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If One Vacation Home Won't Do, How About a Bunch?

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Laura Shaughnessy and her husband, Bryan, had been thinking for years about buying a vacation home. "We're a [skiing](#) family, so Bryan looked at land prices" in [Jackson Hole](#), Wyo., and Big Sky, Mont., Ms. Shaughnessy said. "He thought maybe we should invest. But I couldn't picture myself skiing for the next 30 years in the same place."

Then, while sorting through the mail one afternoon a few years ago, Ms. Shaughnessy spotted a postcard advertisement that said, "Do you want to vacation in the same place year after year?" The postcard was promoting Exclusive Resorts, what is known in the travel business as a "destination club" whose members vacation in luxurious, club-owned homes throughout the world.

In February 2005, the Shaughnessys, who live in Ridgefield, Conn., and have two teenage sons, became members of the club for 30 vacation days a year. They liked it so much that they upgraded last year to the 45-day level.

The current fee for a 45-day membership is \$425,000, along with \$29,900 in annual dues. For that price, members can spend 45 days at any of the club's 345 private homes — usually with 3,000 to 4,000 square feet with three to four bedrooms — and avail themselves of high-end amenities and concierge services.

Last year, the Shaughnessys — including Ms. Shaughnessy's brother, sister-in-law and two children — spent Thanksgiving in Real del Mar, Mexico. While they lounged at the pool, a private chef cooked the holiday dinner.

Destination clubs are a recent innovation in the shared-ownership industry, which began in the 1970s with time shares. Today's options also include fractional real estate and private residence clubs.

Time shares and fractionals differ in the amount of time that buyers receive: a time-share purchase is typically a week, whereas a fractional purchase is usually three or four weeks.

The luxury versions of fractionals are private residence clubs, defined by industry analysts as any residence selling for more than \$1,000 a square foot and offering amenities like a private storage facility, daily housekeeping and concierge services.

Typically, **fractional owners want a vacation home but don't want to pay millions for it because they will live there only a few weeks a year,** said Jeffrey B. Stern, a partner in the law firm Holland & Knight in Washington, who specializes in fractional real estate. With that in mind, he said, "spending \$300,000 is a bargain."

Time shares and fractionals are usually deeded and can be bought, sold or passed from one generation to the next, but they are not considered investments. "Fractionals aren't marketed that way, and the

contracts usually say you are buying this not as an investment, but for personal use and enjoyment,” Mr. Stern said.

Time shares can cost about \$10,000 to \$50,000 he said, but fractional properties are usually higher. “Typically what I see is between \$250,000 and \$300,000,” he said.

According to Ragatz Associates in Eugene, Ore., which provides market research to the resort industry, fractional prices range from \$24,730 to \$70,435 a week; annual maintenance fees range from \$5,410 to \$8,700.

Ronald Schreiber owns two fractional interests at the Innsbruck, a luxury condo development that opened in [Aspen](#), Colo., in June. He also owns fractional interests at the St. Regis Club and the Timbers Club, both private residence clubs in Aspen. Mr. Schreiber has spent roughly \$1 million on those properties, which give him 12 weeks of time each year in Aspen.

“The practicality of it overcame me,” he said. “To get a product comparable to what I’m getting, you’d have to spend \$3 million to \$5 million on a second home plus taxes and maintenance. You couldn’t do what I’m doing for the price I’m paying.” Mr. Schreiber, who is 53 and married with two sons, typifies the fractional consumer.

“These buyers are boomers with families,” said Howard C. Nusbaum, president of the American Resort Development Association, a trade group in Washington that represents both developers and buyers. “They want to travel but also want time together in a dining room or in front of a flat-screen TV.”

In destination clubs, members don’t buy property but instead buy access to it, through a network of vacation homes in a variety of prime locations. There is a contract instead of a deed. Clubs agree to return most of the deposit — generally 80 percent, but in some cases 100 percent — if a member decides to leave, but that promise “is a concern,” said Jamie Cheng, co-founder and lead analyst at the Helium Report, an independent guide for wealthy consumers that covers the industry.

A significant portion of each deposit is used to acquire property, so a club’s ability to return it depends on the amount of cash it has on hand and the number of new members joining. “For most clubs, two or three new members have to join before you can return one deposit,” said Mr. Cheng. The largest clubs have raised capital in the last year to fund growth; that capital also provides cash to cover member resignations, said Mr. Cheng. He added, however, that none of the leading clubs were experiencing unusually high numbers of resignations or having any problem returning deposits.

The first destination club, Private Retreats, opened in 1998, although it went bankrupt in 2006 after its name had been changed to Tanner & Haley. Today, there are 21 clubs and about 5,000 members, according to the Helium Report, and memberships range in price from \$50,000 to \$3 million. The four biggest clubs, in terms of the size of the membership and the amount of capital raised, are Exclusive Resorts, Ultimate Resort, Quintess and Private Escapes. Exclusive Resorts, the largest, has 2,900 members and \$1 billion worth of real estate.

For wealthy consumers, the destination club concept is “an economic no-brainer,” said Steve Greer, founder and chief executive of the Lusso Collection, a club that began operating a year ago. “The membership fee is equal to the down payment on a second home, and when you think about the annual dues — ours is \$26,500 — the property tax on some of our homes is more than that.”

Members join at different levels of use but have access to the same network of homes. Because the properties are shared, most clubs rotate the members who can stay at the most desirable destinations at

peak travel times; members are told to book those vacations in advance — as much as a year or two ahead of time. At some clubs, like Quintess, members pay more to vacation during school breaks and holidays.

The clubs also offer last-minute travel, leaving open a certain amount of inventory — ideally 30 percent, Mr. Cheng said — for spontaneous trips. At Exclusive Resorts, half of all reservations are made less than 90 days before the vacation.

Although destination clubs are growing in popularity, the industry is young, and membership can have its risks. Clubs may not be able to acquire as many homes as projected or return deposits when members resign. Last July, the destination club Tanner & Haley filed for bankruptcy, affecting more than 800 members. In May, Ultimate Resort acquired most of the real estate assets of Tanner & Haley. Elizabeth Schlier joined Tanner & Haley in 2003 while it was known as Private Retreats. She left before the bankruptcy, concerned about the company's financial soundness. Ms. Schlier, who lives with her husband and two children in Vienna, Va., has her own information technology consulting business and the flexibility to travel throughout the year.

She decided to join another club, but did months of investigation first. "I went to tax records in each country where companies owned property," she said. "I asked for all their newsletters to see if the properties they said they were purchasing had been purchased."

Ultimately, she joined Private Escapes and has not regretted her decision. "We get to vacation in these outstanding residences in great locations and I can stay as long or as little as I want," she said. "I think the concept is fabulous."