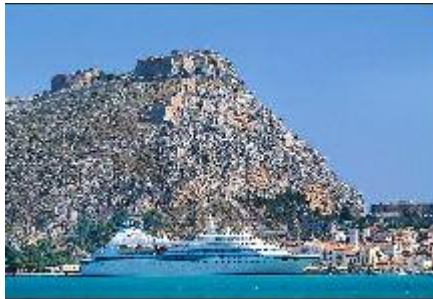


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U.S. Millionaires Choose Napa Timeshares Over Vacation Mansions

By Beth Jinks



Oct. 6 (Bloomberg) -- As U.S. markets **spiral** downward, America's wealthiest are redeeming reward points, choosing million-dollar timeshares over luxury third homes and picking Mexico over Hawaii in a hunt for value vacations.

Members of **Hilton Hotels Corp.**'s loyalty program who live in the 10 wealthiest U.S. zip codes redeemed 42 percent more **reward points** in the first nine months of 2008 than in the same period a year earlier, Adam Burke, Hilton's head of customer loyalty, said in an Oct. 1 interview.

"It's not like I'm going to Paris this year," said Cal Burton, a partner at a Chicago law firm who took his wife to Rome for their 25th wedding anniversary using points last November. The couple is more likely to cash in Hilton HHonors points to travel to Charleston, South Carolina or another U.S. destination, the 52-year-old lawyer said.

The spending shift by America's richest may indicate cutbacks across a broader segment of the population. The pace of booking for fall and winter vacations has plunged 50 percent this year for Carlson Hotels Worldwide's Regent and Radisson hotels in Florida and the Caribbean, Americas president **Paul Kirwin** said in an Oct. 1 interview.

"That's a signal we're probably going to have reduced demand," Kirwin said. Seventy-one percent of America's wealthiest households -- representing the top 10 percent of incomes -- say the real estate and banking crises have hurt their sense of financial security, and 48 percent are now worried about running out of money, up 13 percentage points from April, **American Express Co.**'s publishing unit and Harrison Group said in a survey released Oct. 2.

'Love a Good Deal'

"Even very affluent people love to get a good deal, love to get a free gift, love to take advantage of an offer, and in times like this, that plays to it," **Starwood Hotels & Resorts Worldwide Inc.** Chief Executive Officer **Frits van Paasschen** said in a September interview in New York. Sales of vacation homes in the U.S. slid 31 percent in 2007, according to a survey by the National Association of Realtors. Exclusive timeshare "destination-club" membership sales climbed almost as much, **Ben Addoms**, a founder of Quintess LLC, said in an Oct. 2 interview.

Quintess members vacation at multi-million-dollar mansion timeshares from Napa to Los Cabos. At the top end, they pay an \$895,000 refundable deposit and \$75,500 a year in dues for as many as 75 nights in luxury mansions and condominiums. The company bills its offer as "a value proposition" to the wealthy who have "sticker shock" over the cost of buying and maintaining a vacation home, Addoms said.

Sticker Shock

Quintess posted record sales in the three months through August as the wealthy shunned purchases of holiday homes in favor of the clubs, Addoms said by telephone from his home in Denver. "When we started the business, everybody thought they were going to make a fortune buying a second home because real estate was going up everywhere all the time," Addoms said. "They've gotten over that."

September was a "normal month instead of an exceptional month," as the financial "gridlock" led clients to postpone commitments pending the bank bailout, Addoms said. "I'm up- market but people still have to make a decision about writing a check or sending a wire." Some of those still buying beach vacation homes are looking in Punta Mita, a 1,500-acre private peninsula in Mexico with Four Seasons and St. Regis resorts. Properties there, priced from \$700,000 to \$14 million, cost about a third less than the equivalent in Hawaii, Marketing and Operations Director Lynne Bairstow said in a September interview.

Punta Mita, Mexico

Punta Mita residential development Ayia, with two-bedroom condos on a Jack Nicklaus Signature golf course priced at \$700,000 to \$1.2 million, also offers interest-free partial financing for up to two years, developer Basri Emini said. Call volume at Abercrombie & Kent Inc., a luxury travel company, has slowed, spokeswoman Pamela Lassers said. Most clients plan vacations like African safaris and Antarctic cruises six months in advance, "so we are not yet seeing a significant impact," she said.

Alaska may be the new destination. Charlie Summerville, a pilot and Alaska wilderness guide, said demand from the wealthy for hunting and fishing trips is stronger than ever. "I really don't see the high-end people cutting back on their spending," said Summerville, 42, founder and owner of Alaska Adventures LLC in King Salmon, southwest of Anchorage.

Bear Hunt

A 10-day hunt for Alaska brown bears, not including government permits and flights to the state, costs \$14,500 or more per person, he said, depending on “frills,” such as organic or kosher foods. Wealthy adventurers now account for 70 percent of business, up from 30 percent a few years ago, Summerville said by phone Oct. 1.

“The middle class has been taken out by the weak economy,” he said. “Some clients who used to come every two years, now come once in five or six years because they just can't afford it.”

Southwest Airlines Co., the largest U.S. low-fare carrier, said passenger traffic fell for a third straight month in September as the country's cooling economy erodes demand.

In economic slumps, luxury hotels and resorts tend to offer free nights over other incentives to encourage guests to stay longer so they will spend more at on-site restaurants and spas, said **C. Patrick Scholes**, an analyst at Friedman, Billings, Ramsey & Co. Budget-lodging providers, such as Choice Hotels International Inc., offer free gas cards.

Resort Promotions

One & Only is offering a free night if you pay for six at its Reethi Rah resort in the Maldives, a free junior suite for children when you book at Le Saint Geran on Mauritius, and two free nights when paying for five at its Palmilla, Mexico location. Marriott International Inc. is offering a fourth night free for stays in Hawaii, Starwood Hotels & Resorts Worldwide Inc. is offering spa and breakfast credits.

“In a recession, you increase your level of promotional activity in order to drum up more business,” Scholes said in an interview. “If you stay at the Ritz Carlton, they're not going to give you a \$50 gas card, but they'll say ‘we'll get your last night's stay.’”

Carnival Corp.'s Yachts of Seabourn seven-day European autumn cruises, calling at three cities, begin at \$8,550 per couple. That's \$3,471 cheaper than a comparable stay at five-star hotels with dinners at Michelin 1-star restaurants, according to data compiled by Seabourn and used in its marketing.

“At the luxury end, which includes all of the champagne and caviar and the five-star meals, it's even greater value for money,” Seabourn Chief Executive Officer **Pamela C. Conover** said in an Oct. 3 interview from Miami. “In times of economic turmoil, people are clearly more conscientious about seeking value.”

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