All credit for this guide goes to [luxuryfractionalguide.com]() They are the original creators of this guide and have this information posted on their website.

Almost everyone purchasing a vacation home is familiar with the term "Timeshare," but perhaps less familiar with Fractional Ownership.

Both are frequently referred to as "shared ownership," and they share similar characteristics.

However, there are significant differences between fractional ownership vs timeshares. Let's look at those differences.

Timeshares

A timeshare purchase gives the buyer the right to use the property for a designated length of time, usually one or two weeks per year. There are multiple buyers; each has the same right of usage. However, the title remains with the property owner.

The primary benefit of timeshare ownership is the right to use a vacation home for the same week or two every year without being required to make reservations.

Some timeshares use a point system that permits access to properties at different resorts worldwide.

Fractional Ownership

Fractional ownership is a method of property purchase involving several buyers, typically 6-12. Each owner holds an equal part of the title.

The purchasers have a stake in an asset without having to pay for the entire property, maintenance expenses, and taxes.

While a traditional timeshare limits access to the property to one to two weeks per year, a fractional ownership is usually available for 5 weeks or more per year.

Equity and Investment Value

With fractional ownership, the buyer owns partial equity in a valuable asset. As the value of the property appreciates, the value of the purchaser's equity also appreciates.

A net capital gain is realized should the buyer sell his/her share or the group of owners decides to sell the entire property. As a result, lending institutions view fractional ownership as a better investment than a timeshare and are more willing to finance a purchase.

Timeshare ownership only entitles the buyer to occupy for a week or two per year. No benefit is realized from a change in the value of the actual property. The property title is 100% owned by the principal owner.

“Very few timeshares increase in value,” says Alisa Stephens, executive producer at RedWeek.com, an online company that rents and resells timeshares.

In fact, their values tend to decrease over time; therefore lending institutions are reluctant to issue mortgages.

Since they are considered higher risk, any financing available tends to be more expensive with higher interest rates.

Also, maintenance fees increase with time. This makes a timeshare resale difficult.

In past years there have been cases in which an owner has offered to give away a timeshare for free because of the monthly maintenance fees.

Vacation Value

Timeshares are viewed by many as a vacation expense and not a financial investment. Whether renting a hotel room or buying a timeshare for vacation, neither one offers a financial ROI. **Timeshares are a lifestyle enhancement.**

The value of a timeshare may be determined by analyzing lifetime vacation expenses. For example, a 2-week vacation in a hotel property may cost $3,000 each year. Ignoring increases in hotel room rates, in just ten years the total expenditure is $30,000, which is $10,000 more than the average cost of a timeshare.

Additional savings are realized by eating some meals in the timeshare unit, rather than all the meals at restaurants.

A survey conducted by the **American Resort Development Association (ARDA**) showed an 83% satisfaction rate among timeshare owners. They are happy with the purchase that grants them the discipline of better vacationing.

The sales figures confirm owner satisfaction with timeshare purchases. In 2016 the U.S. timeshare industry (products including timeshare weeks, points, fractional and/or Private Residence Clubs) celebrated its seventh consecutive year of growth. Sales volume increased nearly 7% from 2015 according to the State of the Vacation Timeshare Industry: United States Study 2017 Edition, conducted by Ernst & Young for the ARDA International Foundation.

Management and Fees

In addition to the purchase price, buyers of a fractional ownership property are required to pay fees. Shared by all owners, the fees cover property management, maintenance and repair expenses, taxes, insurance, and housekeeping services. These additional fees can significantly add to the overall cost of the purchase.

Timeshare owners must also pay maintenance fees. According to the American Resort Development Association (ARDA), in 2012 the average purchase price of a timeshare property was approximately $19,000, and the annual maintenance fees were $660.

Where fractional and traditional timeshares differ is the degree of owner control. While the fractional management company has responsibility for day-to-day operations, owners retain ultimate authority and control over their property.

Control of most timeshares remains with the project developer or hotel operator, who consider timeshare buyers as yearly guests, not as property owners. As a result, the project developer has little incentive to maintain high standards once the project has been sold out.

Customer Service

Another benefit of fractional ownership is the service provided by the management company. The staff can get to know owners. They can prepare the home according to owner preferences, including personal touches such as putting up family pictures and concierge services like filling the refrigerator with food before arrival.

Timeshares are usually limited to housekeeping.

Owners of both timeshares and fractional vacation properties can usually deposit their weeks to vacation elsewhere.

Number of Owners Per Unit

An important distinguishing characteristic between fractionals and traditional timeshares is the number of owners per home or apartment. Most timeshares are designed to have 52 owners per unit (some have 26 owners).

With so many owners, stays are infrequent and short, typically once per year for one week. As a result, there is little emotional connection between the owners and the property. The lack of “pride of ownership” promotes an apathetic attitude toward the property. The high traffic through the unit also means more wear and tear.

By contrast, fractionals typically involve 5-12 owners per unit, with owners visiting the property more frequently and staying longer.

With more significant ownership shares and more time spent at the property, fractional owners have a greater stake in how the property is maintained and how it appreciates over time. Fractional owners take great pride in their property investment. With fewer owners, fractional ownership properties are subject to less physical wear and tear.

Property Quality Differences

To purchase a timeshare, the minimum qualifying household income is about $75,000. The minimum income for fractional properties is approximately $150,000. For private residence clubs (a more luxurious fractional), minimum qualifying household income is about $250,000.

The significant differences in household income for timeshare and fractional ownership result in a distinctly different clientele.

Property types are different as well, with timeshares typically one or two-bedroom units while fractional tend to be larger homes with 3 to 5 bedrooms.

Most fractional properties have a better location within a resort, superior construction, higher quality furniture, fixtures, and equipment as well as more amenities and services than most timeshares.

Fractional buyers pay more to purchase and expect higher maintenance and management fees. High-quality construction and finishes, more resources for maintenance and management, and fewer users contribute to the property's appearance and smooth operation.

Fractional owners can usually exchange their vacation time to a new destination, easily and cheaply, on sites such as **Third Home**.

By comparison, many timeshare properties degrade over time, making them less desirable for original purchasers and less valuable as a resale. Lower initial quality, inadequate maintenance and management, and higher user traffic contribute to the devaluation.

Public Image of Timeshare vs. Fractional Ownership

In the 1960s and 1970s timeshares in the United States gained a bad reputation due to developer promises that could not be delivered and high-pressure sales tactics that discouraged many potential buyers.

In response to buyer complaints, state legislators passed stringent disclosure and other consumer-protection regulations. Also, the American Resort Development Association (ARDA), adopted a code of business ethics for its members.

In the 1980s, the timeshare ownership reputation improved significantly when major national hotel brands such as Hilton and Marriott entered the industry. They legitimized timeshares by enhancing the quality of the timeshare buying experience giving it credibility. Despite these efforts, however, the timeshare has not entirely lost its stigma.

Fractional ownership, on the other hand, has developed a reputation as a reliable investment.

In the United States, fractional ownership started in the 1980s. It began primarily in New England and Canadian ski areas; then it spread in the 1990s to western United States ski areas. By 2000, national luxury hotel companies Ritz-Carleton and Four Seasons, as well as others, began offering properties, further augmenting the image and value of fractional ownership.

During the same period, the fractional ownership concept extended to other industries. Jet and yacht industries ran successful advertising campaigns convincing consumers of the benefits of purchasing super-luxury possessions with shared ownership. The fractional method of ownership became associated with luxury and glamor and living the lifestyles of the rich and famous.

FRACTIONAL OWNERSHIP VS TIMESHARE

	Fractional Ownership	Timeshare Ownership	Comments
Number of owners	2-12 owners	Usually 52 owners, 26 owners for some projects	Fractional owners have a higher financial commitment and are willing to pay higher costs
Time for owner use	4-8 weeks depending on the number of owners	One week per year	Fractionals have less wear and tear with fewer occupants
Equity	Owners have a share of the title, based on the number of owners. Appreciation potential	No property equity	Timeshare ownership is usually a vacation purchase that eliminates hotel expenses. Fractional ownership in an investment
Management	Owners have good control over property management	Project developer or hotel operator maintains management control	Fractional owners are willing to pay higher management expenses
Maintenance expenses	Owners pay maintenance expenses and taxes on the property	Maintenance expenses and taxes are paid in monthly fees	Timeshare owners must expect monthly fees to increase every year
Resale Value	Resale value tends to appreciate	Resale is difficult even at reduced prices	Intense competition for timeshare resales from other units and new developments
Owner services	Owners decide	Minimal service offered	Private residence clubs are a type of fractional with many amenities

Property Quality and size		Higher quality and larger vacation homes		Usually one or two-bedroom units with basic quality		Owners of fractionals have an incentive to maintain the property in good condition
Income requirements		$150,000 annual revenue min.		$75,000 annual revenue min.		$250 annual revenue minimum for private residence clubs
Most attractive feature		A less costly alternative to whole ownership of a vacation home		An affordable alternative to hotels for vacation		Buyer must decide which type is best based on objectives for the property

Resale Potential

The purchase of a timeshare unit is sometimes compared to the purchase of a car. The car's value depreciates the moment it is driven off the showroom floor. Similarly, timeshares, begin the depreciation process as soon as they are purchased and do not hold their original value.

Much of this loss is due to the substantial marketing and sales expenses incurred in selling a single residential unit to 52 buyers. These expenses often amount to 50% of the original price and are passed on to purchasers. When timeshare owners try to resell, the marketing and sales costs do not translate on the open market into real estate value.

In addition, the competition for timeshare buyers is intense. Sellers must not only compete with vast numbers of similar timeshares on the market for resale but must compete for buyers looking at new products on the market.

Sales of fractional ownership, by contrast, is similar to deeded ownership of one's primary residence. Statistics show that fractional ownership property resales rival sales of whole ownership vacation real estate in the same location. In some instances, fractional resale values have even exceeded those of whole ownership properties.

Conclusion

Before deciding to take part ownership in a vacation home, review the similarities and differences between a timeshare and a fractional ownership. One type of ownership is not necessarily better than the other, but one will be best for you based on your priorities.