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RESORT REAL ESTATE MARKET TRENDS WESTERN SKI MARKETS

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Selected Western Ski Area Real Estate Performance

For the Mountain region of the United States, as well as the inland areas of the Pacific States, the ski resorts make up a substantial component of tourism and have great economic impact on the region. The real estate markets in some of these ski resorts represent some of the most expensive real estate in the country. An overview of the markets at the end of 2015 is provided in the analysis below.

Performance Overview

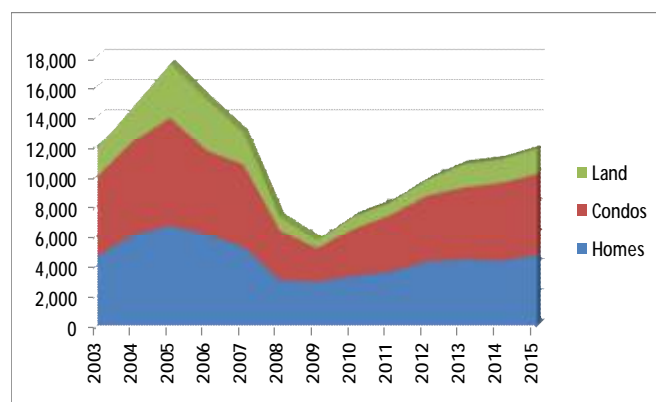
The real estate sectors in major ski areas in the Western United States continued to improve on most fronts in 2015. This included average sales pricing as well as the number of sales in both condominiums and homes.

While the recovery has continued strength, there is still a significant gap from the peak levels of both sales and pricing, which occurred in the different markets between 2005 to 2007. The market dynamics illustrate some interesting phenomena, in that the number of sales peaked in 2005, while pricing peaked in 2007. This means it took two years for the market to fully recognize the decrease in demand through decreases in pricing. It is clear that the onset of the down market is not readily apparent to many buyers. When the upswing occurred, the same lag existed as the sales volume hit its low in 2009, while it took two additional years, until 2011 before average price increases returned to the market. It should be noted that the average price increases in the market were led by single family homes, while condominium pricing in these markets has been very slow to recover. The number of home sales declined to 35% of its peak level, and has now grown to a level that is 70% of the peak sales volume.

While the volume of condominiums sales did not begin to rise until 2010, a year after the home market increases, the volume of sales had to nearly double before average condominium pricing returned to the market in 2014. The delay in condominium price increases was 4 years. In terms of the total number of condominium sales, the volume dropped 85% from its peak. Today, the quantity of sales in the condominium market has risen, but only represents 53% of the peak level of sales. The data make it clear that there is more volatility in the condominium markets, than in the single family markets.

The fluctuations in the condominium markets are the result of a combination of factors on both the supply and demand sides. On the supply side, the ability to construct a substantial number of units in a short period of time contributes to overbuilding. On the demand side, these are discretionary purchases, and as the general economy collapsed, the ability to pay the carrying costs of these units is more difficult due to both the price points as well as the association dues. The final factor contributing to the volatility for the condominium markets is the fact that many buyers are speculators, and are not for end users. Thus, speculators units are much more likely to come on the market during the downturn, increasing supply until the inventory is purchased by end users.

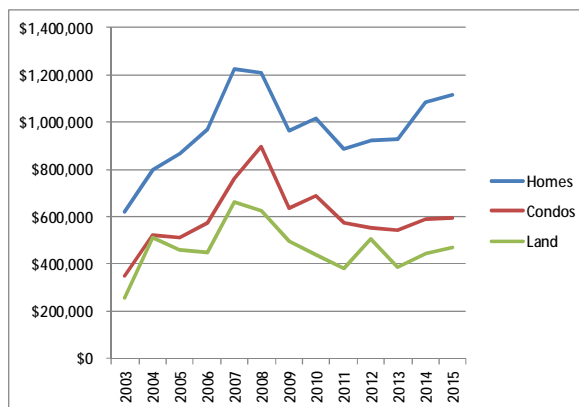
FIGURE 1: WESTERN SKI AREA UNIT SALES VOLUME



Source: HVS

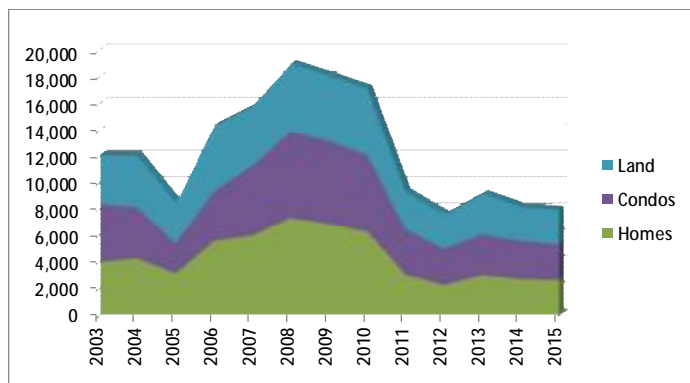
In terms of condominium average pricing, there was a 45% drop from the peak, while housing pricing declined by a smaller 33%. The current market shows that average single family home pricing in 2015 was 86% of peak pricing, while condominiums were still just 63% of the peak market pricing. Average land price growth is now evident in the market, and the conditions to justify new development are evolving in many markets.

FIGURE 2: WESTERN SKI AREA AVERAGE SALES PRICES BY PRODUCT TYPE



Source: HVS

FIGURE 3: WESTERN SKI AREA LISTING BY PROPERTY TYPE

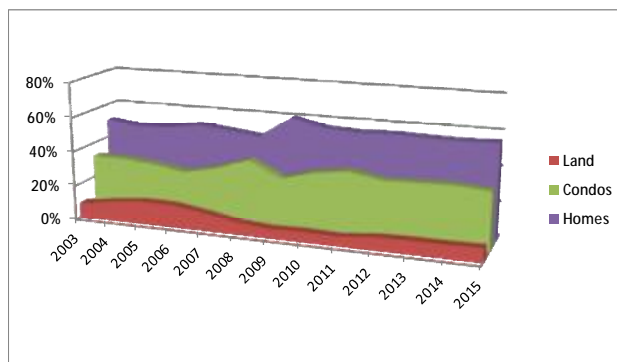


Source: HVS

Homes sales represented roughly 50% of the total sales volume sold throughout the historical period with that percentage increasing towards 60% in 2009. There was an increase in the volume of residential home sales in 2008, due largely to new construction, but the market share returned towards normal levels after 2009. The percentage of condominium sales has declined as home prices show more strength in pricing. Residential land sales represent about 10% of total sales.

Listing data plays into the overall market indicating the sellers desire to sell their properties, usually rising during the downturns and falling as the market strengthens. Listings started increasing in 2006, as pricing began to ramp up, and their numbrerr of listings peaked in 2008 followed by declines through 2012. At the bottom of the down cycle, there is often a second bump in listings when the pricing increases to the point where there is no longer negative equity in the market The data illustrate a bump in 2013 with a leveling in 2014. The market at the end of 2015 for listings was fairly stable, and reflected a sellers market.

FIGURE 4: WESTERN SKI AREA PERCENTAGE OF SALES



Source: HVS

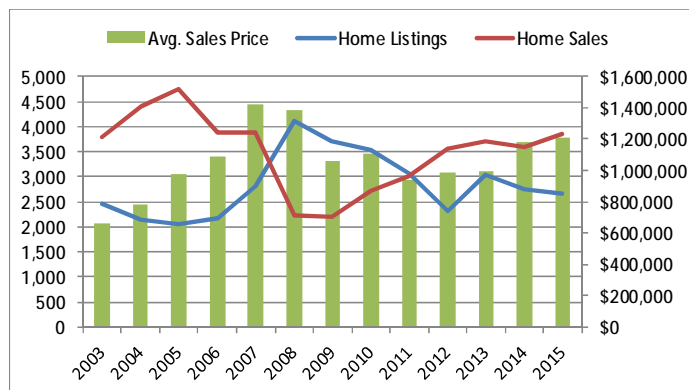
The market for home sales changed from a sellers market to a buyers market in 2007, and remained a buyers' market through 2011. The home sales market remained in equilibrium until 2014, at which time price appreciation occurred in the market for the first time since the great recession. The market for homes flipped from a buyers market to a sellers market again in 2014. In 2015 there was additional appreciation in average pricing, as well as an increase in home sales, as the market strengthened.

Homes by Market

A look at the markets that comprise our survey of the Western Ski Areas illustrate that in terms of the number of sales, Tahoe is the largest market, which represents 30% of the homes and 20% of the overall market for sales. The Park City market is the second largest overall market in terms of the number of sales, and is the largest market for condominiums, and for the total volume of sales.

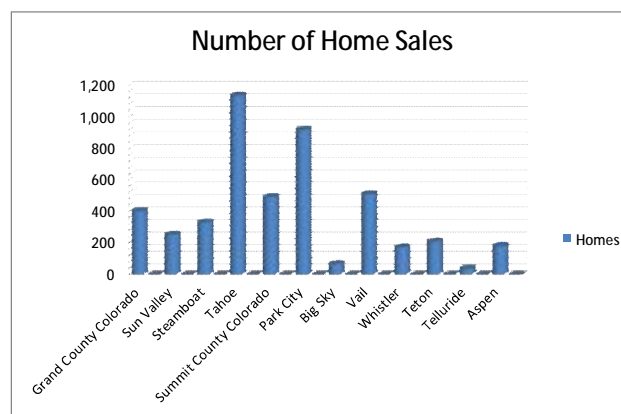
The price leader is Aspen, which has an average home sales price above \$3 million followed by Teton, at over \$2 million. Whistler averaged \$1.6 million and Vail slightly less at \$1.4 million.

FIGURE 5: HOME LISTINGS, SALES AND AVERAGE SALES PRICES



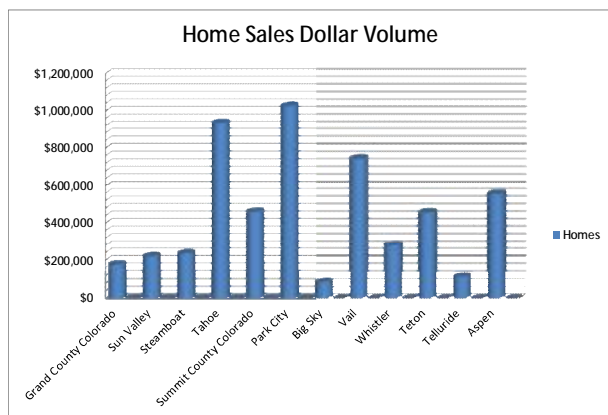
Source: HVS

FIGURE 6: NUMBER OF HOME SALES



Source: HVS

FIGURE 7: HOME SALES DOLLAR VOLUME



Source: HVS

FIGURE 8: AVERAGE HOME SALES PRICE

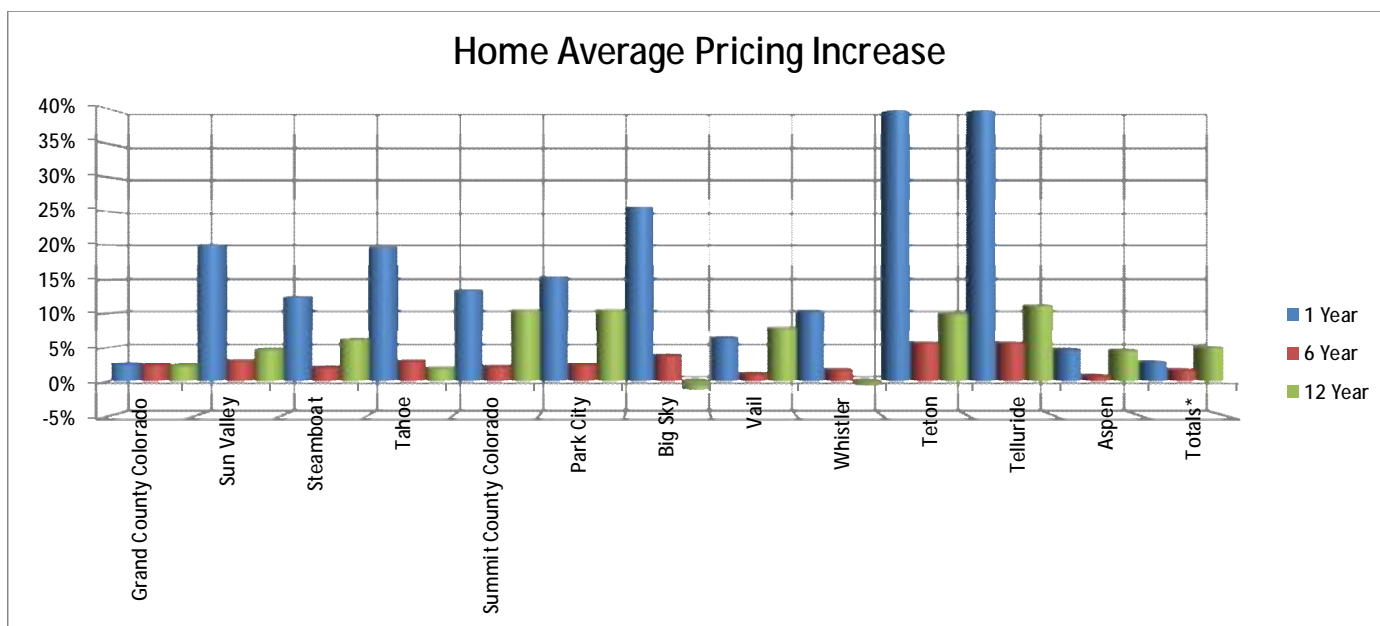


Source: HVS

Average Price Increases

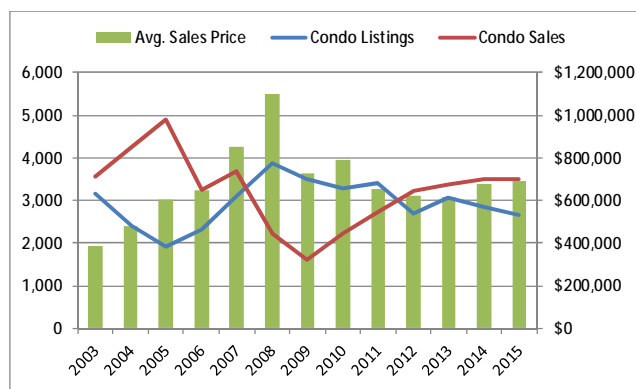
While there has been an increase in the average price in most markets, the levels of increase vary significantly by market as well as by homes versus condominiums. Of particular note is the home pricing increases during the past year, which were up an astounding 40% in the Telluride and Teton markets. Big Sky, Sun Valley and Tahoe have also seen sizeable increases at above 20% during the past year. Over the past 12 years, appreciation has averaged 10% annually in Teton, Telluride, Park City and Summit County. The past 6 years, there has been only limited growth in all markets.

FIGURE 9: AVERAGE HOME PRICING INCREASE BY MARKET



The condominium market recovery trailed the home market recovery by a year, with a steeper decline. The condominium market remains more or less in equilibrium, where sales and listing have been relatively flat since 2011.

FIGURE 10: CONDO LISTINGS, SALES AND AVERAGE SALES PRICES



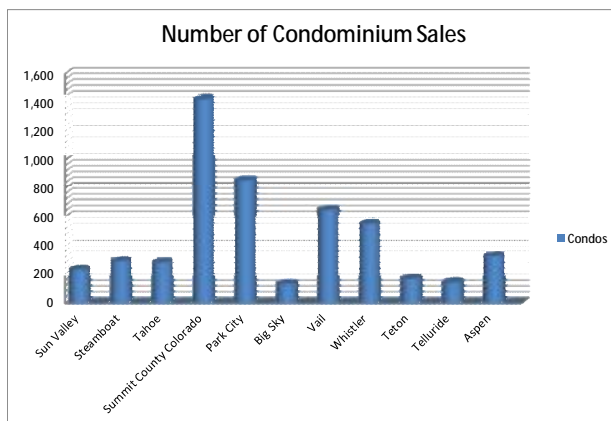
Source: HVS

Condominiums by Market

The condominium market varies significantly, but the largest condominium market in terms of volume is in Summit County, Colorado, with the second largest market being Park City, Utah. Vail and Whistler also have extensive condominium markets. The pricing for condominiums show an average price range between \$200,000 and \$1.2 million, with Telluride and Aspen having the highest price points,

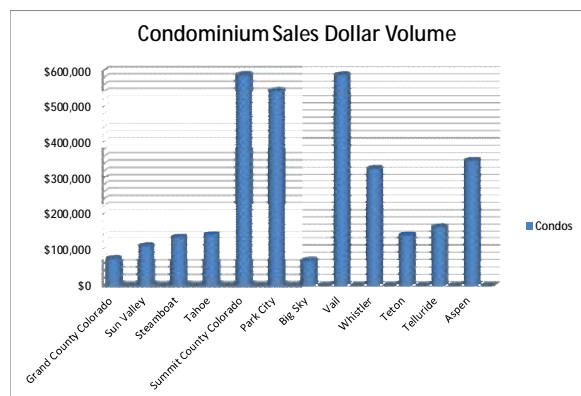
In terms of the dollar volume of condominium sales, Vail, Summit County and Park City all had volume above \$500,000 million, over 40% more than Aspen and Whistler. The remaining markets had substantially lower volume. Condominium pricing is led by Aspen, followed by Vail and the Tetons.

FIGURE 11: NUMBER OF CONDOMINIUM SALES



Source: HVS

FIGURE 12: CONDOMINIUM SALES DOLLAR VOLUME



Source: HVS

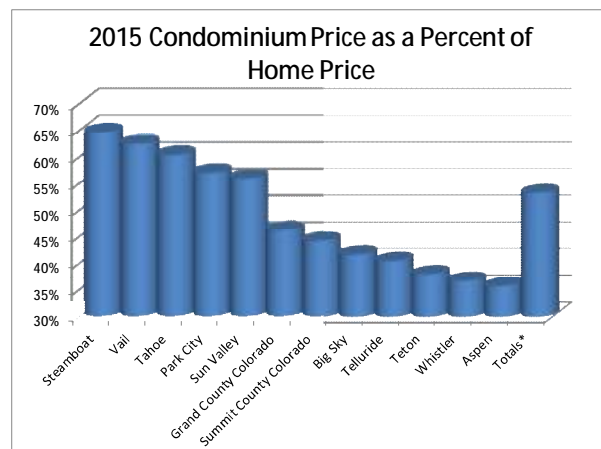
FIGURE 13: AVERAGE CONDOMINIUM SALES PRICE



Source: HVS

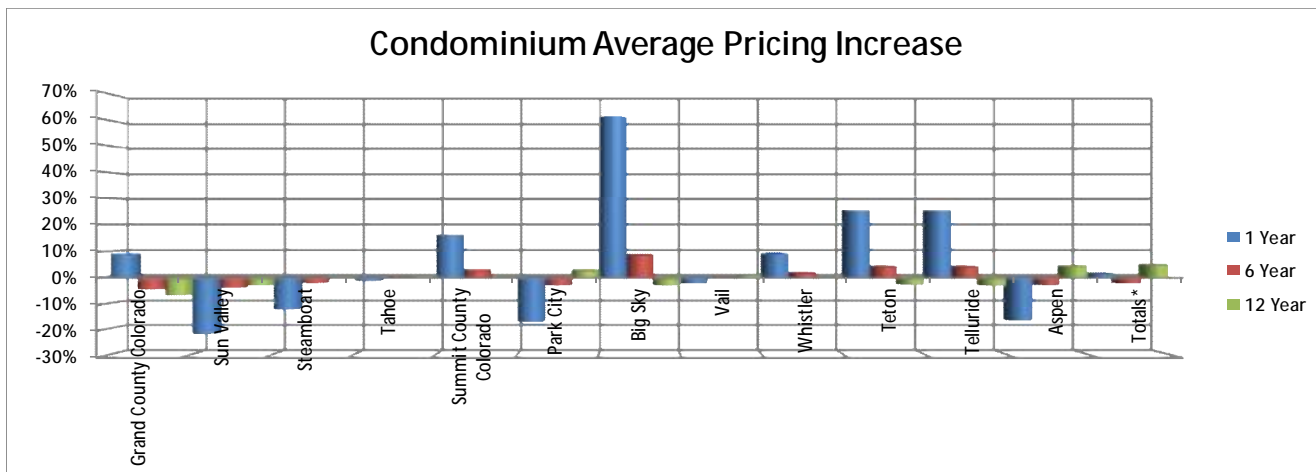
It is interesting to note that the ratio of average home price to condominium price varies significantly in the different markets. In Steamboat and Vail, condominium pricing is about 65% of home pricing, whereas in Aspen, condominium pricing is closer to 35% of housing pricing. Before the downturn, the average ratio of condominium to home pricing was higher. This suggests that the market for condominiums attracts a very different buyer, with preferences towards amenities and low maintenance, but also that the costs to construct, and other supply and demand factors are important factors in each of the different markets examined.

FIGURE 14: CONDOMINIUM SALES PRICE AS A PERCENT OF HOME PRICE



Average price increases in the condominium markets show substantially more variability, both in the long and short term. The markets with substantial increases in home pricing tended to perform well in the condominium markets as Teton, Telluride and Big Sky all had increases in condominium pricing. Big Sky showed an amazing 60% increase in average pricing, primarily because of the presence of the Yellowstone Club, and the success that this project is having. Both Summit and Grand County, Colorado had increases in the average price of condominiums in 2015 over 2014, but remaining markets actually illustrate decreases in the average pricing of condominiums. Over the past six years the average price increases are lower in magnitude, but generally follow the same trends as the one year averages. The 12 year averages show very little change.

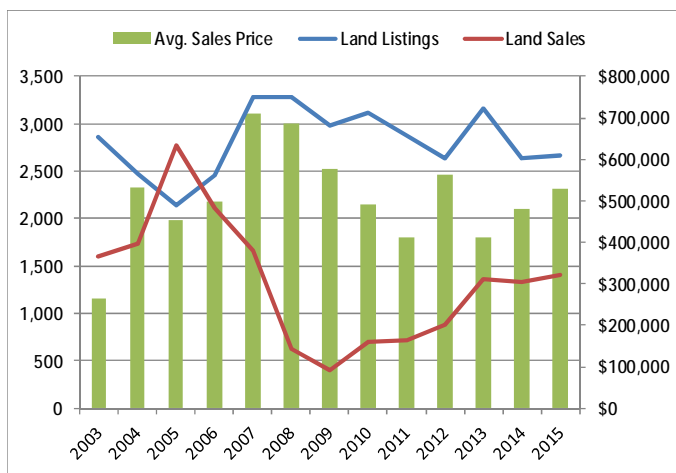
FIGURE 15: AVERAGE CONDOMINIUM PRICING INCREASE BY MARKET



Residential Land

Residential land sales have predominantly remained a buyers' market, as the number of listings has remained relatively constant while the number of sales declined by 80% in 2009. The market for land illustrates that average price appreciation is returning to the market although the number of sales has remained flat since 2013.

FIGURE 16: RESIDENTIAL LAND LISTINGS, SALES AND AVERAGE SALES PRICES



Source: HVS

The average land pricing, or lot pricing is fairly stable in most markets, although Teton shows significant growth, and Whistler and Tahoe also show growth during the past year. The lower tier markets such as Steamboat, Grand County, Colorado and Sun Valley show decreases in pricing, as does Park City. The decrease in land pricing is a function of the overall market, and a switch from the long term perspective of wanting to build a home, to the short term perspective of wanting to use the home. The sale of lots has been much more difficult in recent years due to numerous factors. The sale of raw land requires both time and effort to be able to use the product. As the baby boomers have aged, the focus is currently on the ability to use, as opposed to looking forward to future use. Preferences have moved steadily towards immediate use. Contributing factors are that as the overall supply of homes has grown in these markets, and the availability of existing homes listings has consequently increased. The new reality is that new lot sales are consistently competing with both existing homes as well as newly constructed or build to suit homes, limiting the appeal of land. Land often is also encumbered with significant HOA or membership dues, which increases the cost of ownership, and offers little in the way of immediate tangible benefits.

FIGURE 17: AVERAGE RESIDENTIAL LAND PRICE INCREASES BY MARKET

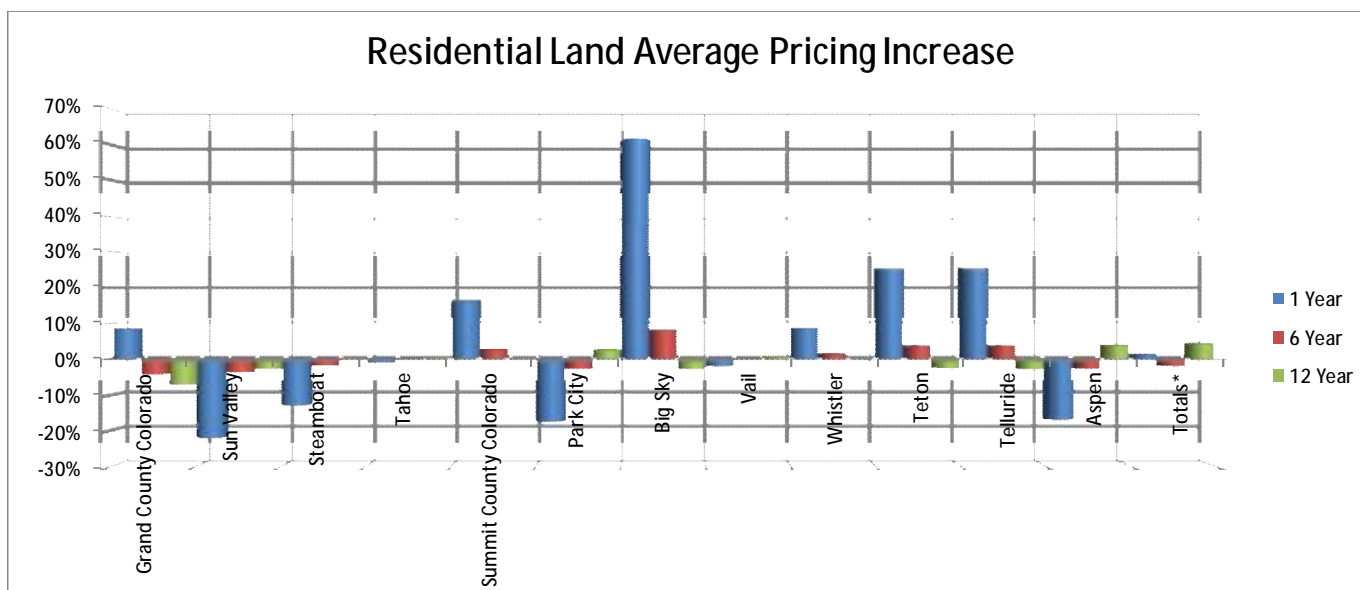
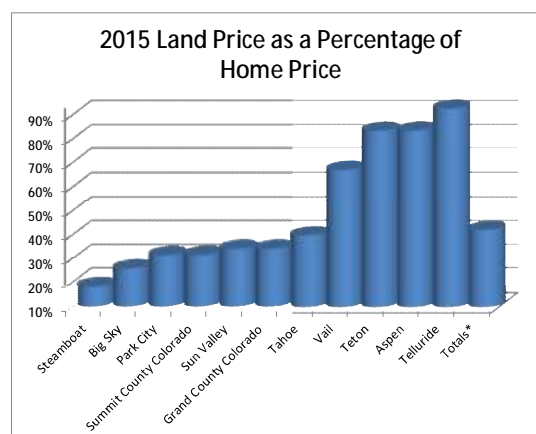


FIGURE 18: NUMBER OF HOME SALES



Source: HVS

The ratio of land prices to home prices is a factor of the strength of the market as well as the cost to construct the home. As was the case for the sales of homes, and the sales of condominiums, the sale of land varies significantly by market. Telluride lot pricing is almost equal to home pricing, with Aspen, Teton and Vail not far behind. Steamboat shows the lowest percentage of land pricing as it is fewer than 20%.

Conclusions

The ski resort markets represent a diverse set of buyers, each with their own particular nuances. Each of these areas has differing source markets, both domestically and internationally. While some markets are dependent on local drive to markets, other are heavily dependent on airlift and many are dependent on both.

The markets are currently primarily stabilized, with the number of transactions increasing throughout the entire range surveyed, but also across the various product types. Pricing remains a challenge in many markets, particularly in the area of condominiums. It is clear that the overbuilding of condominium projects in many markets is still impacting the ability to generate increases in pricing. It is anticipated that increases in the average price will be realized in the coming years across the entire market, but a return to former peak levels still appears far away.

The market for lots follows the home markets, but is generally a buyers market as sellers and resellers compete with each other. Meanwhile the market for homes is much stronger across the board, although pricing in many markets has not yet returned to pre-recession average pricing. The markets typically have long term memories as to previous peaks, and this indicates that there is room for additional growth in the coming years as the markets mature. The housing markets will also benefit from marginal increases in the supply of new homes as development hurdles are still significant, and available land for development is more constrained.



About HVS

HVS, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrated its 35th anniversary in 2015. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and more than 500 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. HVS.com

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About the Author



Darius Hatami is Managing Director of HVS Golf Services, headquartered in Boulder, Colorado. For over twenty years, he's has been devoted to appraisals and consulting assignments for golf, club and resort related real estate. Darius has directed assignments in Canada, Mexico, the Caribbean, Europe, Asia, the Middle East and throughout the U.S. for international lenders and owners such as Lehman Brothers, Deutsche Bank, Barclays Capital, Club Corp, Four Seasons and CNL. Properties appraised include Pinehurst Resort, Turtle Bay Resort, The Yellowstone Club, Ko Olina, La Quinta Resort, the Maroon Creek Club, Fairmont Turnberry, and Kapalua. In addition to appraisal, his expertise encompasses strategic, financial, residential, membership and economic planning, as well as integrating the golf and club assets with residential and resort aspects of master planned communities. He is a frequent speaker on the international golf and development industry topics relating especially to the valuation of and investment in golf courses, clubs and resort real estate developments.

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