



**Inside the Industry: The Growing Interest in
Fractional Interests
*Why Fractionals Have Flexibility***

As today's real estate market undergoes what some experts are calling a "breather" period, one concept of second home ownership continues to thrive. In a recent CNN Money article entitled, "Million dollar homes - for a fraction of the price," it is noted that fractional ownership is the fastest growing segment of the vacation home market. And even in just the last year, reports are showing astonishing numbers for this emerging ownership concept.

This past May, Ragatz Associates, the leading market research company for resorts, hosted a seminar focused on the growth of fractional interests over the last few years. The report gathered from this meeting showed that fractional interests are increasingly becoming a popular choice in a market that was once narrowed down to whole ownership and timeshares. This new emerging concept is opening up a larger number of second homeowners in the United States and worldwide as well.

In 1995, there were only four properties in the country set up for fractional ownership. This year, that number has soared to 188 fractional properties in North America, equating to an overwhelming 288% increase in just the last three years. National sales for fractionals in 2005 weighed in at over \$2 billion in sales, also showing a steady climb with an increase of 28% in the last year and over 270% in the last two years.

More than ever, consumers are seeing the advantages of fractional ownership versus the timeshare. The clear advantage is the difference between a vacation purchase in a timeshare and a real estate purchase in fractional ownership. With a timeshare, there are generally 52 intervals per unit, causing investors to have limited time for their vacations. On the other hand, with a fractional, the intervals are more like 4-12. Time, as they say, is of the essence, and in this race, fractional ownership is the clear winner. In addition to time, consumers are seeing other positives, including a higher quality product, more services, more exclusivity and higher satisfaction - not to mention a more probable appreciation than the timeshare.

Developers have seen several advantages as well in a fractional over a timeshare. Fractional owners open up a new market for developers, who can now afford to invest more money into a product with these new consumers who are able to pay higher dollar than timeshare investors. And with fewer people invested in each unit, developers do not have to manage and coordinate the high amount of tenants timeshares have held.

Perhaps the greatest benefit is the fact that these owners are receiving the same high quality product as a whole owner for a "fraction" of the cost. They buy what they can afford, buy what they can use, have more flexibility of use and ultimately have higher satisfaction than a whole ownership. In short, fractionals have flexibility.

Fractional Real Estate properties are typically located in world-renowned resort locations where prime real estate is coveted and in extremely short supply. One such place that has just been recently introduced to this concept is Destin, Florida. And the one bringing this offering to the Emerald Coast is Destin-based developer, Legendary, Inc. Already nicknamed "the jewel of the coast," the latest venture by Legendary, Emerald Grande at HarborWalk Village, is turning heads for its unique beauty, location and luxurious offerings unlike any resort along the Gulf Coast. Located at the Destin Harbor with extraordinary amenities and lifestyle, it's no wonder the sales performance has been so positive.

To date, over 300 fractionals have been sold in the 281-unit luxury resort since its February 2005 launch. The majority of owners come from the 600-mile drive radius surrounding Destin including metropolitan southeastern cities such as New Orleans, Atlanta, Nashville, Memphis and Birmingham. This world-class resort destination is unfolding along 14 acres on the Destin Harbor and is bringing the fractional real estate concept from the ski resorts of Aspen and far-off Caribbean retreats to the sugar white sands of Florida's Emerald Coast.

All owners of this luxury resort, whether fractional or whole, will receive a higher level of service at Emerald Grande than anywhere else along the Emerald Coast. The units will range in size from 1,075 to 2,660 square feet. The condo towers will be built within HarborWalk Village, a retail and resort complex. The condo amenities include a European spa, fitness center, conference room, banquet room, marina and several restaurants including Harry T's Boathouse and Pat O'Brien's.

Ed McMullen, Jr., Executive Vice President of Legendary, Inc. stated Emerald Grande sales are reporting that

fractions are selling at a 5:1 ratio over whole ownership. Due to this continued success in sales, Legendary hasn't felt as great of an impact of the market's breather period that others in the industry are experiencing.

Speaking on the forecast of the second home real estate market, McMullen further noted, "Fractional ownership will continue to grow as prices of luxury vacation homes rise. This type of purchase, as buyers are realizing, is often the more logical purchase. With a greater level of service, owner obligations and commitments are reduced, allowing them to truly enjoy the vacation destination."

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About *Inside the Industry*:

Inside the Industry is produced and distributed by Legendary, Inc. This release is designed as a tool for providing accurate information on the latest trends in real estate and development in the residential and resort lifestyle market on the Gulf Coast.

About *Legendary*:

Legendary is headquartered in Destin and boasts a diversified portfolio including a Restaurant Division, Real Estate Development Group, Management Operations Division and Holdings Division. With enterprises such as Emerald Grande, Legendary Marine, Regatta Bay Golf and Country Club and Destin Commons, the company's diversity and expertise has produced numerous successful Destin area projects. The company stands strong behind its mission to provide "legendary experiences which exceed the expectations of visitors and residents in Destin, Florida."

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