



MICK MATHEUSIK

THE NEXT wave

spas are becoming the primary draw at hotels, resorts, and master-planned communities.

First, it was golf-based communities. Next came specialty recreation-based resort communities centered around activities such as skiing, water sports based at marinas, or equestrian sports. Each venue appealed to its own somewhat limited recreational real estate market niche. Now, a growing trend is integration of resort communities with residential developments that have spas and wellness centers as their main draw. The intent is to appeal to a much wider demographic segment than the single activity-based real estate developments. These new products, in addition to selling traditional recreation experiences, offer healthy lifestyles and wellness programs, enabling purchasers to pursue their goal of "living younger longer."

The spa industry has solidified itself as a major player in the hospitality and leisure sector. According to Spa Finder, a New York City-based spa travel and marketing company, the U.S. spa industry alone—excluding cruise ship spas—generated an estimated \$15 billion in 2005, exceeding the revenue achieved by other leisure activities such as movie-going, visiting amusement/theme parks, shopping, golfing, or skiing. About one in four adults in North America has been to a spa, and participation by teenagers is increasing. Active spa-goers represent 32.2 million consumers in the United States and 3.7 million in Canada. The Canadian Tourism Commission (CTC), in conjunction with the Lexington, Kentucky-based

found that a spa vacation also ties in well with shopping, cultural attractions, and restaurant sampling.

The majority of the spa market is being driven by baby boomers, many of whom seek a spa experience as part of their lifestyle choice to stay healthy and feel good. As the leading edge of the baby boomers begins to show interest in buying spa lifestyle real estate, Pat Corbett, chairman of the CTC task force on spa and wellness tourism, predicts that this trend will continue for the next 15 to 20 years. This prediction is reinforced by an independent study by market research firm American LIVES for Canyon Ranch, a wellness lifestyle company with resorts, spa clubs, and luxury residences, which estimates that the current one-third of North Americans who are seeking a healthy lifestyle will increase to two-thirds by 2025. Similarly, the amount spent annually on health, spiritual, and wellness products, including vitamins, beauty items, and spas, is predicted to rise to \$1 trillion by 2025 from the \$200 billion estimated for 2005.

During vacations, and now increasingly as part of daily life, people are starting to see spa visits as a form of self-improvement and as providing relief from the pressures of work and social life. Spas are providing aging baby boomers with a place to pursue some of their most important lifestyle requirements, namely health, wellness, and fitness, according to Susie Ellis, president of Spa Finder. In a 2005 survey of more than 1,200 *Luxury Spa Finder* magazine readers and users of Spafinder.com, 61 percent of respondents indicated they would be interested in living in a community built around a spa facility that offered programs and services to community members. Fifty-three percent classified a spa as a very important residential amenity, while another 18 percent indicated a spa is a decisive buying requirement. In contrast, only 9 percent indicated golf was a very important amenity, and only 2 percent designated it as decisive. Overall, 48 percent of the Spa Finder customers surveyed said they have considered the idea of purchasing a second home or vacation home, with about 10 percent indicating they have already contacted a broker/owner, researched properties, or taken similar steps.

According to ISPA, medical spas are the fastest-growing segment, with an increasing number of spas now offering some form of integrative or complimentary and alternative medicine program. This includes preventive health treatments and regimens, nutrition and fitness programs, as



Canyon Ranch Living in Bethesda, Maryland, is an integrated lifestyle wellness residential project where the various Canyon Ranch wellness programs are available daily.

International Spa Association (ISPA), recently reported an 18 percent increase in spa industry revenues over the past nine years and expects future increases to be 8 to 10 percent in the next few years.

Rather than being offered as an amenity at hotels and resorts, spas instead are becoming the primary draw. Hotels with spas now represent the fastest-growing hospitality segment, with about 81 percent of U.S. travelers on a spa vacation choosing a resort/hotel spa as their destination. Further, the CTC/ISPA study



Vista Clara Spa Resort, located about 20 minutes from Santa Fe, New Mexico, includes Native American-inspired buildings and adobe construction, and offers what is described as a healing/restorative environment. Visitors and casita owners are offered Native American body treatments, sweat lodge ceremonies, and stress-reduction techniques, along with more traditional activities like fly-fishing, horseback riding, and rock climbing.

well as health and wellness education. Two pioneers in this field are Canyon Ranch, based in Tucson, Arizona, and the Hills Health and Guest Ranch in British Columbia, which have been practicing “integrated wellness” since the early 1980s and early 1990s, respectively.

Also, recognizing that spas are at the cutting edge of influencing healthy lifestyles, many spa operators have embraced the growing environmentally conscious consumer market, often referred to by the acronym LOHAS (Lifestyles of Health and Sustainability), which was estimated at more than \$540 billion globally in 2003. A survey conducted by Vancouver, British Columbia-based TREC International Inc. at the October 2003 ISPA conference in Dallas revealed that 68 percent of respondents already were incorporating some form of green practices into their spa environment and the products and services they offer. A number of spa lifestyle communities are now addressing this in their real estate offerings. According to Kevin Kelly, president of Canyon Ranch, 90 percent of the 9,500 respondents in the 2002 American LIVES survey rated environmental factors such as air quality, natural lighting, design, and integration into the natural surroundings as essential ingredients of a healthy lifestyle.

What Is a Spa Residential Community?

According to Spa Finder, a spa residential community is a community where:

- ▷ residents and patrons share enthusiasm for health and wellness;
- ▷ residents and patrons can take part in activities such

as walking, biking, fitness classes, and gym workouts;

- ▷ an extensive menu of spa and beauty services, water therapy, and other therapies are offered, and a relaxation area or central club is provided;
- ▷ spa cuisine meals and healthy snacks are readily available; and
- ▷ wellness-oriented education opportunities and possibly medical options are provided.

In 1997, the Urban Land Institute in its *Resort Development Handbook* cited spa residential communities as a trend when only a handful of properties existed. Now there are well over 150 such communities in various stages of development throughout North America, according to Spa Finder, which has been tracking the development of such communities over the past few years, and Vancouver-based NAI Commercial.

Several well-known spa resorts as well as many lower-profile facilities have added residential components both at resort and now urban environments. Examples include the following:

- ▷ Canyon Ranch, with its concept of Canyon Ranch Living in Miami Beach, Florida; Bethesda, Maryland; and its first urban project, along the Magnificent Mile in downtown Chicago. The idea of living in a place where the various Canyon Ranch integrative wellness programs are available daily was an immediate success for the



Hills Health and Guest Ranch, Canada's first destination resort spa, is located on 20,000 acres (8,100 ha) of ranchland. A full range of spa, health, nutrition, and fitness services are offered, as well as a wide array of recreational activities on three lakes and more than 100 miles (160 km) of equestrian and cross-country ski trails.



Kicking Horse Mountain Resort Lodge in the Canadian Rockies, Canada's newest ski resort and the only one built in the past 25 years, includes the Eagle's Nest Restaurant, accessible from gondolas. A slopeside spa lifestyle village is planned with ski-in, ski-out access to slopes.



company's first project in Florida, which achieved a 25 to 50 percent premium in sales prices over other real estate projects for its 430 traditional condominium and 150 condominium-hotel units. Sales prices have ranged from \$500 per square foot (\$5,500 per sq m) in the first releases to over \$1,200 per square foot (\$13,200 per sq m). The company plans to announce a new integrated wellness lifestyle real estate project every 18 months both in resort and urban settings throughout North America and overseas.

▷ Vista Clara Spa Resort, located about 20 minutes from Santa Fe, New Mexico,

includes Native American-inspired buildings and adobe construction on a 140-acre (57-ha) site. The spa resort provides what it describes as a healing/restorative environment in which visitors and casita owners are offered sweat lodge ceremonies, cooking seminars, organic gardening, native gourd art teachings, astronomy classes, life coaching, nutritional counseling, stress-reduction techniques, and more traditional activities like hiking, fly-fishing, horseback riding, cycling, archery, and rock climbing. Vista Clara is being built as an environmental model for the industry, providing both visitors and casita owners an ecologically conscious living design. The spa village's development plan encompasses 88 guest rooms in 26 casitas ranging in size from 380 square feet (35 sq m) to 2,500 square feet (230 sq m) in the presidential casita. Prices for the spa resort will reflect the April 2005 survey data gathered by Ragatz Associates, which indicated that private resi-

dence club (PRC) purchasers paid on average \$1,600 per square foot (\$17,600 per sq m) for a 2,000-square-foot (185-sq-m), three-bedroom unit for a seven-week fraction. At Vista Clara, PRC owners will receive exclusive and priority benefits while being charged \$1,000 per month to use the spa facilities; a maintenance fee in the range of \$400 to \$2,000 likely will be charged per week of annual use.

▷ Hills Health and Guest Ranch, Canada's first destination resort spa, is situated on 20,000 acres (8,100 ha) of ranchlands. Guests have access to extensive spa, health, nutrition, and fitness services, including yoga, pilates, and aerobics, as well as aquafit instructors, kinesiologists, nurses, personal trainers, a nutritionist, body therapists, and comprehensive lifestyle counseling. The resort also provides a wide array of recreational activities, including horseback riding, cross-country skiing, mountain biking, hiking, canoeing and other activities on three lakes and more than 100 miles (160 km) of equestrian and cross-country ski trails. It has recently rezoned its property to offer its guests a spa village environment. The Hills Health Ranch has approvals in place for 265 residential units, priced at \$300,000 to \$500,000 for a two- to three-bedroom unit, located adjacent to a lake and other scenic areas on its 1,000-acre (405-ha) ranch property.

The number of spas being built indicates that some developers of master-planned communities believe such facilities can enhance the value of their properties.

Examples include:

▷ Operators of various types of resorts, ski destinations, wine-based developments, and golf communities report that adding a spa both increases absorption and adds a sales premium. According to Spa Finder, the Big Horn Golf

Resort in Palm Desert, California, was one of the first to capitalize on this idea. After adding a \$7 million spa for residents only, setting it apart from the more than 100 golf communities in the Palm Springs area, Big Horn reported a record \$200 million in real estate sales in a single year.

▷ St. Regis, Ritz-Carlton, Four Seasons, Hyatt, Hilton, Fairmont, and Marriott are among the major hotel chains adding spa residential options alongside their traditional room rentals.

▷ Similar to the more remote area of Telluride, Colorado, and its Golden Door Spa, ski destinations in the Canadian Rockies, are making plans to embrace this burgeoning real estate market.

▷ Spa lifestyle communities are also evolving in wine regions, as in the mixed-use boutique hotel/wellness, wine, and culinary center in Oliver, British Columbia, known as the "Wine Capital of Canada."

▷ In Vancouver, the Fairmont Hotel chain is branding its Willow Stream Spa to sell residential units on the city waterfront that range in price from \$2.5 million to \$12 million.

▷ Vacation, destination, and private residence clubs, and fractional and condominium hotels also are increasingly incorporating spa lifestyle living into their facilities.

Factors of Success

Tips for creating a successful spa lifestyle project include:

Round out the healthy-and-active-lifestyle appeal.

People expect more than just a spa facility from spa lifestyle real estate. Spa Finder survey respondents repeatedly indicate that they want programs, healthy cuisine, classes, and education. In addition, they say they value both privacy and opportunities for interaction with others in a social community, so facilities such as clubhouses, lounges, restaurants, learning centers, and wine centers, as well as recreation programs, are important.

Recognize that the quality of the experience and the environment is pivotal. A high-quality experience should be provided, complete with excellent service.

Stay in tune with the spa market "psyche" and needs. Avid spa-goers typically are savvy consumers and well educated. They demand a high-quality operation along with premises that are a reflection of the surrounding natural environment, and that make them feel as though they are truly getting away, getting in tune with nature, and living a healthy lifestyle.

Integrate with nature. A strong regard for preservation, ecological sustainability, resource renewal, and

personal interaction with nature has become a key way for nonurban spa lifestyle communities to cater to the LOHAS market and differentiate themselves from others. This may be executed in a variety of ways—from sustainable, native-inspired architecture and Native American body treatments at Vista Clara Spa Resort Village, to radiant-heated stone pathways at Sundara Spa Lifestyle Villas in Wisconsin Dells, Wisconsin. Both offer integrative physical and spiritual links to the natural environment, reinforcing the healing aspects of the spa experience.

Ensure getaway appeal. Accessibility is not as much of an issue for spa communities as it is for other recreational resort types because spa-goers seek to escape to a secure, safe, and serene environment to receive health and stress-reduction benefits. The traditional two- to four-hour travel time typically sought for resort destinations can be somewhat lengthened.

Brand a spa operation and location. Recent surveys by TREC International of resort owners and real estate executives indicated that a majority of purchasers of spa lifestyle real estate are avid spa-goers and typically have been to the subject resort property at least six times, meaning they are well aware of what the destination and surrounding environment have to offer.

Partner with developers who share the same philosophy. According to Kelly, in each market Canyon Ranch enters, it is careful to align itself with developers who share its values and vision, have strong quality-oriented track records, and are passionate about leading healthy lives.

As spa facilities and integrative wellness programs become increasingly entrenched in real estate, consumers are being offered a wider choice—not only in urban environments, but also in integrated resort communities or lifestyle-based projects. With the aging baby boomers wanting to age gracefully, it will be pivotal for developers and investors to understand this well-educated and savvy market group, which easily sees through marketing hype and demands essential ingredients while taking care of its most important asset—its health. **U**

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Sundara Spa Lifestyle Villas in Wisconsin Dells, Wisconsin, offers integrative physical and spiritual links to the natural environment.