Sean Daly, a retired partner with a major accounting firm, has a lot of practice working with fractions. Now he has used that skill to amass a portfolio of vacation homes in pie-chart slices: one-tenth of a ski home in Vail, one-twelfth of an oceanfront retreat on Hawaii’s island of Kauai, and one-twelfth of a centuries-old villa in Tuscany. Added together, the three fractional properties—which he takes turns using with other fractional owners—cost over $1 million.

“It works a lot better than full ownership—worrying about the upkeep, spending time dealing with problems rather than going up and enjoying it,” said Mr. Daly, 63, who lives with his wife, Christie, 61, a retired law partner, in Steamboat Springs, Colo., where they own 100% of a three-bedroom house.
Rather than owning a multimillion-dollar vacation property they may visit just once or twice a year, some well-heeled nomads are opting to hop among bite-sized pieces of luxury real estate they’ve acquired through fractional ownership and so-called private residence clubs.

Inside Some Exclusive Private-Residence Clubs
From Hawaii to Italy, these private-residence clubs offer luxury by the slice—owners buy a fraction of the property and are guaranteed a certain number of days there.
A fractional property is deeded real estate that can be sold, gifted or inherited. Residence clubs typically have higher price tags, nicer amenities and far fewer owners than timeshares, but both are structured in much the same way and are subject to the same regulations. “Whether you are buying a Rolls-Royce or a Kia, it has the same seatbelt rules,” explained Howard Nusbaum, president and CEO of the American Resort Development Association, a trade group.

Owners pay annual maintenance fees to a management company, which handles many of the tedious chores that can consume a large fraction of one’s vacation: opening up the house, power-washing the patio—then closing everything up again when it’s time to leave.

There are downsides. Although partial owners can put in requests for specific travel dates, their weeks are determined by a rotational system that varies year to year. And those looking for a return on their investment be warned; listing one-tenth of a ski condo can be as tough as trying to sell one-half of a pair of skis.

The Dalys have spent the better part of the past two months hopscotching the globe. In October, they spent two weeks at Casali di Casole, a 4,200-acre former estate outside Siena, in a three-bedroom villa that they purchased for three times the current market price.

The Dalys own one-twelfth of a three-bedroom condominium at the Timbers Kauai Ocean Club and Residences in Hawaii. PHOTO: MARCO GARCIA FOR THE WALL STREET JOURNAL

SEAN AND CHRISTIE DALY OF STEAMBOAT SPRINGS, COLO.

- $350,000 for one-twelfth share of a three-bedroom villa in Casali di Casole outside of Siena, Italy
- $335,000 for one-twelfth share of a three-bedroom home at Timbers Kauai Ocean Club and Residences in Hawaii
- $335,000 for one-tenth of a three-bedroom condo at The Sebastian ski resort in Vail
$350,000 in 2012. By early November, they were on the beach at Timbers Kauai Ocean Club and Residences, where earlier this year they spent $335,000 on their share of a waterfront, three-bedroom home. Three days after their return, the Dalys set off again—this time to Vail’s Sebastian ski resort, where they purchased one-tenth of a three-bedroom condo for about $335,000 in 2015. All three vacation retreats are part of a network of 16 residence clubs in the Timbers Resorts consortium.

Homeowners’ association fees for the properties vary according to the fraction of ownership, residence and the location, but range from $8,500 to $24,000 per year—which includes property taxes, utilities and capital improvements. Mr. Daly estimates that his fees are about $15,000 annually for each property. The Dalys plan to rent out one week at their Vail place during ski season, charging between $3,000 to $4,000 per night—enough to cover their annual fees for the ski home.

Two Kinds of Getaways
Some of the general differences between timeshares and private-residence clubs. The structure and terms can vary widely in both categories.

<table>
<thead>
<tr>
<th>WHAT YOU'RE BUYING</th>
<th>TIMESHARE</th>
<th>PRIVATE-RESIDENCE CLUB</th>
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<tbody>
<tr>
<td>Owners buy units, or weeks in a condominium at a resort destination. Timeshare vacation clubs may also assign points that can be used in resort-exchange programs. Owners can sell their timeshares, although resort companies may reserve the right to review sales contracts.</td>
<td>Owners buy a fraction, or share, of a luxury property. Much more costly than timeshares, fractional homes are more comparable to second homes. Usage dates may be fixed or floating; some residence clubs also offer point-based resort exchange programs. Owners can sell their fractional interest or pass it down to their children without restrictions.</td>
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<tr>
<td>HOW THEY'RE USED</td>
<td>A single vacation condo or villa may be used by as many as 51 timeshare owners over the course of the year.</td>
<td>Typically limit the number of owners to as few as four owners per residence.</td>
</tr>
<tr>
<td>MANAGEMENT</td>
<td>Owners must abide by the rules set by the resort company or operator. They pay annual assessment fees to cover daily management, upkeep and improvements—which may be subject to annual increases.</td>
<td>Owners pay annual maintenance fees, but have more flexibility to set their own rules and chose property managers. They participate in annual conference calls about upgrades and other issues.</td>
</tr>
<tr>
<td>AMENITIES</td>
<td>Owners may have access to facilities such as a laundry room, pool, gym or restaurant. Concierge services may be offered.</td>
<td>Owners often have access to exclusive amenities, from private golf courses, to beaches and ski runs. At some clubs, you can book a butler with your villa.</td>
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<tr>
<td>COMMUNITY</td>
<td>Owners have company—lots of it. Developers often try to sell as many units as possible.</td>
<td>The emphasis is on privacy and exclusivity.</td>
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Source: The American Resort Development Association; WSJ reporting

Timbers—one of the biggest players in the fractional resort ownership business—makes its profit selling the real estate itself. Greg Spencer, Timbers Resorts CEO, said it has sold $1.25 billion in real estate since 2000.
But for fractional owners themselves, resales can be a hassle.

“I wouldn’t do it as an investment strategy,” said Mr. Daly, who bought one-eighth of a Timbers-managed condominium in Steamboat Springs in 2008 for $455,000 before deciding to build his own home there in 2017. After several years on the market, the fractional condo at One Steamboat Place sold for $375,000 in August.
In 2006, Keith Balter, a 60-year-old retired stock trader based in Greenwich, Conn., bought one-twelfth of a two-bedroom suite at New York’s St. Regis hotel for $500,000 with 28 guaranteed days per year. But since that time, the in-house sales office for the St. Regis residence club closed, ownership of the hotel changed hands and the value of Mr. Balter’s fractional suite—for which he pays $25,400 in annual common charges—plummeted. In the past two years, fractional interests in two-bedroom club suites have sold for between $230,000 and $350,000.

“I lost half my money, theoretically,” said Mr. Balter.
More than 100 fractional owners have filed a lawsuit against the St. Regis residence club and the hotel’s past and present owners for abandoning sales efforts and undercutting the value of their fractions. The club’s board is also pursuing legal action on behalf of the membership. (Mr. Balter, who is vice president of the association’s board, isn’t involved in the group lawsuit.)

“We don’t comment on any legal issues,” said Ed Kinney, global vice president of corporate affairs and communications for Marriott Vacations Worldwide, which owns the St. Regis Residence Club.

“It’s a great time to buy, because prices are a fraction of what they were and the quality is as high or higher—but if you are looking to hold this for five years and sell it for a profit, you’ll find better investments,” said Bill Bone, an associate broker with Compass real estate with multiple listings at the St. Regis. Thirteen fractional suites there are currently for sale, priced from $125,000 to $599,000.

Unfazed, Mr. Balter has since bought several additional fractional properties. He spent $275,000 on one-tenth of a cottage at the Carneros Resort and Spa in Napa, Calif., in 2010—then sold it in July for $240,000 after he decided to buy one-ninth of a three-bedroom beachfront condo on Kiawah Island, S.C., for $475,000.
Bill Eckert, a 55-year-old wealth-management adviser based in Kansas City, Kan., bought his first fractional property in 2016 while he and his wife, Shanthi, were staying as guests at a villa in Cabo San Lucas overlooking the Sea of Cortez. The three-bedroom home is a fractional property at Esperanza, an Auberge Resorts-managed residence club. By the time the Eckerts flew back to Kansas, they owned one-twenty-fourth of it.

“We went for the smallest fraction—two weeks a year—just to dip our toe in the water,” said Mr. Eckert, who spent about $130,000. He estimates that his ownership share will pay for itself in savings on resort vacations over about five years, even factoring in the $4,000 he pays in annual maintenance fees.
This year, fraction fever struck again: the Eckerts plunked down $285,000 on one-tenth of a two-bedroom lodge at Calistoga Ranch, a private-residence club and Auberge resort in California’s Napa Valley, with 15 treehouse-style homes. Annual fees are about $20,000. Having spent two weeks at the ranch this past fall, they are headed back in March.

“I left 18 bottles of wine—family photos, books, games,” Mr. Eckert said. “When we travel, we go carry-on.”