

# F.O.!

## FRACTIONAL OWNERSHIP

### THE NEW BUZZWORD IN RESIDENTIAL REALTY

With SEBI's recent announcement to regulate Fractional Ownership in residential real estate, owning a luxury home is just a 'fraction' of share away. Good News: This market is expected to grow to **\$5 billion by 2024**.







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Research & Reports



## DESCRIPTION

Research & Reports (R&R) is an independent entity that aims to create a credible ecosystem which is fact-based, data driven and analysis-laden within the ever-growing Indian real estate growth story.

R&R team is dedicated to bringing the actual reality of realty to buyers and sellers alike. The R&R reports decode the complex world of real estate and empower the stakeholders with key insights to take the right decisions.

R&R is an independent research wing of Rise Infraventures Limited.

## VISION

R&R stands for transparency and sustainable approach, leading to a creation of world-class infrastructure and consistent growth in the real estate sector in India.

## MISSION

Our mission is to provide independent, unbiased research and reports on real estate trends, movements and practices. We support transparent buying and selling experiences that align to public policy, and as a result, deliver RERA approved standard transaction process throughout the nation.



# A 'FRACTION' OF OWNERSHIP = A GROWTH 'MULTIPLIER'

A distant dream of millions of end-users has come closer to success with the recent announcement of market regulator, SEBI, to regulate Fractional Ownership in residential realty, a concept that's considered to be a gamechanger for the residential real estate sector in India.

An investment approach where multiple investors get together and create a pool of funds, when as individuals, they do not have the requisite funds to buy the aspiring asset. Fractional Ownership, ensures that the cost of an asset is split between multiple investors, and all the shareholders get shared benefits of the asset, such as income sharing, reduced rates, and usage rights.

While Fractional Ownership has always existed in India, it was primarily restricted to REITs-driven warehousing and commercial real estate. But now, with SEBI's recent regulatory framework announced for Fractional Ownership in residential real estate, a new ray of hope is showing up in the residential real estate.

The future looks promising with the Fractional Ownership Residential Real Estate Market set to grow to **\$5 billion by 2024**.

Having said that, it's important to note that the Fractional Ownership market in India is still evolving, and regulations specific to it may vary across states. As the market matures, there may be additional legal and regulatory guidelines and developments to ensure investor protection and transparency. What's needed right now is a conscious effort to make an informed choice!

**Vishesh Prakash**  
Head, R&R





## 3D VIEW:

### THE CONCEPT

Fractional Ownership is partial ownership in big-ticket properties, jointly operated by a group of investors and their pooled-in investment. All the stakeholders get the benefits of the assets, such as income sharing, reduced rates and usage rights.

### THE MODERATORS

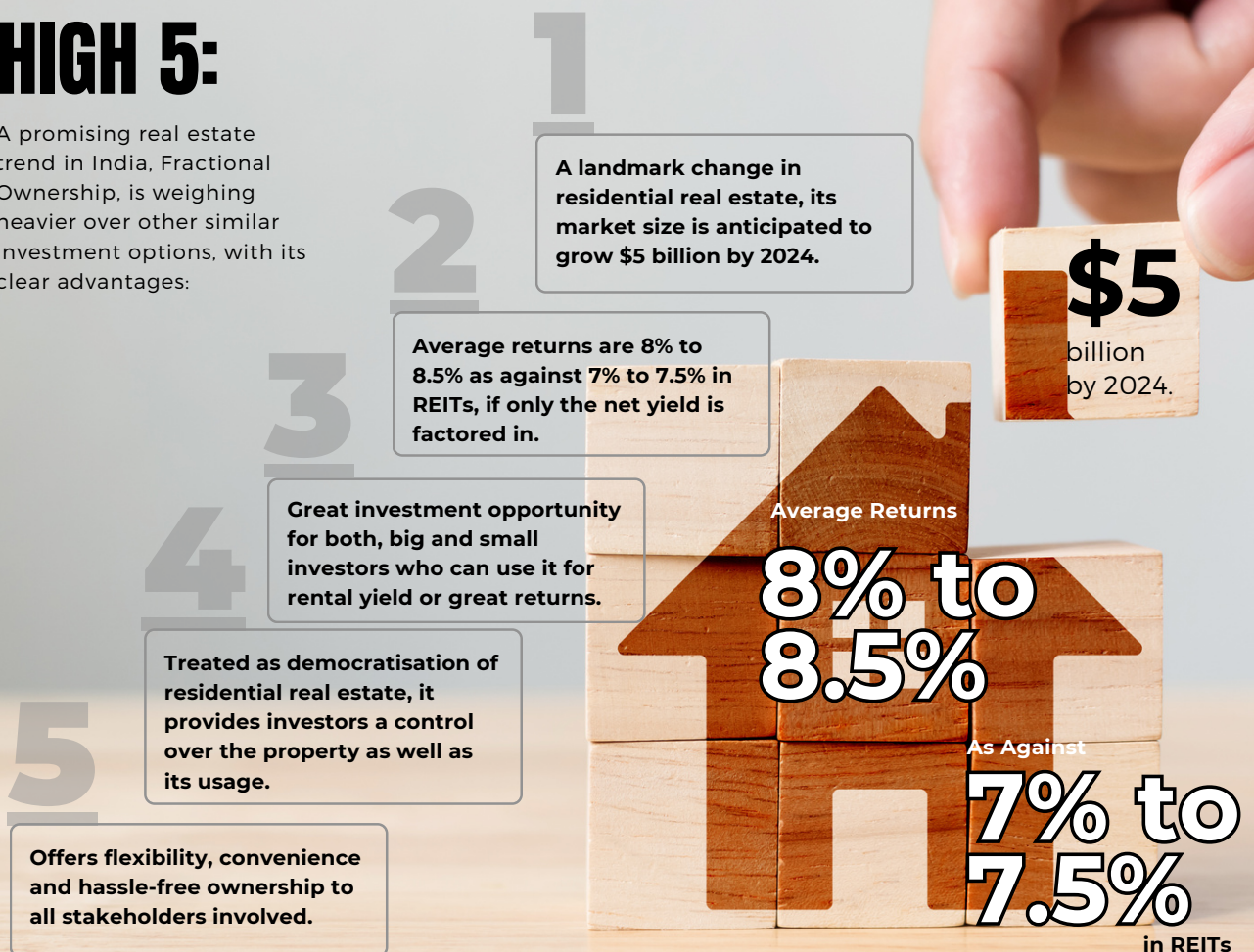
Fractional Ownership is moderated by a real estate management company that invites investors to invest a certain amount in a potential asset, and takes benefit from the asset appreciation, while also ensuring the regular upkeep, maintenance and records of the asset.

### THE MODUS OPERANDI

Under Fractional Ownership, a range of properties are listed on IT-enabled platforms. A minimum ticket size is decided as shares, as per the property potential, and accordingly, a set of investors are invited to choose the portions as per their individual capacity. The shareholders can withdraw their share at any point in time, as per need.

## HIGH 5:

A promising real estate trend in India, Fractional Ownership, is weighing heavier over other similar investment options, with its clear advantages:





# TOWARDS GREENER PASTURES

While Fractional Ownership market in India is still at a nascent stage as compared to the other parts of the world, however, there are clear indicators of its growing popularity. Here are some factors that indicate the growth story:

## **Increased Awareness & Acceptance:**

Over time, more and more people are recognising the benefits of Fractional Ownership, such as shared ownership, cost savings, access to premium amenities and locations, and above all, hassle-free transaction and ownership-related processes.

## **Industry Recognition & Acceptance:**

Real estate developers have started to explore Fractional Ownership model to attract investors, both big and small. Some developers are launching specifically designed projects to cater to the growing demand for shared ownership opportunities.

## **Evolving & Regularising the new landscape:**

The regulatory framework surrounding Fractional Ownership in India is still evolving. However, there have been discussions and proposals to establish clearer guidelines and regulations to govern the model, which is expected to boost buyers' confidence and trust.

## **Rising Demand for Luxury Properties:**

India has witnessed a growing demand for luxury properties. Fractional Ownership allows individuals to invest in high-value properties at a fraction of the cost, making it an attractive proposition for those seeking to own a share in high-end properties.

## **Growing Aspirations & Reduced Stress:**

Evolving lifestyles, travel aspirations, and investment preferences have contributed to the demand for alternative real estate investment options. Fractional Ownership allows investors to enjoy the benefits of dream realty without financial burden.

## MAKE AN INFORMED CHOICE

WHILE THE FRACTIONAL OWNERSHIP MARKET IS RELATIVELY NEW, IT CERTAINLY HAS TO MOVE FAST TOWARDS REGULATORY CLARITY, STANDARDISATION OF PRACTICES, AND INVESTORS' AWARENESS. MONITORING INDUSTRY DEVELOPMENTS AND REGULATORY UPDATES CAN HELP ONE UNDERSTAND AND INVEST BETTER IN THE MARKET TO REAP ITS TRUE POTENTIAL.



# REAL ESTATE INVESTMENT TRUST VERSUS FRACTIONAL OWNERSHIP

## REITS

REITs are controlled by the Securities and Exchange Board of India (SEBI)

It is mandatory for the investors to invest 80 percent of the money in income generating assets.

No maintenance charges or upfront cost charged from the investors.

Investors cannot choose the type of property to invest in.

Minimum investment can be as low as Rs 20,000-50,000

REITs are comparatively liquid, and the returns are consistent.

REITs do not allow investors an option to choose property.

## FRACTIONAL OWNERSHIP

Fraction Ownership is NOT controlled by SEBI; it is regulated by SEBI.

There is no compulsion. The money can be invested into ready as well as under-construction properties.

Brokerage and maintenance costs are charged from the investors.

The investors have complete control over the type of property.

Minimum investment generally starts from a few lakhs, and above.

Properties are high potential, but the returns can be flexible.

The investors are aware of the property type, location, and estimated returns.



# A WIN-WIN FOR INVESTORS

FRACTIONAL OWNERSHIP IS A SUCCESS STORY IN THE MAKING, THANKS TO THE VARIOUS BENEFITS IT OFFERS TO THE INVESTORS:



## Asset Diversification:

Real estate has consistently been one of the top asset classes for High Net-worth Individuals (HNIs) in India. Fractional Ownership provides investors a more affordable and accessible way to diversify their portfolios and reduce risks.



## Higher Returns:

Fractional Ownership allows investors to earn higher returns without investing a large sum of money. According to a Knight Frank India Report, investors can expect rental yields of 6-8% through Fractional Ownership in real estate.



## Access to Investment Platforms:

Several new-age alternative investment platforms provide Fractional Ownership of real estate. These platforms facilitate real estate investment by providing a user-friendly platform, transparent pricing, and hassle-free property management.



## Passive Income:

Through Fractional Ownership, investors can earn rental income on their property ownership stake, which can provide a consistent stream of passive income over a period of time.

**FRACTIONAL OWNERSHIP IS EXPECTED TO BE A GAMECHANGER FOR THE RESIDENTIAL REAL ESTATE MARKET IN INDIA, GIVING A NEW RAY OF HOPE TO THE END-USERS WITH HIGH ASPIRATIONS**

# FRACTIONAL VS TRADITIONAL OWNERSHIP

WHILE BOTH OF THESE HAVE THEIR OWN PLUSES, FRACTIONAL OWNERSHIP COMES WITH ADDED ADVANTAGES

## Fractional Ownership:

For those who want to diversify their portfolio by investing in multiple properties, without having to pay the full purchase price, Fractional Ownership, can be the best bet. It is also an appealing option for those who want to invest in high-value properties that are otherwise beyond reach and range. The RoI, in this case, is two-way - both through rental income as well as gain out of capital appreciation.

## Traditional Ownership:

This can be a great fit for those who prefer to have sole ownership and control over the property-related decisions, like control over rental pricing, tenant selection, and property management/selling. Assets bought under this type of ownership typically has lower liquidity, and a subsequent lower RoI.



## THE SCORE CARD: AT A GLANCE

COMMON PARAMETERS	FRACTIONAL OWNERSHIP	TRADITIONAL INVESTMENT
Capital Required	Lower	Higher
Ownership Structure	Shared Ownership	Full Ownership
Rental Income	Shared	Sole
Property Management	Shared	Sole
Diversification	Easier	More Challenging
Flexibility	Higher	Lower
Liquidity	Lower	Higher
Potential for Return	High	High



## SACHIN GAWRI

FOUNDER AND CEO,  
RISE INFRAVENTURES LIMITED

Fractional ownership is fast emerging as an efficient tool for investing in luxury real estate and reaping its benefits. By being able to invest in prime luxury real estate, owning a portion of the same, and getting higher RoI (return on investment), investors today have the opportunity to diversify their investment portfolios. Also, with better returns and long-term appreciation benefits, investors can have dual benefits and earn more as compared to REITs. With options available under the regulatory framework, it is an exceptional opportunity that investors are wanting to explore in a big way!

## SHANTANU GAMBHIR

MD AND CO-FOUNDER,  
RISE INFRAVENTURES LIMITED

Fractional Ownership, as a SPV (special purpose vehicle), is a popular instrument of ownership in many parts of the world and has helped many create wealth. In India, while Fractional Ownership real estate market is still in its nascent stage, it has been gaining traction in recent years. Fractional Ownership in India is predominantly focused on luxury and high-end properties, and investors are attracted to the potential of owning a fraction of a premium property, at prime locations, to generate higher rental incomes. It is an ideal way of portfolio diversification and wealth management, through experts and tech-backed platforms.





**DR NIRANJANA HIRANANDANI**  
NATIONAL VICE CHAIRMAN,  
NAREDCO NATIONAL

"In India, Fractional Ownership in the residential real estate segment is at a very early stage of development. In recent years, it has gained acceptance among the individual investor community as an alternative investment avenue with a low entry cost. It is recommended that investors should assess the risks and rewards by ensuring legal compliance."

**SHEKHAR PATEL**  
PRESIDENT ELECT CREDAI,  
NATIONAL

"One of the most important things to note is that Fractional Ownership is far better recognised now. Authorities are creating a reliable and regularised system around its working. Even the promoters have to register with SEBI to deal in Fractional Ownership. With clear guidelines now in place around it, even the small investors can consider getting rental income in an organised manner."



**ASHWINDER R SINGH**  
CEO, RESIDENTIAL, BHARTIYA  
URBAN; BESTSELLING AUTHOR

"SEBI's regulatory boost ignites the growth of Fractional Ownership in India, fostering confidence, transparency, and investor protection. With rising real estate demand, growing awareness, and advancing technology, this innovative investment avenue promises a bright future. It would help broad base real estate investing, which is crucial for India's 5 trillion rupee GDP goal."



**NIKHIL HAWELIA**  
JOINT SECRETARY, CREDAI  
NCR; MD, HAWELIA GROUP

"Under Fractional Ownership, the investors invest in securities issued by SPV, and a certain percentage or fractional share in the real estate asset through the securities issued by such SPVs is owned by investors. The recent SEBI guidelines in this regard will ensure an orderly and regulated development of this sector. The registration with SEBI, minimum net worth requirement for the sponsors and investment managers, etc., are some of the regulations which will have a positive impact to enhance the overall investor and stakeholder proposition."



# FIVE-STEP INITIATION INTO THE WORLD OF FRACTIONAL OWNERSHIP

## **1** Select the right platform

Identify reliable, user-friendly platforms that have proven good track records. They should be transparent and honest about their costing and investment options.

## **2** Identify the right-fit asset

Identify and seek assets that match your investing goals, risk tolerance, and timelines. Most platforms give detailed information about each investment opportunity, including financial predictions.

## **3** Examine your platform

Examine and investigate about the platform's property data, financial estimates, and other such pertinent and associated legal information. Look for possible hazards and weigh them against the potential rewards and returns.

## **4** Click and invest

Once assured, it's time now to make an investment. Most platforms are enabled to invest online, making the transaction quick and easy. The amount to be invested can be as low as INR 25 lakhs for premium assets.

## **5** Keep an eye on investment

Examine your returns on a regular basis. The platforms provide regular updates and extensive data and related news. These will keep you informed about how your investment is faring over a period of time.










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