



BUYING A FRACTION OF A PROPERTY

If you are involved in the shared in the shared ownership or hospitality industry, you are likely to have come across the buzz word at the moment, fractionals or fractions. But what is it? A fraction of what? Well, this is where it gets more involved and below our Alex Radford, an English Solicitor and Spanish abogado and specialist ownership explains the fractional concept.

Essentially, you can buy a fraction of virtually anything nowadays; from properties to cars to yachts to jets and even handbags! Handbags? Yes, essentially anything that can be used by various owners can be fractionalised.

The item par excellence, which is most popular and is being fractionalised successfully around the world is property. Properties located in ski, beach and golf destinations are very popular with potential purchasers who are interested in owning a foreign property, but do not want to take on all the costs of owning a second freehold property outright in a country they only usually visit for holidays. Who can blame them! Buying a fraction of a property has all the advantages of owning a second home, but rather than owning it outright, like minded buyers are sharing the property.

If you are considering buying a property, set out below are some key considerations you should bear in mind before parting with your hard earned cash!

1) Fractions

- Fractions are available for purchase in properties around the world and tend to be sold in fractions of 1/12 (4 weeks), up to ¼ quarter or half shares. Fractions are not just being sold in 2 bed 2 bathroom properties, but are also available in luxury ski lodges or country estates located in prime destinations worldwide.

2) So what exactly do I buy?

- Usually, a fraction, as opposed to a timeshare, involves you actually buying either a share in a company that owns the

property, or your ownership is held in trust by a professional trustee, or you become an owner of a percentage of the property at the local land registry where the property is located.

3) What should be included in the purchase agreement?

- The purchase agreement normally includes the most important documents to buyers; this being the calendar or the booking and reservation system. The fractional calendar tends to be a rotating calendar, ensuring that all fractional owners are treated fairly in respect of allocation of weeks in any calendar year. If you are buying a fraction, it is important to consider the calendar carefully to ensure that you are buying a fraction with a calendar that suits your holiday habits and allows you to take your weeks when you want to take them, such as within the school holiday period. Some fractional operators, rather than using a calendar, will set out a detailed booking and reservation system and just like the calendar, it is important that you completely understand the booking procedure so that you know when you have to book your forthcoming holiday by.

4) How long will I own my fraction for?

- Some fractions are purchased for an indefinite period of time, others are for a specified period. If you are buying a fraction which has a perpetual duration, then you should review the clauses dealing with the transfer to your heirs on death or the sale of the fraction during your lifetime, normally 10-20 years, then consider carefully what happens at the end of the term, who shares the capital appreciation of the property (if there is one), what is the procedure for the sale of the property and how will the proceeds of sale be distributed.

5) Maintenance and replacement fund

- The calendar or booking procedure will usually set aside time each year for repairs and maintenance to be carried out. It is essential that time is allocated in order to carry out the repairs that the property will require in order to keep it looking updated. This is one of the most positive aspects of fractional ownership. The costs of repairs and maintenance are shared amongst all the owners. Depending on the property and the set-up, whether you have purchased a property with friends or from a reputable company, allowance should be made by the owners to make a contribution, either monthly or yearly for the cost of repairs and maintenance, usually known as maintenance fees.

6) Exchanging my fractional around the world

- Nowadays, most fractions are affiliated with international exchange companies so that you can exchange or deposit some

of your weeks or time in other resorts around the world. This is a lovely feature as it means that you can virtually have your cake and eat it by enjoying time in your favourite property, but also visit other properties around the world for the cost of an exchange.

7) Documents to be provided

- Standard Information Form setting out information about the product and costs of ownership
- Purchase Agreement
- Deed of Trust if the property is held in trust
- Calendar
- Reservation System
- Management Agreement of the property
- Plans of property
- Separate standard withdrawal form, allowing you to withdraw from the purchase within 14 days.

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If you have any queries about and would like a conversation with one of our specialist lawyers, please contact us by email at enquiries@mylawyerinspain.com or by telephone.