

THE SHARED-OWNERSHIP RESORT REAL ESTATE INDUSTRY IN NORTH AMERICA: 2015

FRACTIONAL INTERESTS | PRIVATE RESIDENCE CLUBS | DESTINATION CLUBS



TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. SALES PERFORMANCE IN 2014.....	11
Sales Volume	11
Recent Trends in Sales Performance	12
Some Average Sales Performance Indicators	16
The Top Selling Projects.....	18
III. LOCATION OF THE DEVELOPMENTS	19
Location of <i>All</i> 304 Developments	19
Location of the 62 <i>Active</i> Developments	20
IV. UNIT CHARACTERISTICS	22
Number of Units	22
Number of Bedrooms.....	25
Size of Units.....	25
V. MISCELLANEOUS CHARACTERISTICS	26
Size of Shares.....	26
Use Plans/Reservation Systems	27
Amenities	29
Owner Benefits and Services	30
External Exchange	31
Miscellaneous Items.....	32
Primary Amenity/Location	33
VI. PRICES.....	33
Price Per Share.....	33
Price Per Week.....	35
Price Per Square Foot.....	36
Annual Maintenance Fees.....	39
VII. MISCELLANEOUS ITEMS.....	40
Distribution of Revenues	40
Regional Variations	41
Destination Clubs.....	42
Remaining Market Depth in the U.S.....	42

ABOUT RAGATZ ASSOCIATES

THE SHARED-OWNERSHIP RESORT REAL ESTATE INDUSTRY IN NORTH AMERICA: 2015

FRACTIONAL INTERESTS PRIVATE RESIDENCE CLUBS DESTINATION CLUBS

I. INTRODUCTION

This document describes the shared-ownership resort real estate industry for 2014 in North America, including the United States, Canada, the Caribbean and Mexico. All three components of the industry are addressed, including fractional interests, private residence clubs and destination clubs. Emphasis is on the first two components. Emphasis also is on the supply side of the industry, i.e., product characteristics and sales performance rather than on the demand side, i.e., the consumer.

Results are based on a thorough survey of all developments known to exist in the shared-ownership resort real estate industry (hereafter simply referred to as the shared-ownership industry). The survey was conducted by Tracy Ragatz during early 2015.

For purposes of providing a consistent trend analysis, the survey and descriptive report at-hand follow the **exact** same format as our most recent previous efforts from 2007 through 2013. It is the 15th annual survey conducted by Ragatz Associates of the shared-ownership industry in North America.

It is felt that: (1) the vast number of shared-ownership projects have been identified; and (2) results are very accurate. These two positives are permitted by the past frequency of the surveys, the consistency of the questions, interviewing mostly the same people every year, and our extensive exposure in the industry.

The developments were identified by: (1) an exhaustive review of industry publications (including *Bowden's Market Barometer*, *Crittenden Resort Report*, *Developments*, *Vacation Industry Review*, *Robb Report*, *Vacation Ownership World*, etc.); (2) a review of attendee lists from past conferences in the resort industry; and (3) numerous feasibility analyses conducted by Ragatz Associates throughout North America during the past few years.

Some 304 fractional interest projects and private residence clubs were identified, along with six destination clubs. Excluded from the 304 developments were ones: (1) with fewer than five units; and (2) not yet in sales.

The next step involved identifying which of the 304 developments were in active marketing and sales and **actually** made some sales in 2014. Some 62 such developments were identified, including 46 fractional interest projects and 16 private residence clubs (along with the six destination clubs). Most of the other 242 developments are older, small, moderately-priced, sold-out projects.

The 62 active projects represent 13 less than the 75 in 2013, and 91 less than the 153 in the industry's peak year of 2007. During 2014, three new projects were started, four re-started after being out of sales in 2013, seven sold out, seven that were active in 2013 ceased sales prior to achieving sell-out due to poor market conditions, one converted to whole-ownership, and five converted to a destination club.

An extensive survey was conducted of the 62 active developments via telephone and email. Completed surveys were obtained from 60 developments, and partially completed surveys from two. Missing information was inserted by Ragatz Associates as based on prior experience in the industry. This document at-hand describes results of the survey of the 62 active developments.

Before proceeding with results of the survey, it is appropriate to define some terms used throughout the document. They refer to the three components of the overall shared-ownership industry, including fractional interests, private residence clubs and destination clubs.

The first two components are similar, in that both sell deeded ownership in shares of vacation homes, ranging from a 1/20 share with two weeks of annual use to a 1/4 share with three months of annual use. However, the two components vary in terms of price,

quality of product, and degree of services and amenities. Ragatz Associates simply assumes that product selling for **less than \$1,000 per square foot** falls into the **fractional interest** category, and product selling for **more than \$1,000 per square foot** falls into the **private residence club** category. Private residence clubs also are typically characterized by having a more prime site, as well as more services, amenities and owner benefits.

A destination club typically sells 30-year memberships on a non-equity basis in a wide network of vacation homes in multiple locations. Some clubs are equity-based, however. The concept is further characterized by a refundability policy when members leave the club.

All 304 fractional interest projects and private residence clubs are listed by state/country/region in Table 1.

TABLE 1

All 304 Fractional Interest Projects and Private Residence Clubs

Project	Community	Type
ARIZONA		
Club at Hidden Meadow Ranch	Greer, AZ	FI
Quality Hill Resort Villas	Pinetop, AZ	FI
Rancho Manana Private Residence Club & Spa	Cave Creek, AZ	FI
Rocks Luxury Residence Club	Scottsdale, AZ	FI
Scottsdale Club Villas	Scottsdale, AZ	FI
Villas at Seven Canyons	Sedona, AZ	FI
CALIFORNIA		
80/50 Mammoth	Mammoth Lakes, CA	FI
4 Seasons at Desert Breezes	Palm Desert, CA	FI
Club at Big Bear Village	Big Bear Lake, CA	FI
Dunes Club	Palm Springs, CA	FI
Mountain Club, The	Kirkwood, CA	FI
Northstar Club	Northstar, CA	FI
Old Greenwood	Truckee, CA	FI
Residence Club at PGA West	La Quinta, CA	FI
Sentinels Private Ownership Club	Kirkwood, CA	FI
Sierra Shores	South Lake Tahoe, CA	FI
Tallus	Mammoth Lakes, CA	FI
Villas of Gold Mountain	Clio, CA	FI
Calistoga Ranch	Calistoga, CA	PRC
Fairmont Heritage Place Ghirardelli Square	San Francisco, CA	PRC
Marriott Grand Residence Club	South Lake Tahoe, CA	PRC
Mayacama	Santa Rosa, CA	PRC
Northstar Lodge a Hyatt Residence Club	Truckee, CA	PRC
Orchard at The Carneros Inn	Napa, CA	PRC
Residence Club on Mission Beach	San Diego, CA	PRC
Tonopalo Private Residence Club	Tahoe Vista, CA	PRC
Villas at The Grand Del Mar	Carmel Valley, CA	PRC
Villas at Rancho Valencia	La Jolla, CA	PRC
COLORADO		
Cabin Club at Fox Acres	Red Feather Lakes, CO	FI
Christie Club	Steamboat Springs, CO	FI
Cirque at Copper Mountain	Copper Mountain, CO	FI
Fairmont Heritage Place Franz Klammer Lodge	Telluride, CO	FI
Greens at Copper Creek	Copper Mountain, CO	FI
Inn at Lost Creek	Telluride, CO	FI
Park Plaza at Beaver Creek	Beaver Creek, CO	FI
Pine Meadows	Telluride, CO	FI
Pinnacle Private Residence Club	Durango, CO	FI
Prospector of Aspen	Aspen, CO	FI
Purgatory Lodge	Durango, CO	FI
Rams Horn Village	Estes Park, CO	FI
Residences at Snowmass Club	Snowmass Village, CO	FI
Rockies Condominiums	Steamboat Springs, CO	FI
Shadow Mountain Lodge at Aspen	Aspen, CO	FI

Project	Community	Type
Steamboat Grand, The	Steamboat Springs, CO	FI
Austria Haus	Vail, CO	PRC
Club Residences at Vail Mountain Lodge & Spa	Vail, CO	PRC
Dancing Bear Residences	Aspen, CO	PRC
Four Seasons Residence Club at Vail	Vail, CO	PRC
Hyatt Grand Aspen Lodge	Aspen, CO	PRC
Hyatt Main Street Station	Breckenridge, CO	PRC
Hyatt Mountain Lodge	Beaver Creek, CO	PRC
Innsbruck, The	Aspen, CO	PRC
One Steamboat Place	Steamboat Spring, CO	PRC
One Willow Bridge Road	Vail Village, CO	PRC
Porches Private Residence Club, The	Steamboat Springs, CO	PRC
Residences at Little Nell	Aspen, CO	PRC
River Club	Telluride, CO	PRC
Roaring Fork Club	Basalt, CO	PRC
Snowmass Club	Snowmass, CO	PRC
St. Regis Residence Club Aspen	Aspen, CO	PRC
The Sebastian	Vail, CO	PRC
Timbers Club	Snowmass Village, CO	PRC
Valdoro Mountain Lodge	Breckenridge, CO	PRC
Villas at Tristant	Telluride, CO	PRC
DELAWARE		
Surf Club	Dewey Beach, DE	FI
FLORIDA		
Emerald Grande at HarborWalk Village	Destin, FL	FI
Fairmont Heritage Place Inspiration	Sandestin, FL	FI
Magnolia Private Residence Club	Seacrest Beach, FL	FI
Private Quarters Club Amelia National	Fenandina Beach, FL	FI
Sandrift Resort	Naples, FL	FI
Siesta Key Beach a Hyatt Residence Club	Siesta Key, FL	FI
WaterColor Private Residence Club	Seagrove Beach, FL	FI
Private Residence Club at Rosemary Beach	Rosemary Beach, FL	PRC
GEORGIA		
Seasons of Lake Burton	Lake Burton, GA	FI
Cloister at Sea Island, The	Sea Island, GA	PRC
HAWAII		
Kona Billfisher	Kailua-Kona, HI	FI
Maui Sunset	Kihei, HI	FI
Ritz-Carlton Club, Kapalua Bay	Kapalua Bay, HI	PRC
IDAHO		
Hearthstone at Spring Mountain	McCall, ID	FI
Hemingways	Sun Valley, ID	FI
Residence Club at Teton Springs	Victor, ID	FI
Les Saisons	Sun Valley, ID	PRC
INDIANA		
Eagle Pointe Golf and Tennis Resort	Bloomington, IN	FI
MAINE		
Sugarloaf	Carrabassett Valley, ME	FI
Sunday River Resort	Newry, ME	FI

Project	Community	Type
Rangeley Mountain Club	Rangeley, ME	FI
MARYLAND		
Marlin Cove II – Blue Marlin Quarters	Ocean City, MD	FI
Quarters at Marlin Cove	Ocean City, MD	FI
Ridge Run at Wisp Resort	McHenry, MD	FI
MASSACHUSETTS		
Cape Codder Residence Club	Hyannis, MA	FI
Horizon Beach/Terrace Dunes Resort	North Truro, MA	FI
Sea Quarters of New Seabury	New Seabury, MA	FI
Edgartown Residence Club	Edgartown, MA	PRC
MICHIGAN		
Beach House at Lake Street	Holland, MI	FI
Cottages at Waters Edge at Crystal Mountain Resort	Thompsonville, MI	FI
Homestead, The	Glen Arbor, MI	FI
Kinlochen Lodge at Crystal Mountain Resort	Thompsonville, MI	FI
Masterpiece Residence Club at Treetops Resort	Treetops Village, MI	FI
Mountain Grand Lodge at Boyne Mountain Resort	Boyne Falls, MI	FI
Residence Club at Tullymore	Stanwood, MI	FI
Shanty Creek	Bellaire, MI	FI
Sunset Shores Resort	Cadillac, MI	FI
Tamarack Lodge	Traverse City, MI	FI
Vacation Club II	Bellaire, MI	FI
Wintergreen Quarters	Stanwood, MI	FI
MINNESOTA		
Larsmont Cottages on Lake Superior	Duluth, MN	FI
Residence Club at Giants Ridge	Biwabik, MN	FI
Superior Shores	Two Harbors, MN	FI
Trapper's Landing Lodge on Leech Lake	Walker, MN	FI
MISSOURI		
Four Seasons Racquet and Country Club	Lake Ozark, MO	FI
Lakeview Resort Vacation Club	Sunrise Beach, MO	FI
Private Quarters Club Porto Cima	Lake Ozark, MO	FI
MONTANA		
Edelweiss	Whitefish, MT	FI
Meadow Lake Golf and Ski Resort	Columbia Falls, MT	FI
Meriwether Ranch	Melrose, MT	FI
Ptarmigan Village at Whitefish	Whitefish, MT	FI
Residence Club at Whitefish Lake	Whitefish, MT	FI
Residences at Marina Cay	Bigfork, MT	FI
Watermark on Flathead Lake	Polson, MT	FI
NEVADA		
Residence Club at Southshore	Zephyr Cove, NV	FI
NEW HAMPSHIRE		
B. Mae's Resort	Gilford, NH	FI
Deer Park	North Woodstock, NH	FI
Grand Summit Resort Hotel – Attitash	Bartlett, NH	FI
Mountain Sun Condominium Quarters	Waterville Valley, NH	FI

Project	Community	Type
NEW MEXICO		
Hacienda Club at Angel Fire	Angel Fire, NM	FI
Residence Club at El Corazon	Santa Fe, NM	FI
NEW YORK		
Ellicott Villas	Ellicottville, NY	FI
Hope Lake Lodge Resort & Indoor Waterpark	Cortland, NY	FI
Kaatskill Mountain Club	Hunter, NY	FI
Quarters at Lake George	Lake George, NY	FI
Whiteface Lodge	Lake Placid, NY	FI
Lodges at Cresthaven	Lake George, NY	PRC
Phillips Club at Lincoln Square	New York, NY	PRC
St. Regis Residence Club New York	New York, NY	PRC
NORTH CAROLINA		
Asheville Club at 151	Asheville, NC	FI
Cottages at National Golf Club	Village of Pinehurst, NC	FI
Hammocks on Bald Head Island	Bald Head Island, NC	FI
Mountain Club at Cashiers	Cashiers, NC	FI
Residence Club at Catatoga	Catatoga, NC	FI
Ships Watch	Outer Banks, NC	FI
Boarding House at Balsam Mountain Preserve	Sylva, NC	PRC
OREGON		
Residence Club at Eagle Springs	Redmond, OR	FI
Eagle's Landing at Running Y	Klamath Falls, OR	FI
Grand Lodges Mount Hood	Government Camp, OR	FI
Lodges at Cannon Beach	Cannon Beach, OR	FI
Mount Bachelor Village Resort	Bend, OR	FI
Residence Club at Pronghorn	Bend, OR	FI
Residence Club at Seaside	Seaside, OR	FI
Resort at Whale Pointe	Depoe Bay, OR	FI
Ridge at Sunriver	Sunriver, OR	FI
Seventh Mountain Resort	Bend, OR	FI
Shorepine Village	Pacific City, OR	FI
Stoneridge Townhomes	Sunriver, OR	FI
Thundering Shores Executive Estate Condos	Depoe Bay, OR	FI
Cape Kiwanda Residence Club	Pacific City, OR	PRC
PENNSYLVANIA		
North Slope & Valley View at Shawnee	Shawnee-On-Delaware, PA	FI
RHODE ISLAND		
Neptune Vacation Club	Block Island, RI	FI
SOUTH CAROLINA		
Brigantine Quarters	Hilton Head, SC	FI
Cliffs Residence Club at Keowee Springs	Six Mile, SC	FI
Cottages at Shipyard	Hilton Head, SC	FI
Dye Villas Private Residence Club	North Myrtle Beach, SC	FI
Harbour Town Yacht Club	Hilton Head, SC	FI
Harbourside III	Hilton Head, SC	FI
Inlet Sports Lodge	Murrells Inlet, SC	FI
Main Street Inn	Hilton Head, SC	FI
Ocean Front Residence Club at Daufuskie Island	Hilton Head, SC	FI

Project	Community	Type
Ocean Palms at Port Royal Resort	Hilton Head, SC	FI
Owners Club at Hilton Head, The	Hilton Head, SC	FI
Sanctuary at Hampton Lake	Bluffton, SC	FI
Southwind	Hilton Head, SC	FI
TEXAS		
Owners Club at Barton Creek, The	Austin, TX	FI
Pirates Cove Townhomes	Galveston, TX	FI
San Luis Condominiums	Galveston, TX	FI
Seahorse Beach Club & Residences	Freeport, TX	FI
Victorian	Galveston, TX	FI
UTAH		
Cabins at Bear River Lodge, The	Kamas, UT	FI
Deer Valley Club	Park City, UT	FI
Grand Summit Resort Hotel - The Canyons	Park City, UT	FI
Residences at The Chateaux	Deer Valley, UT	FI
Sky Lodge, The	Park City, UT	PRC
VERMONT		
Adams House at Okemo Mountain Resort	Ludlow, VT	FI
Claybrook at Sugarbush	Warren, VT	FI
Family Share at Smugglers Notch	Smugglers Notch, VT	FI
Front Four at Stowe Mountain	Stowe, VT	FI
Grand Summit Resort Hotel - Mt. Snow	West Dover, VT	FI
Jackson Gore Inn at Okemo Mountain Resort	Ludlow, VT	FI
Killington Grand Hotel & Crown Club	Killington, VT	FI
Lodge at Lincoln Peak	Warren, VT	FI
Trail Creek Condominiums	Killington, VT	FI
Villas at Trapp Family Lodge	Stowe, VT	FI
VIRGINIA		
Owners Club at The Homestead, The	Hot Springs, VA	FI
WASHINGTON		
Blue Heron	Union, WA	FI
Canyon River Ranch	Yakima River Canyon, WA	FI
Kala Point Village	Port Townsend, WA	FI
Lake House at Chelan	Chelan, WA	FI
Snowater	Glacier, WA	FI
Weatherly Inn & Suites	Ocean Shores, WA	FI
WISCONSIN		
Little Sweden Vacation Resort	Fish Creek, WI	FI
Private Quarters Club Geneva National	Lake Geneva, WI	FI
WYOMING		
Residence Club at Teton Pines	Jackson Hole, WY	FI
Four Seasons Residence Club at Jackson Hole	Jackson Hole, WY	PRC
Teton Club	Jackson Hole, WY	PRC
CANADA		
Bighorn Meadows Resort	Radium Hot Springs, BC	FI
Blue Water Acres	Huntsville, ON	FI
Canadian Mountain Cabins	Kimberley, BC	FI
Cottages at Diamond in the Ruff	Muskoka, ON	FI
Cottages at Pine Cove	Noelville, ON	FI

Project	Community	Type
Cottages at Port Stanton	Severn Bridge, ON	FI
Cottages at Windermere House	Windermere, ON	FI
Currents at Otter Bay	Vancouver, BC	FI
Elysium at Legendes	Mont Tremblant, Quebec	FI
Evolution at Whistler	Whistler, BC	FI
Frontenac Shores	Cloyne, ON	FI
Heron Point	Invermere, BC	FI
Horsethief Lodge at Panorama	Panorama, BC	FI
Horstman House	Whistler, BC	FI
Inaski Shores	Kawartha Lakes, ON	FI
Juniper Lodge Fernie	Fernie, BC	FI
Kokanee Springs Resort Club	Crawford Bay, BC	FI
Lakeside at Rocky Crest	Muskoka, ON	FI
Landscapes at Lake of Bays	Baysville, ON	FI
Le Sommet des Nieges	Mont Tremblant, Quebec	FI
Lodges at Canmore	Canmore, BC	FI
Marcus Beach at Chandler Point	Haliburton Highlands, ON	FI
Masters On 18 at Bear Mountain	Victoria, BC	FI
Mayne Island Resort	Mayne Island, BC	FI
Miraloma on the Cove	Sidney, BC	FI
Montebello II	Whistler, BC	FI
Mountain Spirit Resort & Spa	Kimberley, BC	FI
Muskokan Resort Club	Muskoka, ON	FI
Northstar Mountain Village	Kimberley, BC	FI
Old House Village Hotel & Spa	Courtenay, BC	FI
Pacific Shores Resort & Spa	Nanoose Bay, BC	FI
Painted Boat Resort Spa & Marina	Pender Harbour, BC	FI
Pinnacle Ridge Resort	Fernie, BC	FI
Poet's Cove Seaside Resort	Vancouver, BC	FI
Predator Ridge Resort	Vernon, BC	FI
Residences at Fairmont Ridge	Fairmont Hot Springs, BC	FI
Resort at Copper Point	Windermere, BC	FI
Royal Private Residence Club	Kelowna, BC	FI
Solara Resort & Span	Canmore, AB	FI
Sooke Harbour Resort & Marina	Sooke, BC	FI
Spirit Ridge Vineyard Resort & Spa	Osoyoos, BC	FI
Strand Lakeside Resort	Vernon, BC	FI
Sunrise Ridge Resort	Vancouver Island, BC	FI
Taboo Resort	Gravenhurst, ON	FI
The Black Pebble	Muskoka, ON	FI
Tory's Landing Cottage Community at Chandler Point	Missionaugh, ON	FI
Touchstone on Lake Muskoka	Muskoka, ON	FI
Vacation Residence Club at Fox Harb'r	Wallace, Nova Scotia	FI
White Point Beach Resort	Hunts Point, Nova Scotia	FI
Parkside Victoria Resort & Spa	Parksville, BC	PRC
Residences at The Beach Club	Parksville, BC	PRC
Storied Places At Natures Door	Whistler, BC	PRC
CARIBBEAN		
Anabui Residence Club at Tierra del Sol	Tierra del Sol, Aruba	FI

Project	Community	Type
CeBlue	Crocus Bay, Anguilla	FI
Cinnamon Hill Club	Jamaica, West Indies	FI
Crane Residence Club	Barbados, West Indies	FI
Freedom Bay	St. Lucia, Lesser Antilles	FI
Grand Caymanian, The	Grand Cayman, Cayman Islands	FI
Los Altos at Casa de Campo	Casa de Campo, Dominican Republic	FI
Namaste Oasis	Nosara, Costa Rica	FI
Ocean Terrace Condominiums	Anguilla, British West Indies	FI
Palazzo Park	Puntarenas, Costa Rica	FI
Palms Private Residence Club	Puerto Jimenez, Costa Rica	FI
Preserve at Los Altos	Puntarenas, Costa Rica	FI
Reefs Club	Southampton, Bermuda	FI
Residencias Nacazcol	Guanacaste, Costa Rica	FI
Secret Bay	Portsmouth, Dominican Republic	FI
Villas at Simpson Bay Resort	St. Maarten, Netherland Antilles	FI
Virgin Grand Villas at The Westin	St. John, USVI	FI
February Point Resort Estates	Great Exuma, Bahamas	PRC
Four Seasons Residence Club at Costa Rica	Guanacaste, Costa Rica	PRC
Eros Villas at Eden Rock Hotel	St. Barth, French West Indies	PRC
Harbour Court at Tucker's Point	Tucker's Town, Bermuda	PRC
Isle de France Club	St. Barth, USVI	PRC
Newstead Belmont Hills	Paget, Bermuda	PRC
Residence Club at Tucker's Point	Tucker's Town, Bermuda	PRC
Windswept Residence Club	Basseterre, St. Kitts	PRC
MEXICO		
Aventuras Club	Puerto Aventuras, Mexico	FI
B Esmeralda	Acapulco, Mexico	FI
Bella Sirena	Puerto Penasco, Mexico	FI
Cabo Villas Beach Resort	Cabo San Lucas, Mexico	FI
Capella Pedregal Residences	Cabo San Lucas, Mexico	FI
Celeste, Beach Residences and Spa	Huatulco, Mexico	FI
Costa Baja Residence Club	La Paz, Mexico	FI
Garza Blanca	Puerto Vallarta, Mexico	FI
Montecristo Estates	Cabo San Lucas, Mexico	FI
Owners Club at Puerto Vallarta, The	Puerto Vallarta, Mexico	FI
Playa Royale Residence Club	Nayarit, Mexico	FI
Porto Bello Private Residence Club	Puerto Aventuras, Mexico	FI
Resident Suites at Royal Oasis	Playa del Carmen, Mexico	FI
Vallarta Gardens	Nayarit, Mexico	FI
Vidamar	Acapulco, Mexico	FI
Villas at Club Intrawest, The	Zihuatanejo, Mexico	FI
Villa La Estancia	Cabo San Lucas, Mexico	FI
Villa La Estancia Nuevo Vallarta	Nuevo Vallarta, Mexico	FI
Auberge Residence Club at Esperanza	Cabo San Lucas, Mexico	PRC
Fairmont Heritage Place Acapulco Diamante	Acapulco, Mexico	PRC
Four Seasons Residence Club at Punta Mita	Punta Mita, Mexico	PRC
Grand Regina Los Cabos	Cabo San Lucas, Mexico	PRC
Grand Residences by Royal Resorts	Puerto Morelos, Mexico	PRC
Playa Viva	Zihuatanejo, Mexico	PRC

II. SALES PERFORMANCE IN 2014

Sales Volume

Total sales volume for the shared-ownership industry is estimated at \$516 million for 2014. This includes new closed sales, presales and in-house resales. As shown below, the total includes \$71 million from fractional interest projects (13.8 percent), \$126 million from private residence clubs (24.4 percent), and \$319 million from destination clubs (61.8 percent). The \$516 million is almost exactly the same as the \$517 million in 2013.

<u>component</u>	<u>sales volume in</u> <u>2014 (mil.)</u>	<u>percent</u> <u>of total</u>
fractional interests	\$71	13.8%
private residence clubs	\$126	24.4%
destination clubs	<u>\$319</u>	<u>61.8%</u>
total	\$516	100.0%

The preceding sales volume estimates:

1. include pre-sales and resales **only** from fractional interest projects and private residence clubs and not from destination clubs, due to difficulty in obtaining such figures from the latter component
2. include resales **only** made **on-site** at fractional interest projects and private residence clubs as handled through the development companies themselves, and **not** resales made by owners on their own through other methods, again due to difficulty in obtaining such figures from the latter source
3. do **not** include sales made at individual fractionalized homes or at developments with less than five units
4. are felt to err on the conservative side when estimating sales volumes at developments not forthcoming with the information

In actuality, when considering the four preceding items, total sales volume in 2014 in the shared-ownership industry was probably closer to \$575 million, rather than our more conservative figure of \$516 million.

It further is estimated that of the \$516 million, about 64.3 percent was from new closed sales, 7.9 percent was from presales, and 27.8 percent was from resales.

Recent Trends in Sales Performance

It is interesting to look at recent trends in sales performance in the shared-ownership industry. Ragatz Associates started tracking the industry in 1999. However, lower-priced fractional interest projects and destination clubs were not included until 2004.

Perhaps the most important trend information is sales performance during the past seven years, as summarized below.

	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>destination clubs</u>	<u>total</u>
sales volume (mil.)				
2007	\$485	\$1,202	\$610	\$2,297
2008	\$263	\$912	\$345	\$1,520
2009	\$150	\$515	\$195	\$860
2010	\$107	\$242	\$181	\$530
2011	\$103	\$228	\$221	\$552
2012	\$71	\$196	\$230	\$497
2013	\$80	\$181	\$256	\$517
2014	\$71	\$126	\$319	\$516
change: 2013 to 2014				
amount (mil.)	-\$9	-\$55	\$63	-\$1
percent	-11.3%	-30.4%	24.6%	-0.2%
change: 2007 to 2014				
amount (mil.)	-\$414	-\$1,076	-\$291	-\$1,781
percent	-85.4%	-89.5%	-47.7%	-77.5%

The \$516 million of sales volume in 2014 represented a 0.2 percent decrease from 2013, or \$1 million. Sales volume in the moderate price fractional interest projects decreased by \$9 million, or 11.3 percent. Private residence clubs declined by \$55 million, or 30.4 percent. Destination clubs increased by \$63 million, or 24.6 percent, with much of this increase due to one company switching from offering private residence clubs in 2013 to offering a destination club in 2014. Without this switch, the decrease in total

sales volume with the private residence clubs would have been less, with a vice versa situation for the destination clubs.

Sales volume in the overall shared-ownership industry has declined significantly since the peak year of 2007. The decrease has been from \$2.3 billion to \$516 million, or 77.5 percent. On an annual basis, it has declined from \$2.3 billion in 2007, to \$1.5 billion in 2008, to \$860 million in 2009, and to \$530 million in 2010, before increasing to \$552 million in 2011, but again declining to \$497 million in 2012, before increasing to \$517 million in 2013, and staying about the same in 2014. Sales have been quite consistent for the last five years, ranging from \$497 million in 2012 to \$552 million in 2011, and averaging \$522 million.

For the eight-year period between 2007 and 2014, the largest relative decline was for private residence club (89.5 percent), followed by fractional interest projects (85.4 percent), and destination clubs (47.7 percent), for an overall decline of 77.5 percent. In absolute terms, the biggest decline was for private residence clubs (\$1.1 billion), followed by fractional interest projects (\$414 million), and destination clubs (\$291 million).

Shown below are longer-term trends in sales performance since 2000.

year	sales volume	change from previous year	
		amount	percent
2000	\$329 mil.	--	--
2001	\$350 mil.	\$21 mil.	6.4%
2002	\$373 mil.	\$23 mil.	6.6%
2003	\$513 mil.	\$140 mil.	37.5%
2004	\$1.5 bil.	\$987 mil.	192.4%
2005	\$1.9 bil.	\$400 mil.	26.7%
2006	\$2.1 bil.	\$200 mil.	10.5%
2007	\$2.3 bil.	\$200 mil.	9.5%
2008	\$1.5 bil.	-\$800 mil.	-33.9%
2009	\$860 mil.	-\$660 mil.	-43.4%
2010	\$530 mil.	-\$330 mil.	-38.4%
2011	\$552 mil.	\$22 mil.	4.2%
2012	\$497 mil.	-\$55 mil.	-10.0%
2013	\$517 mil.	\$20 mil.	4.0%
2014	\$516 mil.	-\$1 mil.	-0.2%

Shown below are estimates of the number of shares/fractions sold during the last 12 years. These figures include only fractional interest projects and private residence clubs, and exclude destination clubs. The figures are derived by dividing the estimated average price of all shares sold in 2014 (\$168,525) into the estimated total sales volume for the two products (\$197 million).

<u>year</u>	<u>shares sold</u>	<u>change from previous year</u>	
		<u>number</u>	<u>percent</u>
2003	2,600	--	--
2004	4,950	2,350	90%
2005	5,425	475	10%
2006	6,375	950	18%
2007	6,450	75	2%
2008	4,650	-1,800	-28%
2009	3,000	-1,650	-35%
2010	1,850	-1,150	-38%
2011	1,925	75	4%
2012	1,560	-365	-19.0%
2013	1,575	15	1.0%
2014	1,175	-400	-25.4%

It is estimated that 1,175 shares were sold in 2014, down from 1,575 in 2013, and from the peak year of 2007 with 6,450. About 41,550 shares have been sold in the last 12 years.

Some observations include:

1. 2004 was the most significant growth year, both in absolute and relative terms. This was due to the industry really escalating for the first time, and a smaller absolute growth from which to begin. It was the first year that sales surpassed \$1 billion.
2. 2005 was another good year, as the industry stabilized into a more rational growth curve.
3. 2006 was a relatively slow growth year, due primarily to a 21 percent decline in the destination clubs and a significant bankruptcy. In that year, however, the private residence club component realized a phenomenal 92

percent increase in sales volume. It was the first year that sales surpassed \$2 billion.

4. 2007 was another growth year, and could have been more dramatic if not for the general (but only gradual) decline of the overall residential and whole-ownership resort real estate industries throughout most of the U.S. during the second half.
5. As noted, the recent significant decline started dramatically with the Stock Market crash in Fall 2008, and continued through 2010.
6. A slight up-tick was noted in 2011 due primarily to many low priced resales being purchased from desperate owners.
7. 2012 again saw a decline, reversing what had hoped to be a positive trend starting in 2011. It appears that most of the low priced resales had been purchased in 2011, few new projects were started, and the market again returned to a declining state.
8. Another slight up-tick was noted in 2013, hopefully indicating stabilization in the market and a long hoped-for return to normalcy. With a consistent sales volume in 2014, stabilization has occurred, but growth still has not.

Contributing factors to the decline of sales performance from the last quarter of 2008 through 2014 are many, as listed below. Most appear external to the shared-ownership concept itself and more related to general economic conditions. Very few have changed for the past six years.

- consumers' uncertainty about future economic and political conditions
- an almost total lack of consumer financing
- the decrease in home equity funds for cash payments

- a subtle concern about conspicuous consumption of high-end discretionary items
- lack of marketing monies amongst developers to promote the product
- a continuing excess supply of whole-ownership vacation homes on the market
- a concern about “where is the value” of shared-ownership in light of the previous bullet point
- the introduction of several moderately-priced rental-type destination clubs which captured some market share

The question obviously becomes when and if the shared-ownership industry will return to its peak years of 2004 to 2007. Most experts in the resort real estate industry appear to feel optimistic that recovery will occur – perhaps not fully in 2015 or 2016, but over the long-term. Such optimism is especially significant in comparison with whole-ownership resort real estate. Reasons include being a product that is based on:

1. personal use rather than speculation
2. being able to purchase only the amount of time that have vacations to use and discretionary income to spend on
3. lowering household spending habits and capabilities
4. being hassle-free, i.e., “show up and enjoy”
5. the opportunity for flexibility and variety of use due to the external exchange process

Some Average Sales Performance Indicators

In 2014 the average shared-ownership development (excluding the six destination clubs) had a sales volume of \$3.2 million, or about \$265,000 per month. However, these figures decrease to \$1.9 million and \$160,000 if excluding five projects selling more than \$10 million. On a per share basis, the annual average number of shares sold was 18, representing a monthly average of about 1.5.

The preceding figures were modest for both components. Averages for the fractional interest projects were:

- \$1.54 million annual sales volume (up from \$1.48 million in 2013)
- \$128,000 monthly sales volume (up from \$123,000 in 2013)
- 13.9 annual sales (up from 13.3 in 2013)
- 1.2 monthly sales (up from 1.1 in 2013)

Averages for the private residence clubs were:

- \$7.9 million annual sales volume (down from \$8.6 million in 2013)
- \$658,000 monthly sales volume (down from \$718,000 in 2013)
- 22.8 annual sales (down from 29.0 in 2013)
- 1.9 monthly sales (down from 2.4 in 2013)

It is emphasized that the preceding averages drop severely for the private residence clubs if excluding the top four selling clubs – to about \$5.1 million of annual sales volume, 15 annual sales, etc.

Of the combined \$197 million of sales in fractional interest projects and private residence clubs in 2014, 64.3 percent was new closed sales, 7.9 percent was presales (without actual closings), and 27.8 percent was resales (through developers only). If only including new closed sales, the average development sold about \$2.1 million of inventory, including \$1.1 million for fractional interest projects and \$5.8 million for private residence clubs. The latter figure would drop to about \$4.4 million if excluding the top two selling clubs.

Shown below are changes between 2013 and 2014 for the two components and three sources of sales. Presales increased by 400.0 percent (but basically up from nothing in 2013), and resales increased by 3.8 percent. Unfortunately, new closed sales decreased by 37.9 percent.

	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
2014			
new closed sales	\$47 mil.	\$81 mil.	\$128 mil.
presales	\$5 mil.	\$10 mil.	\$15 mil.
resales	\$19 mil.	\$35 mil.	\$54 mil.
change: 2013 to 2014: \$			
new closed sales	-\$12 mil.	-\$66 mil.	-\$78 mil.
presales	+\$2 mil.	+\$10 mil.	+\$12 mil.
resales	+\$1 mil.	+\$1 mil.	+\$2 mil.
change: 2013 to 2014: %			
new closed sales	-20.3%	-55.1%	-37.9%
presales	+66.7%	+ all	+400.0%
resales	+5.6%	+2.9%	+3.8%

The table below shows that in 2014, 4.4 percent of the fractional interest projects and 31.3 percent of the private residence clubs had sales volumes of more than \$5 million, or 11.3 percent overall. This was 22.7 percent in 2013. Over two-thirds of the fractional interest projects (67.4 percent) had sales volumes of less than \$1 million.

<u>annual sales volume (\$ millions)</u>	<u>percent of developments</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
under \$1.0	67.4%	12.5%	53.2%
\$1.0 to \$2.49	21.7%	18.7%	21.0%
\$2.5 to \$4.99	6.5%	37.5%	14.5%
\$5.0 to \$9.99	4.4%	12.5%	6.5%
\$10.0 to \$19.99	0.0%	12.5%	3.2%
\$20.0 or more	<u>0.0%</u>	<u>6.3%</u>	<u>1.6%</u>
total	100.0%	100.0%	100.0%

The Top Selling Projects

In 2014, 12 projects had total sales volumes of over \$4 million, and five sold more than \$10 million. Some eight of these projects were at the private residence club level.

The 12 projects are all in prime destinations where prices for whole-ownership residences have traditionally been high and inventory scarce. In such locations, shared-ownership of resort real estate can demonstrate value and rationality, as well as being the only way for many buyers to enter the market. The locations include four in Colorado,

two each in California, Vermont and prime beachfront sites in Mexico, one in the Caribbean and one in New York City.

These 12 projects had a total sales volume of \$131.9 million, representing 67.0 percent of the total sales volume of all fractional interest projects and private residence clubs in North America. Their average sales volume was \$11.0 million. Their average price per square foot was \$1,790. Their average size is 60 units.

III. LOCATION OF THE DEVELOPMENTS

Location of *All* 304 Developments

The majority of the 304 fractional interest projects and private residence clubs in North America are in the United States. Included are 203 developments, or 66.8 percent. The remainder are in Canada (52, or 17.1 percent), Mexico (24, or 7.9 percent), and the Caribbean (25, or 8.2 percent).

The 203 developments in the U.S. are in 32 states. Concentrations occur in a few states, however. Six states contain 10 or more developments, including Colorado (36), California (22), Michigan (12), Oregon (14), South Carolina (13), and Vermont (10). Collectively, these six states contain 107 developments, representing 52.7 percent of the 203 in the U.S., and 35.2 percent of the 304 in North America.

The 304 total developments include 244 fractional interest projects (80.3 percent) and 60 private residence clubs (19.7 percent). Fractional interest projects are found in 32 states, but private residence clubs are found in only 12.

Of the 60 private residence clubs, 71.7 percent (43) are in the U.S., 13.3 percent (eight) are in the Caribbean, 10.0 percent (six) are in Mexico, and 5.0 percent (three) are in Canada. While Canada contains 20.1 percent of the 244 fractional interest projects, it contains only three private residence clubs. On the other hand, while the Caribbean contains 13.3 percent of the private residence clubs, it contains only 7.0 percent of the fractional interest projects.

Two states alone contain 69.8 percent of the 43 private residence clubs in the U.S. and 50.0 percent of all 60 private residence clubs in North America. These states are

Colorado with 20 and California with 10. Such concentration obviously relates to: (1) the general popularity of these two states for all types of resort real estate; and (2) their high costs of land and construction, especially at ski resorts in Colorado and coastal areas in California.

The preceding locational statistics are detailed in Table 2 and summarized below.

<u>country/state</u>	<u>number of:</u>		<u>total</u>
	<u>fractional interest projects</u>	<u>private residence clubs</u>	
United States	160	43	203
Colorado	16	20	36
California	12	10	22
Oregon	13	1	14
South Carolina	13	0	13
Michigan	12	0	12
Vermont	10	0	10
other	84	12	96
Canada	49	3	52
Mexico	18	6	24
Caribbean	<u>17</u>	<u>8</u>	<u>25</u>
total	244	60	304

Location of the 62 Active Developments

As noted, 62 of the 304 total shared-ownership developments in North America actually made some sales in 2014. This includes 46 fractional interest projects and 16 private residence clubs. Some 38 of the 62 developments (61.3 percent) are in the U.S., nine (14.5 percent) are in Canada, eight (12.9 percent) are in Mexico, and seven (11.3 percent) are in the Caribbean.

Two states in the U.S. contain significant portions of the 62 active developments. This includes eight in California and eight in Colorado, or 42.1 percent of the 38 in the U.S. and 25.8 percent of the 62 in North America.

There is variation, however, when separating fractional interest projects from private residence clubs. The two states of Colorado and California contain only 13.0 percent of the 46 fractional interest projects, but 62.5 percent of the 16 private residence clubs. When looking only at the U.S., the 38 active developments include 27 fractional interest projects and 11 private residence clubs. The 38 developments are in 15 states.

TABLE 2

Location of All 304 Shared-Ownership Projects

Country/State	Fractional Interest Projects		Private Residence Clubs		Total	
	Number	Percent	Number	Percent	Number	Percent
United States	160	65.5%	43	71.7%	203	66.8%
Arizona	6	2.5%	0	0.0%	6	2.0%
California	12	4.9%	10	16.7%	22	7.2%
Colorado	16	6.6%	20	33.3%	36	11.8%
Delaware	1	0.4%	0	0.0%	1	0.3%
Florida	7	2.9%	1	1.7%	8	2.6%
Georgia	1	0.4%	1	1.7%	2	0.7%
Hawaii	2	0.8%	1	1.7%	3	1.0%
Idaho	3	1.2%	1	1.7%	4	1.3%
Indiana	1	0.4%	0	0.0%	1	0.3%
Maine	3	1.2%	0	0.0%	3	1.0%
Maryland	4	1.6%	0	0.0%	4	1.3%
Massachusetts	3	1.2%	1	1.7%	4	1.3%
Michigan	12	4.9%	0	0.0%	12	3.9%
Minnesota	4	1.6%	0	0.0%	4	1.3%
Missouri	3	1.2%	0	0.0%	3	1.0%
Montana	7	2.9%	0	0.0%	7	2.3%
Nevada	1	0.4%	0	0.0%	1	0.3%
New Hampshire	4	1.6%	0	0.0%	4	1.3%
New Mexico	2	0.8%	0	0.0%	2	0.7%
New York	5	2.0%	3	5.0%	8	2.6%
North Carolina	6	2.4%	1	1.7%	7	2.3%
Oregon	13	5.3%	1	1.7%	14	4.6%
Pennsylvania	1	0.4%	0	0.0%	1	0.3%
Rhode Island	1	0.4%	0	0.0%	1	0.3%
South Carolina	13	5.3%	0	0.0%	13	4.3%
Texas	5	2.0%	0	0.0%	5	1.6%
Utah	4	1.6%	1	1.7%	5	1.6%
Vermont	10	4.1%	0	0.0%	10	3.3%
Virginia	1	0.4%	0	0.0%	1	0.3%
Washington	6	2.4%	0	0.0%	6	2.0%
Wisconsin	2	0.8%	0	0.0%	2	0.7%
Wyoming	1	0.4%	2	3.3%	3	1.0%
Canada	49	20.1%	3	5.0%	52	17.1%
Mexico	18	7.4%	6	10.0%	24	7.9%
Caribbean	17	7.0%	8	13.3%	25	8.2%
Total	244	100.0%	60	100.0%	304	100.0%

The preceding locational statistics are detailed in Table 3 and summarized below.

<u>country/state</u>	<u>number of active:</u>		<u>total</u>
	<u>fractional interest projects</u>	<u>private residence clubs</u>	
United States	27	11	38
California	4	4	8
Colorado	2	6	8
Vermont	4	0	4
Minnesota	3	0	3
North Carolina	3	0	3
Michigan	2	0	2
New York	1	1	2
elsewhere	8	0	8
Canada	9	0	9
Caribbean	5	2	7
Mexico	<u>5</u>	<u>3</u>	<u>8</u>
total	46	16	62

IV. UNIT CHARACTERISTICS

Number of Units

At this point in the evolution of the shared-ownership industry, developments remain fairly small in size. This is caused by several factors:

1. Some of the 62 active projects are in the early stages of sales, and constructing units in phases in accord with effected market demand.
2. Many are on sites confined by size and/or zoning regulations. This is especially true with private residence clubs in communities with limited amounts of developable land such as Aspen, Vail, etc.
3. Consumer awareness of the concept still is in its early stages in many markets.

TABLE 3
Location of *Active Shared-Ownership Developments*

Country/State	Number	Percent	Percent of:	
			Fractional Interest Projects	Private Residence Clubs
United States	38	61.3%	58.7%	68.8%
Colorado	8	12.9%	8.7%	25.0%
California	8	12.9%	4.3%	37.5%
Vermont	4	6.5%	8.7%	0.0%
Minnesota	3	4.8%	6.5%	0.0%
North Carolina	3	4.8%	6.5%	0.0%
Michigan	2	3.2%	4.3%	0.0%
New York	2	3.2%	2.2%	6.3%
Elsewhere	8	12.9%	17.4%	0.0%
Canada	9	14.5%	19.6%	0.0%
Caribbean	7	11.3%	10.9%	12.5%
Mexico	<u>8</u>	<u>12.4%</u>	<u>10.9%</u>	<u>18.7%</u>
Total	62	100.0%	100.0%	100.0%

4. The economic downturn, lack of sales, and lack of construction financing for the past few years has not encouraged many additional units to be added to the inventory.

As the concept becomes more widely accepted once again, as sales proceed with existing projects, as developers and lenders become more confident with the market, and as consumer demand returns, it is fully expected that size of developments will increase.

When looking at the 62 active developments, the average number of already built units is only 33. This average is 33 units for fractional interest projects and 32 units for private residence clubs. When including under-construction and additionally planned units, the overall average increases to 42. This includes 43 units for fractional interest projects and 36 for private residence clubs.

It is noted that these averages are impacted by a handful of very large projects. If eliminating three outliers from the fractional interest projects, the average number of already built units drops from 33 to only 26. If eliminating one outlier from the private residence clubs, this number drops from 32 to 26.

These figures are summarized below.

<u>average units that are:</u>	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
built	33	32	33
under-construction	0	1	1
planned	<u>10</u>	<u>3</u>	<u>8</u>
total	43	36	42

Only three fractional interest projects currently have units under-construction, as does one private residence club. Of private residence clubs, only 25.0 percent have additional units planned, as do 43.5 percent of the fractional interest projects. Interestingly, these figures were only 9.5 percent and 33.3 percent, respectively, in 2013, suggesting perhaps some regained optimism.

If all under-construction and planned units are completed in fractional interest projects, 4.3 percent will contain less than 10 units, 37.0 percent will contain between 10 and 24 units, 32.6 percent will contain between 25 and 49 units, 17.4 percent will contain between 50 and 99 units, and 8.7 percent will contain 100 units or more.

In private residence clubs, these proportions are 12.5 percent for less than 10 units, 25.0 percent for between 10 and 24 units, 37.5 percent for between 25 and 49 units, 18.8 percent for between 50 and 99 units, and 6.2 percent for 100 units or more.

These figures mean that upon build-out, 41.3 percent of fractional interest projects and 37.5 percent of private residence clubs will have less than 25 units. Conversely, the proportion of developments with 50 units or more will only be 26.1 percent and 25.0 percent, respectively.

These figures are summarized below.

<u>number of units at build-out</u>	<u>percent of developments</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
less than 10	4.3%	12.5%	6.5%
10 to 24	37.0%	25.0%	33.9%
25 to 49	32.6%	37.5%	33.9%
50 to 99	17.4%	18.8%	17.6%
100 or more	<u>8.7%</u>	<u>6.2%</u>	<u>8.1%</u>
total	100.0%	100.0%	100.0%
average	43	36	42

Number of Bedrooms

The most popular sizes of units in the shared-ownership industry are two- and three-bedrooms. This is true for both fractional interest projects and private residence clubs, as shown below.

number of bedrooms	percent of built units		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	3.6%	3.1%	3.5%
one	14.2%	25.9%	17.1%
two	38.2%	29.8%	36.0%
three	37.4%	30.2%	35.6%
four	<u>6.7%</u>	<u>11.0%</u>	<u>7.8%</u>
total	100.0%	100.0%	100.0%

Of the approximate 2,570 built units in active projects, 71.6 percent are either two-bedrooms (36.0 percent) or three-bedrooms (35.6 percent). Among fractional interest projects this combined total is 75.6 percent, while it is 60.0 percent among private residence clubs. Of the total 2,570 units, only 3.5 percent are studios, 17.1 percent are one-bedrooms, and 7.8 percent are four-bedrooms. However, it appears that smaller units are gaining in popularity. In 2013, 17.0 percent of the units were studios or one-bedrooms, as compared to 20.6 percent in 2014.

Size of Units

The average unit in the shared-ownership industry contains 1,670 square feet, down from 1,745 square feet in 2007. This average is 1,635 for fractional interest units and 1,780 for private residence club units. The difference between the two components is 145 square feet, or 8.1 percent.

Average floor areas in accord with number of bedrooms are summarized below. The square footages represent only net saleable area, without balconies and patios.

bedrooms	average square feet		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	470	570	490

one	1,000	810	930
two	1,350	1,465	1,375
three	2,000	2,515	2,115
four	3,075	3,070	3,070
average	1,635	1,780	1,670

Floor areas vary significantly. While the average two-bedroom unit contains 1,375 square feet, for example, such units in some developments contain only 1,000 to 1,100, while in others, they contain 1,700 to 1,800.

In accord with prior information on the number of bedrooms, the most popular products in private residence clubs appear to be two-bedroom units with around 1,450 square feet and three-bedroom units with around 2,500 square feet. In fractional interest projects, the most popular products seem to be two-bedroom units with around 1,350 square feet and three-bedroom units with around 2,000 square feet.

V. MISCELLANEOUS CHARACTERISTICS

Size of Shares

There is a wide diversity in regard to size of share, i.e., the ratio of owners-per-unit. Some nine sizes of shares are found, ranging from a 1/20 to a 1/4. Some sizes are significantly more frequent, and variations exist between fractional interest projects and private residence clubs, as shown below.

size of <u>share</u>	<u>percent of developments</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
less than 1/12	8.7%	25.0%	12.9%
1/12	19.6%	12.5%	17.8%
1/10 or 1/9	23.9%	37.5%	27.4%
1/8	23.9%	25.0%	24.2%
1/7, 1/6 or 1/5	6.5%	0.0%	4.8%
1/4	<u>17.4%</u>	<u>0.0%</u>	<u>12.9%</u>
total	100.0%	100.0%	100.0%

Among private residence clubs, 75.0 percent offer either a 1/12 share (12.5 percent), a 1/10 or 1/9 share (37.5 percent), or a 1/8 share (25.0 percent). Some 25.0 percent offer less than a 1/12 share, and none offer more than a 1/8 share.

Among fractional interest projects, 23.9 percent offer more than a 1/8 share, 23.9 percent offer a 1/10 or a 1/9, and 23.9 percent offer a 1/8. Only 8.7 percent offer less than a 1/12, while 17.4 percent offer a 1/4 share.

A primary reason for variations in sizes of shares between the two components is because private residence clubs typically are in communities where land costs and construction costs are very high, and there is a scarcity of remaining developable land. This situation results in high real estate prices. Applying such high prices to larger shares such as 1/4s would dismiss the concept of “value” in the purchase. On the other hand, most fractional interest projects are in communities where real estate prices are less, thus being able to sell larger shares at lower prices and still being able to offer the “value” rationale.

Another reason for differences in sizes of shares between fractional interest projects and private residence clubs is that the former component tends to be located in closer proximity to the market place than the latter component. This means a positioning more akin to traditional whole-ownership vacation homes that are used frequently throughout the year.

As with the aforementioned trend to decrease the size of the units as a way to lower prices, more projects offered smaller shares than in earlier years. For example, only 23.9 percent of the fractional interest projects offered more than 1/8 shares in 2014, compared to 47.4 percent in 2008, 39.5 percent in 2009 and 30.9 percent in 2010. Conversely, 28.3 percent offered a 1/12 or less in 2014, compared to only 9.0 percent in 2008, 14.8 percent in 2009 and 25.0 percent in 2010.

Use Plans/Reservation Systems

As with sizes of shares, there is wide variety in use plans/reservation systems in the shared-ownership industry. Some are simple, providing a high degree of certainty in regard to the times of the year when owners can use their vacation home, but limited

flexibility. Others are complicated, providing a high degree of flexibility, but less certainty. Three basic types can be summarized as follows:

1. a “set calendar,” whereby owners have access to the exact same time every year
2. a “rotating calendar,” whereby an owner’s use rotates forward on a pre-determined schedule every year, e.g., for a 1/12 share owner, the first week of each quarter in the first year of ownership, the second week of each quarter in the second year, and so forth
3. a “rotating priority,” whereby all owners have the opportunity to reserve some of their time (usually the high seasons) six to 12 months ahead of use, with duplicate reservations being addressed by a rotating priority system, e.g., owner one in year one receives their first choice, while owner two receives their first choice in year two and owner one drops to the bottom of the pecking order, and so forth. Non-high time is placed in a space-available pool for all owners to equally access.

These three basic use plans vary between fractional interest projects and private residence clubs. The “set calendar” system is least frequent among both components, at 10.1 percent of fractional interest projects and 14.5 percent of private residence clubs. The “rotating calendar” system is used by 36.1 percent of fractional interest projects, but by only 14.5 percent of private residence clubs. On the other hand, the “rotating priority” system is used by only 35.2 percent of fractional interest projects, but by 56.3 percent of private residence clubs.

<u>use plan/ reservation system</u>	<u>percent of developments</u>		<u>combined</u>
	<u>fractional interest projects</u>	<u>private residence clubs</u>	
“set calendar”	10.1%	14.5%	11.6%
“rotating calendar”	36.1%	14.5%	27.4%
“rotating priority”	35.2%	56.3%	44.2%
hybrid/other	<u>18.6%</u>	<u>14.7%</u>	<u>16.8%</u>
total	100.0%	100.0%	100.0%

Reasons why more rigid use plans/reservation systems are used by fractional interest projects than by private residence clubs are:

1. larger sizes of shares are more frequent with fractional interest projects. Applying a very flexible use plan/reservation system is more complicated than with smaller sizes of shares.
2. fractional interest projects tend to be closer to the market place than private residence clubs, thereby positioned more as traditional resort real estate, i.e., emulating the same set use patterns throughout the year.

Amenities

On-site amenities are extensive in the shared-ownership industry, especially at the private residence club level. Shown below is the availability of selected amenities at both components.

amenity	percent of developments		combined
	fractional interest projects	private residence clubs	
swimming pool	89.7%	78.9%	84.8%
exercise facility	75.0%	93.0%	83.2%
whirlpool spa	70.6%	63.1%	67.2%
private storage lockers	52.9%	84.2%	67.2%
restaurant	54.4%	68.4%	60.8%
spa/spa treatments	48.5%	71.9%	59.2%
tennis	44.1%	33.3%	39.2%
ski-in/out	32.9%	34.9%	33.6%
golf course	35.3%	22.8%	30.4%
beach	30.1%	29.0%	29.6%
fishing	35.3%	14.0%	25.6%

Most frequent on-site amenities are a swimming pool and exercise facility/fitness center. Developments without these amenities are either very small, in urban centers, or in close proximity to commonly shared facilities in a larger resort setting. Other amenities at more than one-half of all developments include a whirlpool spa, private storage lockers, restaurant, and spa or spa treatments. An exercise facility/fitness center,

storage lockers and restaurant are especially prevalent at private residence clubs. Such findings are consistent with past surveys.

Owner Benefits and Services

As on-site amenities, owner benefits also are extensive at shared-ownership developments, especially at the private residence club level. Shown below is the availability of selected benefits at both components.

<u>owner benefit</u>	<u>percent of developments</u>		<u>combined</u>
	<u>fractional interest projects</u>	<u>private residence clubs</u>	
concierge	76.4%	100.0%	86.4%
pre-arrival stocking	67.6%	94.6%	79.2%
valet parking/bellman	35.3%	85.7%	57.6%
transportation service	39.7%	69.6%	52.8%
ski and/or golf valet	29.4%	44.6%	36.0%
discounted green fees	41.1%	23.2%	32.8%
priority tee times	27.9%	30.4%	28.8%
discounted lift tickets	16.2%	16.1%	16.0%
club membership	10.3%	19.6%	14.4%

Owner benefits are much more extensive at private residence clubs than at fractional interest projects, in keeping with the higher prices and maintenance fees and greater exclusivity. At private residence clubs, all have a concierge service, 94.6 percent have a pre-arrival food and beverage stocking service, and 85.7 percent have valet parking and bellman service. Among fractional interest projects, these proportions are only 76.4 percent, 67.6 percent and 35.3 percent, respectively.

Interestingly, more fractional interest projects offer discounted green fees than do private residence clubs – 41.1 percent compared to 23.2 percent. At this time a much greater proportion of the latter component are in high-end ski communities where golf is a lower priority. And most likely, green fees are less and discounts are easier to attain in fractional interest communities than in private residence club communities. A higher proportion of private residence clubs offer priority tee times (which typically are more difficult to obtain than discounted green fees) than fractional interest projects – 30.4 percent compared to 27.9 percent.

Less than 20 percent of both components offer discounted ski lift tickets or benefit of membership in a local club while in residence.

External Exchange

Unlike the resort timeshare industry, many shared-ownership developments are still not affiliated with an external exchange company. Most likely reasons include:

1. a perception that such affiliation might too closely relate the offering with the image of resort timeshare
2. a desire for more exclusivity on the part of owners, i.e., not wanting others to have access to their resort
3. a desire for greater flexibility of access to the resort by owners themselves throughout the year, i.e., not wanting to compete with non-owners for short-notice access
4. viewing the product more as whole-ownership real estate, i.e., more interested in vacationing in one location every year than in several other locations around the globe
5. wondering whether the resort they exchange into will be of comparable quality as their own
6. being wealthy enough to purchase in more than one shared-ownership development, thus creating their own personal exchange system
7. owning with a company that has multiple shared-ownership developments, thereby offering their own internal exchange system

Our consumer research strongly indicates that shared-ownership buyers are interested in the opportunity to access other properties, but only if such properties are of comparable quality to their own. This “comparable quality” issue is especially strong at

the private residence club level. Given this consumer interest, it appears good opportunities exist for exchange companies that understand that “like for like” is a critical criterion rather than just affiliating the masses.

Of the 62 active projects, only 54.4 percent are affiliated with an external exchange company. In the earlier 2007 survey, this figure was a higher 59.8 percent. By contrast, perhaps less than five percent of resort timeshare projects have such status. The proportion of developments without external exchange is higher among private residence clubs at 62.5 percent, compared to only 23.9 percent of fractional interest projects. The decrease in external exchange affiliations is because many of the projects, especially at the private residence club level, are offered by the same operating company, with their own internal exchange system.

affiliated with external exchange	percent of developments		
	fractional interest projects	private residence clubs	combined
yes	76.1%	37.5%	54.4%
no	<u>23.9%</u>	<u>62.5%</u>	<u>45.6%</u>
total	100.0%	100.0%	100.0%

Miscellaneous Items

Of all 62 active projects, 80.6 percent assist their owners in renting unused space. This includes 84.8 percent of the fractional interest projects, and 68.8 percent of the private residence clubs (lower due perhaps to a greater desire for exclusivity and/or less demand for rental income among higher-income consumers). Some 31.2 percent of the private residence clubs do not allow rentals, as compared to only 19.4 percent of the fractional interest projects. The tendency for allowing rentals and providing assistance in finding renters was higher in 2014 than in previous years.

Of all 62 active projects, 79.0 percent have an in-house program to assist their owners in selling their share, if desired. This includes 87.5 percent of the private residence clubs, and 76.1 percent of the fractional interest projects. The proportion of projects offering rental and/or resales assistance continues to increase every year.

As shown below, most of the 62 active projects are in mixed-use developments, with this proportion also increasing every year. This is especially true for whole-

ownership condominiums with fractional interest projects and hotels with private residence clubs. Only 20.0 percent of both fractional interest projects and private residence clubs are stand-alone autonomous projects. This was significantly higher at 31.5 percent in 2007.

<u>other use also in the overall development</u>	<u>percent of developments</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
whole-ownership condos	54.3%	43.8%	69.6%
hotel	23.9%	43.7%	39.1%
homesites	15.2%	12.5%	19.6%
resort timeshare	8.7%	6.3%	8.1%

Primary Amenity/Location

Some 35.3 percent of all projects are located on/near ocean beaches, while 37.0 percent are located on/near golf courses (30.4 percent of fractional interest projects and 18.8 percent of private residence clubs). Some 37.0 percent are located in a ski community, including 23.9 percent of fractional interest projects and 37.5 percent of private residence clubs. In recent years there has been a much greater dispersal of locations, whereas in early years, the industry was much more concentrated in ski areas.

VI. PRICES

Price Per Share

At least three approaches can be used to analyze pricing structures in the shared-ownership industry, including: (1) price per share; (2) price per week; and (3) price per square foot. The first approach is perhaps the least useful because of confusion created by mixing together nine different sizes of shares, ranging from a 1/20 to a 1/4.

The overall average price per share for all active developments is about \$168,585. However, the average ranges from \$111,000 for fractional interest projects to \$346,600 for private residence clubs. This is a large difference of \$231,600, or 208.7 percent.

Average price per share obviously increases with number of bedrooms, as shown below.

<u>bedrooms</u>	<u>average price per share</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	\$34,900	\$158,750	\$64,900
one	\$62,375	\$217,100	\$122,400
two	\$101,275	\$239,200	\$128,350
three	\$121,225	\$512,800	\$199,300
four	\$235,900	\$542,450	\$343,600
average	\$111,000	\$346,600	\$168,525

Among fractional interest projects, average price per share ranges from \$34,900 for a studio to \$235,900 for a four-bedroom. Among private residence clubs, this range is from \$158,750 for a studio to \$542,450 for a four-bedroom.

Between 2013 and 2014, the average price for all shares increased from \$166,000 to \$168,525, or 1.5 percent. For fractional interest projects, however, the average decreased from \$115,000 to \$111,000, or 3.5 percent. It increased for private residence clubs, from \$300,000 to \$346,600, or a significant 15.5 percent. The increase in the private residence club projects was because several private residence clubs with lower prices stopped sales in 2014, or dropped prices enough to fall into the fractional interest level of under \$1,000 per square foot. The percentage decline since the peak year of 2007 has been 35.8 percent for fractional interest projects, 7.3 percent for private residence clubs, and 35.7 percent overall. Much of the decrease in average price per share has been caused by a larger proportion of smaller shares now being offered. There now also is a much higher proportion of fractional interest projects in the total mix than in past years, explaining why the overall decrease of 35.7 percent is less than for the individual components.

As shown below, the majority (78.3 percent) of fractional interest projects have average per share prices of less than \$200,000, and 45.7 percent of less than \$100,000. Among private residence clubs, these proportions are only 12.6 percent and 6.3 percent, respectively. On the other hand, over two-thirds (69.3 percent) of private residence clubs have average per share prices of over \$300,000, and 37.5 percent do so for over \$400,000. Among fractional interest projects, these figures are only 4.3 percent and zero percent, respectively.

average price per share	percent of developments		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
under \$100,000	45.7%	6.3%	35.5%
\$100,000 to \$199,999	32.6%	6.3%	25.8%
\$200,000 to \$299,999	17.4%	18.1%	17.7%
\$300,000 to \$399,999	4.3%	31.8%	11.3%
\$400,000 to \$499,999	0.0%	12.5%	3.2%
\$500,000 or more	<u>0.0%</u>	<u>25.0%</u>	<u>6.5%</u>
total	100.0%	100.0%	100.0%

Price Per Week

A second way of analyzing the pricing issue in the shared-ownership industry is on a per week basis. This approach equalizes sizes of shares. The per week figure is calculated simply by dividing the price of the share by the number of weeks in the share, e.g., if a 1/12 share with four weeks of ownership is priced at \$200,000, the price per week is \$50,000.

The overall average per week price among all active developments is \$32,100. However, there is wide discrepancy between fractional interest projects at \$20,000 and private residence clubs at \$69,700. This difference is \$49,700, or 248.5 percent. For comparative purposes, the average price of a resort timeshare week in the U.S. is about \$20,000.

When compared to 2013, we find that the average price per week for all shares decreased by \$2,300, or 6.7 percent. It increased for private residence clubs by \$100, or 0.2 percent. For fractional interest projects, it increased by \$500, or 2.6 percent. Part of the increases has been caused by the greater proportion of smaller units being offered in the past three years as a way to lower prices. It is noted that while average price per week increased both for fractional interest projects and private residence clubs, the overall average actually decreased. This is because the proportion of lower priced fractional interest projects in the total mix is greater than in past years.

Per week prices also vary in accord with number of bedrooms and size of share. Shown below are average per week prices by number of bedrooms for the two components.

<u>bedrooms</u>	<u>average price per week</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	\$4,200	\$29,275	\$10,275
one	\$13,750	\$40,400	\$20,650
two	\$17,375	\$54,250	\$24,600
three	\$21,600	\$105,600	\$38,350
four	\$36,250	\$110,500	\$57,400
average	\$20,000	\$67,700	\$32,100

Per week prices obviously increase with the number of bedrooms. Among fractional interest projects, average per week prices escalate from \$4,200 for a studio, to \$13,750 for a one-bedroom, to \$17,375 for a two-bedroom, to \$21,600 for a three-bedroom, to \$36,250 for a four-bedroom. Among private residence clubs, average per week prices escalate from \$29,275 for a studio, to \$40,400 for a one-bedroom, to \$54,250 for a two-bedroom, to \$105,600 for a three-bedroom, to \$110,500 for a four-bedroom. The overall average price per week for both components has decreased 31.5 percent since 2007.

Price Per Square Foot

The most useful approach in analyzing prices in the shared-ownership industry is on a per square foot basis. This figure is calculated by dividing the aggregate amount charged for the individual shares in a unit by the total interior square feet in the unit.

For all active projects, the average per square foot price is \$905. In accord with definitions used in this report, this average is quite disparate among the two components, however, being \$565 for fractional interest projects and \$1,950 for private residence clubs. Thus, the average is almost 3 1/2 times as high for private residence clubs.

Compared to 2013, the average price per square foot for all shares decreased by \$5, or 0.5 percent. For fractional interest projects, the average increased by \$25, or 9.8 percent. For private residence clubs, it increased by \$215, or 12.4 percent. Compared to the peak year of 2007, the average price per square foot for all projects has decreased 23.0 percent. As with the two previous indicators, the overall average price per week decreased from 2013, even though the average increased for the two components. Again, this was due to the higher proportion of fractional interest projects than in 2013.

Average per square foot prices also vary in accord with number of bedrooms and size of share, as shown below.

<u>bedrooms</u>	<u>average price per square foot</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	\$465	\$2,475	\$955
one	\$725	\$2,375	\$1,365
two	\$580	\$1,750	\$800
three	\$500	\$1,975	\$800
four	\$555	\$1,375	\$1,325
average	\$565	\$1,950	\$905

For the most part, average per square foot prices decrease as the number of bedrooms increases. This is simply because it costs less on a per square foot basis to build bedrooms and bathrooms than it does kitchens and other core facilities.

The average per square foot price is over \$2,000 at 33.3 percent of private residence clubs. On the other hand, it is less than \$500 at 33.3 percent of fractional interest projects, as shown below.

<u>average price per square foot</u>	<u>percent of developments</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
under \$500	43.5%	n.a.	32.3%
\$500 to \$749	39.1%	n.a.	29.0%
\$750 to \$999	17.4%	n.a.	12.9%
\$1,000 to \$1,499	n.a.	43.8%	11.3%
\$1,500 to \$1,999	n.a.	18.7%	4.8%
\$2,000 or more	<u>n.a.</u>	<u>37.5%</u>	<u>9.7%</u>
total	100.0%	100.0%	100.0%

Important insights from the preceding table include:

1. Some 43.5 percent of fractional interest projects have a per square foot price less than \$500. In our publications prior to 2006, they would have been referred to as “traditional fractionals.” They comprise 32.3 percent of all 62 active developments.

2. Some 56.5 percent of fractional interest projects have a per square foot price between \$500 and \$999. In our publications prior to 2006, they would have been referred to as “high-end fractionals.” They comprise 41.9 percent of all active developments.

3. The overall average per square foot price for private residence clubs is a high \$1,950. However, this price is weighted upward by a handful of projects with such prices being over \$2,500. The average per square foot price is between \$1,000 and \$1,999 in 62.5 percent of private residence clubs.

Summarized below are price trends for the past eight years of 2007 through 2014. Trends for all three indicators are obviously downward, as described in preceding sections. And, as noted with such trends in overall sales volumes, causal factors appear more related to external issues than with the shared-ownership concept itself. On the other hand, it is possible that some of the decline was due to over-pricing during the peak years of 2006 and 2007 when many components of the overall real estate market in the U.S. were “over-heated” beyond rationality. This especially applies to offerings at the private residence club level. It also is noted, however, that all pricing indicators appear to have stabilized over the past five years, and in some cases have actually started to increase, especially at the private residence club level.

<u>year</u>	<u>average price per:</u>		
	<u>share</u>	<u>week</u>	<u>square foot</u>
2007	\$262,200	\$46,850	\$1,175
2008	\$243,215	\$43,675	\$1,215
2009	\$222,000	\$40,600	\$1,135
2010	\$173,000	\$30,900	\$930
2011	\$171,000	\$30,900	\$900
2012	\$159,000	\$27,900	\$830
2013	\$166,000	\$34,400	\$910
2014	\$168,525	\$32,100	\$905
change: 2007 to 2014			
amount	-\$93,675	-\$14,750	-\$270
percent	-35.7%	-31.5%	-23.0%

While trends for all three price indicators have been downward over the last six years, the decline has been less than for many other real estate products in the U.S.

Annual Maintenance Fees

Annual maintenance fees can be looked at in two ways, including on an overall basis by unit size regardless of size of share, and more importantly, on a per week basis by unit size. The first approach is less informative because it mixes up all different sizes of shares and amount of annual usage.

Let us just look briefly at the first approach, as summarized below for the two components.

<u>bedrooms</u>	<u>annual maintenance fees</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	\$2,055	\$4,900	\$2,750
one	\$3,250	\$6,200	\$4,365
two	\$4,325	\$8,375	\$5,125
three	\$6,425	\$13,850	\$7,950
four	\$10,900	\$15,600	\$12,550
weighted average	\$5,350	\$10,150	\$6,550

For all 62 active developments, the average annual maintenance fee is \$6,550, regardless of size of share. This is less than in 2013, at \$7,350. It decreased by \$1,475 for private residence clubs, or 12.7 percent. It decreased by \$675 for fractional interest projects, or 11.2 percent. The overall average is \$5,350 for fractional interest projects and \$10,150 for private residence clubs – a large difference of \$4,800, or 89.7 percent.

A more appropriate approach to analyzing annual maintenance fees is on a per-week-of-use basis. This approach equalizes variations in size of shares. Such fees are shown below in accord with number of bedrooms for both components.

<u>bedrooms</u>	<u>annual maintenance fees per week</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
studio	\$275	\$950	\$450
one	\$700	\$1,125	\$875
two	\$775	\$1,875	\$990

three	\$1,325	\$2,950	\$1,670
four	\$1,950	\$2,750	\$2,250
weighted average	\$1,050	\$2,100	\$1,300

We find that annual maintenance fees on a weekly basis are not inexpensive. This is especially true among private residence clubs due to the many on-site amenities and the wide extent of personalized services and other owner benefits.

When aggregating all sizes of units, the average annual maintenance fee per week among private residence clubs is \$2,100, or about \$300 per night. This average is \$950 for studios, \$1,125 for one-bedroom units, \$1,875 for two-bedroom units, \$2,950 for three-bedroom units, and \$2,750 for the few four-bedroom units.

The overall average annual maintenance fee per week among fractional interest projects is \$1,050. This is a very large \$1,050 less than the overall average among private residence clubs, or 100.0 percent. With this component, the overall average represents about a \$150 nightly cost versus \$300 for private residence clubs.

Among fractional interest projects, the average annual maintenance fee per week of use is \$275 for a studio, \$700 for a one-bedroom unit, \$775 for a two-bedroom unit, \$1,325 for a three-bedroom unit, and \$1,950 for a four-bedroom unit.

Let us look more closely at the average annual maintenance fee per week among private residence clubs. The average weekly fee for a two-bedroom unit is \$1,875. If we multiply this amount times 52 weeks, it means an average two-bedroom unit annually generates about \$97,500 of maintenance fees. This amount is \$58,500 for a one-bedroom unit and \$153,400 for a three-bedroom unit.

VII. MISCELLANEOUS ITEMS

Distribution of Revenues

In looking at how revenues are distributed, we find close comparisons between fractional interest projects and private residence clubs, as shown below. Roughly 50 to 55 percent of the sales price goes to product costs, i.e., land, infrastructure, amenities, construction, FF and E, soft costs, contingency, finance costs, etc. About another 15 to

20 percent goes to operating costs. Of this amount, about seven to eight percent goes to marketing, seven to eight percent to sales, and three to four percent to general and administrative costs. These figures have remained almost constant over the past six years.

The remaining 25 to 35 percent represents before-tax profit (minus any other costs not associated with the product or operations). It is emphasized these proportions vary widely among the developments, and should be viewed only as general averages. By comparison, product costs in the resort timeshare industry are typically around 25 percent, and operating costs are around 55 percent or higher.

<u>source</u>	<u>distribution of revenues</u>		
	<u>fractional interest projects</u>	<u>private residence clubs</u>	<u>combined</u>
product costs	55%	55%	55%
operating costs	14%	15%	14%
remainder	<u>31%</u>	<u>30%</u>	<u>31%</u>
total	100%	100%	100%

Relative to 2013, product costs as a percent of distribution of revenues remained exactly the same.

Regional Variations

It is interesting to investigate variations in sales performance and pricing among the four countries/regions in North America, as shown below. The numbers include only fractional interest projects and private residence clubs, and exclude destination clubs.

	<u>region</u>				<u>North America</u>
	<u>U.S.</u>	<u>Canada</u>	<u>Caribbean</u>	<u>Mexico</u>	
projects	38	9	7	8	62
percent of projects	61.3%	14.5%	11.3%	12.9%	100.0%
sales volume:	\$138 mil.	\$5 mil.	\$21 mil.	\$33 mil.	\$197 mil.
percent of sales volume	70.0%	2.5%	10.7%	16.8%	100.0%
average price per:					
share	\$184,000	\$92,000	\$86,000	\$261,000	\$168,525
week	\$32,700	\$11,400	\$32,800	\$48,000	\$32,100
square foot	\$965	\$490	\$850	\$1,250	\$905

The U.S. has 61.3 percent of the projects, but a higher 70.0 percent of the sales volume. Conversely, Canada has 14.5 percent of the projects, but only 2.5 percent of the sales volume. These figures for the Caribbean are 11.3 percent and 10.7 percent, respectively. For Mexico, they are 12.9 percent and 16.8 percent, respectively.

The average per week price in Canada is only \$11,400, compared to \$48,000 in Mexico. Likewise, the average per square foot price in Canada is only \$490, compared to \$1,250 in the Mexico.

Destination Clubs

Emphasis heretofore in this report has been on the fractional interest and private residence club components of the shared-ownership industry (except for statistics on the overall industry's sales performance in 2014). This section at-hand concentrates on the destination club component.

Summary characteristics of this component include:

1. six different clubs
2. a sales volume in 2014 of \$319 million, up from \$256 million in 2013, but down from \$610 million in 2007
3. an estimated total of 13,150 members
4. typical/average features of:
 - a. a 30-year term
 - b. 80 to 100 percent refund of the initial deposit fee upon leaving the club
 - c. eight members per every residence
 - d. initiation deposit of \$135,000
 - e. annual dues of \$25,000
 - f. average residence value of \$2.8 million, with 3,150 square feet

Remaining Market Depth in the U.S.

It is estimated that about 88,000 households in the U.S. now own shared-ownership, including fractional interests, private residence clubs and destination clubs.

Let us simply assume that income-eligibility begins at \$200,000 for all three components. Actually, this level is too confining since smaller shares in some moderately-priced fractional interest projects can be purchased for less than \$50,000.

There are roughly six million households in the U.S. with incomes over \$200,000, or about 4.25 percent of all households. This means the current penetration rate for shared-ownership is about 1.5 percent (6,000,000 divided into 88,000).

As shown below, if the penetration rate reaches 5.0 percent, it means another 212,000 buyers and roughly 70 percent of the market remains. This simplistic approach does not assume additional income-eligible households over time.

Regardless of the penetration rate scenario used, it is obvious that potential market depth for shared-ownership is just beginning to be tapped and that a high number remains.

	<u>penetration rate at:*</u>	
	<u>5.0%</u>	<u>10.0%</u>
potential market (U.S. households)	300,000	580,000
existing owners	<u>-88,000</u>	<u>-88,000</u>
remaining demand	212,000	492,000
percent of demand remaining	70%	85%

*assumes income-eligibility of \$200,000, representing six million households and 4.25 percent of all households in the U.S.



RAGATZ ASSOCIATES is an international consulting and market research firm, specializing in the resort real estate industry. It was founded in 1974 by Dr. Richard Ragatz.

Clients represent both the private sector (from small, individually owned companies to international corporations) and the public sector (from small municipalities to national governments). Our services include:

- | | |
|----------------------|---------------------------|
| Market analysis | Economic impact analysis |
| Feasibility analysis | Consumer surveys |
| Project evaluation | Consumer focus groups |
| Project coordination | General business planning |

The firm has worked on over 2,500 assignments in the resort real estate industry. The majority have been feasibility analyses for resorts located in 48 states and over 70 countries. In addition, the firm has been involved in several landmark studies in the resort real estate industry.

In regard to fractional interest projects and private residence clubs, Ragatz Associates has completed over 500 feasibility analyses, 100 focus groups and 50 consumer surveys. The firm also has organized 12 national conferences on the topics and conducted 15 national surveys.

Ragatz Associates
767 Willamette Street, Suite 307
Eugene, Oregon 97401

Ph. (541) 686-9335
Fax: (541) 686-8142
Email: richard.ragatz@ragatzassociates.com

www.ragatzassociates.com