

What is Fractional Ownership?

Fractional ownership is essentially partial ownership of a property. With fractional, a property is owned and shared by at least two, and often several, individuals. This type of ownership is popular with vacation properties and resorts.

To understand fractional ownership, consider a large, and expensive, property that may be difficult to purchase and care for on your own. Instead of becoming the sole owner of the property, you purchase a share of it, as do 15 other people. Now, you own 1/15 of the property and have others to share in the burden of maintenance and taxes. Though this option is popular with larger properties, it may be used with smaller, lower cost properties as well.

Often, people confuse fractional ownership with timeshares. Both fractional ownership and timeshare situations are common with vacation and resort-type properties. With a timeshare, however, you would purchase a specific amount of time to spend at the property, such as 3 weeks out of every year. You would not actually own any portion of the property. With fractional ownership, you would actually own the portion of the property you purchase.

When you opt for fractional ownership in a property, there will be sharing involved. For example, if you purchase a share in a property with three other fractional owners, you may have use of the property for one week out of every month. The other owners would have their weeks as well and you would not have use of the property at that time. Keep in mind, however, that each fractional ownership property is different and some allow owners to use the properties more or less than one week per month.

Some individuals choose to use fractional ownership to earn money. For example, if an owner doesn't plan to use some or all of his allotted weeks, he may choose to rent them out to others. Depending on how much he charges, he may be able to earn a profit. He might even be able to rent his weeks to other owners, allowing them to spend more time at the property. Rules concerning renting the property to others are usually covered in a fractional ownership contract.

Fractional ownership is attractive to many because it offers an easy way to own vacation property. With this type of ownership, you have a place to go to vacation, yet are freed from being solely responsible for the property and related expenses. In most cases, a third party or management company takes care of everything from upkeep and utilities to taxes and insurance. Though you have little responsibility with a fractional ownership, you do get the deed to the property, specifying the number of shares you own. You can gift it or sell it as you wish.

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