Robb Report

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Forget Vacation Homes. These Luxe Alternatives Give You Second—or Third—Residences Without All the Paperwork

Spanning destination to equity clubs, these luxe properties afford you flexibility and breathtaking views.

By MARK ELLWOOD

If you've been looking to buy a vacation home in the past decade, it may have crossed your mind that a fractional or club-based alternative might be a viable and attractive alternative option. Proponents suggest it offers the ideal compromise: all the upside of having a second or third home, with none of the admin or paperwork to keep it operational. But the various approaches can be confusing, and it seems almost deliberately muddled, with overlapping terminology and complementary, yet distinct, business models. So here, a pithy primer for anyone considering a part-time home away from home.

Residence Clubs

Timbers Resorts

The earliest incarnation of luxury fractional residences was this model, which derives from the time-share concept. Think of it more like a plug-and-play second home for your annual vacation. Typically, a residence-club developer will build several properties in a desirable, well-known location—Hawaii, perhaps, or Tuscany—bundling ample services and amenities alongside the units. It will then sell the right to stay there for several weeks per year to multiple shared owners, who each receive a deeded interest in that specific unit. Some schemes allow you to trade those weeks with other owners, but you'll usually return to the same property repeatedly.

Key Players: Timbers Resorts, Pacaso
Best For: Traditional second homers

Destination Clubs

Inspirato

The destination club emerged a decade or so ago and could be thought of as the more youthful sibling of the residence-club model. "Younger consumers are less motivated by owning than by flexibility, variety, and different experiences, so some are deciding that owning something in perpetuity doesn't always make a lot of sense," says Richard Ragatz, president of Ragatz Associates, a consulting firm in the resort real-estate industry. Rather than locking owners in with an equity stake, these operate more like passport-powered country clubs with an initiation fee and annual dues; there might be occasional surcharges for particular overnights, too. "You have no equity, but you have access to great vacation homes as well as access to hotels or trips like Antarctica or a safari," says Nick Copley, a shared-ownership expert who runs SherpaReport. "Whatever the annual spend, though, it's a sunk cost with no equity accruing year on year."

Key Players: Inspirato, Exclusive Resorts
Best For: Adventure-minded younger families

Equity Clubs

Equity Residences

This investment-minded alternative acts as the vacation world's answer to a real-estate investment trust. An operator will create a fund, much like a VC, and offer individuals the chance to invest, say, $300,000 for one share. The fund will use those monies to buy up to 15 properties, all of them wholly owned and operated by a management company; each share confers the right to stay for three weeks per year at any of the locations. At the end of an agreed period, perhaps a decade, the fund will begin to sell its homes and divide the spoils among its investors. “There should be a financial return if the managers have done a good job, though I haven’t seen hard numbers on ROI,” says Copley. “They take on board investor feedback. But make sure, if it’s an up-and-running fund, that where they said they intend to buy jells with where you want to travel.”

Key Players: Equity Residences, Equity Estates
Best For: Real-estate speculators with wanderlust

Other Options

21-5

Keep an eye on another approach that takes the equity club even further, reshaping it more in the image of a Manhattan co-op. With the rather literal approach of 21-5, a Danish company, 21 families pool their resources to buy five places in different destinations—an Alpine ski lodge, perhaps, or a beachfront villa in Greece—and make equal investments; each family is able to spend 12 weeks per year total at these homes. They have control over the investment and can collectively decide when to liquidate a property and replace it with a new home elsewhere. It has successfully operated in Europe since 2011, with more than 1,200 families participating. The recently launched GoForth, founded by a veteran of the equity-club space, Adam Capes, hopes to popularize the idea among Americans using a similar model.

Key Players: 21-5, GoForth
Best For: Hands-on homeowners keen on complete control