



**Concurrent Breakout Session:  
Boardroom Roundtable Discussion  
Monday, May 19th, 2008  
3:45pm – 5:00pm  
Park Avenue Suite, 4th Floor**

## **Spa and Real Estate Trends**

*Discussion Leader:  
John Vanderslice, CEO, Miraval, Arizona*

*Scribes: Viktoria Borek (EHL) and Michal Gordon (Cornell)*

**Introduction  
John Vanderslice (Discussion Leader):**

Allow me to give you a bit of information about Miraval Living which is a spa lifestyle real estate project here in Manhattan.

The Miraval brand focuses on enhancing every day life by adding hotel services to apartments or condos. The focus is on lifestyle instead of simply being episodic. Our real estate has been actually receiving a 30-50% premium and is selling 30% faster than the rest of the market.

Miraval in Arizona has developed 16 villas (single family homes) which when purchased are used for only about 2-3 months a year.

How does all this work? The client buys the property and then pays a certain premium to have services like cleaning, concierge, etc. For better living you pay for an integrated better lifestyle. Miraval Living offers an experience of life. The 'living better' real estate idea is currently breaking through the market. In addition there is a membership program where the client needs to pay an annual price to receive all the extra services. The good thing is that every client can actually first try the Miraval services and then decide whether or not to buy.



Some of our current projects involve the following:

- In Tucson, Arizona – 16 villas being used 2-3 months/yr (estimate); can trade it around; pay annual dues and get the whole Miraval experience (1 treatment a day; cuisine, etc.)
- The Costa Rica Development – 120 room hotel and 60-80 villas (potentially a fractional buy)
- Miraval Living in Manhattan (Leader in living and feeling better) with about 350 units Demographics – 60% sold to families

Some of what we've learned:

- Need to select a good developer who can finance and follow-through
- Develop a brand with North American clientele first
- The percentage of real estate charge you get is an expense and might decrease (good projects are getting done)
- It is not that easy anymore to get a loan after the credit crisis
- The residential market right now is a bit slow – now we will see who has the most power to survive
- A good developer is crucial to obtaining the right financial support
- The credit crisis will continue for another year. But it seems that from June onward, things will go upward again.

#### Discussion:

**Andrew Gibson (Group Director of Spa, Mandarin Oriental):**

We are planning around 2000 residences in the next 3 years.

The developers will be getting a premium on their property for using our name. Also, Mandarin operates the property.

#### Question:

Here is a critical issue: If the owner isn't spending much time on property, how does the operator make money? In New York at Miraval Living, you are lucky if you sell 2-3 treatments/week to residents.

#### General Discussion:

Aspects which need to be discussed:

1. How do you balance out the living and operating side of this business model?
2. Having a spa may help real estate sales but what about the return on investment for the spa only?

*Where does this concept lead the vast majority of spa operators?*

Having special spa features at residential homes or condos might influence buyers but according to industry experts, it is not that attractive to spa operators. When investing in those special features it is essential to make sure there is attention to the long term.

*What happens if the spa facilities will be open to both residents as well as for the public?*

There might possibly be a conflict due to over-demand. But if only members are using the spa facilities, and the average rate of usage would be 1.5 treatments per month per person, that would be a very low usage rate.



One thing to consider is the value of adding a wellness benefit. For example, a 15,000 square foot spa project with four treatment rooms which will also be open to the public. This will create lower labor costs.

**Annabeth Eschbach (Founder & CEO, Exhale):**

- The market is such that you need to sell fast.
- Wellness and fitness are very important and essential.
- Some developers are willing to pay a management fee.
- It is all about teamwork and everyone needs to talk with each other to help each other in the industry as well as support each other! It doesn't help if we are criticizing each other's projects to outsiders. That hurts us all.
- It is hard to go out there and talk the same language because credible data is missing and real estate people are extremely competitive.

## General Discussion:

Medical spas are becoming more important which may eventually impact spa real estate.

Hospitals need to make money to sustain themselves – they are dependent on reimbursement. There is greater emphasis on prevention. Paul Lehr (President, Pritikin Longevity Center and Spa) mentioned that they are planning to do a combination of residential, spa and medical. He anticipates that in the future there will be some medical reimbursement for people who go through the Pritikin program.

In Bangkok there are entertainment parks where entire families come and visit (mothers take spa treatments, children play, etc.) People can even pay for this with airline points.

There is more and more interest in residential properties with spas in India.

Currently, the spa lifestyle real estate segment is so new that many different plans need to be tried out by developers as well as operators in order to learn what works. There is no set model to follow. It is all about experimentation.

There aren't really any new destination spas opening anymore, but there are more and more residential living spas.

With residential living spas, you have a lot more people involved who have to agree on things - this complicates things. On the other hand, hotel operators can simply make choices and decisions on their own.

The spa industry is becoming more attractive than the golf industry even for business incentive travel.

Fractional sales are also something to watch as a potentially successful way to sell properties.



The Global Spa Summit is an international organization that brings together leaders and visionaries to positively impact and shape the future of the global spa and wellness industry.