

hybrid products

set of PRC “first lessons learned” from the Deer Valley Club

by Susan Kime

The Deer Valley Club in Deer Valley, Utah, was the first successful luxury private residence club (PRC) project in the United States. This club project was conceptualized and operationalized in the early 1990’s by a few young, creative entrepreneurs.

One of these pioneers was Jim Whitteron, current president of Spring Creek Partners, a respected private residence club development consulting firm in Park City, Utah, that is more of a boutique group known for non-standardized solutions. The original vision of the developer is respected and worked with until equally original PRC club solutions evolve. His most recent successes include Capella Pedregal in Cabo San Lucas, the Isle de France Club in St. Barth’s, and Motu Ooru in Bora Bora, French Polynesia.



James Whitteron, President, Spring Creek Partners

In a recent interview, he was asked about instrumental influences that shaped his PRC and fractional development thinking. A major influence on his learning about how to create lucrative projects came from the lessons he learned when developing the Deer Valley Club. The assumptions he believed and the lessons he learned—plus their contemporary

applications—are enumerated below in this article.

Deer Valley Club Working Assumption: This product will sell itself.

“When we first started working on the Deer Valley Club concept, we thought this would be an easy product to sell because it made such sense. You had a luxury vacation home, with amenities and attending services, none of the absentee ownership hassles and problems, at a small fraction of the whole ownership price. It is a win-win for everybody. Right?”

Lesson Learned

“The reality is that they do not purchase what *we* think is most perfect for them! We soon realized it was more complicated to sell a \$300,000 fractional than to sell a \$3,000,000 full ownership vacation home. Why? Because unlike a full ownership purchase, fractional purchasers have many questions and suspicions regarding usage, reservations, forms of ownership annual dues changes, and the like. This is because in part, fractional ownership is less familiar to them than whole ownership—which means you have to educate and re-educate the potential member.”

Deer Valley Club Working Assumption: Potential buyers will buy just what they need.

“Married couples come in, the children are grown and gone, the household income is approximately \$300,000 plus—net worth is \$2 million plus—we predicted they would buy two-bedroom units because that’s all they need!”

Lesson Learned

“When the fractional ownership element is added to the purchase equation, the potential buyers consistently buy ‘up,’ meaning they buy larger and nicer units than they would normally purchase as a

whole owner. The cost difference between a two- and three-bedroom on a full ownership basis is significant, but the cost difference between a two-bedroom and a three-bedroom unit on a fractional basis is minimal.”

Deer Valley Club Working Assumption: Avoid the “T” word!

“Do *not* mention the word “time-share!” It has negative connotations. Create as much distance as possible between our beloved fractionals and, uh, that awful other thing.”

Lesson Learned

“There is nothing wrong with owning a fraction of an asset; in fact, it makes perfect sense. There are fractional jets, yachts, cars, and even art collections and luxury motor homes. It’s obvious that many are beginning to realize that fractional ownership is such a sensible and positive alternative, even though fractionals are the luxury distant cousins of the timeshare concept. The negative attitudes arising from timeshare stem from aggressive sales techniques not the basic product or concept itself.”

The Deer Valley Club Working Assumption: Avoid the “L” word!

“No, it’s not *that* L word, it’s the word ‘lock-off!’ We used to believe that there was nothing quite as degrading as a lock-off unit (a bedroom with separate locked entrance from the main residence that can be used by a separate party.) We felt it was a small, dysfunctional addition that detracts from the WOW factor of the vacation home.”

Lesson Learned

“We discovered that, if designed *correctly*, this feature can add availability and greater use flexibility for the owners, hence adding greater marketability and increased revenues for the project.”

Deer Valley Working Assumption: Exchanging is a TIMESHARE thing!

“We figured with a luxury fractional offering, owners would enjoy the use of spectacular residences in an elite location with *plenty* of availability throughout the year. The ability to exchange some of their reserved time to go other places would not be important to them. We had this strange preconception that went something like—what other properties could *possibly* offer what we offer?”

Lesson Learned

“A typical luxury fractional provides abundant and flexible use of the club’s residences. Most owners spend a majority of their vacation time at their club but occasionally desire visiting other vacation destinations. Prospective members now often ask about exchange opportunities; and the popularity of destination clubs has significantly increased awareness and desirability of vacationing in other locations.”

Deer Valley Club Working Assumption: Pricing will be heavily scrutinized.

“We assumed there would be critical discussion and scrutiny of the fractional offering pricing because those who take ownership of a vacation residence can divide by eight or ten to see if that fractional price is consistent with the whole.”

Lesson Learned

“When considering the purchase of a luxury fractional, there is often nothing that provides a reasoned comparison to judge whether pricing is appropriate. Value and premium pricing are created through design, planning, a good knowledge of the needs and desires of your target market, and the execution of the marketing plan. Research must be done because overpricing is possible. Many prospects examine the annual PRC ownership fees more closely because they can easily compare them to the HOA fees of the vacation condo or home they already own.”

The Deer Valley Club Working Assumption: Private club restaurant, an important amenity?

“We all could just imagine a quiet, intimate, private, exclusive place where owners, friends, and children could gather and taste the latest culinary delights and drift back to the kitchen to have the chef prepare an extra special request.”

Lesson Learned

“It is general knowledge that 80 percent of all new restaurants do not last longer than two years on average. Those who belong to a local country club are aware that they must subsidize the club’s grill or restaurant. Residence club restaurants must serve the needs of the club owners but must also be open to the public and not be an ongoing financial burden and drain to the fractional owners.”

Deer Valley Club Working Assumption: We will be so successful, we can go anywhere!

“This direct, true, whimsical, and ultimately ironic quote actually came from an early private residence club developer who is now selling shoes for a living.”

Lesson Learned

“The successful development of a PRC can be an extremely lucrative endeavor but too aggressive ownership price points, poor planning inadequate understanding of target market needs, and odd locations can doom a project. It would be quite difficult to sell a high-end PRC in Wahoo, Nebraska, Buckeye, Arizona, or Fargo, North Dakota.”

Deer Valley Club Working Assumption: Five-star brand affiliation guarantees success.

“We had assumed that the five-star brand and service story, with its worldwide client list were dual critical agendas for a successful PRC business plan.”

Lesson Learned

“We can point to as many PRC projects that have succeeded without a luxury brand affiliation as those who have succeeded with one. One five-star brand has its name on two very exclusive PRCs in sought after locations. One PRC has done well, and the other is struggling. The difference? The development plan and the development team. Five-star brand affiliations are terrific resources for PRCs developers, but the developers must *know* good matches: the right hotel group, in the right location, with the right development team and the right plan. Developers cannot gloss over past mistakes with new ones.”

Deer Valley Club Working Assumption: We discovered the perfect solution!

“So, let’s see: An eighth fraction, two weeks guaranteed in summer and two in winter, unlimited additional spaced available use. These were among the program-

ming variables we believed to make up a development model for PRCs in other locations. It was, to our minds the perfect solution, our $E=mc^2$ all over again.”

Lesson Learned

“What we now know is that each PRC development is as distinctly different as a snowflake or a fingerprint and often just as delicate, especially in the beginning stages. We need to understand each unique need relative to fraction size, residence design, usage plan, amenities, and service. We have learned to be very creative in all areas of planning and design in order to adapt to the vision of the developer and development. A great solution for one developer and project just does not, and *really should not*, fit another.”

Deer Valley Club Working Assumption: Outside real estate brokers will be all over this.

“We thought a generous commission paid to outside brokers for simply sending us their clients would change the face of the real estate industry. We figured that all brokers have clients who are not ready for multi-million dollar whole ownership purchases—but might be ready for a PRC fractional ownership.”

Lesson Learned

“Historically, only a few residence clubs have had significant success with outside brokers selling their product. However, as we develop a better understanding of the needs of the real estate broker, the greater success can be experienced. We need to be mindful of the complexity of the residence club sale, also that commission to the brokers are often long in coming—sometimes between 18 and 24 months out.”

At present, Spring Creek Partners work in many diverse areas of the country and the world. In all, their responsibilities lie in creating each project’s unique membership program, advising on design and development issues, and helping to launch each project’s sales and marketing programs.

The lessons learned from the first project evolved into new and different forms and formulas, as great lessons usually do. **D**

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