

VAIL PROPERTY BROKERAGE

Winter 2015

According to the Wall Street Journal there are approximately 113 million households in the US with the top 10% families controlling more than two-thirds of all income and net worth. Based upon hundreds of conversations with this very affluent and elite customer base, these top ten percenters appear to share a common theme and story which is "they have more money than time" and are very careful as to how these precious resources are allocated.

Whether it's golfing St. Andrews, a barefoot sail of the British Virgin Islands, an Alaskan fishing trip, trekking back county wilds, or heli-skiing the steep slopes of British Columbia there just isn't enough time regardless of available funds. These few and far between excursions usually involve deserts, mountains, beaches, far away continents, lakes, oceans or other specialty environments. No matter the recreational focus most decision makers would like to involve family or friends and if this inner circle is not quite as enthusiastic about the place, then a destination which provides an array of activities that cross generational lines can be the perfect solution for one and all. What could be better than sharing stories and tall tales which survive the unnoticed passage of time in a routine world of mostly forgettable day-to-day living.

Who are these families that crave destination resorts returning year after year to that special place, which given enough time can plant the seed for vacation home ownership and the thought of eventual retirement? Vail Resorts says their guests come from the largest Standard Metropolitan Statistical Areas (SMSA's) from across the country. Population demographers estimate that about 80% of Americans live within these mega markets and it is predicted by the year 2050 that 90% of the US will reside within super employment concentric zones. From an investment perspective urban dwellers are an interesting demographic and must be understood if an effective lifestyle and investment strategy is to be formulated. Trending urban economics point to increasingly populated city cores, reversing the post-World War II suburban



Greg Strahan & Connie Kincaid-Strahan

explosion fueled by affordable outlying land, connective highway infrastructures, and cheap oil. Today's workers are seeking shorter commute times, pedestrian friendly neighborhoods, and a concentration of likeminded individuals who appreciate an exchange of ideas while networking in synergistic value added social settings. The implications of this changing 21st century phenomena is a propensity to seek out locations where the energy, conveniences and amenities of urban living are accessible but in more tranquil and recreationally diverse environments. (cont'd on page 4)

INSIDE THIS ISSUE

Property Data Metrics	2
Picks for Best Buys.....	3
Lead Story Continued.....	4

[CLICK TO EMAIL](#)

RECENT SALES ACTIVITY

VAIL VILLAGE					\$ sq ft
Mountain Haus	#223	2 + 2	\$1,020,000		\$935
Manor Vail	#115	2 + 3	\$1,547,000		\$1023
Vail Trails	#4	2 + 2	\$1,250,000		\$1324
Talisman	#202	2 + 3	\$2,000,000		\$1597

LIONSHEAD/CASCADE VILLAGE					
Treetops	2D	2 + 2	\$1,550,000		1447
Westwind	404	4 + 3	\$1,700,000		927
Lions Square	211	2 + 2	\$2,110,000		1487
Coldstream	38	3 + 3	\$1,325,000		851

BEAVER CREEK					
Highlands Lodge	208	3 + 3	\$1,180,000		902
Oxford Court	105	3 + 3	\$1,470,000		907
Ridgeport	200	4 + 3	\$938,000		434
Charter	1440	2 + 2	\$305,000		790

EAST VAIL TO WEST					
Courtside	42	4 + 3	\$340,000		482
Highland Meadows	2337	5 + 6	\$1,995,000		460
Potato Patch	30	3 + 4	\$1,400,000		514
Vail Golfcourse TH	567	4 + 4	\$1,485,000		540

BRECKENRIDGE					
Cedars	31	3 + 3	\$890,000		465
Crystal Peak	7300	2 + 2	\$809,000		465
Mountain Thunder	5	3 + 2	\$872,900		651
One Breck	25	3 + 2	\$885,000		490

LEADING DATA INDICATORS

Search Criteria: \$750K - \$2.5 Million, 2 Bedroom Minimum

AREA	Years Inventory	Actives vs Solds	12 Month Selling Probability	Active Listing Premium
Vail - Lionshead	1.16	36/31	86%	14%
Cascade	0.83	5/6	120%	34%
Beaver Creek	1.49	64/43	67%	11%
East - West	1.13	35/31	89%	14%
Breckenridge	0.46	54/117	217%	31%



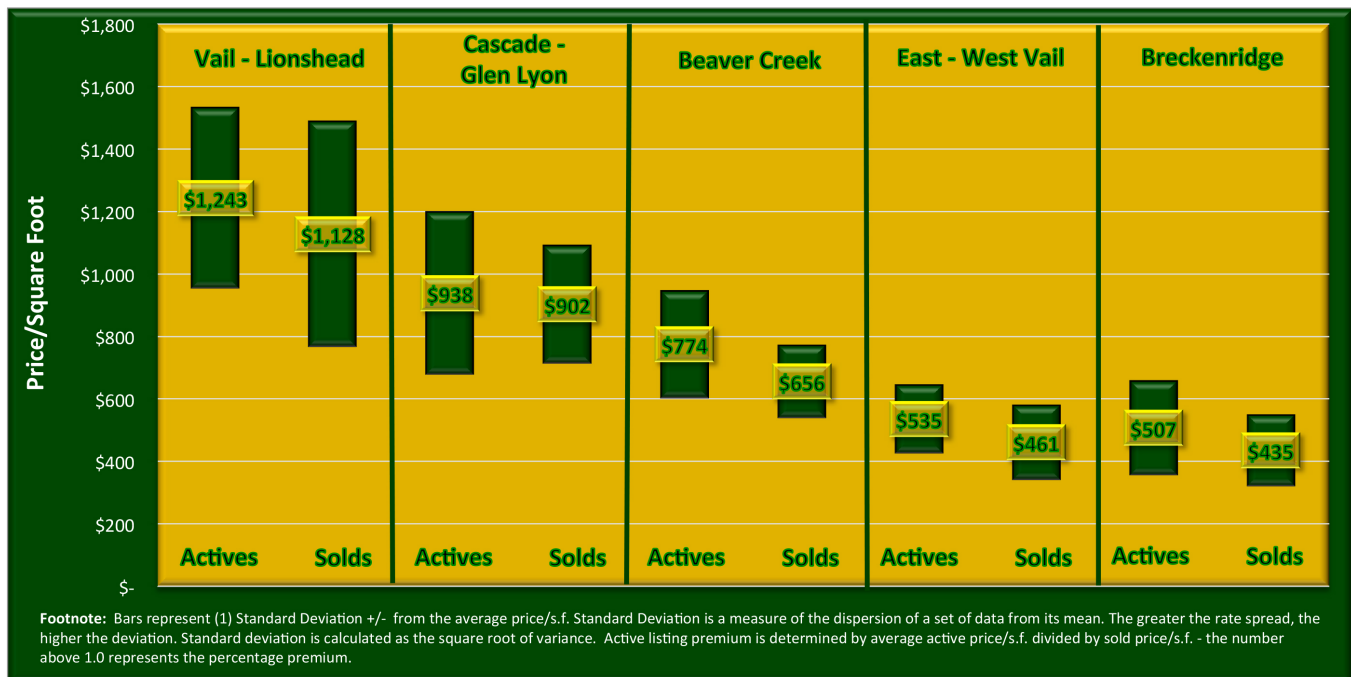
VAIL PROPERTY BROKERAGE

Market Data

Leading Data Indicators as presented on page 1, calculate supply vs. demand metrics for the Vail and Breckenridge ski proximate areas. These submarkets appear to be significantly undersupplied based upon the definition of a balanced market as being “for any given inventory pool there is a superior half vs. an inferior half when compared to the overall whole”. This premise assumes that only 50% of all for-sale properties are worth buying, because no one wants to make a less than optimal purchase decision. Statistically there should be twice as many Active listings on the market when compared to trailing 12 month Solds which translates into a 2.0 ratio, where supply is divided by recent quantifiable demand. ☒ Twice a year VPB calculates a number of key ratios and metrics which took years to identify, develop, refine and corroborate. At the beginning of ski season Vail- Lionshead, Beaver Creek and East to West Vail were in the 1.16-1.49 ratio range, meaning 12 month trailing sold buyer demand was capable of absorbing 67% to 89% of all available inventory which is well above the 50% balanced market definition. Seller asking prices were up 11% to 14%, which for an analyst poses the question of whether buyers will pay more money for limited supply or are sellers going to fold and accept less for their listed properties? ☒ Land Title reports an average negotiating discount of 5% for Eagle and Summit Counties, so if sellers are asking 10%-15% premiums then mathematically, current market prices are positioned for 5%-10% increases, and this is where the supply vs. demand ratios come into play. With limited available inventory and the likelihood of demand increasing due to an improving economy, record stock market gains and unsustainably low interest rates, it is logical to conclude that these ski proximate neighborhoods are poised for price appreciation over the next couple of years notwithstanding unforeseen events. In addition, a separate but no less significant driver is the time between primary residential, which improved nationally by 11.8% per the Case Shiller Index, and resort property which lags major market real estate by an estimated 9-18 months. Based upon linked performance a big run up should be right around the corner but past performance is no guarantee of future results. ☒ Most experts acknowledge that magnitude and timing are almost impossible to predict but a good guess is better than no guess at all, and all modesty aside VPB has proven to be a pretty good guesser. Data analyses, historical rates of appreciation and more than 38 years of industry experience leads us to believe that world class resort property will likely increase 10%-20% by year end 2016 but of course this prediction is as much art as it is science. ☒ If the time has come for a blend of lifestyle, financial performance and portfolio diversification now is the time to take a closer look at what has been an out of favor asset class while demand remains relatively subdued and the expansion of luxury good spending appears to be on the immediate horizon.

SKI PROXIMATE RESIDENTIAL NEIGHBORHOOD ANALYSIS

Active listings vs. 12-Month Solds



	Vail - Lionshead	Cascade - Glen Lyon	Beaver Creek	East-West Vail	Breckenridge
Active Listing Premium	10%	4%	18%	16%	17%
Years Inventory	1.33	1.50	1.26	0.82	1.08
# Actives vs. Solds	40/30	6/4	54/43	40/49	92/85
12 Month Selling Probability	75%	67%	80%	123%	92%



VAIL PROPERTY BROKERAGE

Recommended Best Buys



VAIL VILLAGE - APOLLO PARK

Listing Price: \$899,000 Price per Square Foot: \$928
2 Bedrooms + 2 baths

Top floor corner vaulted ceiling penthouse located above Gore Creek with fantastic views of the ski slopes and an easy 5 minute walk to Bridge Street. Mountain style interior décor, fully furnished, with pine wood ceilings in the great room and bedrooms, granite counter tops, a steam shower in the master bathroom and a guest room that can sleep five.



BEAVER CREEK - BEAVER CREEK MEADOWS E-5

Listing Price: \$1,385,000 Price per Square Foot: \$748
3 Bedrooms + 4 Baths

Ski-in and ski-out to the base of Beaver Creek and Centennial chondola lift. Nicely remodeled, move-in condition, fully furnished, nicely appointed townhome. Mountain views, vaulted ceilings, oversized fireplace and surface parking. Managed by East West Resorts with access to Highlands pool and common areas.



HIGHLAND MEADOWS - 2217 VERMONT CT WEST

Listing Price: \$1,675,000 Price per Square Foot: \$512
4 Bedrooms + Den + 4.5 Baths

Beautifully updated residence. Single-family feel duplex on quiet cul-de-sac street. Spacious and open with media room alcove. Unobstructed views to the north, minimal I-70 impacts, sunny "ready for entertaining" patio. Minutes to Vail yet secluded & private neighborhood. 15 minute walk to TOV bus stop. Rental income potential \$70k+

PROJECTED COST OF OWNERSHIP

PROPERTY	APOLLO	BC MEADOWS	HIGHLAND MEADOWS
Unit Number	301B	E5	West
Beds/Baths	2 BD/2 BA	3 BD/4 BA	4 BD/5 BA
List Price less 5%	899,000	1,385,000	1,675,000
Approx. Sq. Ft.	969	1,852	3,272
\$/Sq. Ft.	881	710	486
Dwnpmt (30%)	256,215	394,725	477,375
Financing	597,835	921,035	1,113,875
Interest Rate - 30 Yr	4.25%	4.25%	4.25%
Mortgage Payment	(35,292)	(54,371)	(65,755)
Assoc. Dues	(10,580)	(14,467)	(3,000)
Taxes	(2381)	(5,062)	(3,101)
Utilities/Misc.	(2,400)	(3,600)	(4,800)
Total Annual Cost	(50,6830)	(77,500)	(76,686)
Proj. Net Rental Income	37,500	41,250	52,500
Net Annual Income Exp	(13,153)	(36,250)	(24,186)
Monthly Income Exp	(1,096)	(3,021)	(2,016)
Net Income to Price	4.17%	2.98%	3.13%

Greg Strahan | Connie Kincaid-Strahan



VAIL PROPERTY BROKERAGE

Winter 2015

(cont'd from page 1)

The following is a list of what people have shared with us over the years as being important when it comes to relinquishing two of their most precious resources; time and money.

1. Recreation and family is without a doubt the powerhouse combination that drives the enthusiast to seek out best places in which to enjoy passions of choice; cost being a secondary consideration. Whether that's wind surfing in Hawaii, skiing the best mountain in America, scuba diving coral reefs, fishing the Sea of Cortez, or the lavish entertainment of Las Vegas; it's finding that very special place which delivers it all and by definition is unique, extremely limited, and thus an ideal candidate for future appreciation.

2. Travel agents claim that the #1 activity for vacationing Americans is shopping. While this might seem strange, think about it; it's just another form of recreation that's simple to do, doesn't require any pre-planning or special equipment, and allows any and all members of the group to tag along without a lot of stress or strain.

3. Service providers who take the hassle out of time off ranks high on the list of wants. Try getting a car repaired in Mexico or a computer problem fixed in the backcountry when you're out of town; because based upon personal experience I can tell you it's not that easy. Service means people who can maintain your vacation home/retirement property including plumbers, carpenters, electricians, landscapers, housekeepers and property managers. In addition, don't forget about having a Wal-Mart, Home Depot, Ace Hardware, or decent grocery store nearby, which are taken for until you actually need something and there's not a person or retailer in sight who can help find what you need or want.

4. Music, theater and the arts are other elements to consider that again surprises many people. After all who wouldn't enjoy seeing the New York Philharmonic play at an incredible amphitheater during the summer, or having La Bohème performed by the only traveling opera company in North America, attending the occasional charity event where one can mingle and meet other likeminded individuals while supporting a good cause? What about the art gallery scene, window shopping, having drinks at a trendy bar, or taking in a new release movie? It's the array of activities that makes the experience memorable giving visitors and property owners alike a sense of comfort, community and exclusivity propelling future demand and the likelihood of appreciating property values.

5. So once you have decided on "the place" how do you get there given the obstacles of travel? While Telluride, the Florida Keys, Aruba or Palm Springs might be heaven after you get there, is it

really worth it if you arrive exhausted and annoyed? Since the end of World War II baby boomers have reigned supreme with regard to the economy and politics. This dominant population bulge encompasses an approximate 18 year period with the bulk of this demographic being in their late 40's to mid 60's. Due to the Great Recession this generation will most likely work for at least another 10-20 years which means that time away will continue to be measured in days, causing a nagging sense of urgency even while away from the office. Air travel vacations involve one day to get there, one day to get home, with only 6 days on the ground or less since long weekends are becoming increasingly popular. Easy airport access is critical to a successful vacation home experience so check access and travel time before making any final decisions.



If you want to have fun and make money in resort real estate, look for unique and irreplaceable fixed supply markets with increasing demand characteristics and an affluent customer profile. In the US there are only three ski areas that fit this description; Aspen, Vail-Beaver Creek and the Canyons-Park City-Deer Valley resorts. Aspen has billionaires who are driving out the multi-millionaires, Utah is rife with developable land, leaving the Vail Valley as the best remaining option based upon the "fixed supply increasing demand" premise. Why is VPB so bullish on Eagle County? Because if you want to know how a ski town is going to do in the future; study the ski company. Vail Resorts is a publically traded Fortune 1000 company with tremendous financial resources, astute management, a proven success formula, with international reach. VPB intends to profile VR in a future newsletter but for now take it on faith that **you can have fun and make money in Vail Valley resort real estate if you know how to go about it** but we'll save that story for another time unless you are compelled to call us for more immediate information.

In conclusion, life is a journey which eventually comes to an end so think about having some fun along the way, and may this be the year when lifestyle dreams come true.

BECAUSE IT'S NOT JUST A HOME...IT'S AN INVESTMENT

Greg Strahan | Connie Kincaid-Strahan