

*→ Amy Standish*

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Interval, the most recent being vp/resort sales and service for the Americas.

The Global Registry, Inc., a unit of Cendant Corporation, today announced that Scott McGinnis has been appointed vp/sales and marketing, where he will lead the company's efforts in support of the Abercrombie & Kent Registry (AKR). AKR is an exchange service enabling owners at private residence clubs (high-end fractionals) the ability to trade stays at their resorts for similar accommodations at other private residence clubs, whole ownership condos or individual vacation homes. To date, there are nine

resort affiliates and another fourteen in the process of completing the affiliation process, according to AKR.

Bob Evans is senior vp/chief information officer for the Cendant Timeshare Resort Group. In this post, Evans runs a new integrated information technology group in support of both Fairfield Resorts and Trendwest Resorts. Previously, Evans had headed the technology group for Fairfield.

Diamond Resorts International named Robert C. Wengel president and chief operating officer (COO). As executive vp and COO, his previous position with the

company, Wengel is credited with both increasing sales and securing several major casino marketing partnerships. Wengel is a nineteen-year veteran of Diamond Resorts, as well as a long time ARDA member. Stephen J. Cloobek is now Diamond's chairman and CEO.

ILX Resorts CEO Joseph P. Martori was selected the second best performing CEO in FVS International's 2002 Hotel Industry Survey. The survey model is based on three primary criteria: EBITDA growth, market capitalization, and stock appreciation as compared to total compensation. ILX's timeshare sales increased 29% in 2002 to \$36 million. ■

## PRC/Fractional UPDATE

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Recent news and trends in private residence clubs (PRC) and other fractional interest development.

### Timbers Company finds its niche

*Exclusive, club-like, luxury fractionals are a recipe that works for developer David Burden.*

"I'm used to the idea of a private club from my experience developing private golf clubs," explained Timbers Company principal David Burden. "And I talked to enough people who were interested in that type of set up in fractional ownership, that I decided to design the product that way."

The Timbers Company has two fractional projects, the Timbers Club in Snowmass, Colorado and Auberge Residence Club at Esperanza in Cabo San Lucas, Mexico. But Burden's background is in high-end golf communities. While working for the Melrose Company, he developed Indigo Run—a 1700 acre, 1000 homesite property with two Nicklaus golf courses on Hilton Head Island in South Carolina—as well as Aspen Glen in Aspen, Colorado and Park Meadows in Park City, Utah. Interestingly, wherever Burden went, fractional projects were not far away. "Near the tail end of developing Indigo Run, the Melrose Company and Club Corp started a fractional program on land they purchased from me," Burden recalled. "I was a bit skeptical, but the project succeeded." Find-

ing Colorado to his liking, Burden split with the Melrose Company (whose developments are primarily in the U.S. Southeast) and decided to go off on his own. He became a development partner in the Roaring Fork Club, a golf and angling community in the Aspen valley. The club grew to 375 members with 45 cabins on the property. It was therefore necessary to implement a fractional program (ranging from 1/6<sup>th</sup> interests to 1/2s) in order to accommodate the membership. Then, in 1999, Burden was presented with the opportunity "to develop the last piece of land with ski-in/ski-out access in Snowmass." This property became the Timbers Club.

**The Timbers Club.** The Timbers Club will consist of 36 three-bedroom units and four townhomes (whole ownership) at build out. A total of 22 of the three-bedroom units have been built, with the remaining 14 scheduled to begin construction in the spring. One-eighth interests are sold at a price of

\$359,000 (up from \$279,000 when the project began selling in 1999). This guarantees two weeks of winter and summer usage, with additional weeks open on a space available basis. A rotating priority system of reservation is used. The Timbers Club brochure describes the property as "your country club in the mountains—complete with

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*Burden: "I selected exclusivity. That's what I'm used to. No rentals. No exchange."*

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the luxuries and amenities of a five-star hotel." There's a clubhouse and members lounge, "state-of-the-art" club facility, a slopeside locker room, a family recreation room, outdoor swimming pool and jetted spa, and a high-tech executive center and conference room. Permanent storage for ski and sports equipment is available, as is complete concierge service. Units feature slab granite countertops, stone fireplaces, designer furniture, alderwood cabinetry, large-screen cable TV with CD and DVD players—

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Timbers  
Company  
principal David  
Burden.

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all the trappings of a luxury second home. Phase I is about 90% sold out, according to Burden. The project has recorded about \$56 million in sales thus far.

**The Auberge Residence Club at Esperanza.** The Auberge Residence Club at Esperanza is slated for 80 villas upon completion. To date, 36 two- and three-bedroom villas have been built, with 1/8<sup>th</sup> interests selling for \$230,000 (a price that is set to increase to about \$260,000 soon). This ensures four weeks of high season (October-June) access. Summer time is space available. In addition to the 1/8<sup>th</sup>s, there are another 6 luxury villas sold

as 1/6<sup>th</sup> interests commanding a price of \$750,000<sup>1</sup>. Auberge, which also manages the residence club, maintains a 50-unit luxury hotel at the site. Like the Timbers Club, units and amenities are top-notch. Amenities include swimming pools, a luxury spa, a fitness center, and access to nearby championship golf, scuba diving and snorkeling, as well as sport fishing and shopping. Concierge service, daily maid service, and private airport transportation are all available. Denver-based Fair Enterprises developed Phase I of the Auberge Residence Club and sold it through November 30, 2002. On December 1, the Timbers Company took over sales and will develop Phase II. Phase I is about 25% sold out, according to Burden, resulting in around \$20 million in sales.

**Selling a private club.** "Prior to developing the Timbers Club, I went around

<sup>1</sup> The luxury 1/6<sup>th</sup>s include a full-time butler, use of a luxury SUV, and a much more extravagant unit lay-out.

and visited as many fractional projects as I could," Burden recollected. "I met with owners to find out how to do it right. The people I talked to liked the idea of a private club. They liked seeing the same people – kind of like their private golf club. They liked being able to keep some of their private belongings at the property. They wanted it to be as close to a personal residence as possible." Burden acknowledges that a certain percentage – maybe as many as half – expressed a preference for renting and exchange. "That's fine," he said, "but I selected exclusivity. That's what I'm used to. No rentals. No exchange. Besides at the time some big names – Ritz-Carlton, Four Seasons, Hilton, and so forth – were either already involved or emerging with a product that featured multiple sites, rentals, and exchange. I didn't see how a lone independent like myself could compete with that. I figured out the right niche for me. I sell to people that love Snowmass. They've been coming

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here for years and they keep coming back." Burden points out that the second home market in Aspen and Snowmass is pricey. "Under a million dollars doesn't go very far here," he observed. "That leaves a significant market for a second home-type product structured as a private club."

A private club means personal touches. "We have caricatures done of our members and we place them in the fitness center and the bar," Burden explained. "A large clubhouse with a lodge is really important. We are looking to create an intimate atmosphere." Another difference between a private club and resort run more like a timeshare or hotel

While the bulk of owners at the Timbers Club are family vacationers, it's about a 50-50 split at Esperanza between families and couples.

At Snowmass, the Timbers Club employs what Burden refers to as "intercept marketing." People that like Snowmass already and are visiting the resort town are targeted. "We make sure that we are front and center in Snowmass and Aspen," Burden began. "Everybody knows what we are and where we are. We are on the ski channel. We are in local newspapers and media everywhere. We are at the airport. We have a prominent location in the center of town with a waterfall and a sign that says there's a model open. If you are in

Snowmass, you cannot miss us. We have six to ten people a day walking in our office."

At Esperanza, the Auberge hotel generates prospects. "It's a good set up, but we have to be very careful," Burden cautioned. "These are guests paying \$600 to \$5,000 a night. We let them know

we're here, but you simply cannot get in their face and hope to be successful." During the summer (off) season, the marketing is taken off site. "We'll go to certain locations - it could be the private club or home of an owner - and let people on our lists who live nearby know we are going to be there," Burden explained. An invitation to stay at the resort, for a "favorable" but not heavily discounted price, is extended to interested parties.

Owner referrals and multiple share members are playing an increasing role at both the Timbers Club and Esperanza. "We've got about 160 owners at the Timbers Club and this winter about 45%-50% of our sales have

been referrals," Burden observed. "Another 10%-15% are current members purchasing extra time." The situation is developing along similar lines at Esperanza. Both properties, says Burden, are "hitting their stride." January was a very good month, with 10 sales at the Timbers Club and 11 at Esperanza.

Burden believes that the shaky economy and depressed stock market may even be contributing to the success at the Timbers Club and Esperanza - there are those who might have been wealthy enough to afford an expensive second home prior to the fall of 2000, but have since seen a lot of net worth evaporate. "There are definitely people like that out there," he said. "They may have considered buying a second home at \$1.5 million or \$2 million and now they are pulling back and concluding 'Why should I bother?'" A private residence club in Mexico has the advantage of worry-free maintenance. "For second home owners in Mexico, it's a real issue. I'm not saying it's impossible, it's just a lot more difficult than in the States." Maintenance fees are \$6,500 annually at Esperanza; at the Timbers Club they are \$7,200 a year.

2003. "This year feels pretty good," Burden offered. "It's not going to set any records - no one in the real estate business in the United States is going to light the world on fire in 2003. But we'll be solid I think." He points to a certain "survivor" mentality amongst the well-heeled buyer. "The economy and the stock market have been down for almost three years now. It's nothing new. The affluent market is still there and they are used to the situation. Even a war with Iraq will come as no surprise. They still have money and they like our product."

More resort locations are possible, but it has to be the right opportunity - a prime "beachfront" site in a pricey market with high barriers to entry (e.g. tough to get approvals). The U.S. West: California, Montana, Idaho, and Colorado. "I'd be interested in doing another project in this valley, in either Aspen or Vail," Burden said. "But it has to be the right deal." ■



The Timbers Club in Snowmass, Colorado.

is that "we pride ourselves in being only 60% full because then owners can call and come up on short notice."

Burden says that associating with Auberge Resorts in Cabo fits right into the atmosphere that he seeks to create at his projects. "Who else is building 50 room high-end hotels and doing it successfully? That's the niche I want to be in fractionals - small, intimate, and luxury."

**Reaching the market.** Buyers at the Timbers Club and Esperanza fit the typical residency club/high-end fractional profile: most are professionals in their 40s to 60s, they have a high net worth, and they have a flexible schedule that enables a lot of vacation time.