation buyers a true equity value in their fractional ownership purchases, while also allowing the home owners, condo owners, and developers to receive a fair 25 to 50% profit over the real whole ownership fair market price.


In addition our Vision to being able to give our member (owners) a great product and great prices, we at **F.C.I.** will offer an in-house turn key package to all our buyers, and owners. This package will including 70% to 80% L. T. V. financing on each separate titled fractional, international legal expertise on all documation and an in-house management team including a high end rental pool averaging \$2000 per week per home. To be also as a fractional home owner, condo owner or developer be able to really sell your property at a great profit, in even a slow real estate market, thus a win-win for everyone involved!!

News Update.... We just finished building our new fractional ownership office building in Jaco Beach, Costa Rica, the new building has 9 large offices with two in-house international real estate attorneys doing our fractional ownership forms and legal work.

The Next Fractional life Newsletter or most part of it will be on **F.C.I.** forming a very unique Fractional Vacation Club for Costa Rica and Panama. This Club will be an exclusive in-house small fractional network of fine resorts, condos, homes, including larger 2500sq.ft. to 5000sq ft. select luxury ocean vacation homes in both countries. **F.C.I.** is presently seeking select ocean front or ocean view vacation homes and condo units from owners and developers in Costa Rica and Panama that qualify to add to our inventory of fine vacation homes in Costa Rica and Panama.

Let us show you how you can reduce your responsibilities of ownership by paying for only the real time you need and want, while keeping the quality vacation and healthy lifestyle that makes this life truly enjoyable.

Best Regards:
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