

Title:

Fractional Ownership

Word Count:

503

Summary:

This article talks about fractional ownership of vacation properties. It discusses the advantages, and disadvantages of such an arrangement and tells you what to look for should you wish to purchase one.

Keywords:

Vacation rental, family vacation rental, timeshare rental, fractional ownership, destination club, w

Article Body:

What is fractional Cottage Ownership? You hear the term all the time, yet what does it mean? Is it a Timeshare? Do you own real property? Fractional cottage ownership has become quite popular in the last few years. There are companies that specialize in finding properties that are suitable for fractional ownership. These same companies then buy the properties and repackage them for sale in the fractional ownership market. Often these companies will also manage the properties and assist the groups of owners in renting the property. Obviously for this service there is a charge, but many fractional cottage owners feel it is well worth the cost.

So what is fractional ownership? Essentially, a small group of people or families decide to split the cost of purchase and maintenance of a vacation property and share its use. The one point that needs to be emphasized with fractional ownership is that the group of people that own the cottage actually are on title to the land, and the building. Like any other property the value of this land and building will go up and down as the real estate market does. Most fractional cottages are usually larger units owned by fewer people and most usually do not lose their value over time. In fact most appreciate in value just like they would if they were owned individually.

Sometime in the early 1990's, fractional ownership started to become very popular. Agencies would offer fractional ownership programs that would usually involve buying a percentage ownership of a vacation property with a partnership agreement in place that would stipulate how many weeks each partner could have for their own personal use as well as a schedule of when those weeks could be

used.

There are some distinct advantages of participating in a fractional ownership program. The owners can stay for fairly extended periods of time, such as, 4-6 weeks, as opposed to other options where the duration of the stay may be set to a rather short period of time. A huge advantage is that they are usually easier to finance through lenders because the risk is spread among several owners.

Another advantage of fractional ownership is that maintenance is usually provided year round and the costs for this upkeep are divided amongst all the owners. It costs less to keep the place and the property is available all year round and may often be used out of season. Probably one of the best advantages of fractional ownership is that the properties themselves are usually much easier to sell. When it is time to get out, it is easy to do so.

Naturally these advantages can tend to drive up the prices of fractional ownership as opposed to other less expensive alternatives. Luxury fractional ownership can sometimes cost as much as \$200,000 per share and does not including maintenance and operating costs, however, there are more affordable fractional properties that can be found in the \$29,000 range with as low as a 30% down payment and around a \$140 monthly maintenance fee.