

## Equity Estates Update With Philip Mekelburg

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Written by Nick Copley

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SherpaReport recently talked to Philip Mekelburg, the CEO and co-founder of Equity Estates to find out the latest developments at this [equity destination club](#).



Equity Estates Turks & Caicos View

This luxury vacation home fund, as they prefer to be called, was launched in 2007 by Adam Capes and Philip. The company currently has 7 vacation homes around North America and is about to open its 8th home. The homes have an average value of about \$3M. Owner members in the fund are buying membership interests in a fully compliant Reg D private offering and as such have to be accredited investors. The company has a finite lifetime and plans to start selling off its real estate portfolio in 2021 and will then return the proceeds to the owner members.

**SherpaReport: 2008 was a hard year for many people and certainly for many destination clubs and**

### second home clubs, how did Equity Estates do ?

*"We had a fantastic year and grew the club 50% over 2007 both in terms of number of members and amount of capital contributions. In fact, since the market collapse in October, we had our biggest quarter to date. We ended 2008 with over 60 owner members (individuals, families and businesses) representing 47 of our full membership interests (30 nights of use per full membership interest)."*

### SherpaReport: What are your views for 2009 for Equity Estates and destination clubs?

*"We're very bullish, this is a great time to be buying vacation property - it's arguably a better time than any other time in the last twenty years. We can buy property at value prices, so that by the start of the planned liquidation of the portfolio in 2021 we would expect to see substantial appreciation to benefit our owner members."*

*"Consumers are becoming more educated and will scrutinize business models and financials of destination clubs in much more detail. With our equity model and the covenants and requirements in our operating agreement, the Equity Estates model will be superior to any other alternative. . For instance, we include a 1 in, 1 out redemption process after 24 months of membership, in case an owner member does not wish to wait until 2021. This means that if a member wants to leave we will sell their membership to the next member who joins. In addition, our covenants limit our debt on the portfolio of residences to no greater than 23%. This results in the lowest annual dues in the market place of comparable homes and services since we have little to no interest expense to pass along to members."*

*"Overall I think the market for destination clubs and second home clubs is barely penetrated. Travel patterns have changed and one (vacation) place doesn't cut it anymore, many people nowadays don't want just one vacation spot with all the expense and hassles that come with it. So the need for destination clubs and funds like ours is still there."*

*"For our Ultra High Net Worth (UHNW) members they don't want to personally own 5 or 6 homes, it's just a hassle. Some Equity Estates members who are certainly UHNW know they made a smart decision choosing Equity Estates by not having to deal with all the upkeep and maintenance issues from having multiple homes."*

*"Other members of [Equity Estates](#) just qualify as an accredited investor. For them, they see value in not putting all their eggs in one basket for just one vacation home. For less money they can join us and have a share in ownership and great vacations at many homes."*

### SherpaReport: With the turmoil in all markets what sort of questions are prospective members asking you?

*"Here's an example, we just had a new member join who lives in Palm Beach where many wealthy people were*