HOME AWAY

When a Club Is the Destination

Illustration by Nancy Doniger

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A ski in/ski out condo in Beaver Creek, Colo., seemed like an ideal vacation home for Ed and Gail Weintraub, but it turned out to be far from perfect. They only used it three weeks a year, and when they did, they were typically met with a list of repairs in the wake of short-term renters.

"Also, we're big skiers," Mr. Weintraub said, "but we felt like we could never use our vacation time to go to any resorts in other towns."

In 2001, the couple sold their condo, having grown too frustrated dealing with its upkeep. But in 2004, they found an alternative. They joined Exclusive Resorts, a breed of vacation club that marries the services of a five-star resort with access to multimillion dollar homes.

The Weintraubs signed up for 30 days of travel a year. The initiation fee was less than $300,000, and annual dues worked out to about $450 a night. In the past two years they have stayed at homes in Scottsdale, Ariz., Park City, Utah, and Snowmass, Colo. And last month, they stayed in New York at a 1,300-square-foot apartment that overlooked the Macy's Thanksgiving Day Parade. Next year, they have trips planned for Cabo San Lucas and Hawaii. "We have the level of comfort that we had with our second home but not all the issues of owning a second home," Mr. Weintraub said.

Destination clubs, which typically offer access to luxury homes and condos rather than an ownership stake in the actual real estate, have grown to about 4,000 members spread across nearly 20 clubs. Characteristically, the clubs offer a portfolio of multimillion dollar homes in resort destinations like Maui and apartments in urban centers like New York, along with concierge services. The initiation fee and annual dues generally include a set number of days a year, and upon resignation, clubs promise to return anywhere from 80 to 100 percent of the initial membership fee.

Before joining, prospective members should ask in detail about a club's financial status. Vetting a club should include questions about the average appraised value of homes, the number of members who have resigned and booking restrictions around the holidays, according to Jamie Cheng of Helium Report, an independent research company. The firm offers a guide that determines how user friendly the club is and whether the club is likely to be financially able to return deposits as promised.

Scrutiny of such clubs has increased since this summer, when Tanner & Haley, the second-largest destination club in the country, filed for bankruptcy protection, leaving it unable to return intiaition fees to any of its 800 members.

"Before Tanner & Haley, 80 percent of a call with a prospective member was about the great properties, the homes and the amenities, and the last 20 percent might be focused on financials and risk," said Steve Greer, the president and chief executive of Lusso Collection, which provides audited financial statements and a report to members every six months. "Now it's the complete opposite with the first 80 percent" of the conversation addressing the risk.

Recently, other clubs have started to present alternatives to the standard destination club model. Crescendo, launched in the summer of 2005, is structured as a real estate investment where members have access to its portfolio of eight homes, but are also offered a stake in the value of the homes.

Other clubs are aiming to assure members that their deposits are protected. The Banyan Tree Private Collection, from the Asia-based hotelier, launched in November, holds real estate in a separate company to which members are shareholders. It offers its members a one-week stay in its two-bedroom villas at the Banyan Tree resort properties and private villas in Europe for an $120,000 initial fee and $3,000 in annual dues.

Prospective members should look at a club's home locations, and its plan for future home locations, to help determine if a club is a good long-term fit. Because homes have to appeal to vacationers from around the country nearly year round, locations like New England may not be on a typical destination list. "Nantucket has a two-and-a-half month season," said Chad Morse, the chief executive of the destination club Solstice, "so you would have a concentration of houses that sit empty."

Too many members and not enough homes may cause difficulty booking during prime vacation weeks. To contend with this, the Lusso Collection is keeping its member-to-home ratio at no more than one home per every 5.5 members, but it is also limiting the number of members with school-aged children to 35 percent. After all, those with children will likely have their travel schedules dictated by school holidays and, as a result, go after the same prime weeks.

All clubs promise a return of at least a portion of that initial membership fee, but the details vary. Crescendo requires a one-year commitment. Solstice offers options for how owners can cash out. New members can get either 100 percent of their original fee back or 80 percent of the prevailing membership rates, which just might be higher than when they joined. Solstice's three membership plans, ranging from $505,000 to $1,550,000, are going up in January to $535,000 to $1,650,000.

The key, however, is ensuring that the club, regardless of how long it has been around, has the assets to match the total member deposits. One clue is to look at the number of owned homes in the portfolio versus the number that are leased, which can be costly. Mr. Cheng recommends that potential members look at clubs that own a minimum of 70 to 80 percent of the homes in the portfolio.

Tips

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