

# *Property Investment Consortium*

Fractional ownership is not a new concept, but one that is little understood by many people. Here we have listed a number of the most frequently asked questions in connection with fractional Freehold Property.

## **What is fractional ownership?**

Fractional ownership is the shared ownership of the freehold (or “bricks and mortar”) of a holiday home. Owners are entitled to occupy their property for a defined period each year. A fractional can be sold at any time.



## **How many owners would there be?**

There can be anything from 2 to 12, owners in a typical fractional scheme. An owner could be one person, a couple, a family or a group of friends for example.

## **What % of the property would we each own?**

The number of possible owners is determined when the legal structure facilitating fractional ownership is set up. We have found that quarter share arrangements are most popular but other arrangements work equally as well.

## **What personal use can I have of the property?**

You can use it every day of your allocated time or rent it out when you can't be there. The amount of allocated time will depend on the specific fractional agreement and the number of owners associated with the property.

## **How much usage does a typical fractional share provide?**

This is obviously determined by the number of owners associated with any specific fractional product, most fractional schemes offer between 4 and 13 weeks spread over the year. Dependent on the agreed terms the usage allocation does not necessarily have to be consecutive weeks.

[Fractional ownership](#) offers far more usage options than a typical timeshare agreement due to the reduced number of associated owners.

## **Who decides who uses it when?**

Look for a scheme that offers a full management system providing a clear and fair rotational chart for all the co-owners.

## **What kind of services can I expect?**

Fractional Ownership usually offers extensive amenities, usually including facilities such as a lavish clubhouse or spa, and in some cases five-star hotel services. Depending on the individual property, you might have a luxury car or boat at your disposal while visiting; your own private splash pool or hot tub; preferred tee times or free golf membership, etc.

## **But really, isn't this just a new name for timeshare?**

No. The key difference between timeshare and Fractional Ownership is that timeshare is simply the purchase of time in a resort (usually not a specific property). With Fractional Ownership you purchase a defined share of the freehold (the "bricks and mortar") of the property, so you own an asset that may increase in value, may be sold and may be passed on to future generations.

## **Is fractional ownership a new concept?**

No. The concept of shared equity ownership originated in the USA and was first used for the purchase of corporate jets. The concept is simple and lends itself perfectly to the holiday home market.

## **Are there any rules and regulations in place on the property?**

Yes, there should always be a full set of rules and regulations which will form part of the main sales contract and will cover, for example, maximum occupancy rules (to ensure that wear and tear on the property and its contents is fair to all owners) and details of any sinking fund which is in place.

## **What is a sinking fund for?**

Fractional owners are often required to contribute to a sinking fund which is in place to cover general wear and tear on the property, for example the replacement of furniture, equipment, refurbishment and interior re-painting, in order to keep the property in excellent condition at all times. The sinking fund would typically be co-ordinated by the management company responsible for your property.

## **What happens if another fractional owner in the property encounters financial difficulty? How are the others affected?**

The simple answer is that they are not affected assuming your fractional ownership scheme is structured correctly. So, financial difficulties do not affect the others. Creditors have no claim on the others or the others' interests.

## **Who cleans the property?**

A professional management company will generally arrange regular scheduled cleanings for the owners but you should check your specific agreement.

## **What are the estimated monthly expenses?**

Those costs will vary by the property or scheme that you purchase. These costs, will in most schemes cover virtually everything including taxes, utilities, insurance, maintenance and cable. They should also cover expenses that are unique to the region such as snow removal or pool maintenance. Also worth considering are the costs and damages beyond normal wear and tear, although this should be covered by the sinking fund in most cases. Your agent can help you further in knowing exactly what the monthly expenses are.

## **Can I sell my fraction?**

Fractions may be sold at any time or passed on to future generations, in the same way that you would deal with an outright property. Make sure you choose a scheme that does not restrict this process in any way.

## **Will the ownership of my fraction ever be diluted?**

In true fractional ownership the answer is no, as the maximum number of owners is determined before the fractions are placed on the market for sale. It is recommended that you check your agreement for exact terms that apply