

# Borrowed luxuries

## Clubs offer prestige without the hassles

By Gilles Castonguay

**MILAN:** When it comes to cars, Michele likes the cachet without the commitment.

Although he could easily buy a Ferrari 430, his favorite luxury sports car, he prefers to borrow one from a club and avoid the hassle of insurance and other costs.

"Using is much better than owning," said the 37-year-old asset manager, who did not want to give his last name.

"A Ferrari quite often needs maintenance," he said. "Even if you have a personal secretary, they are not people who normally know how to deal with these kinds of cars."

The club Michele belongs to, called the Circle Club, is one of a growing number in Europe and the United States that cater to rich people who like the idea of borrowing rather than buying luxury goods like cars, yachts and jets.

Opened a little more than a year ago in Milan, the Circle Club has a fleet of 50 luxury cars, including brands like Lamborghini, Maserati and Porsche.

Like Pl International in London or Club Sportiva in San Francisco, it gives members a set number of points, in exchange for an annual fee, to spend on time behind the wheel.

Once the points are spent, members can renew by paying the fee again.

The club's founder, Riccardo Schmid, said its appeal was that it took care of insurance and maintenance costs, freeing members to focus on careening

down the road with the roar of a powerful engine in their cars.

"We take away all the hassle," he said. Marina Marzotto, of the marketing agency Propaganda Gerni in Rome, said the wealthy in Europe had come around to the idea of sharing because owning luxury goods meant dealing with high taxes and bureaucracy.

"What makes rich people abhor the idea of owning is the hassle," she said.

Pl International's founder, Michael Breen, said that depreciation was another concern.

"Most people don't spend more than a couple of weeks on a yacht a year," he said. "What is the point of trying up a few million dollars and leaving it sitting in the ocean, just depreciating and requiring maintenance?"

Breen said some of his club's members could not resist the temptation, however, and had at least one luxury car in the garage.

As for Schmid at the Circle Club, he had no trouble overcoming his weakness for fast wheels: He traded in his Porsche Turbo for a Smart car.

The Circle Club is selective. It has an entrance fee of €20,000, or \$26,400, a membership limit of 300 people, and a requirement that applicants be referred by a member.

Schmid said an applicant's lifestyle was central to joining the club — though money also had a lot to do with it.

"You can't have the lifestyle without the assets," he said. "Our community is not made up of members with €20,000



Stefano Reilandini/Reuters

—they are members of €100,000."

The club's top member has already paid the €20,000 fee seven times this year to renew his points, Schmid said.

Nearly all of the club's 125 members are men between 30 and 55. Although their professions include doctors, financiers and lawyers, they all share a love for cars.

Schmid has been expanding his club's offerings to include yachts, jets and villas, with art and jewelry next on the list. But Milton Pedraza, of the Luxury Institute, a U.S. consultancy, said he saw limits to the idea of sharing.

"Some luxury items are personal, like a dress or a suit or shoes," he said.

He also said the clubs could face competition from the wholesalers who sold them the cars.

"Dealerships can get into the business,

since they have the inventory," he said.

The business model is also being applied in the leisure industry, where rich people are jetting off to luxury resorts, known as destination clubs, for an annual fee.

One of these clubs is Exclusive Resorts, which is headed by Steve Case, the co-founder of America Online.

The kind of people who join clubs like Exclusive Resorts and the Circle Club sets these businesses apart from those that lend Gucci handbags and other designer accessories to people of more modest means.

Most members of Be-A-Fashionista in Britain, Mila & Eddie in Australia or Bag Borrow or Steal in the United States could only dream of ever owning what they borrow.

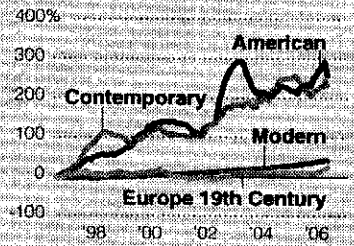
Reuters

## Art market mania

Art prices have surged to records in recent months as investment bankers and entrepreneurs have fueled a buying boon in search of increasingly rare masterworks.

### Art Market Research's art price indexes

Percent change since December 1996



### Top five art sales worldwide for October-November 2006



**Gustav Klimt**  
Art Nouveau  
Portrait of Adele Bloch-Bauer II  
**\$87.9 million**



**Paul Gauguin**  
Post-Impressionist  
L'Homme à la Hache  
**\$40.3 million**



**Ernst Kirchner**  
Expressionist  
Berliner Strassenszene  
**\$38.1 million**



**Willem de Kooning**  
Abstract Expressionist  
Untitled XXV  
**\$27.1 million**



**Edward Hopper**  
Realist  
Hotel Window  
**\$26.9 million**

Sources: Artnet, Art Market Research, Bloomberg