



Second Home Market Outlook and State of the Mountain Resort Markets



Park City, Utah
March 31, 2017



DRIVERS/INDICATORS (EXAMPLES)	IMPACT ON PERFORMANCE/PRICING	IMPLICATIONS
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Property Market Fundamentals

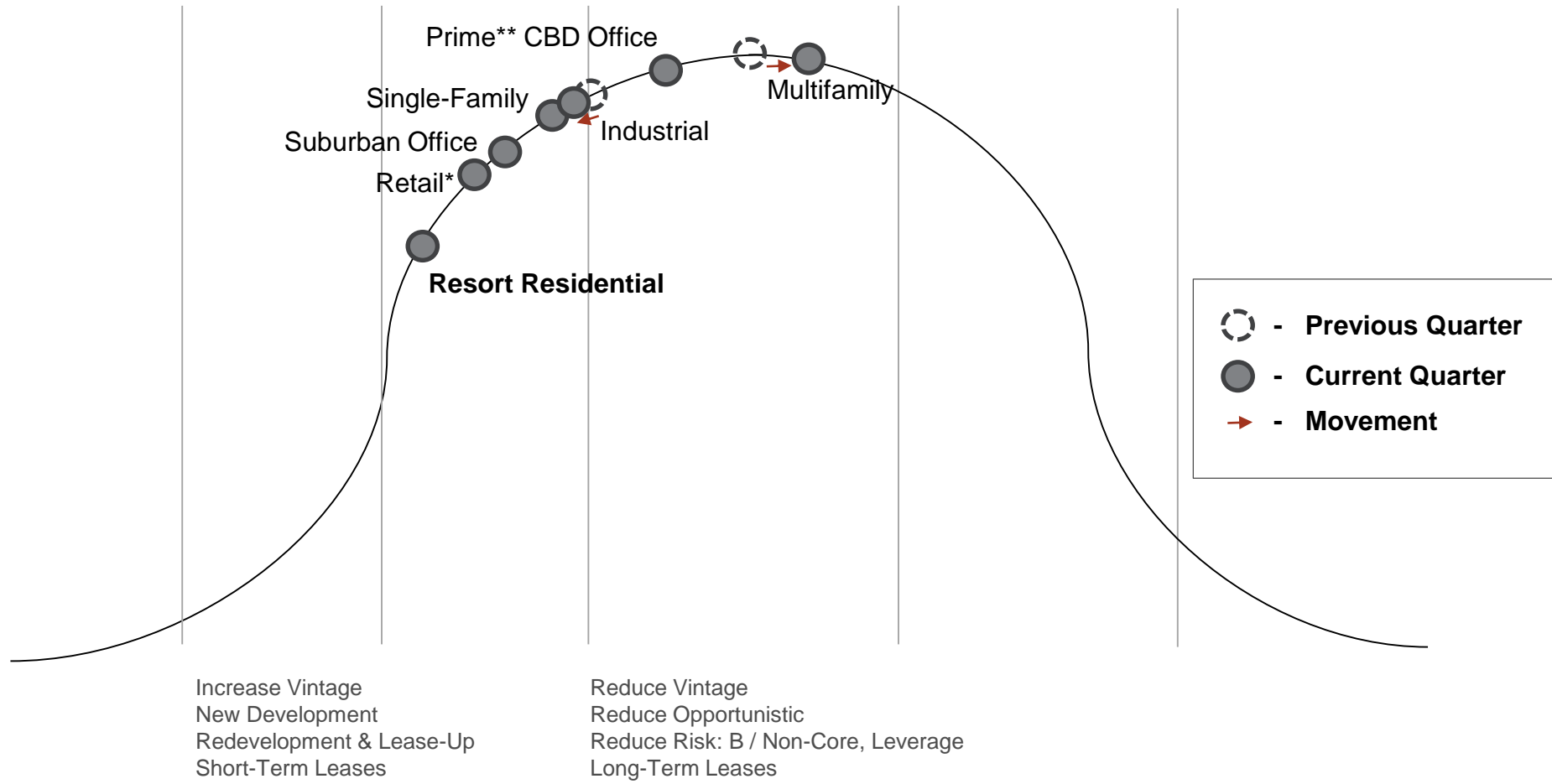
<u>Demand</u>	<ul style="list-style-type: none"> • Employment • Household formation • Consumer spending 	Positive (Job, population, spending growth enhance demand)	Fundamentals healthy and improving, but at moderating rates
<u>Supply</u>	<ul style="list-style-type: none"> • Occupancy • Construction 	Neutral (Construction leads to stabilizing occupancies)	

Capital Market Fundamentals

<u>Equity</u>	Demand (Buyers)	<ul style="list-style-type: none"> • Fundraising/“dry powder” • Qualified offers per transaction 	Slight Positive (Plenty of dry powder, but fundraising is slowing)	Currently, neutral overall pressure on asset pricing from capital markets, but 2017 will likely be a dynamic year
	Supply (Sellers)	<ul style="list-style-type: none"> • Transaction volume trends 		
<u>Debt</u>	Demand (Borrowers)	<ul style="list-style-type: none"> • Fundraising/“dry powder” 	Slight Negative (Currently a “lender’s market,” but deregulation could turn this around)	
	Supply (Lenders)	<ul style="list-style-type: none"> • Lending standards • Interest rates/spreads 		

MULTIFAMILY AND CBD OFFICE AT PEAK; ALL OTHER PROPERTY TYPES STILL RECOVERING (ESPECIALLY RESORT RESIDENTIAL)

Occupancy Low	Occupancy Rising	Occupancy Rising	Occupancy High	Occ. Above Average	Occupancy Low
Demand Improving	Demand Improving	Demand Improving	Occupancy Flattening	Occupancy Falling	Occ. Flat to Down
Rents/Prices Flat/Down	Rents/Prices Rising	Rents/Prices Rising	Rents/Prices Flattening	Rents/Prices Falling	Rents/Prices Flat to Down
No Construction	Limited Construction	Construction	Construction	Construction	No Construction



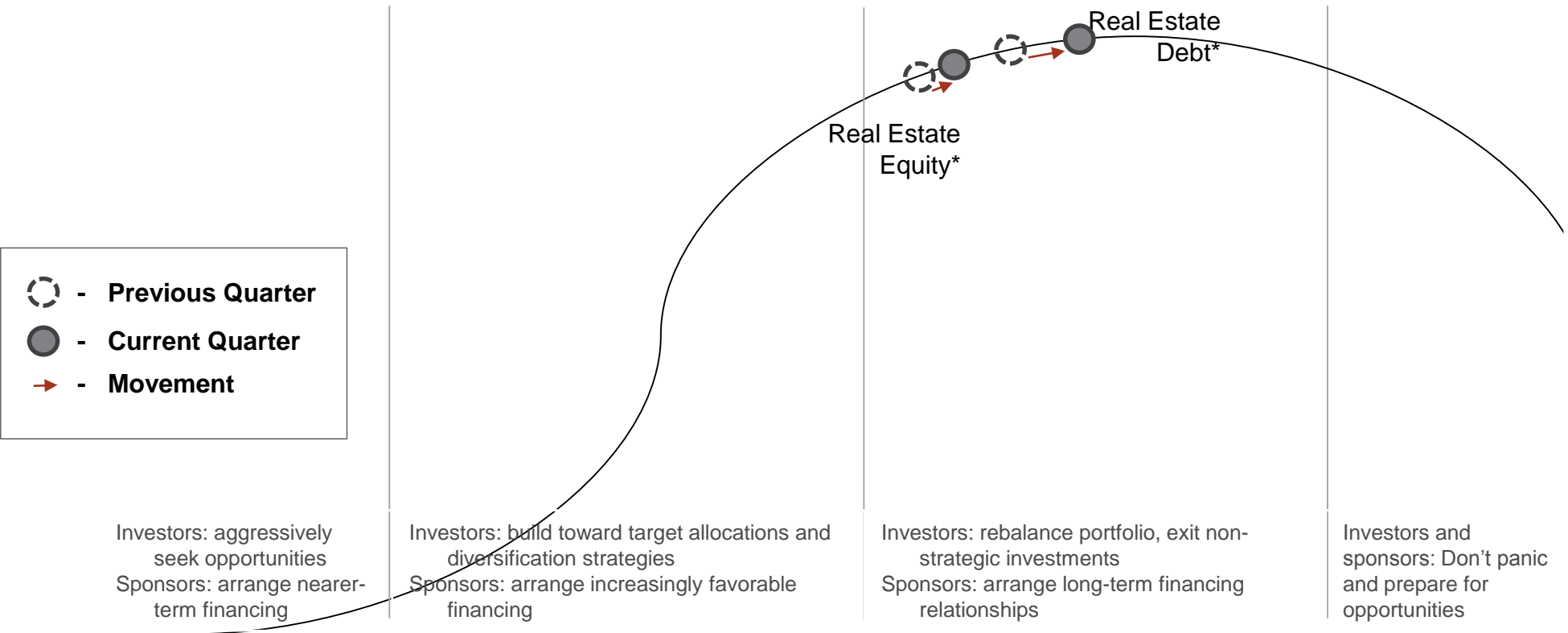
*neighborhood & community centers

**includes New York, Washington, D.C., San Francisco, Seattle, Los Angeles, and Boston

Source: RCLCO

CAPITAL MARKETS NEARING MATURITY FOR STABLE ASSETS; STILL RECOVERING FOR RISKY, NICHE PROPERTY TYPES

High Cost of Capital	Cost of Capital Declining	Low Cost of Capital (Below Avg. Spreads to Risk Free)	Cost of Capital Uncertain
Terms/Control Favor Investor/Lender	Terms/Control More Balanced Between Sponsor/Borrower and Investor/Lender	Terms/Control Favor Sponsor/Borrower	Investors/Lenders Seizing Control
Low (Emerging) Liquidity	Growing Liquidity: Greater Availability and Diversity of Capital Sources	High Liquidity	No Liquidity
Low Asset Pricing	Asset Prices Grow and to Exceed Previous Peak	High Asset Pricing (Above Avg. Spreads)	Uncertain Asset Pricing



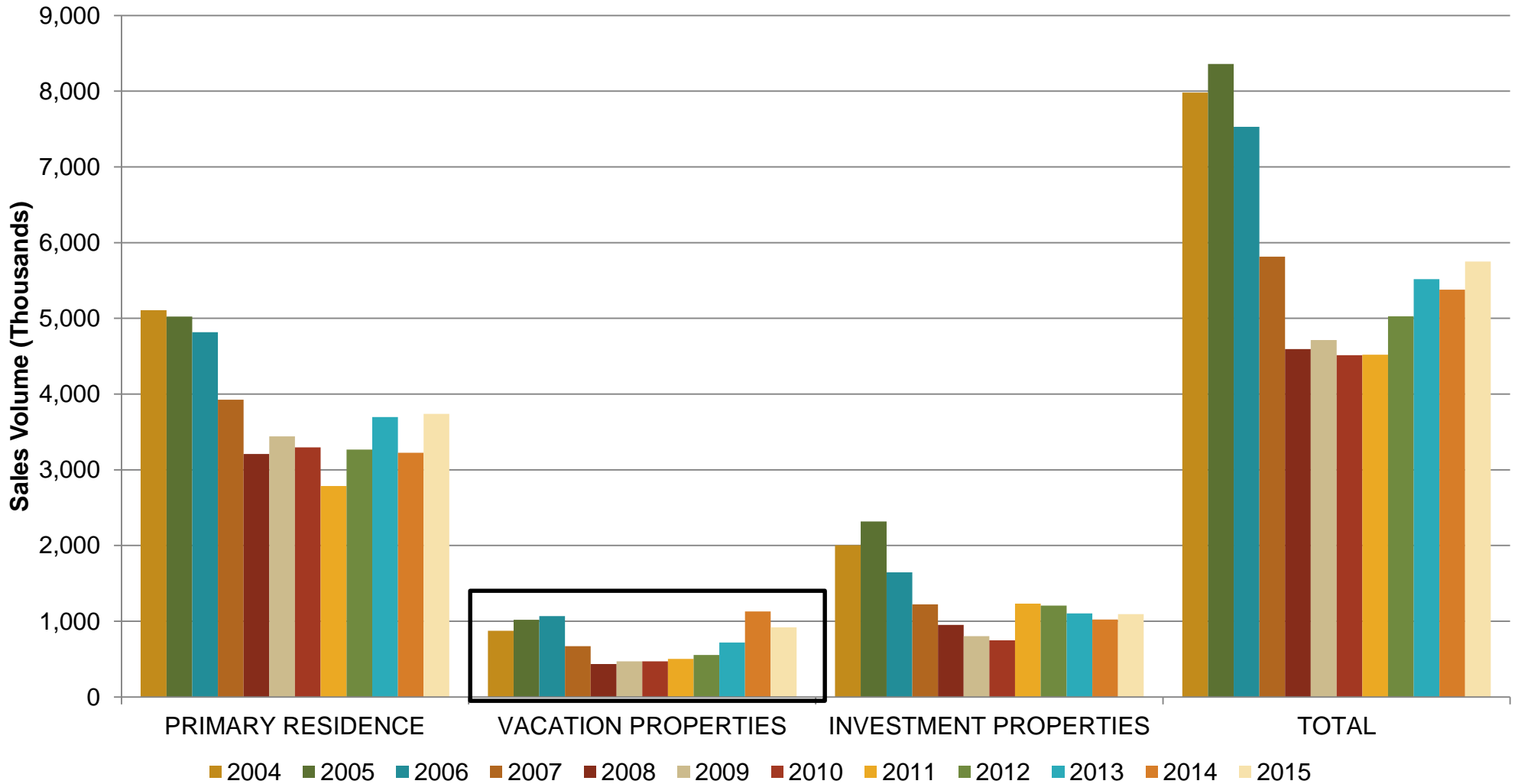
* Debt and equity are less "mature" for perceived higher risk investments, such as development or assets in secondary/tertiary locations. Declining cost of capital, increasing liquidity for these riskier assets is likewise a sign of capital market "peaking."



(UNDER APPRECIATED) FACTS ON THE GROUND: VACATION PROPERTIES “PARTICIPATING” IN HOUSING REBOUND

Residential Sales Volume (Existing and New) by Use Pattern: United States; 2004-2015

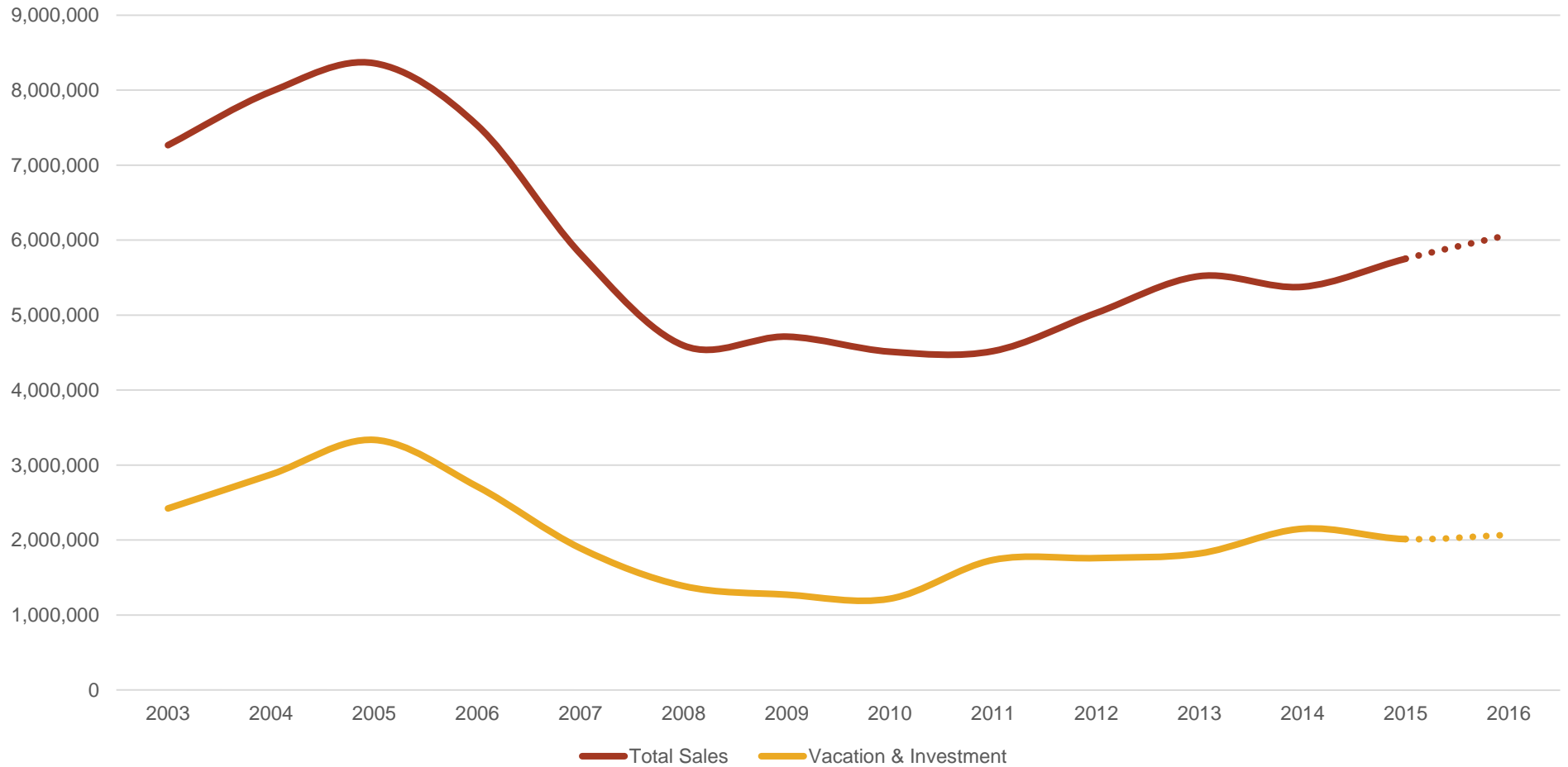
Source: NAR; RCLCO





BUT THE FUNDAMENTAL DILEMMA? IS THE RECOVERY RUNNING OUT OF GAS OR IS LACK OF SUPPLY THE LIMITER?

**Historical and Estimated Residential Sales Volume (Existing and New) by Use Pattern:
United States**
Source: NAR; RCLCO

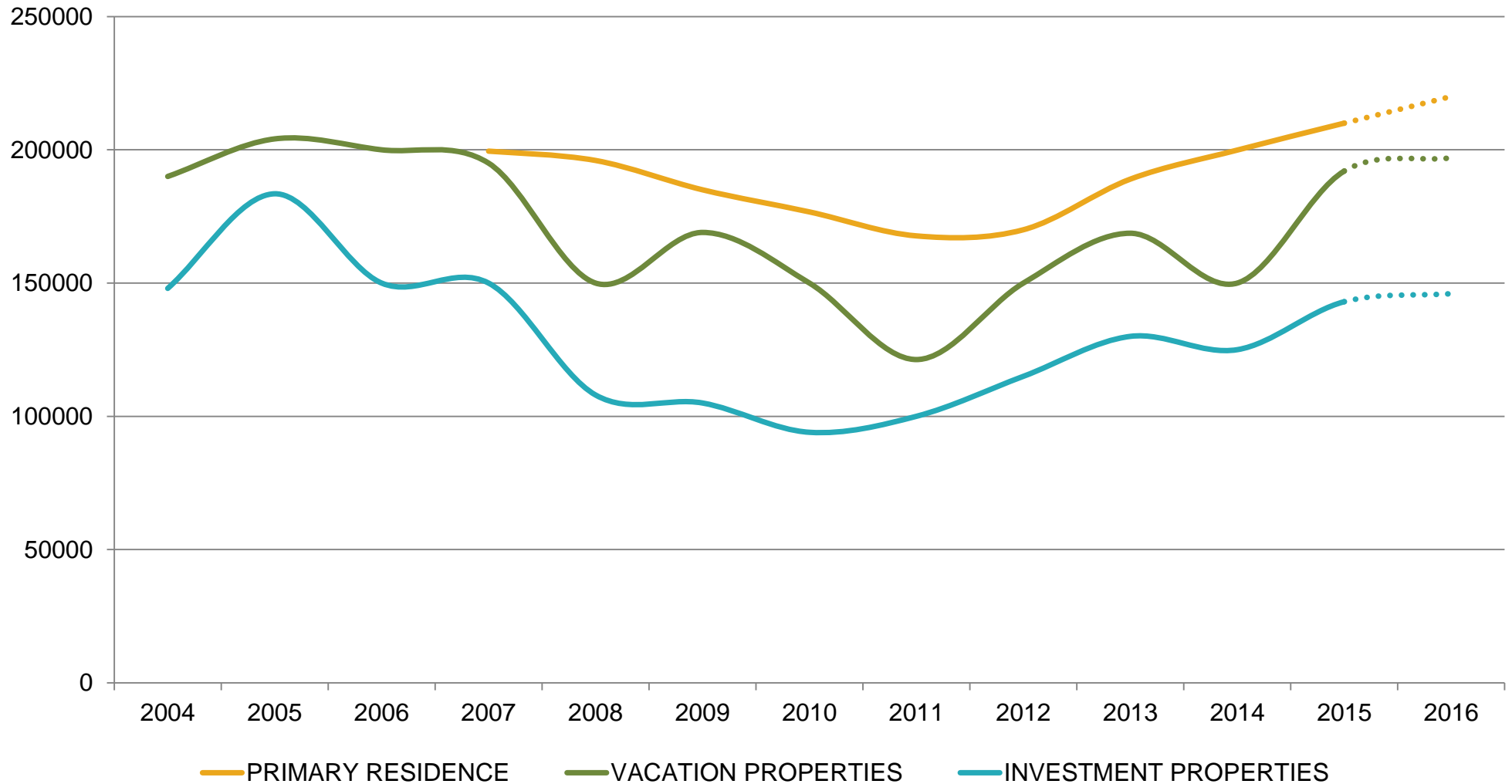




PRICES CATCHING UP TO PREVIOUS PEAK (ALBEIT ALMOST 10 YEARS LATER); LIMITED EVIDENCE OF PENT UP DEMAND

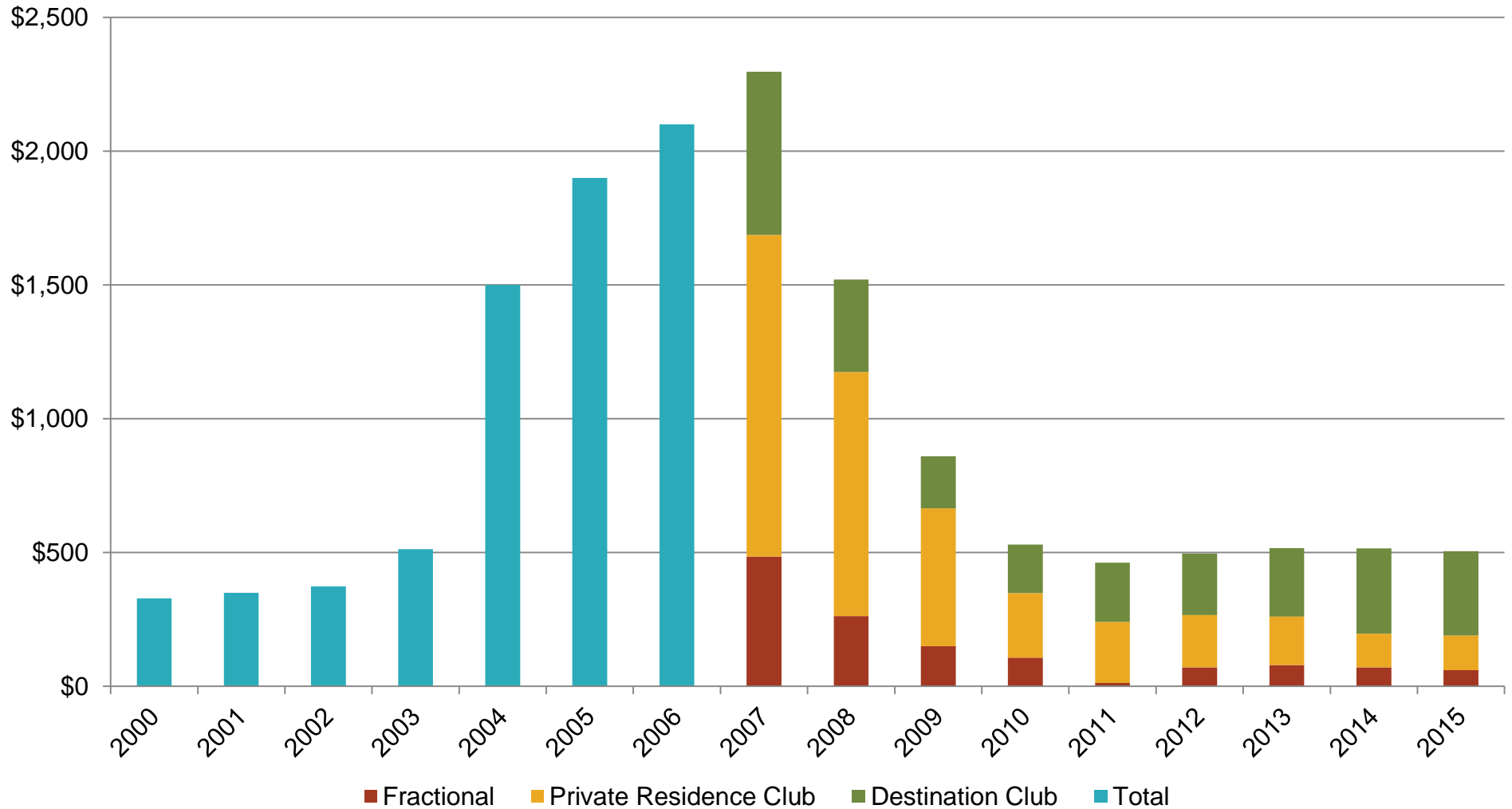
Median Sales Price by Use Pattern: United States

Source: NAR; RCLCO



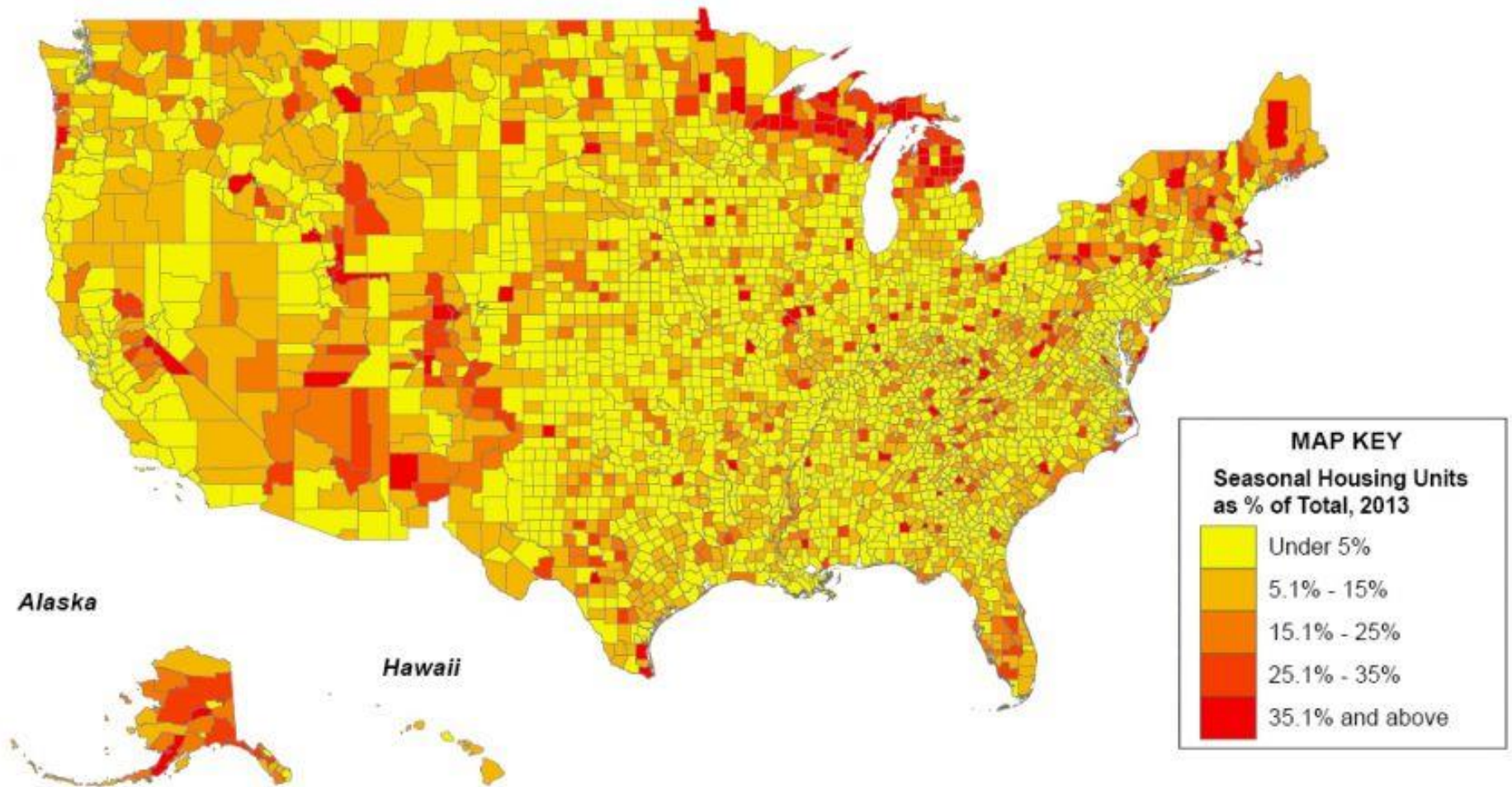
HIGH-END VACATION OWNERSHIP – THE STORY IN A NUTSHELL, STABLE BUT CONSTRAINED?

Vacation Ownership Sales by Product Type: United States; 2001- 2015
 Source: Survey of Consumer Finances 2010



SECONDS HOMES VERY BROADLY DISPERSED THROUGHOUT THE COUNTY

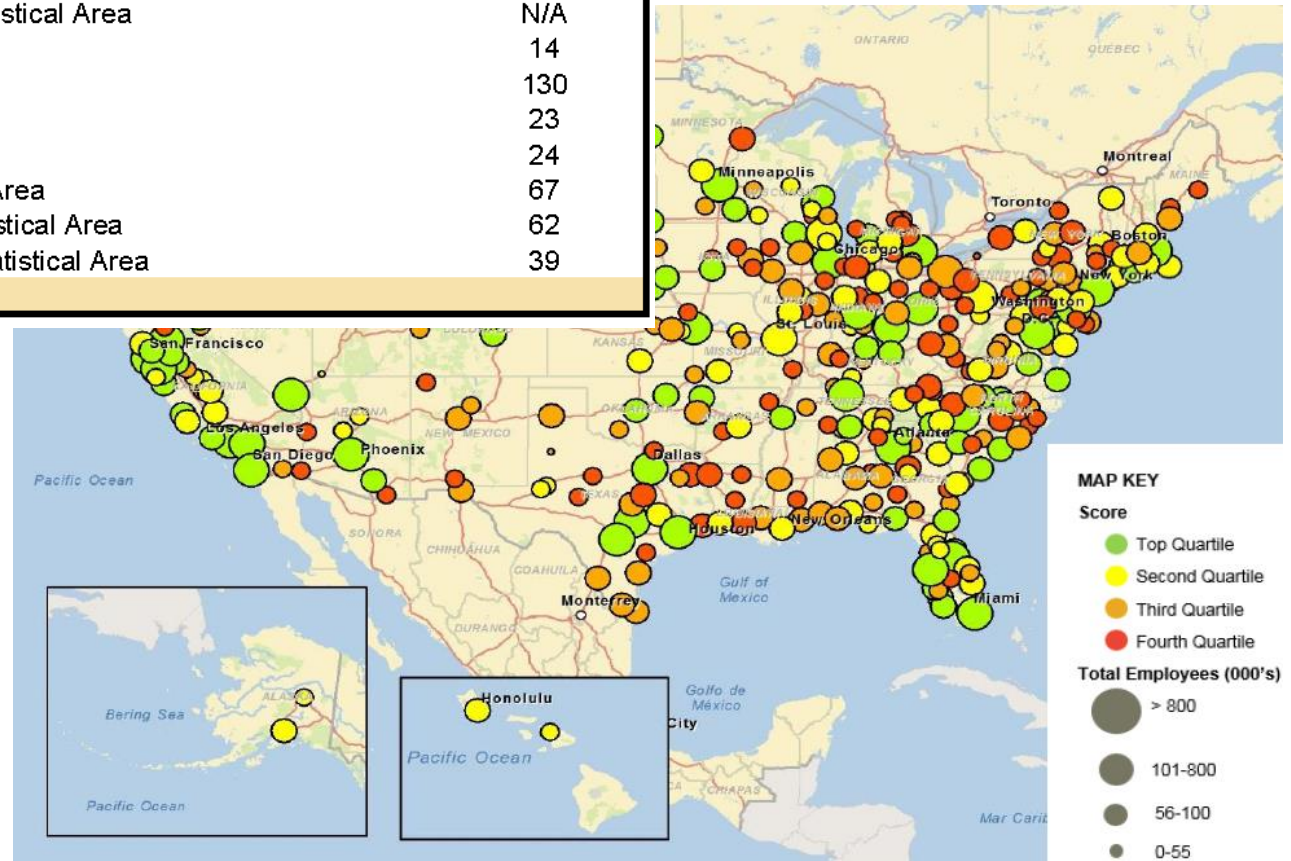
Figure 3: Counties' Seasonal Housing Units as a Percent of Total, 2013



Source: ACS; ESRI; RCLCO

RCLCO 2016 “MARKET HOTNESS” INDEX – RESORT MARKETS MOST DYNAMIC SMALL ECONOMIES IN THE U.S.

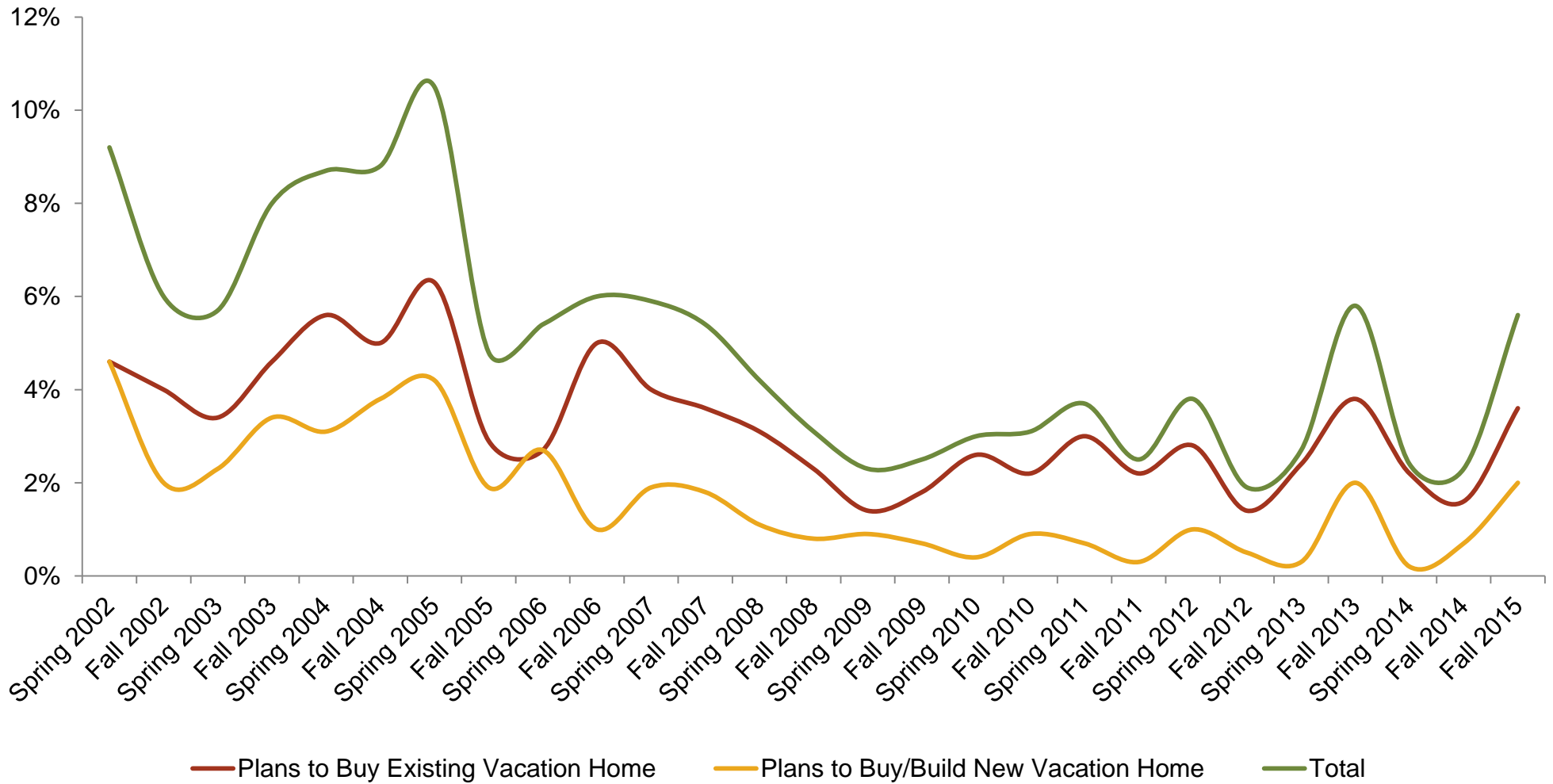
Small MSA's ³		
Rank	MSA	Prev Rank
1	Bend-Redmond, OR Metropolitan Statistical Area	4
2	Gainesville, GA Metropolitan Statistical Area	32
3	Hilton Head Island-Bluffton-Beaufort, SC Metropolitan Statistical Area	N/A
4	Napa, CA Metropolitan Statistical Area	114
5	Bismarck, ND Metropolitan Statistical Area	1
6	Winchester, VA-WV Metropolitan Statistical Area	26
7	Bremerton-Silverdale, WA Metropolitan Statistical Area	54
8	Kahului-Wailuku-Lahaina, HI Metropolitan Statistical Area	N/A
9	Prescott, AZ Metropolitan Statistical Area	14
10	Dalton, GA Metropolitan Statistical Area	130
11	Logan, UT-ID Metropolitan Statistical Area	23
12	Panama City, FL Metropolitan Statistical Area	24
13	Oshkosh-Neenah, WI Metropolitan Statistical Area	67
14	Santa Cruz-Watsonville, CA Metropolitan Statistical Area	62
15	Mount Vernon-Anacortes, WA Metropolitan Statistical Area	39





REPORTED INTENT TO PURCHASE TRYING AGAIN TO REBOUND, BUT NO SIGNS OF BEING FROTHY

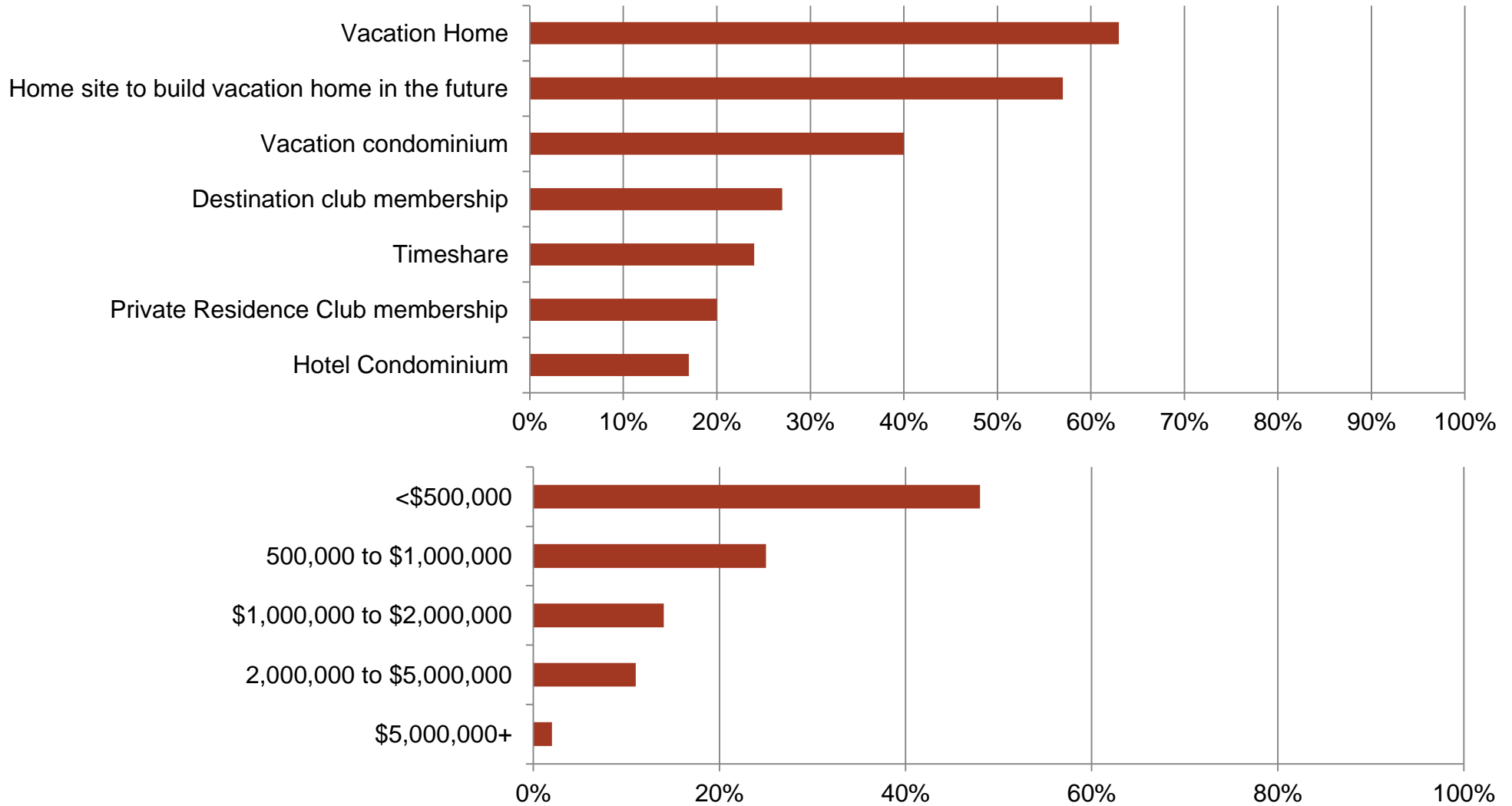
Expressed Intent to Purchase a Second Home in the Next 12 Months
Top 10% of U.S. Households by Wealth
Source: American Affluence Research Center/RCLCO Annual Survey



PRODUCT INTEREST VARIED BY LIFESTYLE AND SPENDING POWER; WITH 15%-25% PRICE TO WEALTH PATTERN HOLDING

Vacation Home Type and Price Point Preference Among U.S. Households with \$1M+ Net Worth; 2015

Source: Resonance Report



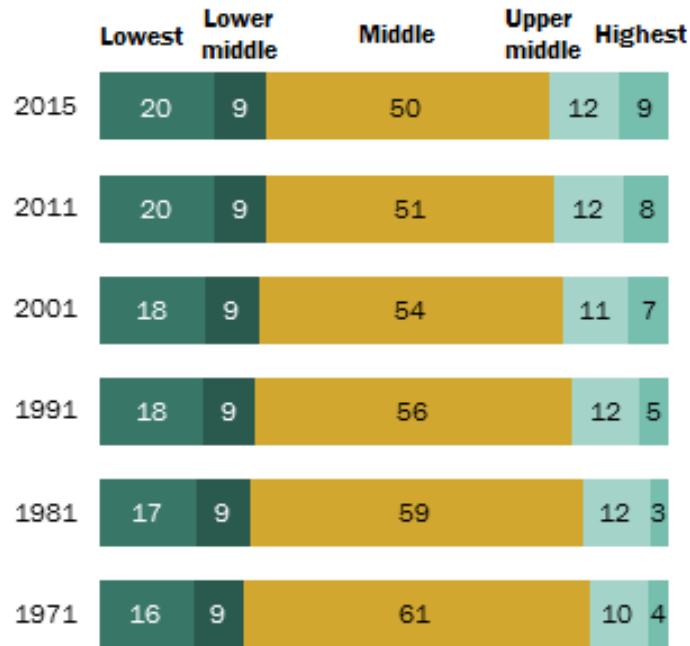
FULL WEALTH RECOVERY ACHIEVED IN 2014, EVEN MORE CONCENTRATED AMONGST TRULY AFFLUENT

Growing Wealth Concentration in the United States

Source: Pew Research Center; Deloitte

Share of adults living in middle-income households is falling

% of adults in each income tier

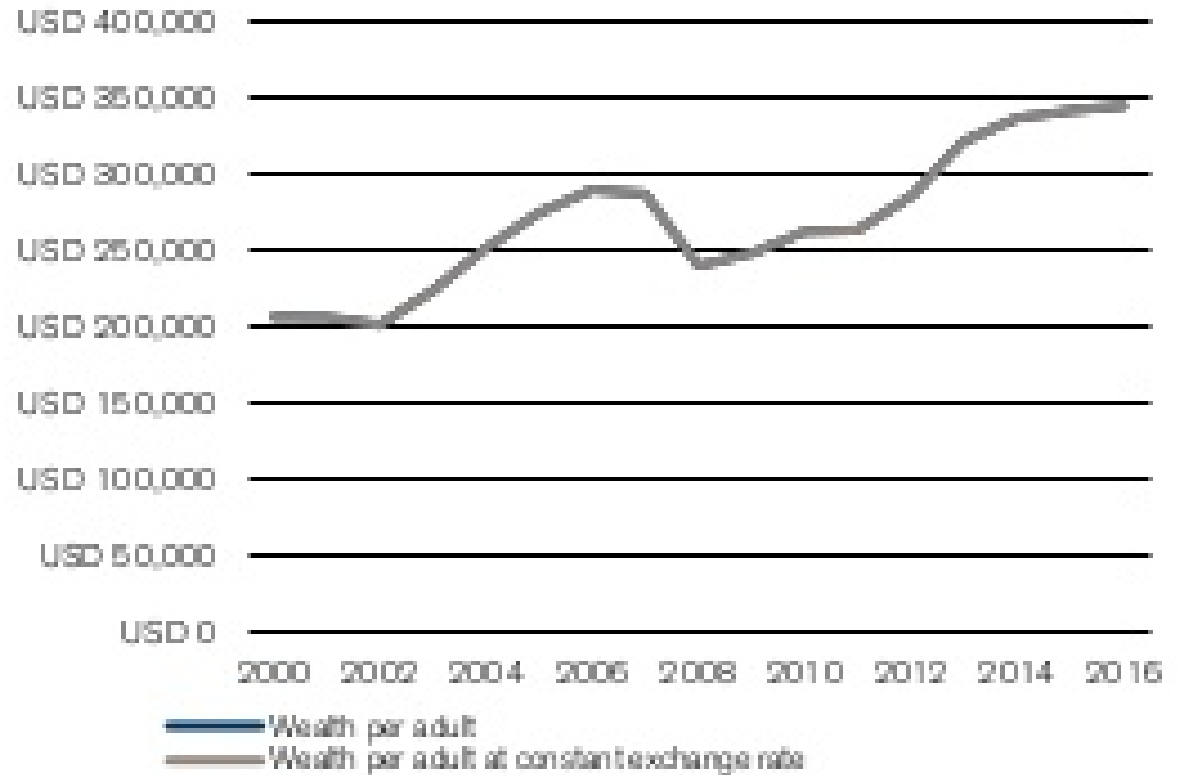


Note: Adults are assigned to income tiers based on their size-adjusted household income in the calendar year prior to the survey year. Figures may not add to 100% due to rounding.

Source: Pew Research Center analysis of the Current Population Survey, Annual Social and Economic Supplements

PEW RESEARCH CENTER

Wealth per adult over time

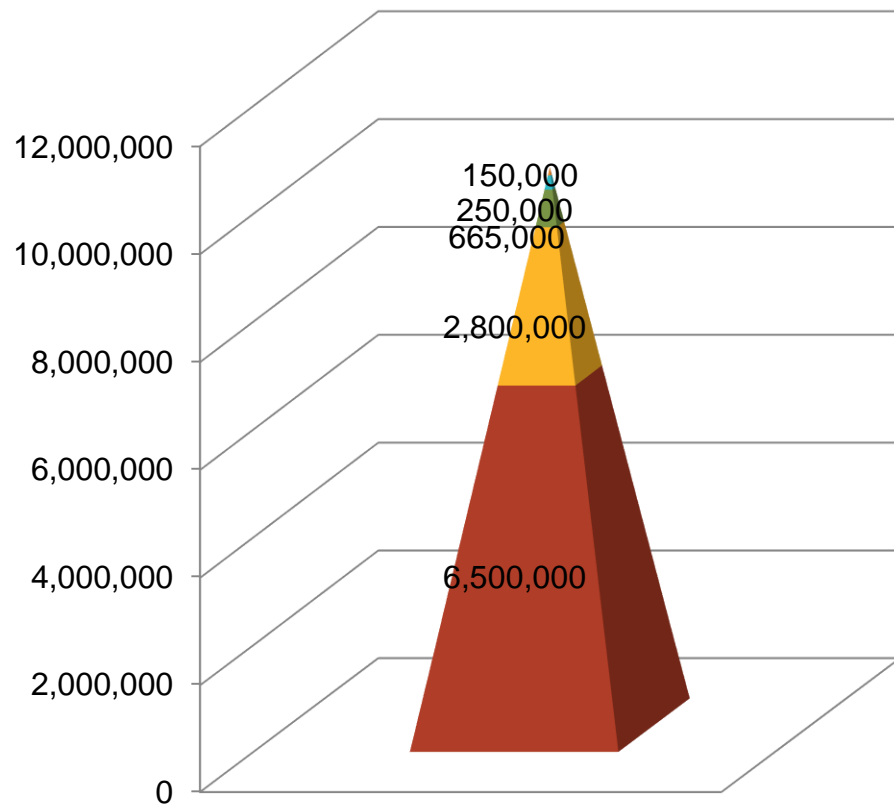


U.S. WEALTH PYRAMID

Estimated Distribution of High Net Worth Households by Wealth Level: United States; 2013

Source: Forbes; RCLCO

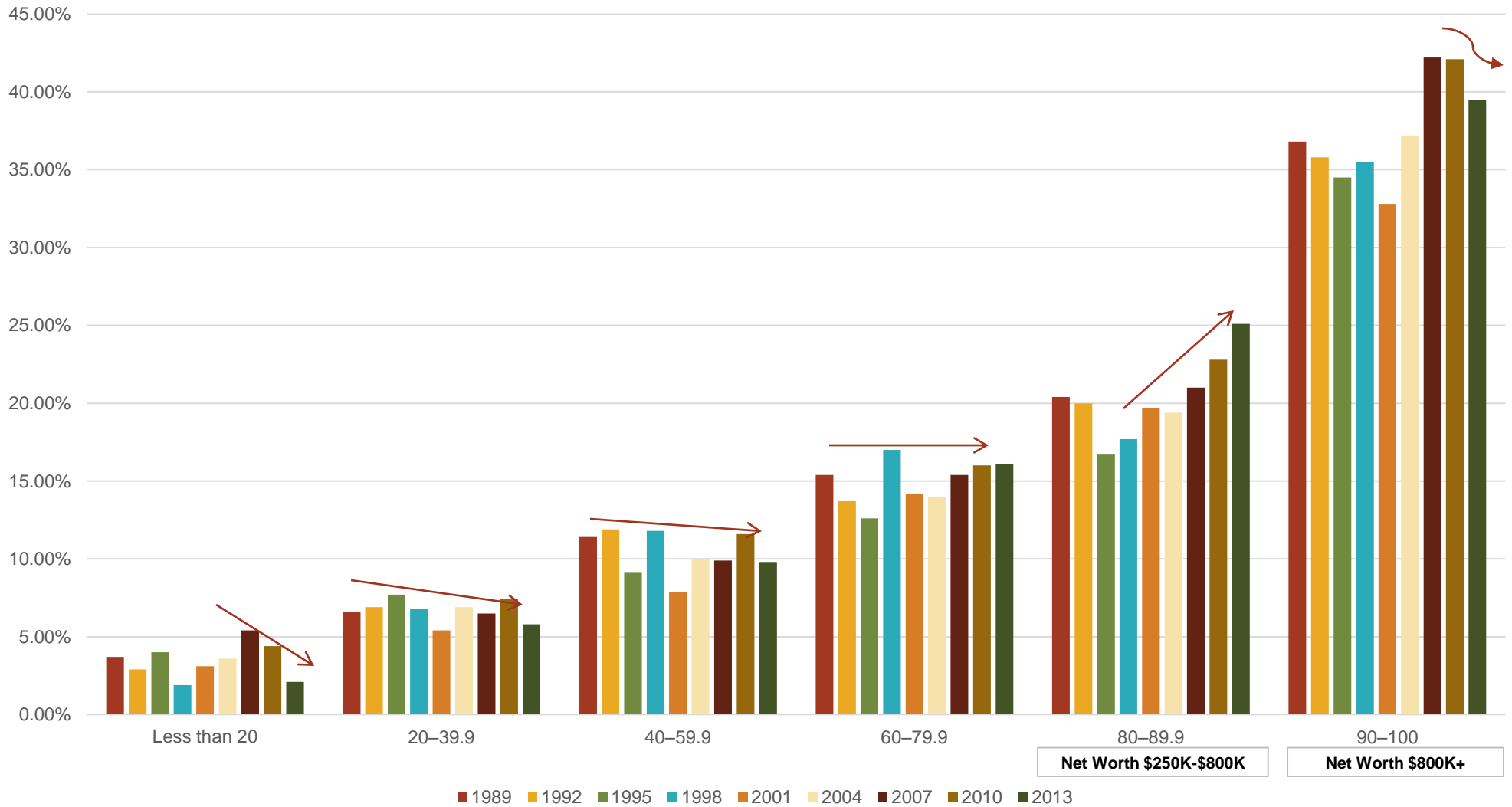
- \$1M-\$2M ■ \$2M-\$5M ■ \$5M-\$10M
- \$10M-\$20M ■ \$20M+



Household Net Wealth	Affordable 2 nd Home Price	# of U.S. Households	% of U.S. Households
Greater than \$20 Million	Over \$5 Million	150,000	0.1%
\$10 Million to \$20 Million	\$2 Million to \$5 Million	250,000	0.2%
\$5 Million to \$10 Million	\$1 Million to \$2 Million	665,000	0.6%
\$2 Million to \$5 Million	\$500K to \$1 Million	2,800,000	2.4%
\$1 Million to \$2 Million	\$250K to \$500K	6,500,000	5.7%

U.S. SECOND HOME MARKET SPANS INCOME LEVELS, BUT ONLY VERY HIGH END HAS STRUCTURAL EXPANSION

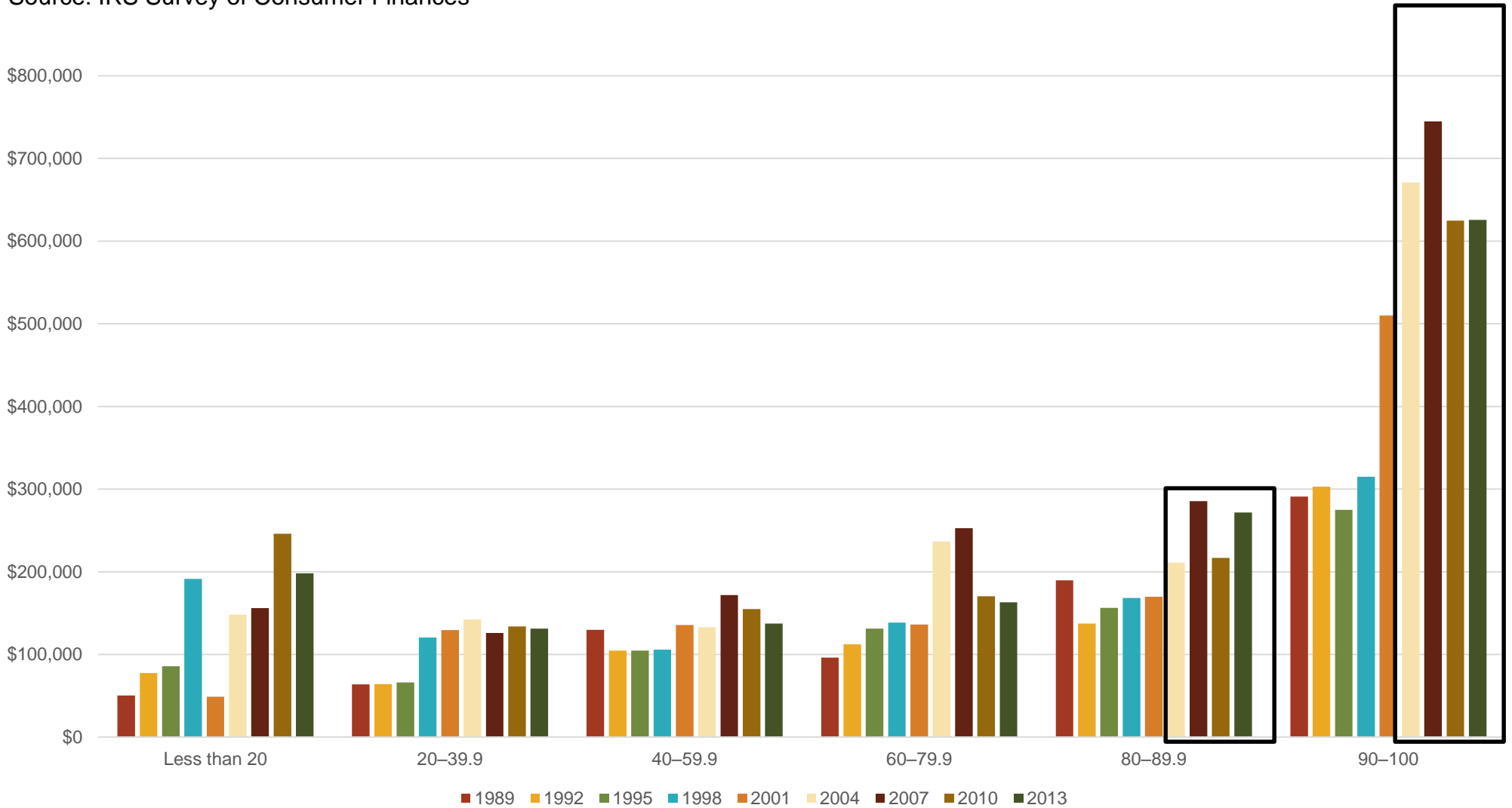
Percent of Families with "Other Residential Real Estate" by Income Percentile: United States; 1989- 2013
 Source: IRS Survey of Consumer Finances



WHY HASN'T THE PRICE RECOVERY AT THE VERY HIGH END MATCHED THE UPPER END?

Mean Real Value (2013\$) of other Residential Real Estate by Income Percentile; 1989- 2013

Source: IRS Survey of Consumer Finances



Generational Wealth Creation and Transfers

Source: Deloitte

Median wealth of US families, US\$

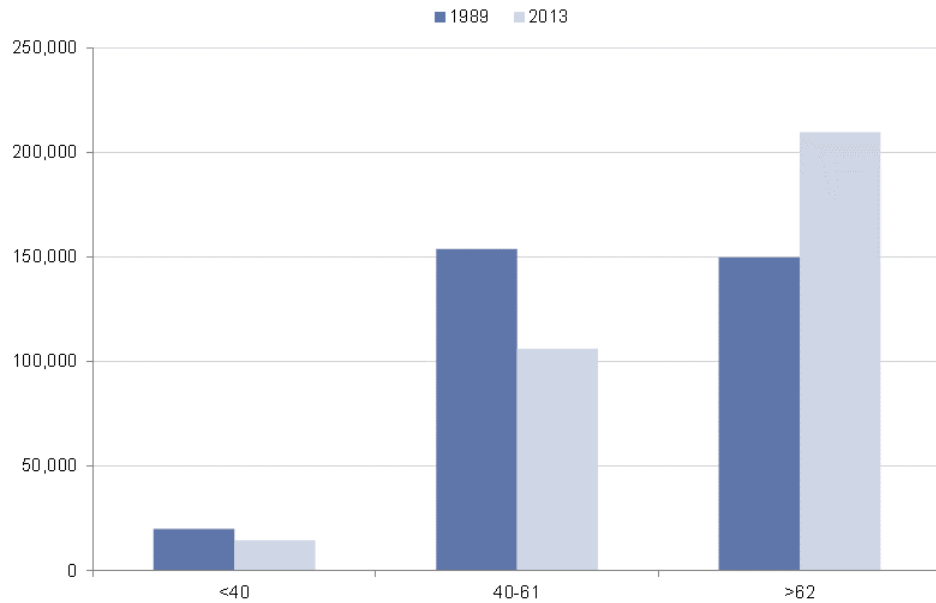
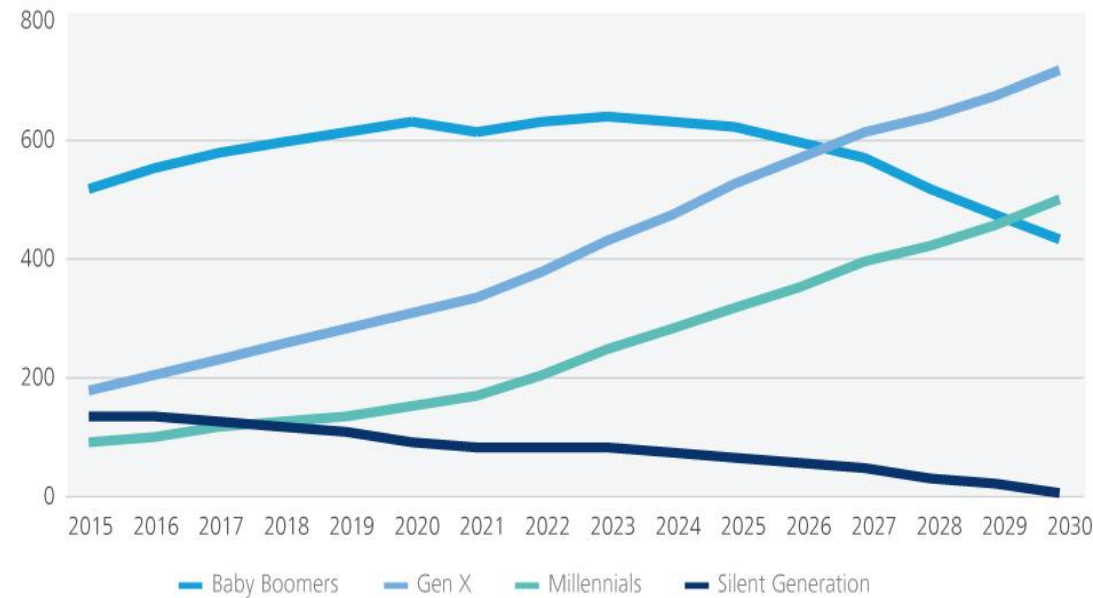


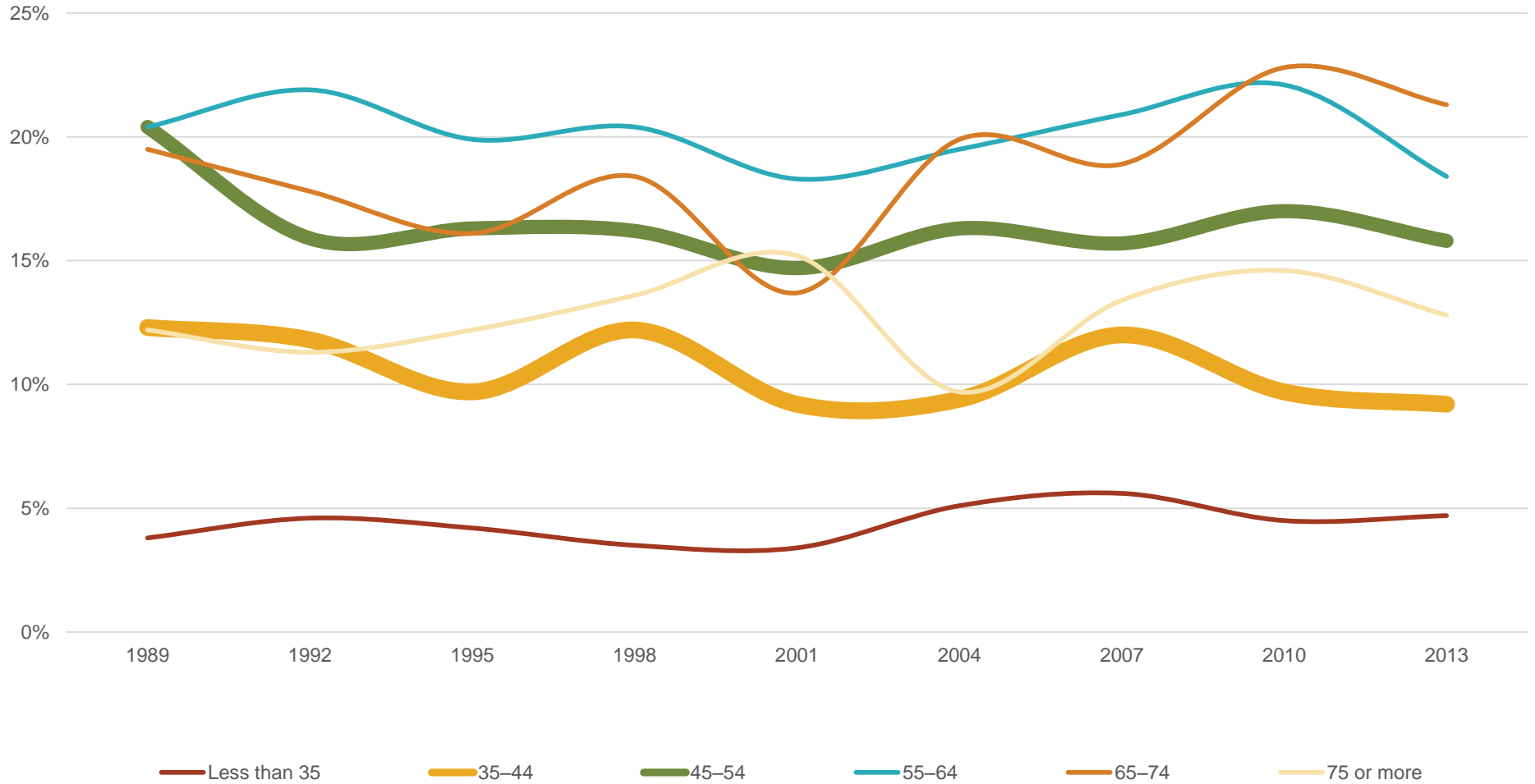
Figure 5. Bequests forecast to be received, all generations (\$ billion)



YOUNGER BUYERS ACTUALLY MOVING OUT OF THE MARKET?

“Other Residential Real Estate” Ownership by Age Cohort; 1989- 2013

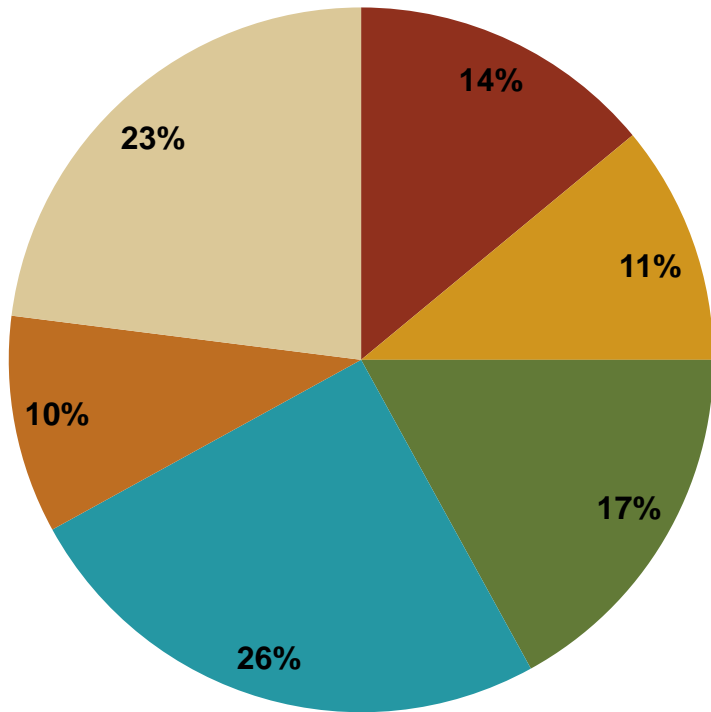
Source: IRS Survey of Consumer Finances



FLY IN MARKETS STILL HEALTHY -- MUCH ANTICIPATED SHIFT TO DRIVE TO LOCATIONS NEVER MATERIALIZED

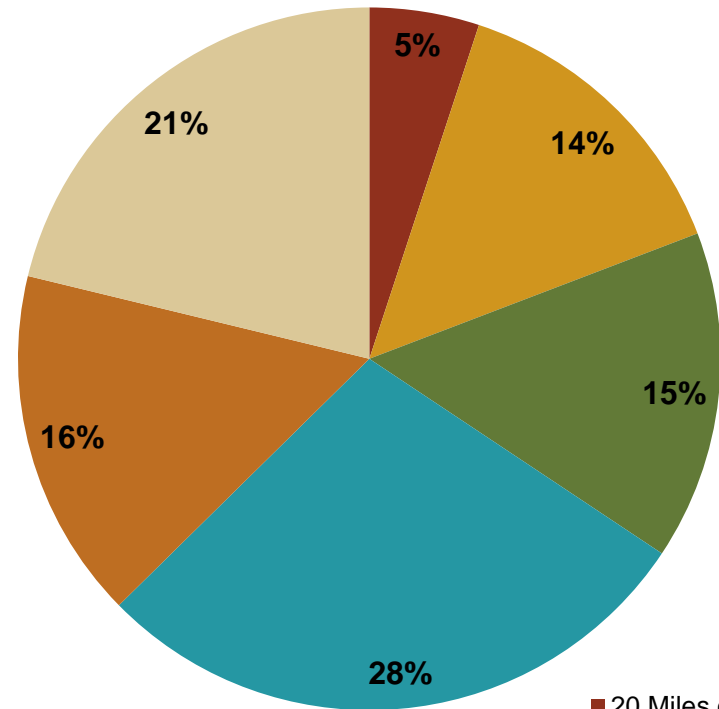
Second Home Average Distance in Miles from Primary Residence
 Source: NAR; RCLCO

2006



- 20 Miles or Less
- 21 to 50 Miles
- 51 to 100 Miles
- 101 to 500 Miles
- 501 to 1,000 Miles
- 1,001 Miles or More

2015



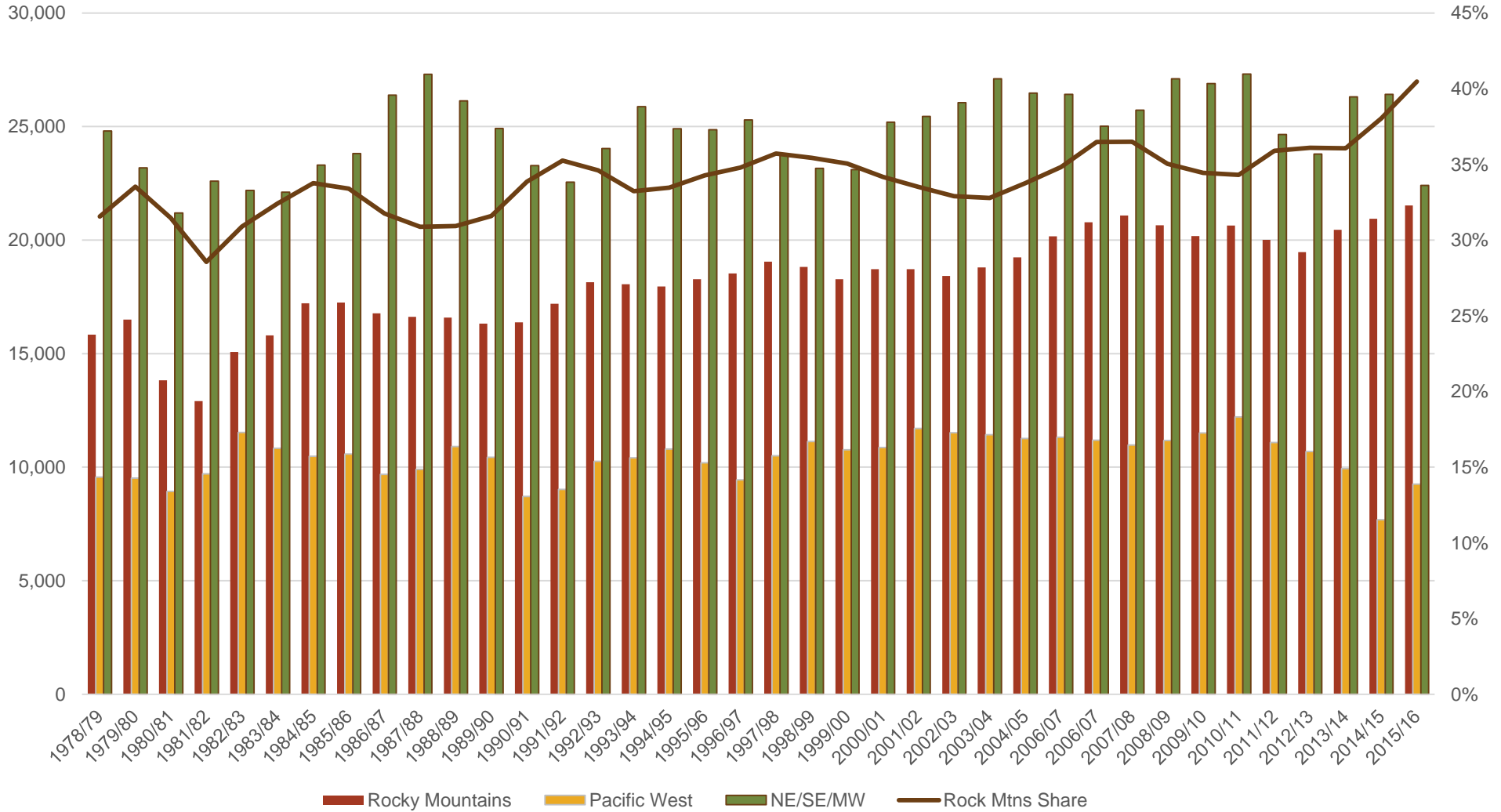
- 20 Miles or Less
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GOOD NEWS IS THE DREARY SKIER PARTICIPATION STORY: ROCKY MOUNTAIN STATES' SHARE CONTINUES TO GROW

Skier and Snowboarder Visits by Region

Source: National Ski Association

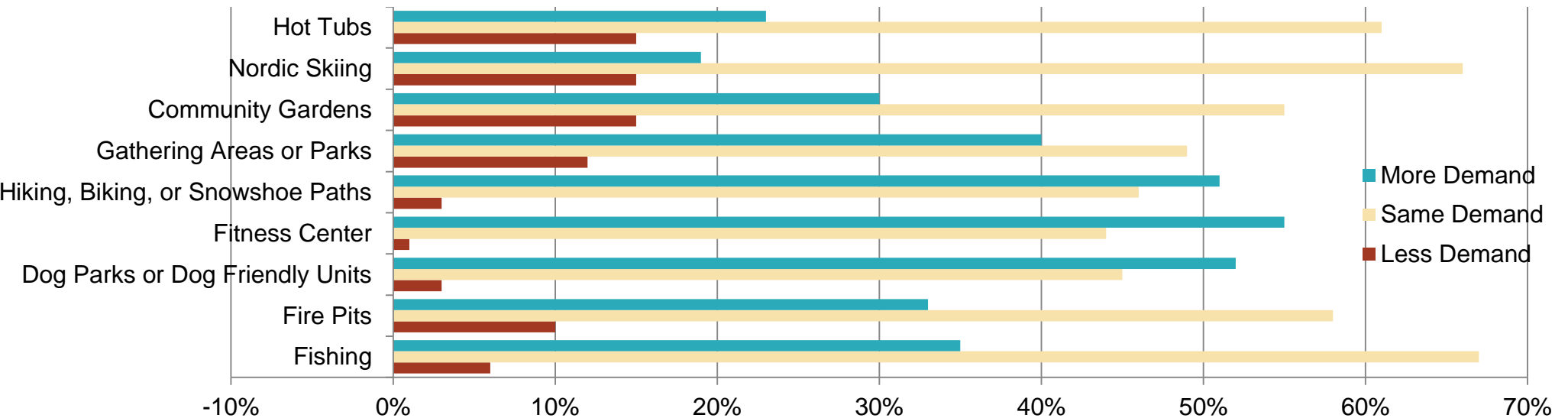


CONVENTIONAL AMENITIES LOSING POPULARITY, DAY TO DAY AND HEALTH RELATED AMENITIES GAINING POPULARITY

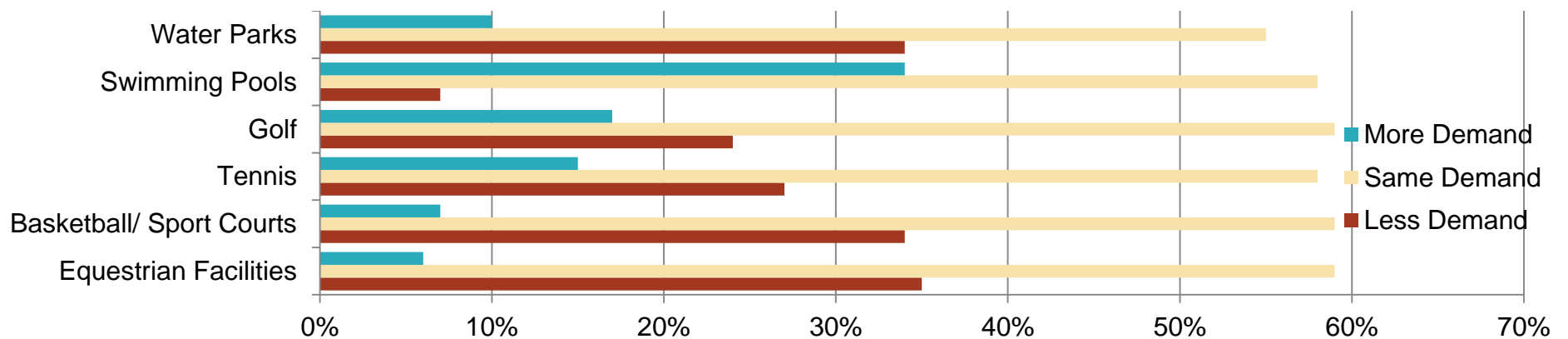
Change in Preference for Amenities: United States Resort Industry; 2011- 2012

Source: Fall 2012 Kelsey & Norden Resort Real Estate Report

Amenities Gaining Interest –More Mountain Resort Oriented



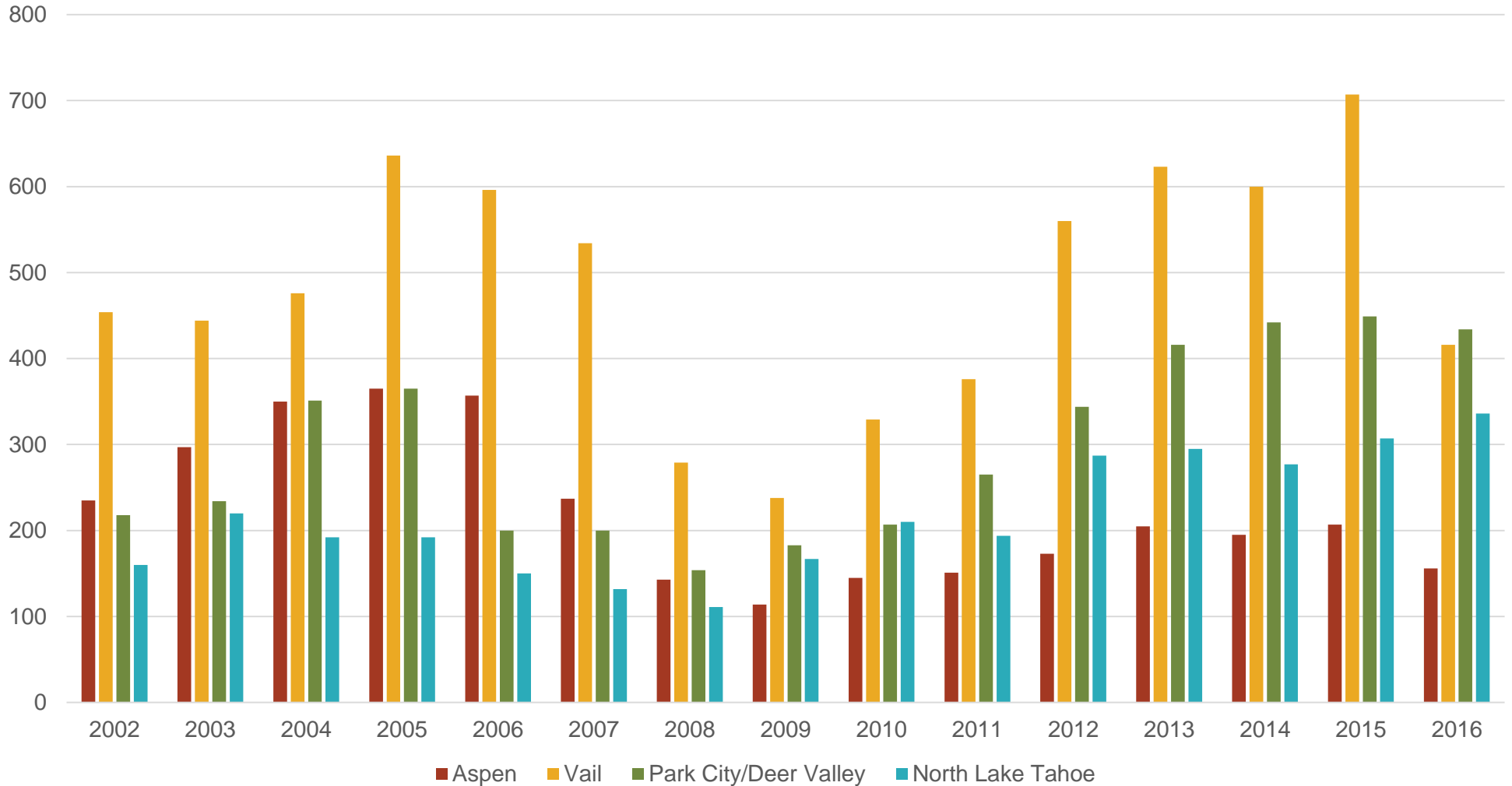
Amenities with Waning Interest – More Beach Resort Oriented



UTAH SALES VOLUME HIGHER THAN PRIOR PEAK, AND NO REAL 2016 DROP OFF

Single Family Home Transactions, Selected Western Mountain Resort Communities, 2002-2016

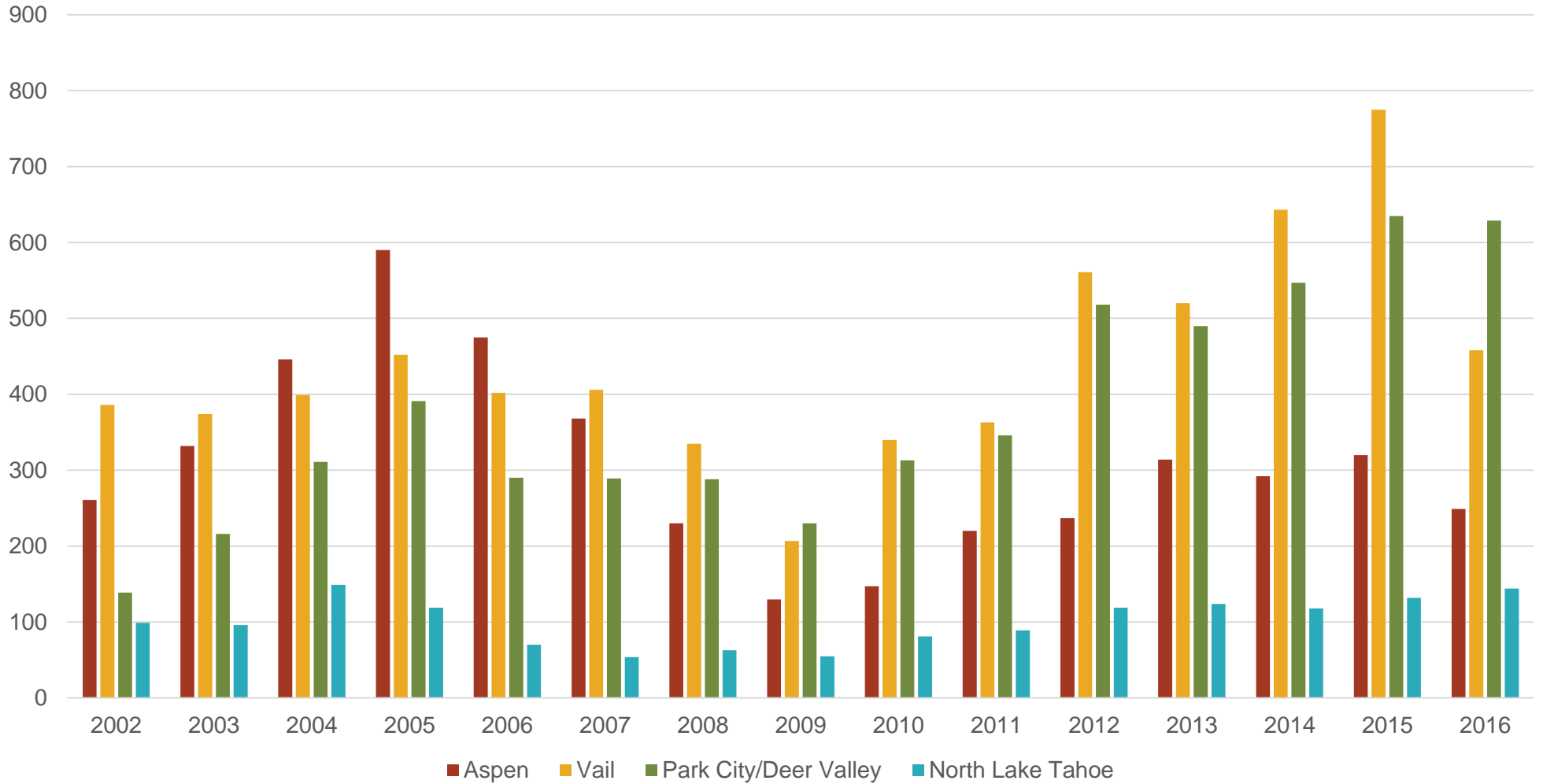
Source: RealQuest



CONDO MARKETS PARTICULARLY ACTIVE

Transactions, Selected Western Mountain Resort Communities, 2002-2016

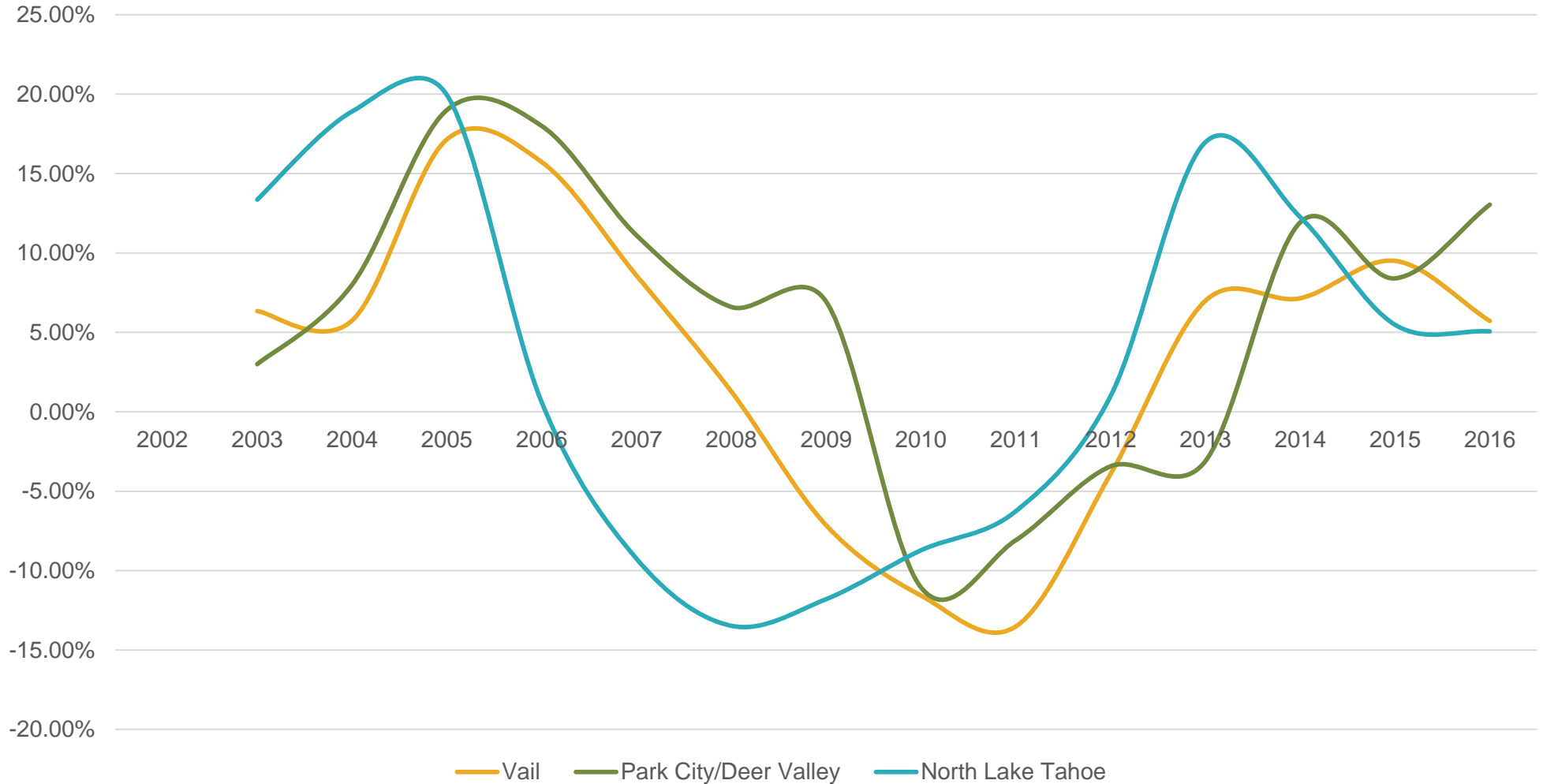
Source: RealQuest



HOME PRICE GROWTH MODERATING, BUT STILL SIGNIFICANTLY POSITIVE IN UTAH

Home Price Change, Selected Western Mountain Resort Communities, 2002-2016

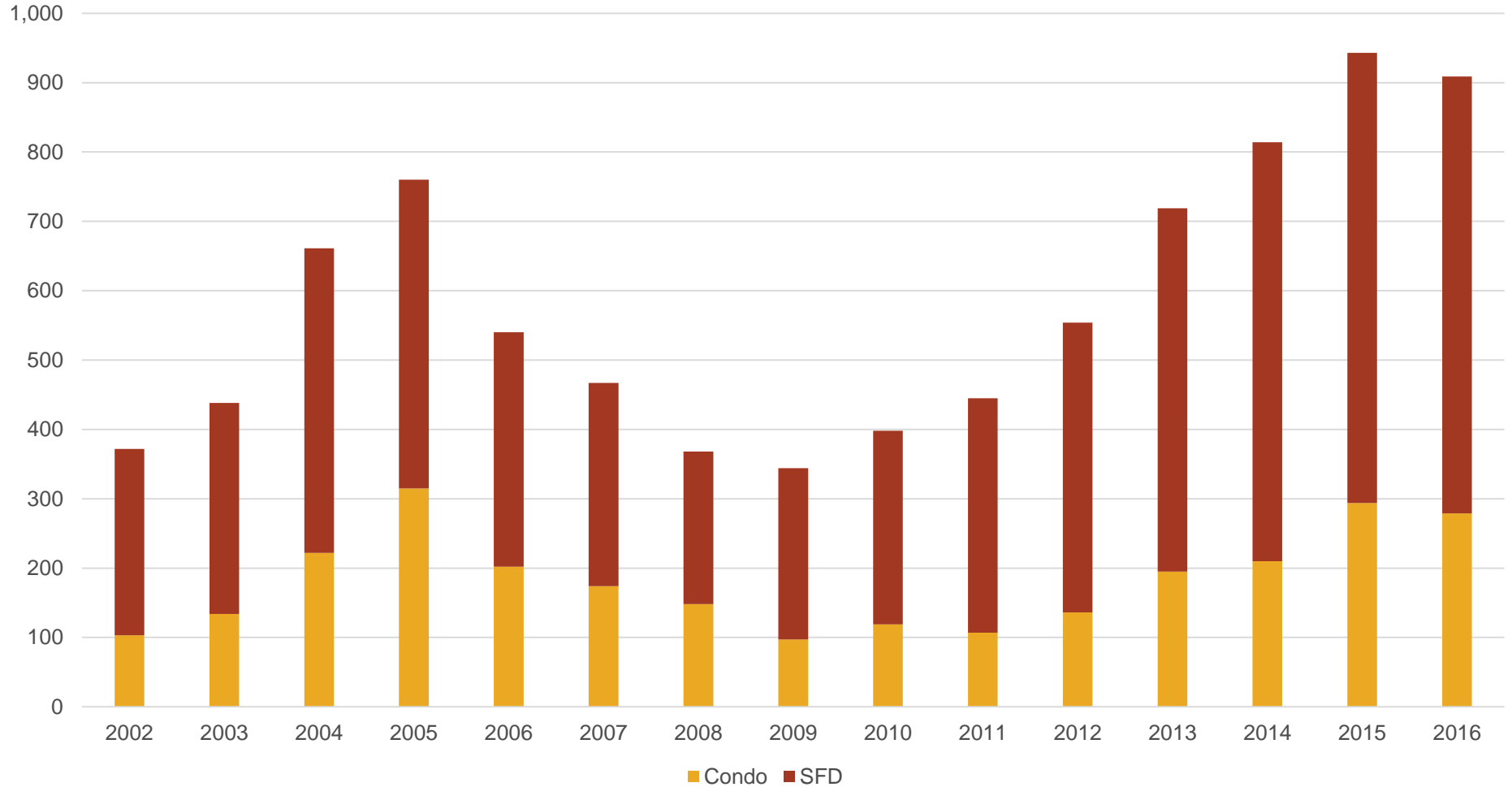
Source: RealQuest, Trulia



TRANSACTION VOLUME BACK UP TO PEAK IN SUMMIT COUNTY

Condo and SFD Transactions, Summit County, Utah, 2002-2016

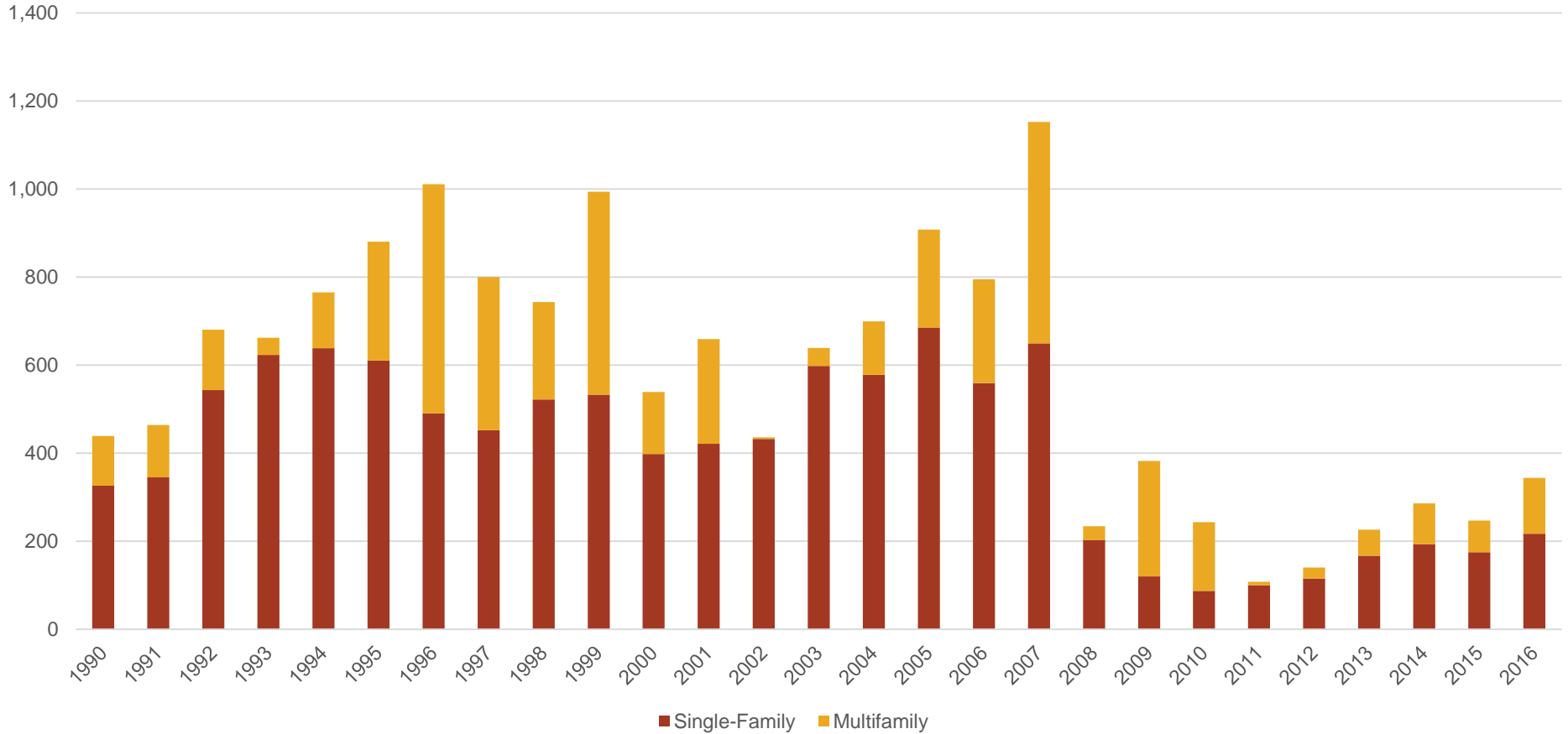
Source: RealQuest



PERMITS CONTINUE TO BE HISTORICALLY LOW

Residential Permit Activity, Summit County, Utah, 1990-2016

Source: U.S. Department of Housing and Urban Development

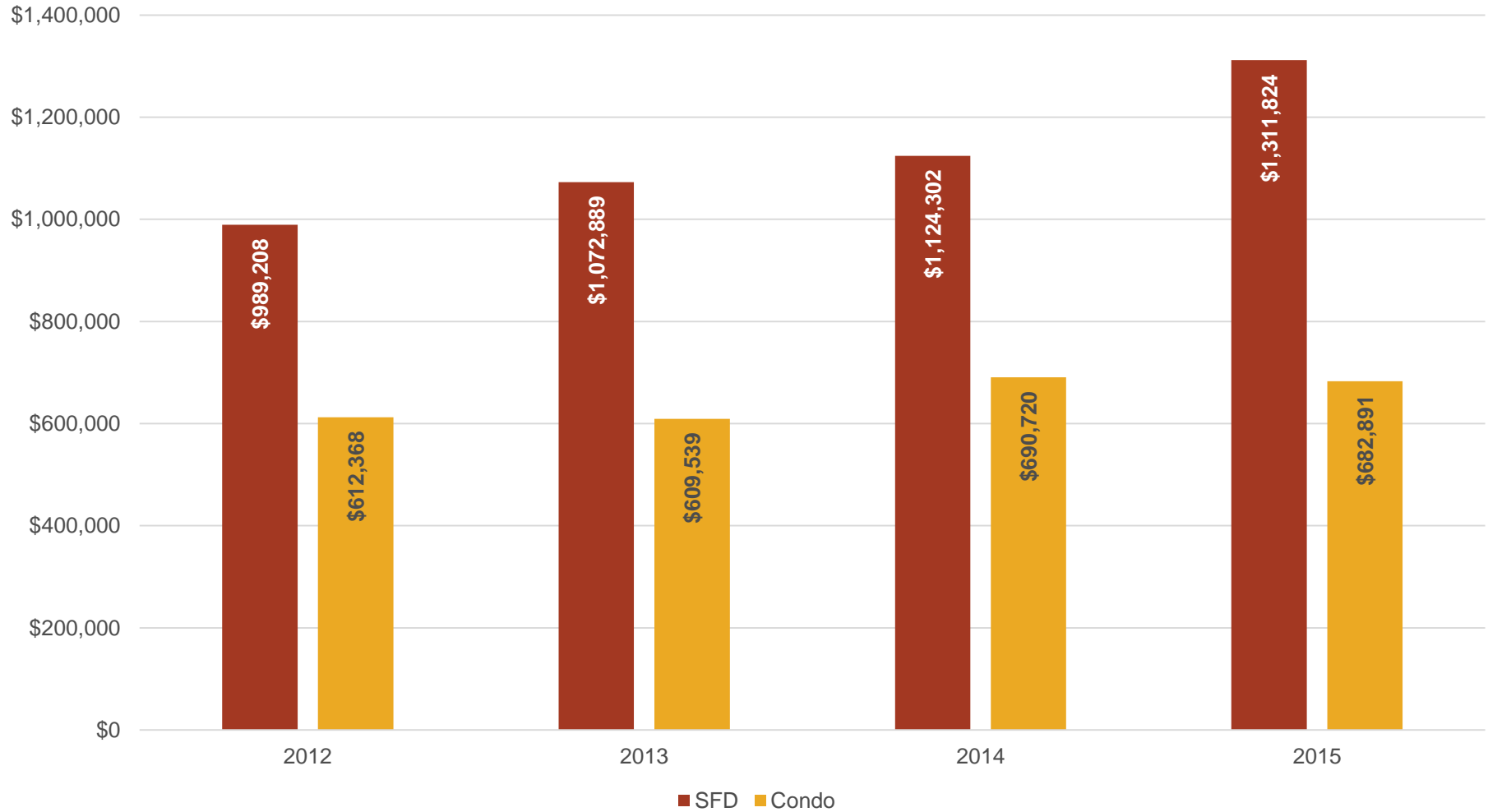


ANNUAL AVERAGE	SINGLE-FAMILY	MULTIFAMILY	TOTAL	% SINGLE-FAMILY
1990-1999	508	236	744	68%
2000-2009	464	180	644	72%
2010-2016	151	77	228	66%
1990-2016	399	174	573	70%

PRICING LIKELIKE MOVING IN THE RIGHT DIRECTION (DESPITE LACK OF PRODUCT)

Average Sales Price, Summit County, Utah, 2012-2015

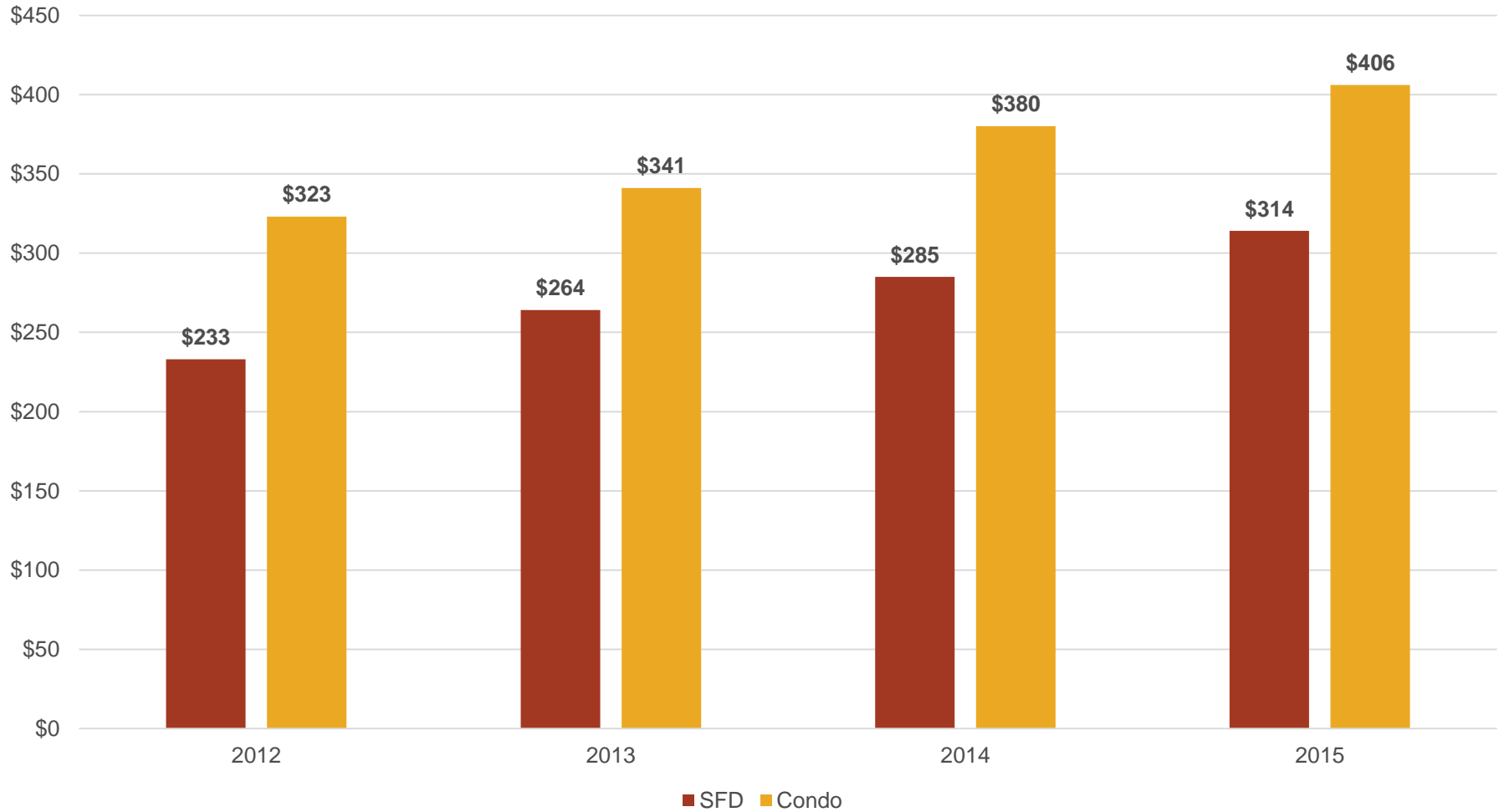
Source: Summit Sotheby's International Realty



CONDO PRODUCT IN PARTICULAR

Average Sales Price per Square Foot, Summit County, Utah, 2012-2015

Source: Summit Sotheby's International Realty



- If the fundamentals are this good, why are the capital markets still so reticent?
- Have mountain resort communities done enough to be relevant to the next generation of buyers (who might not have the same deep ski country traditions?)
- Can new residential product open an unrealized market and what product might that be?
- If America is being (at least more of) a renter nation, what does that mean for ski county?
- If not by fractional ownership, how do we deliver product at a lower price point in mountain resorts?

RCLCO

11601 Wilshire Blvd.

Suite 1650

Los Angeles, CA 90025

Phone: (310) 914-1800

Fax: (310) 914-1810

www.rclco.com