

Fractional Ownership FAQ

What is Fractional Ownership?

Fractional ownership vacation homes are something that has been around for years but are just now hitting the investment real estate market (i.e. vacation homes, townhouses, condos, etc.). For years business men and women have been using the fractional ownership technique to purchase everything from private jets to expensive jewelry. Fractional Ownership, suitably structured, allows several unconnected buyers, or family & friends, to combine their resources and collectively own a beautiful vacation property.

What do I own?

With Fractional Ownership, you own an "undivided fractional fee simple interest" in the property. You receive a deed to an interest in real property similar to the purchase of other real estate. The deed will evidence the Fractional Ownership Interest, e.g., a 1/12 undivided tenant in common ownership interest.

An owner is able to resell, gift or will this fractional ownership interest in real estate, subject to an agreement with the other owners, similar to if it was a whole ownership interest in real estate.

The documents require that an owner offer to sell the fractional interest to the other owners prior to listing or marketing their interest for sale. This simply gives the other owners the right of first refusal. This is not required in the case of estate planning.

Who will own the property with me?

People that have been interested in the property thus far are all professionals, most own a second home already. Some are retired or about to retire, others are younger families. They all have many restrictions on their time due to their personal and professional obligations. They are interested in owning a beach home, as they tend to, or would, spend time here as it is, and want the convenience of owning their vacation destination. They are attracted to the fractional concept due to the shared responsibility for the property.

Can I buy more than one share?

Yes; you can buy as many shares as you like.

Can I buy a share with someone?

Yes; you can buy a share with a friend, family member or business associate. Each of your names would go on title, and you would be treated as one entity by the management company and other owners. It would be up to you how to split the use and responsibility.

How much time will I get each year?

You are entitled eight weeks per year to use the home. We have proposed a plan of usage based on successful fractionally owned properties in other locations. It allows for weekly rotation from Saturday to Saturday.

Once we have a majority of owners ready to purchase, we will poll them on the reasonableness of the calendar. If the group wants to change the calendar, we will. For instance Sunday to Sunday may work better for everyone, or a two week rotation in the summer instead of one week, or one owner may want an entire month each year that the other owners don't care about. We'll create a new calendar that accommodates as many special requests as is possible.

A calendar will be attached to the sale documents governing use for the first six years, after which the calendar can perpetuate.

Because of the small number of owners, potential conflicts in family and business schedules may be able to be accommodated through the cooperation of all owners.

Are there other methods of allocating time?

Yes; should the owners not want the rotating calendar, the owners may determine the method for allocating usage as suits their pleasure.

Another commonly used method of allocating usage is based on priority. There are two options here:

Prime Time: Each owner will be assigned a number from 1 through 6. The year is broken into prime 12 week periods for summer and the rest of year. Number 1 would have first choice in the summer and last choice for the rest of the year. Number 6 would be just the opposite. The numbers would rotate so that all owners would have equal opportunity for their choices over a six year cycle.

Draft: Each owner will be assigned a number from 1 through 6. At the beginning of each year, or each twelve week period, Number 1 would pick a week or more depending on the arrangement, then Number 2, etc. Once Number 6 has picked their time, Number 1 would pick again. This would continue until all weeks have been allocated. The numbers would rotate annually so that all owners would have equal opportunity for their choices over a six year cycle.

Because of the small number of owners, potential conflicts in family and business schedules may be able to be accommodated through the cooperation of all owners.

What if I cannot use my week?

Should you not be able to use one of your weeks, you can let friends or family use your time. You could, but are not required to, offer it to the other owners.

What if I want a week allocated to another owner?

It is common that usage time is swapped among owners of real estate owned fractionally. The calendar is published, so you can figure out who has a particular time slot that you want. Simply contact them to arrange a swap.

Because of the small number of owners, potential conflicts in family and business schedules may be able to be accommodated through the cooperation of all owners.

Can I rent out my weeks of ownership?

Currently, the documents do not permit renting of the home. The luxurious level of quality furnishings in the home are above the standard usually seen in rental properties. Renting could potentially diminish this level of quality.

Collectively, should the owners want to rent it, they can agree to do so and modify the documents once they determine the best way to handle the rentals.

Is maid service available?

Yes; the annual budget includes weekly cleaning and an annual 'deep-clean' service. A maid will clean the home after your visit. Should you desire maid service during your visit, that can be arranged directly with the maid service.

What about smoking and pets?

Currently, the documents do not permit pets or smoking. Should the owners collectively want to permit pets or smoking, the documents can be modified.

How is the home managed?

There is no requirement for third party management. The owners may manage it themselves or contract with a management company.

We have interviewed area management companies, and believe the Platinum Services would do the best job. They will collect the money quarterly from all of the owners, pay all of the bills, arrange for maid service and maintenance on the property, and ensure that the property is properly maintained.

Will I have access to all the resort amenities?

Yes; Sandestin offers so much to owners and guests. [Click here to link to more information on Sandestin's amenities.](#) You must join the Sandestin Owners Club to have access to the amenities. They can be reached at 850-267-8208.

What do I have to pay annually?

The annual amounts to be paid are based on an estimated annual budget. Currently the budget includes all items required to maintain the home. Budgeted expenses include taxes, insurance, association dues, swimming pool dues, utilities, telephone, cable, alarm monitoring, property management fees, maid service, and maintenance reserves. [Click here to see a copy of the budget.](#)

Each owner will be responsible for 1/6th of the annual budget to be paid quarterly. The current budget stands at \$30,000 per year or \$5,000 per owner. You will pay \$1,250 every three months.

Can I sell my share of the home?

Yes, just like any other real estate. The documents provide for offering a right of first refusal to all other owners before selling your share. You could offer it for sale yourself or list it with a realtor of your choice.

Can I finance my purchase?

Yes; owners may finance their respective interests. This does not encumber the whole house, only the individual interest being financed. While financing is usually obtained with home equity loans on a primary residence, other financing is available. We can put you in touch with lenders that have visited the property and agreed to lend on fractional interests.

Is Fractional Ownership a "Timeshare"?

Properties typically offered for Fractional Ownership are considerably more upscale and offer substantially more usage than a traditional timeshare. They are also much more flexible because of the small number of owners. They also represent a more significant percentage ownership and appreciation opportunity.

Can the purchase satisfy 1031 exchange requirements?

While you need to check with your attorney and accountant, real estate owned fractionally can fulfill 1031 like-kind exchange. In March, 2002, the IRS issued Revenue Procedure 2002-22 which rules that undivided fractional in real estate will be considered an interest in real estate and not in a business entity.

Fractional Ownership Option

The unique Fractional-Ownership option has made oceanfront vacation home ownership a real estate revolution. Condos such as we have here have sold out in record times. Highlighting affordability, convenience and amenities, we know that fractional-ownership is the logical choice for many busy families.

Open your eyes to the many benefits available through fractional-ownership.

What is Fractional-Ownership?

When you purchase your condo or home with Fractional-Ownership, you own it with a fee simple deed or Bank Trust allowing you 6 weeks per year **FOREVER**.

Will I get the same 6 weeks every year?

Weeks are on a fixed schedule on a rotating schedule. This way owners will rotate some of the most desirable weeks such as Christmas, New Years, 4th of July, Thanksgiving etc. No one owner will have an advantage over another as everyone will receive these times.

This sounds like a timeshare is it?

The eighth-share ownership takes the best aspects of timeshare --- flexibility, ease of ownership and vacation exchange --- and combines them with the best aspects of traditional second home ownership ---- tax benefits, legally-deeded property and peace of mind know where you and your family and friends are going to spend many happy times together.

Why would I need 6 weeks of ownership?

Granted, some people do not have 6 weeks of time to spend on a vacation. With 1/8th Share ownership you will benefit in three different ways. Enjoy your home or condo, rent it out for top dollar and exchange your weeks all over the world.

What happens if one of the owners of the unit damages it?

Totally hassle-free ownership..... because there is weekly cleaning services and at this time, full stock and inspection is done. The management service fixes the problem and bills the owner for the repairs. If anything is missing or damaged they will repair or replace immediately.

Is there a homeowners' association?

In most cases, yes, if a condo is the 8th Ownership. Most of the time with private residence homes, no. There is no worry about the fees as yours is included in your

quarterly dues. This all inclusive fee takes care of the Association fees, Insurance, water, electric, paper goods, house cleaning, management, taxes and more.

Is buying a fractional complicated?

No! Fractional ownership is SIMPLE. It is similar to a typical real estate transaction involving a purchase agreement between buyer and seller and the agreement among the owners of the property.



Wholly owned vs. fractional?

You are the ideal share owner if you want the benefits of a resort vacation home but cannot justify the expense and time commitment of a fully owned second home. Many vacation properties are unused for much of the year, but still require maintenance and upkeep, at a considerable cost. Fractional ownership provides a cost effective way to own a second home in some of the most desirable locations at a fraction of the cost.



How does it work?

Owners purchase one or more fee-simple deeded fractional shares of a vacation property from participating realtors. VacationShare handles maintenance of the property, scheduling owner's time, housekeeping and other property related matters. Each Owner's share in a residence provides a certain number of weeks per year at the property.



Is this a time-share?

This is not a time-share. Time-shares are typically a pre-paid vacation plan that can be used or exchanged at different locations. Fractional properties are far more exclusive and tend to be larger homes, usually three to five bedrooms. Owners of fractional properties typically get 4 to 13 weeks of usage. Fractional interest is an equity position in the property with all the financial benefits of home ownership.



Who is likely to buy the other fractions of my unit?

Other share owners are buyers like you who could afford a vacation home and who don't have time to use it. The buyers of shares are seeking a resort vacation lifestyle but cannot justify the full expense for a property they intend to occupy only a few weeks each year.



How many owners will there be for each home?

There are 5 shares for sale per property. Owners can own more than one share.



Can I finance my purchase?

Absolutely! There are many financing options available. VacationShare has strategy partnered with major lenders to help with the process of financing your new property.



What amenities are included with the homes?

Each property will be independently maintained, completely furnished including a fully equipped kitchen and a washer and dryer. VacationShare emphasizes quality control in each property.



Can I buy more than one share?

Yes! Owners may buy more than one share in a single or multiple home(s).



How often can I use the property?

Each shareowner will get 10 weeks of property use per share based on a rotating schedule of weeks. The 10 weeks will be scheduled throughout the four seasons so owners may enjoy different times of the year.



When do we check in and out?

The Check In / Check Out day is Friday. This allows owners to enjoy a complete weekend at their VacationShare property.



Will I always get the same weeks?

No. Unlike a time share, fractional properties usually rotate weeks each year to provide equal access to premium weeks like July 4th, Christmas and New Year, Labor Day, etc.



Can I exchange weeks with the other owners?

Yes! There is flexibility among owners in exchanging weeks. Owners may also exchange dates and combine weeks as they wish.



Can I rent my share or let others use it during my scheduled time?

Yes! Guests, relatives and friends may use your unit during your scheduled time. Owners are responsible for any guests during their personal time.



Will the owners of the shares interact?

The ownership agreement calls for a meeting amongst owners annually and as needed. The meetings may be held via teleconference and in person. Other than these meetings, owners may interact as they wish and may see one another briefly when checking in or out.



How is housekeeping and cleaning handled?

The property management arm of VacationShare will schedule cleaning by a professional service after each stay. Any additional cleaning services related to an owners stay will be billed to the owners, such as carpet cleaning.



Who pays the bills?

The property management company will process and pay all related bills, collect condominium fees and provide all accounting services necessary to manage the property. The owners share the monthly costs for the property equally including gas, electric, water, sewer, property taxes, cable, telephone and insurance. An Annual Budget for each property will be included in the Owner's Annual Assessment.



What if something needs to be replaced?

An escrow account is created to handle all replacements and capital improvements necessary to maintain the quality of the property.



Who administers the rentals?

VacationShare will oversee any rentals of the property. Owners should notify property management (and the realtor of their choice) of any weeks they wish to rent.

VacationShare will handle all of the paperwork.



Can I sell my interest in a property?

Yes! Owners are free to sell their interest at any time. The process is the same as selling any other type of real estate. Please note, each owner will be given first right of refusal before the share could be marketed to non-owners.



Can I leave my interest to someone in my will?

As deeded property, Owners may pass on their interest to whomever they want.



Can I expect appreciation of my investment?

Your share will be subject to the same market conditions and values as any other piece of real estate. Real Estate has historically been a good and sound investment with those entering the market early reaping the greater rewards.



Can a fraction be purchased by a corporation?

Yes! A corporate entity may purchase shares in the property.



What hospitality services are proposed?

Concierge services will be available to owners for nominal fee. Service examples are: reservations for restaurants, golf courses, theatre shows, boat excursions. VacationShare will provide additional hospitality services, if possible- as needed. **Let us make your vacation home your personal resort!**

Where did the concept of fractional ownership originate?

In 1994, this new concept debuted in the United States with fractional ownership of vacation homes. Patterned after fractional ownership of private jets, the concept formalized the idea of a group of relatives or buddies pooling their resources to buy a getaway place, and a means for working-class households to at least own a piece of a vacation home. About 75 fractional time-share projects either exist or are being built across the United States, according to industry estimates, compared with 1,600 traditional time-share resorts. According to the National Association of Realtors, in 2004, "**36% of all home sales** were second homes purchased for either vacation use or investment". Fractional Villas recognized the need for an exclusive vacation home, where a true sense of pride of ownership exists; and the benefits of making a wise purchase can be realized with an eighth-share fractional deeded ownership, instead of a club membership in an elusive complex, with ever changing properties. Whether it's a vacation villa, private jet, or yacht, fractional ownership is proving to be the best way to purchase and enjoy high-value assets that you don't use fulltime.

Can't I just find a property and purchase it with my friends?

You can, however, with Fractional Ownership you don't need to convince 7 others to buy a share in your dream vacation home, which as most people know, can be very difficult. Further, you will need to prepare a comprehensive set of CC&R's, operating by-laws, rules and regulations, as well as all of the legal and HOA documents for purchase and shared ownership. Instead, with Fractional Villas you can just make your own decision to own a share in a larger and more luxurious villa, than you could normally afford, in an area where you would otherwise be priced out of the market. You'll own a 1/8th share with 7 other proud owners, not hundreds, like with the "residence clubs" or timeshare properties. We do all of the work, and take all of the risk, identifying the property, furnishing it, appointing the property manager and a team of maintenance professionals, preparing all of the legal documents correctly, and marketing the property to just 8 exclusive owners.

- **Are there legal agreements between the co-owners?**

Fractional Villas has developed a proprietary set of comprehensive legal documents for its co-owned properties. Each property is owned, governed and operated by a very tight package of legal agreements that remove virtually all ambiguity and questions for each of the owners. These agreements help to assure each owner of their independent quiet enjoyment, legal control, property rights and ownership protection. Without these agreements, a group of owners would effectively be operating on a handshake, with faith that everything will work out. This may work for friends and family (until there is a problem), but a handshake cannot be relied on for independent owners, brought together under this sophisticated structure.

Sandpiper Real Estate has developed, what is considered one of the "best set of proprietary fractional ownership documents" in the industry, from the "co-owners point of view". Our document package includes: **Comprehensive Rules & Regulations, Articles of Incorporation for a Home Owners Association (HOA), a Declaration of Covenants, Conditions & Restrictions (CC&R's), Association Bylaws, Property Management Agreements, Department of Real Estate Clearances, Purchase Agreements, Bill of Sale, Grant Deeds, Disclosures, Annual Operating Budgets and Manuals, and more.** We are confident that after your review, you will agree that virtually every concern has been addressed and prescribed for the benefit of all co-owners, assuring a very safe and enjoyable ownership experience.

This package of documents is tailored specifically to each property and the local municipal codes, and is made available to each buyer in escrow, during their contingency evaluation period.

- **Who are fractional properties really for?**

This type of vacation real estate ownership is ideal if you want the benefits of owning an impressive second home (typically of more value than you would afford on your own), complete with management services, located in a very exclusive community, but you can't justify whole ownership because of your projected limited use. **Is co-ownership right for you?**

Who maintains the property?

The property manager oversees the complete maintenance and care of your villa, including the ongoing housekeeping. Your expense fees cover the cost of all maintenance, repair, replacements and wear and tear as required. A professional housekeeper is supervised by the manager, assuring the property is always clean and maintained in a first class condition, as you would expect. Owners and their guests are responsible for any specific substantial damage repair, if incurred during their use of the property. Landscape and pool maintenance is performed on a regularly scheduled basis by local professionals, and, where necessary, snow removal as required. Structural maintenance, including painting, and repairs, is provided by the appropriate local trade contractors, as and when needed. Certified professionals from the specific equipment manufacturers and services will maintain the equipment and appliances to our demanding standards. When the homeowners are away, the property manager will look after the property, assuring you the peace of mind that your property is safe and secure.

- **Do I have the same tax considerations with fractional ownership as with purchasing the entire property exclusively?**

Fractional ownership is the same as ownership of any other real estate, wherein you enjoy potential appreciation, depreciation, interest and expense deductions. At your discretion, you may sell your share of the property, gift it, or leave it to someone in a Will. Your tax advisor will be better suited to provide specific details, and advise what your individual tax circumstances may offer. You may also register title in your children's names to assist in estate planning.

- **Is the property non-smoking?**

For the comfort of all owners, and maintaining the condition of the property, smoking is not allowed within any area of the home.