

ULI Development Handbook Series

Resort Development

SECOND EDITION

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At Kicking Horse Mountain Resort in British Columbia, Canada, a general store has become a destination apart from the resort.

Depending on the extent to which a new resort can draw from surrounding markets, there may be an opportunity to create an inflow of demand, particularly with “experiential”-based resort retail offerings. An example is the Kicking Horse General Store at Kicking Horse Mountain Resort near Golden, British Columbia, in the Canadian Rockies. Following the master-planned ski resort community’s vision and based on an extensive market and trend analysis, this nostalgic general store’s unusual combination of gourmet, convenience, comparison, and gift items in a rustic period setting quickly made it profitable, despite the limited visitor market at Kicking Horse. By catering to consumers’ five senses, the store’s distinctive design, theme, and merchandising mix have made it a must-see regional attraction.

Distance from a resort community to such commonly needed facilities as a convenience grocery store, drugstore, service station, and restaurants should not generally exceed 15 to 20 minutes by car. Other needs such as hardware, clothing, medical facilities, and so on can range farther, but one-way distances beyond 30 minutes stretch most visitors’ comfort limits.

Where existing commercial offerings may be underserving a market, the decision to construct additional facilities can be attractive. The potential benefits may include both direct economic returns and significant indirect marketing and image-related bonuses.

When studying the role of existing commercial facilities—in particular, retail operations—it is valuable to remember that the business life cycles of retail centers and operators may be short-lived, especially at resort destinations. The dynamics of retailing therefore can enable a new entrant with a superior location or product the possibility of successfully realigning a market that otherwise may seem oversupplied. Many successful retailing operations actually can grow out of creating a market where none was apparent before.

Notes

1. Data tabulated from Table DP-1, Profile of General Demographic Characteristics: 2000, factfinder.census.gov/servlet/QTTTable?_bm=y&-geo_id=01000US&-qr_name=DEC_2000_SF1_U_DP1&-ds_name=DEC_2000_SF1_U&-_lang=en&-_sse=on.
2. Table HINC-02, Age of Householder—Households, by Total Money Income in 2006, Type of Household, Race, and Hispanic

The Next Wave

First, it was golf-based communities. Next came specialty recreation-based resort communities centered around activities such as skiing, water sports, or equestrian sports. Each venue appealed to its own somewhat limited recreational real estate market niche. Now, a growing trend is resort communities with spas and wellness centers as their main attraction. The intent is to appeal to a much wider audience than can single activity-based projects. These products, in addition to selling traditional recreation experiences, offer healthy lifestyles and wellness programs, enabling purchasers to pursue their goal of "living younger longer." In 2007, there were well over 150 spa residential communities in various stages of development throughout North America.

The spa industry has solidified 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 moviegoing, 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 International Spa Association (ISPA), recently reported an 18 percent increase in spa industry revenues over a nine-year period and expects another 8 to 10 percent increase in the next few years.

Rather than being offered as a resort amenity, spas 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 found that a spa vacation ties in well with shopping, cultural attractions, and restaurant sampling.

The bulk of the spa demand is being driven by baby boomers, many of whom seek a spa experience as a way 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 a study by the market research firm American LIVES, 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 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 daily life. In a 2005 survey of more than 1,200 *Luxury Spa Finder* magazine readers and users of Spafinder.com, 61 percent of the 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 that a spa was a "decisive" buying requirement. In contrast, only 9 percent indicated that golf was a "very important" amenity, and only 2 percent designated it as "decisive." Overall, 48 percent of the respondents said they have considered the idea of purchasing a second home or vacation home, with about 10 percent indicating that 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 complementary and alternative medicine program. This includes preventive health treatments and regimens and nutrition and fitness programs, as well as basic health and wellness education. Two pioneers in this field are Canyon Ranch, based in Tucson, Arizona, and the Hills Guest Ranch and Spa in British Columbia, which have been practicing "integrated wellness" since the early 1980s and early 1990s, respectively.

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. 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 within the natural surroundings as essential ingredients of a healthy lifestyle.

Several well-known spa resorts, as well as many lower-profile facilities, have added residential components both at their resort and urban environments.

The Next Wave *continued*

Examples include Canyon Ranch, with its concept of "Canyon Ranch living." The idea of living in a place where integrative wellness programs are available daily was an immediate success for the 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.

Vista Clara Ranch Spa Resort, located outside Santa Fe, New Mexico, includes Native American-inspired buildings and adobe construction on a 140-acre (57-ha) site. The spa resort provides a healing/restorative environment in which visitors and casita owners are offered sweat-lodge ceremonies, cooking seminars, organic gardening, instruction in gourd art, astronomy classes, life coaching, nutritional counseling, stress reduction techniques, and more traditional activities like hiking, fly-fishing, horseback riding, cycling, archery, and rock climbing.

Hills Guest Ranch and Spa, Canada's first destination resort spa, is situated on 20,000 acres (8,100 ha) of ranchlands in British Columbia's Cariboo region. 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.

The number of spas being built indicates that some developers of master-planned communities believe such facilities can enhance the value of their properties. Operators of various types of resorts report that adding a spa both increases absorption and adds a sales premium.

The most successful spa lifestyle projects share some key factors. They offer residents a well-rounded, healthy, and active lifestyle with facilities such as

clubhouses, lounges, restaurants, learning centers, and wine centers, as well as recreation programs. Avid spagoers typically are savvy and well-educated consumers. They demand a high-quality operation along with premises that reflect the surrounding natural environment and that make them feel as though they are truly getting in tune with nature and living a healthy lifestyle.

A strong emphasis on 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 theme may be executed in a variety of ways—from sustainable, Native American-inspired architecture and body treatments at Vista Clara Ranch Spa Resort, 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.

Finally, accessibility is not as much of an issue for spa communities as it is for other recreational resort types, because spagoers 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.

As spa facilities and integrative wellness programs become 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 aging baby boomers wanting to age gracefully, it will be pivotal for developers and investors to understand this savvy market group, which increasingly seeks to take care of its most important asset—its health.

Source: Adapted from Mick Matheusik, "The Next Wave," *Urban Land*, August 2006, pp. 65-70.

Canyon Ranch Lenox, which features a historic mansion that houses a library, dining rooms, and medical, behavioral health, and movement therapy departments, reminds clients that the Berkshires was once "a haven for aristocrats." Canyon Ranch Tucson emphasizes "the romance of the old West and the luxuries of the new" and "Native American healing traditions." Canyon Ranch Miami Beach, in the restored art deco Carillon Hotel, offers an oceanfront setting and promises novelty services: "the first complete European thermal

suite of its kind in the U.S." and fitness options that include a "Gyrotonic motion and flexibility class."

Given that a large portion of the homeowners and visitors in any resort are seniors—both retirees and preretirees—the availability of quality medical care is of interest. Baby boomers are particularly concerned about maintaining a healthy lifestyle. Many resorts market their proximity to high-quality health care facilities; some even include their own on-site clinics and other facilities. If a resort is large enough, it might identify an