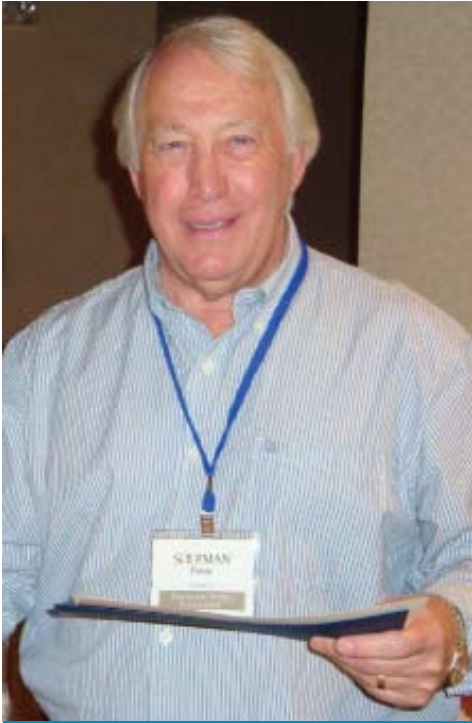


The Single Home In The Fractional Marketplace



Perspective Magazine met with Sherman Potvin at the Ragatz Fractional Interest Conference in San Francisco and we were intrigued to hear about the industry veteran's new project, Fractional Homes International.

Perspective: Can you start by giving us some background on yourself and your company?

We have LuxuryFractionalguide.com which is the largest fractional website in the world, and we geared that website to be consumer oriented. We wanted to do two things: obviously make money in the long term, but what I had discovered 15 years prior is that the education of the general public is crucial if this was going to be a success. Because the website is consumer oriented, we write articles and updates and we now have a blog to further educate the public on the pitfalls and the promises of fractional sales and the benefits of course of why people are buying fractions and why developers are selling them.

Luxuryfractionalguide.com has been like a window on the world of fractionals for me that very few people have.

One of the things I learnt quickly was... have "Ask The Expert" on that website and I often at times want to just rip it down! Because I get so many questions, but I'm the sort of

fraction, they could have their cake and eat it too. They could still go to visit their place but they didn't have all the costs associated with ownership.

So, what with that, I started to think about developing Fractional Homes International, which is a franchise company, and basically,

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guy that will answer them, people take the time, so I answer them, so there I am 10, 11, 12 o'clock at night, I'm at my computer and sometimes I'm like "god these questions!"

So I thought I could alleviate some of the questions by writing a book because the questions are mostly from home owners around the world, I'm not talking just America, but Bulgaria and New Zealand, Australia and the Middle East and the Far East, everywhere, in fact it was amazing to see where they came from.

So, I wrote my book, as I said about 18 months ago, Fractionalize to Maximize, and it served a purpose to some degree, I've sold over 2000 copies from people all over the world, so the book has been helpful but yet it's created even more questions as I had wanted to keep it in layman's terms and there's more to selling a property than just what's in the book, this is more about how to get your property ready to sell.

So, I knew, and I've known for a couple of years that the niche within the niche of fractional ownership, is the one off standing homes, the single vacation home where people want to sell them in this economy and can't, but even in good economies when, two, three or four years ago when the economy was rolling, people were wanting to sell in fractions to maximize their return, and, they understood that if they could sell some fractions of their home, keep a

our goal here is to produce talented, knowledgeable, trained people – real estate related people – whether they're real estate license agents or small developers or investors who want to buy a home and turn it into fractions. This company will serve all those people – with our "bible", what we call our training manual – which is 14 months in the writing. This will serve our franchisees with the knowledge to be able to, from A to Z, take someone's home, and sell it out in fractions.

There's nobody consulting today that wants to deal with a one off home because there's no money in it. Myself and the six or eight other people who do consulting for the larger developers, we tend to stick with the larger developers because a) the homeowner can't afford us and b) there's not enough long term money in selling a one off home for us.

So, I know that the people who graduate and come out of our training as franchisees will be busy right away because the market's so huge, especially with the economy the way it is, so much beautiful real estate for sale at bargain prices, and even at bargain price there not moving. This is a way to move the person's home and get a fair price for it. So, in a nutshell, I'm hoping Fractional Homes International will be the vehicle to springboard the vacation home owner from around the world ahead faster, the true fractional industry is going to



be growing, the first niche has got to come out of the box.

I believe that the industry itself is going to recover much quicker than whole ownership real estate. I think people are going to be looking for alternative ownership where they can have a little chance of an investment, not as much money, be able to vacation in a much more expensive, nicer home than they normally could afford with a fraction of the cost and I think that's where the industry is going.

Perspective: So, you're going to train people to then consult consumers on how to fractionalize their homes- are you also going to help advertise those homes for sale, through the website?

Absolutely – our website will have those homes on it, our Fractional Homes International website, but also those homes will be on Luxury Fractional Guide as part of the deal. So they'll have two different avenues of advertising. I really plan on this company being Number 1 in the world a year from now in the fractional industry. I'm going to spend the money to do it, I'm committed to it and we plan to put this website out by mid-summer in five languages. We truly want to be international because the market is international. The long term goal is to have a master franchise,

someone for Europe, and in the UK, someone Down Under, and every country that seems to have taken to the fractional concept. South Africa has more fractional programmes going on right now than we

Perspective: So for example, if someone owned a fraction of a home in San Francisco they could change it with someone in South Africa through you?

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do, it's crazy, its caught fire over there and so I would expect I would licence someone there to be a franchise for Fractional Homes International.

I envision this being a global company where they can all exchange inside the network and all the franchisees would have the advantage of being able to communicate with each other on what's working and what's not in different areas and what they did to a particular house to make it special, or where they put money that didn't work etc.

I mean, the education within this company five years from now, with maybe four or five hundred or a thousand, even, agents, is going to be unbelievable, and it's just going to make us all that much better.

Of course. Right now we are bringing into play our own fractional exchange called Luxury Fractional Exchange but we envision maybe as soon as two years down the road, the company will have its own exchange system within the company as we'll have that many homes being fractionalized and that will make it even nicer and more reason for people to join us.

Perspective: How would that work alongside some of the larger people you work with? Do you envisage being able to get the exchange company to a point where they'll accept people from stand alone homes into theirs or do you think they'll keep it totally separate?

No, not at all – I know all of the guys from the exchange companies, I've been in this industry all my life practically it seems, but, I know all the players, and they're not particularly interested in getting into the one off single stand alone home as it doesn't give them enough critical mass to be effective.

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Our exchange will be unique to vacation home owners and small developers.

Perspective: What would you class as a small developer?

Ten units or less. Anything over ten units we wouldn't allow them on, we wouldn't want them to dilute the product.

Colorado in July

Perspective: And how many people would come along to that?

25 – We don't allow any more than that – we want it to be intimate, get to know the mentors really well because that's who they'll be working with. We're all going to mentor these

Yes, definitely, we have our operations manual and our standards, and our ethics. All of this is related to our relationship with the person that comes to us and wants to sell their home. It definitely has to meet criteria, location of course being first and foremost, but then the fit and finish, the furnishings, the surroundings, accessibility, the landscaping. It has to be really perfect to be successful – the owner has to understand what needs to be done in order for their home to be right and if he doesn't we are going to walk away and go to the next one. Because, we really can't afford to fail – that's the bottom line, we've got to make every one of our projects work in order for the company to grow.

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Perspective: I'm looking at your training manual and its huge – what sort of things are included? What does it entail? And do you get some sort of certification at the end?

Well yes. And of course, we follow this manual all through training and during the whole week of intense training, day and night actually, we do a mythical home, we actually do a whole home all the way through sales and marketing – the whole thing.

But obviously this is all in depth, and we only touch the highlights through training, but when someone has this manual when they graduate, they take it with them. They never really own this, we always own it, they just have it on loan and if they ever lose it or someone copies it, they're gone. This is really serious material.

But to answer your question, the manual was built like this because we really, really wanted our franchisees to be - when they're confronted with a little bit of a problem such as a different house, different location, something different about that particular project – not to have to call our mentors on a 24/7 basis – 99% of what they're looking for is going to be found right here in the manual.

Perspective: So would people come to you in a training centre?

Yes – our next training will be in Denver,

people so that they don't make mistakes and they get off on the right track.

Perspective: And that lasts for one week and then they have an exam they have to pass to get their qualification?

There is a mini exam at the end. They get a certificate and with the certification they get to use all our marques on all of their materials, on their websites, and they are an accredited fractional consultant. For a real estate agent it would be invaluable because they'll have such a leg up on their competition by virtue of being able to say both on their website and on all their collateral and in their office with our emblem that they have in-house - a person that can fractionalise your home from start to

So yeah, we're hoping that we set the standards for integrity and success in this industry. There's a lot of people breaking out in this industry claiming to be fractional experts and they've never even been on a project before – it's embarrassing – I see their website and go, “my god, I know that person, that person doesn't even know anything about this” - but the average consumer doesn't know this. A lot of people don't do due diligence and don't make the phone calls and then they get themselves in trouble and they put thousands of dollars up and fail. So, we're hoping that we can set

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finish. I think that's going to add tremendous value a year down the road.

Perspective: Do the homes have to have certain criteria – or a certain value? Would it be you that would select those homes or they would have to come to you for approval or some description?

the standard in the industry so that others will want to follow it and just to make it the right way so the consumer has confidence in this product; it's an alternative product, not run of the mill real estate, as everyone knows and understands it. Now, if we all do it right it's going to be successful. That's our goal.