



**VAIL PROPERTY**  
BROKERAGE

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## SUMMER 2020 SETS AN ALL TIME RECORD

Let's start with the biggest story of 2020. Four hundred thirty (430) families purchased 1.2 billion dollars of real estate last summer at an average selling price of \$2.7 million. This surge in demand was completely unexpected after COVID-19 shut down the country with Vail Resorts closing all 34 ski areas mid- March with less than 48 hour notice. Air travel came to an abrupt stop with TSA reporting less than 4% passenger traffic passing through airport security. Travel and Leisure is heavily dependent on destination guests which led us to believe that resort real estate was dead in the water, because what family is going to buy a seven digit occasional use home without seeing it in person? The pandemic immediately forced us to prepare for another economic disruption which came on the heels of the Great Financial Crisis ten years later. Based on experience we knew what could happen making us think here we go again but with the hope of a much quicker recovery.

Those very dark days began to see twinkles of light in May when another completely unexpected trend began to emerge. The phone started ringing with buyers calling about Vail Valley real estate but for two very different reasons. Fear of the virus in larger cities made social distancing intimidating and in combination with business America embracing remote working, our modern world is now forever changed. Buyers who had traditionally been interested in spending 2-4 weeks a year in our jewel of the Rockies began thinking about spending months which was unusual. This early adopter movement convinced many families that they could spend more time away from congested places in favor of better quality of life locations which unleashed a frenzy of activity that culminated in an all-time sales record for ski proximate homes in the Upper Valley and Beaver Creek adjacent neighborhoods. This newly discovered flexibility as to how people work and where they can live will be a game changer that has only just begun. Demand for best of the best places near beaches, deserts, golf, islands or mountains is going to explode as families with more money than time seek lifestyle enhancement and portfolio diversification while remaining connected to the office.

Our predictions are speculative, but based upon data analyses and leading indicators the summer of

*(continued on page 4)*

### VAIL & BEAVER CREEK AT A GLANCE

Market Change from 2019 - 2020

	VAIL & LIONSHEAD	BEAVER CREEK & BACHELOR GULCH	EAST - WEST VAIL
LIST PRICE	10%↑	10%↑	20%↑
SALE PRICE	14%↑	21%↑	1%↑
# OF LISTINGS	25%↓	35%↓	52%↓
# OF SALES	40%↑	243%↑	60%↑
ACTIVE LISTINGS VS SOLD	40 vs 50	24 vs 68	16 vs 97
DEMAND VS SUPPLY	125%	282%	600%

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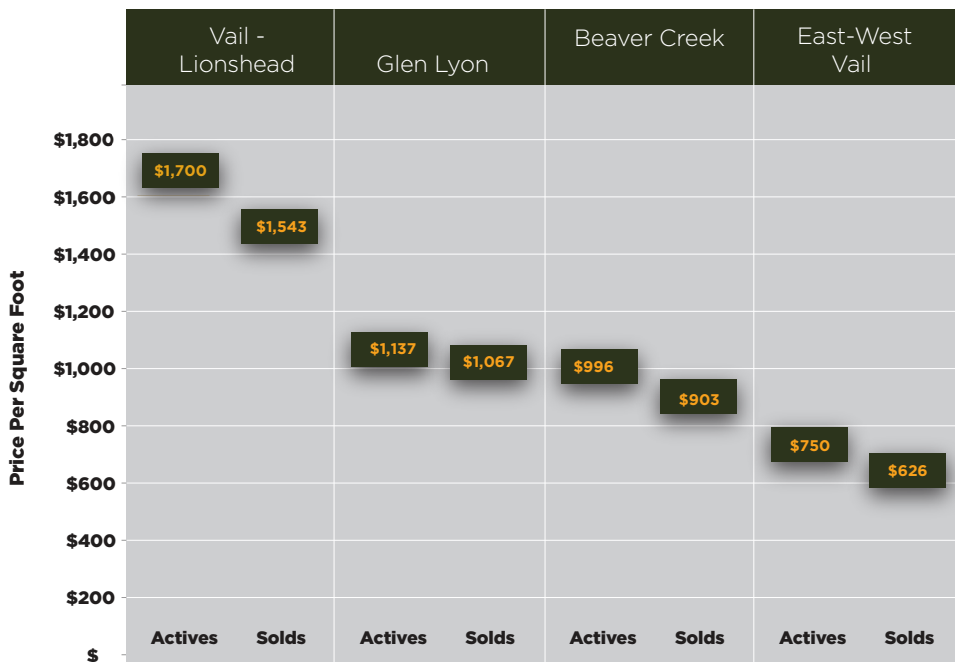
# Supply vs Demand

Active listings compared to 12-month prior sales is proving to be very difficult to interpret after 430 families purchased 1.2 billion dollars of ski proximate real estate setting an all-time Eagle County record. When markets suddenly change, past performance does not necessarily guarantee future results forcing us to make educated guesses as to what might be on the horizon.

The most under-supplied ski proximate neighborhood is East to West Vail based upon 97 prior 12 month sales compared to only 16 active listings priced \$1m-\$3m three bedrooms or larger. A 600% ratio means every property currently on the market could be sold six times over. Beaver Creek & Bachelor Gulch have 23 available properties vs. 68 sales an astonishingly 283% almost 3X metric. Cascade Village is so small that most everything that comes on the market sells with no way to quantify how strong demand might have been if more properties had been available. Trailing the list is Vail Village and Lionshead with 40 two bedroom or larger condos on the market compared to 50 sales which like Cascade is always under supplied and does not necessarily mean demand is anything less than robust.

Interest has shifted from ski village accessibility to size and privacy which we expect will continue to gain momentum based upon remote working and the desire for multi-generational Family Legacy Home properties. If ski-in ski-out is a must Beaver Creek & Bachelor Gulch are the favored neighborhoods with pricing at about half of what Vail & Lionshead cost on per square foot basis. Newer construction and larger floor plans are attractive as is move-in condition which is rarely found.

## SQUARE FOOT PRICE COMPARISONS



Footnote: Bars represent (1) Standard Deviation +/- from the average price/s.f. Standard Deviation is a measure of the dispersion of a set of data from its mean. The greater the rate spread, the higher the deviation. Standard deviation is calculated as the square root of variance. Active listing premium is determined by average active price/s.f. divided by sold price/s.f. - the number above 1.0 represents the percentage premium.

	Vail - Lionshead	Cascade - Glen Lyon	Beaver Creek & Bachelor Gulch	East-West Vail
Active Listing Premium	10%	7%	10%	20%
Years to Sell Inventory	0.80	1.00	0.35	.16
# Actives vs Solds	40/50	7/7	24/68	16/97
12 Month Selling Probability	125%	100%	283%	606%

The future is unknown but over the past 27 years' most of what we have predicted has happened. Owners are not selling for the same reasons buyers are buying. Along with tax considerations and the lack of reinvestment alternatives, letting ownership equity ride is a familiar pattern making inventory the #1 obstacle for buyers in all of the ski proximate micro markets we track. Being a Vail Valley buyer has always been challenging with sellers enjoying an enviable limited supply advantage. While frustrating, the number of obstacles to finding a Top 10% of the inventory home are the very reasons why ski proximate real estate continues to appreciate.

There are deals out there but not in the format that most people expect. World class resort investing is all about appreciation which has averaged about 5% over the past 30 years and is the real prize, not upfront discounting. Population demographics, household affluence, portfolio diversification and lifestyle enhancement are not going away and will continue to drive limited supply world class resorts. Now is the time to put Vail Valley real estate on the radar screen before the next wave of buyer demand arrives which will only make the playing field that much more competitive with higher prices as the summer selling season approaches.



## BEAVER CREEK

The Kiva: 311 Offerson Road

List Price: \$2,075,000  
4 Bedrooms + 4 Baths  
List \$/Sq Ft: \$865  
2,398 SF

*Rare 4 bedroom 4 Bath penthouse with multiple lock-off configuration options. Ski-in ski-out location with easy access to Centennial chairlift and Pedestrian Village. Beautiful views towards Strawberry Park and the Western Ridge skyline. No road impacts, spacious wraparound deck for outdoor entertaining and a mostly remodeled interior. Vaulted great room ceiling, move-in condition, with huge rental income potential.*



## CASCADE VILLAGE GLEN

1455 Greenhill Court E, East Half

List Price \$3,835,000  
4 Bedrooms + 5 Baths  
List \$/Sq Ft: \$1,298  
2,953 SF

*A rare opportunity to own both sides of a remodeled duplex as a family compound for \$7,750,000 or just the East half with a location that is only two blocks to the chairlift and Grand Hyatt Hotel amenities. Each 4 bedroom 4.5 bath residence is nearly 3000 sf in size. Gourmet kitchen, bedrooms with in-suite baths, bunk room and a fabulous backyard that is adjacent to acres of open space with views of Beaver Creek ski area in the distance.*



## WEST VAIL NORTH

2468 Garmisch Drive

List Price: \$2,800,000  
5 Bedrooms + 5 Baths  
List \$/Sq Ft: \$608  
4,600 SF

*5 bedroom 5 bath home, a portion of which is a 2 bed 1 bath lock-off which allows for increased privacy or as a Vail employee apartment rental (\$2500/month). Located on the sunny side of west Vail on a low traffic cul-de-sac street the home has amazing interior light, vaulted ceilings, new finishes and a contemporary décor. Large homes are hard to find as are quiet locations. Great short term rental income potential.*

## PROJECTED COST OF OWNERSHIP

Area and Street or Complex	Beaver Creek Offerson Road	Cascade Village Glen - Greenhill	West Vail North Garmisch
Unit Number	326	East half	2468
Bedrooms + Bath	4 + 4	4 + 5	5 + 5
List Price	\$2,075,000	\$3,835,000	\$2,800,000
Buy Price @ 95% + improvements @ 70%= \$ per SqFt	\$2,076,250	\$3,573,250	\$2,712,500
Downpayment %	30%	30%	30%
Downpayment & Improvements	\$741,375	\$1,171,975	\$738,750
Number of Years to Sale	10	10	10
Projected Appreciated Value at 3%	\$2,790,306	\$4,802,149	\$3,645,373
Total Annual Cost (No Rental Income)	(\$97,211)	(\$147,918)	(\$147,918)
Projected Cost of Ownership/Yr (w/Rental Income)	\$2,789	(\$62,560)	(\$35,418)
Anticipated Improvements	(\$150,000)	(\$100,000)	(\$75,000)

## RETURN ON INVESTMENT

Compounded Rate of Appreciation	3%	3%	3%
Projected Selling Price	\$2,790,306	\$4,802,149	\$3,645,373
Selling Expenses @7%	\$(195,321)	\$(336,150)	\$(255,176)
Remaining Loan Balance	\$(1,094,598)	\$(1,969,046)	\$(1,618,475)
Anticipated Improvements	\$(150,000)	\$(100,000)	\$(75,000)
Total Cost Over Investment Timeline	\$(972,110)	\$(625,601)	\$(1,122,269)
Projected Net Rental Income	\$1,075,000	\$1,075,000	\$967,500
Net Resale Proceeds	\$1,453,277	\$2,846,352	\$1,541,953
Net Resale Proceeds / Year (Numerator)	\$145,328	\$284,635	\$154,195
Weighted Cost of Invested Capital (Denominator)	\$713,485	\$1,584,776	\$924,884
ROI Average Return Per Year	20%	18%	17%



SEND EMAIL



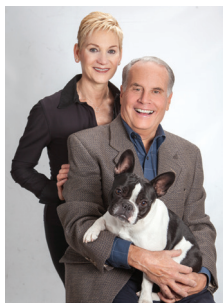
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2020 pushed Eagle County volume to over three billion dollars for the first time ever convincing us that this was not an outlier event but rather a paradigm shift which by definition is rare and seldom occurs in one's lifetime. Having been born in 1952 I have only seen three: 1) women working, 2) blue to white collar employment, and 3) technology which includes the internet with increased connectivity around the world. Paradigm shifts change the human experience with the pandemic's most lasting impact being lifestyle and locational mobility. The Vail Valley is already a winner in this race for higher quality living with our piece of paradise being the right place, at the right time, with the right environment that will let people live longer and better provided they have the financial wherewithal to be here.

As for 2021, increased pricing is almost a certainty as supported by data analytics, some of which can be found on page 2 of this newsletter or at [www.vailpropertybrokerage.com](http://www.vailpropertybrokerage.com) which has just been updated with additional Financial Performance projections. Next summer's story will be the lack of inventory because 430 families buying 1.2 billion dollars of ski proximate homes left us with almost nothing on the market and fewer sellers willing to part with their beloved family legacy homes. Having had more than a hundred phone conversations over the past six months most of these inquiries were curious and favored a wait and see attitude which at the time made complete sense. These "on the fence" families chose to postpone any decisions until such time as the risk profile lessened but are now thinking about moving forward on the idea of a second home which differs from a vacation home with length of stay being the difference. If in fact demand transitions from days to weeks or months, then size and privacy will become more important than proximity to the ski villages in smaller cramped spaces. While this cautious approach made complete sense at the time, we worry that it will have been a drastic mistake. Demand is going to soar over the next 3-5 years as remote working increases flexibility allowing affluent families the privilege of seeking out best of the best quality of life communities which will intensify competition where the only the wealthiest will prevail. Stock market performance which has been driven by low interest rates and TINA (there is no alternative) in conjunction with the US Treasury printing \$4 trillion of stimulus money with more on the way, makes capital market investing a gamble leaving world class resort real estate a smart portfolio hedge and lifestyle enhancement alternative. Vail's long term appreciation will continue based upon baby boomer demographics, US household formations, and a growing inequality wealth gap as the rich get richer, along with massive inter-generational transfers of wealth leaving us with a "have or have not" society.

All of this is a much longer story but regardless of timing and magnitude Vail Valley real estate seems to have almost no downside and is an idea worthy of serious consideration. Vaccines are being distributed, the new administration is committed to additional supports, and the FED is focused on liquidity and record low interest rates. While these elements will all contribute towards an improving economy, they could become genies that escape from their lamps driving inflation and the national debt to unmanageable levels.

As to the summer of 2021 we are expecting burst pricing of 10%-20% and are recommending buyers prioritize this issue before the next surge of demand arrives next summer. Casual interest is just not going to make a Top 10% property purchase happen with lack of inventory being the real challenge; so buckle up because it's going to be a bumpy ride.



Should any of this ignite your interest to learn more about our very expensive and hard to understand marketplace, give us a call or send questions that will be answered based upon 27 years of Vail Valley experience, proprietary analytics, and a fiduciary commitment to your best interests with no hidden agendas or undisclosed conflicts of interest.

Greg Strahan

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*Lifestyle Coordinators and Real Estate Guides to the Vail Valley.  
Forty Years Experience. One Billion Dollars Completed Transactions.  
Hundreds of Happy Families.*

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**Because it's not just a home...it's an investment**