MOUNTAIN RESORT MARKET OUTLOOK

U.S. Mountain Community Summit

February 20, 2019

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RCLCO

REAL ESTATE ADVISORS

MOUNTAIN RESORT HOUSING SUPPLY & OWNERSHIP

WHY ARE MOUNTAIN TOWN MARKETS UNIQUE?

MOUNTAIN RESORT TOWNS ARE NATURALLY DISPOSED TOWARDS HIGH REAL ESTATE PRICES

- Ski towns provide **immediate access to recreation and offer a high density of commercial services** relative to population (given large seasonal tourist populations), resulting in real estate premiums driven by accessibility and convenience
- Mountain resort towns are **geographically constrained**, in part due to the conserved ski mountain/national forest land, meaning building areas are restricted and supply is naturally constrained, pushing prices up
- Ski resort towns are meccas for outdoor recreation. As the popularity of year-round outdoor recreation activities including mountain biking, hiking, snowshoeing, and skiing continues to rise, an **increase in demand continues to drive prices up**
- Existing **high-quality developments** in mountain villages give mountain resort areas a reputation for luxury product and desirable living
- **Construction and operating costs are high** given challenging construction logistics, labor contsraints and many other factors

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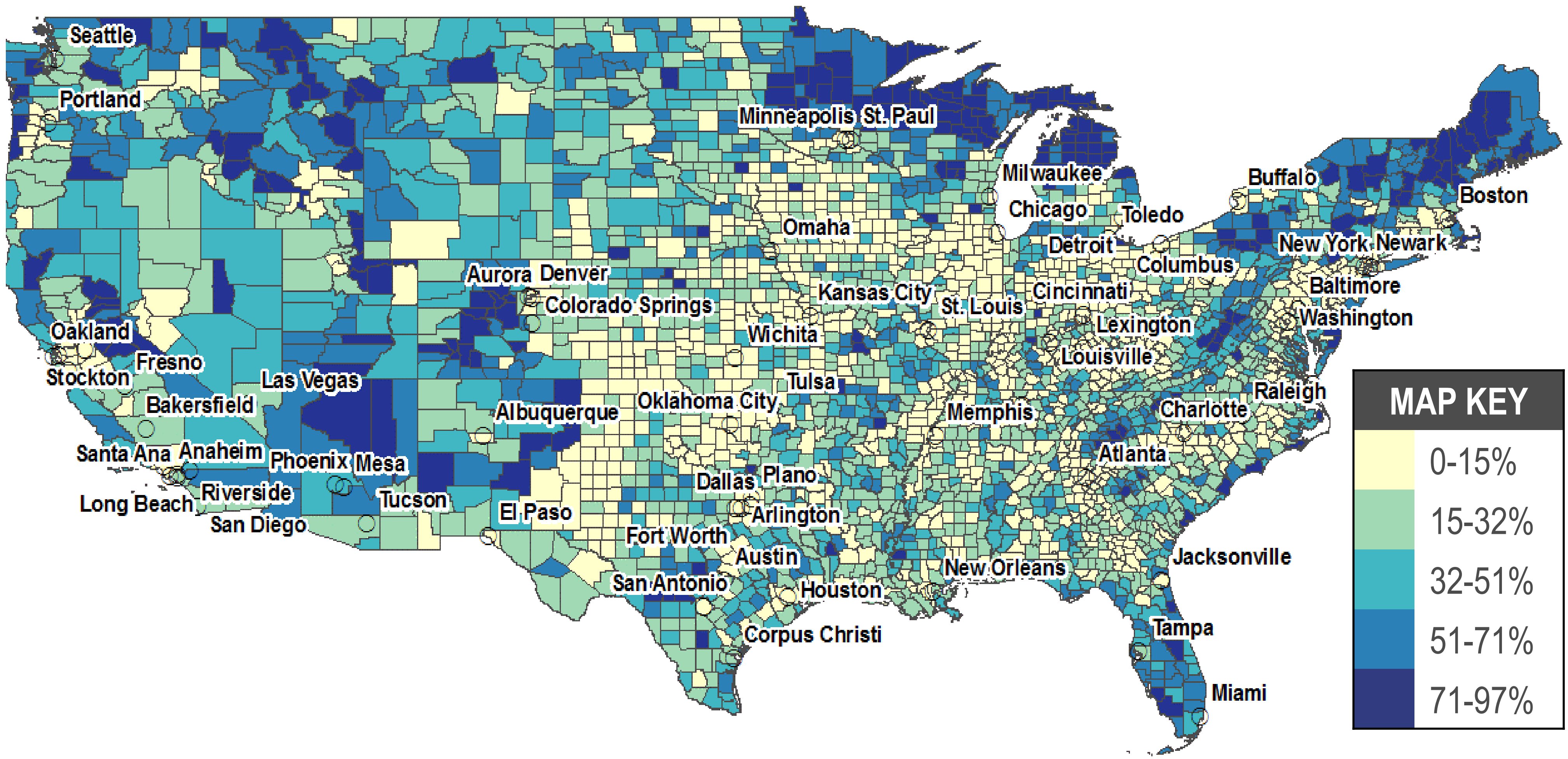
Source: RCLCO

MOUNTAINS DOMINATE SEASONAL MARKETS

25% OF COUNTIES WHERE OVER 90% OF HOUSING STOCK IS FOR SEASONAL USE ARE SKI-CENTRIC

Estimated Percentage of Housing for Seasonal Use, U.S. Counties; 2017



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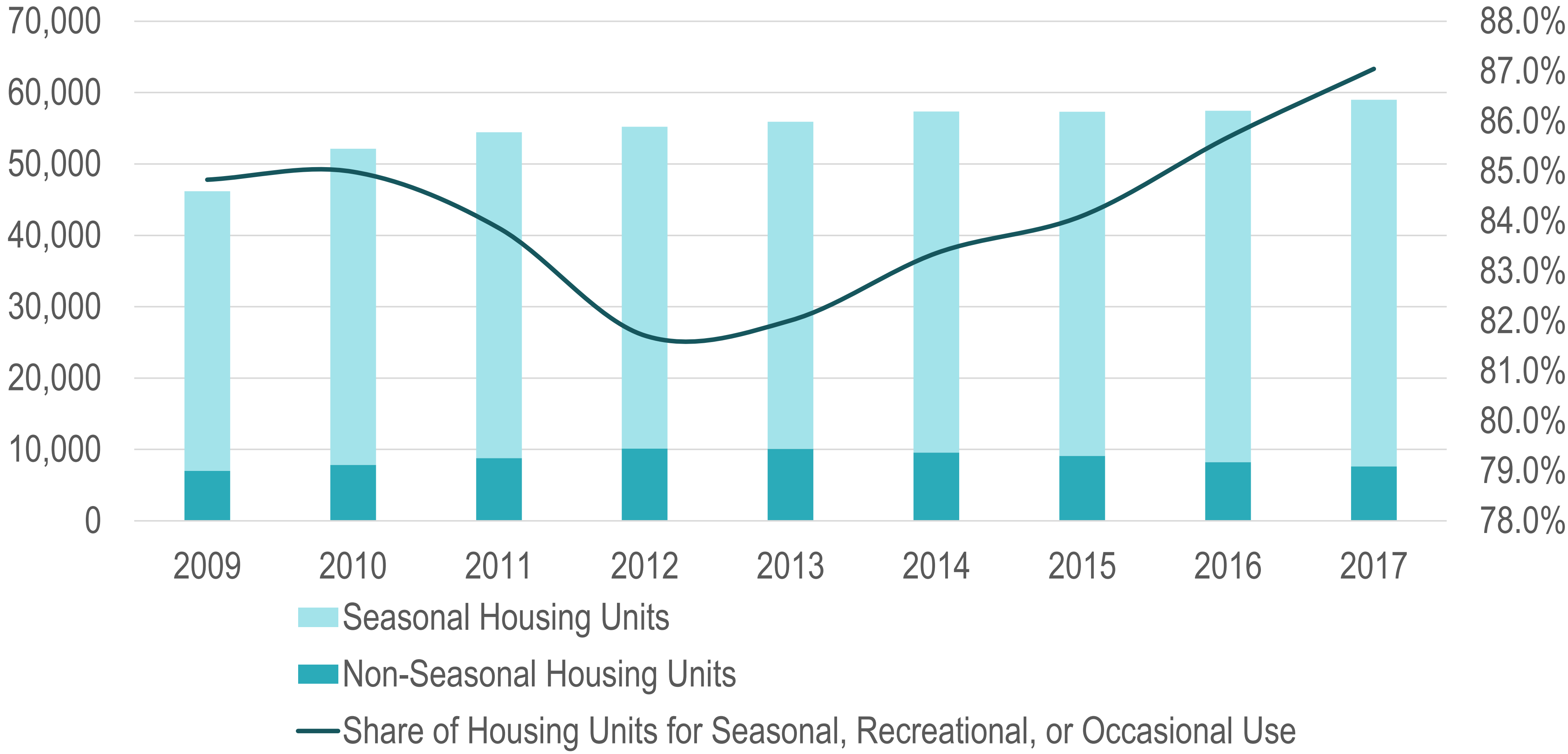
SEASONAL HOUSING TRENDS IN SELECT MARKETS

INCREASE IN VACATION HOME HOUSING SHARE SINCE THE RECESSION

Housing Stock by Primary Use in Select Mountain Resort Markets; 2009-2017



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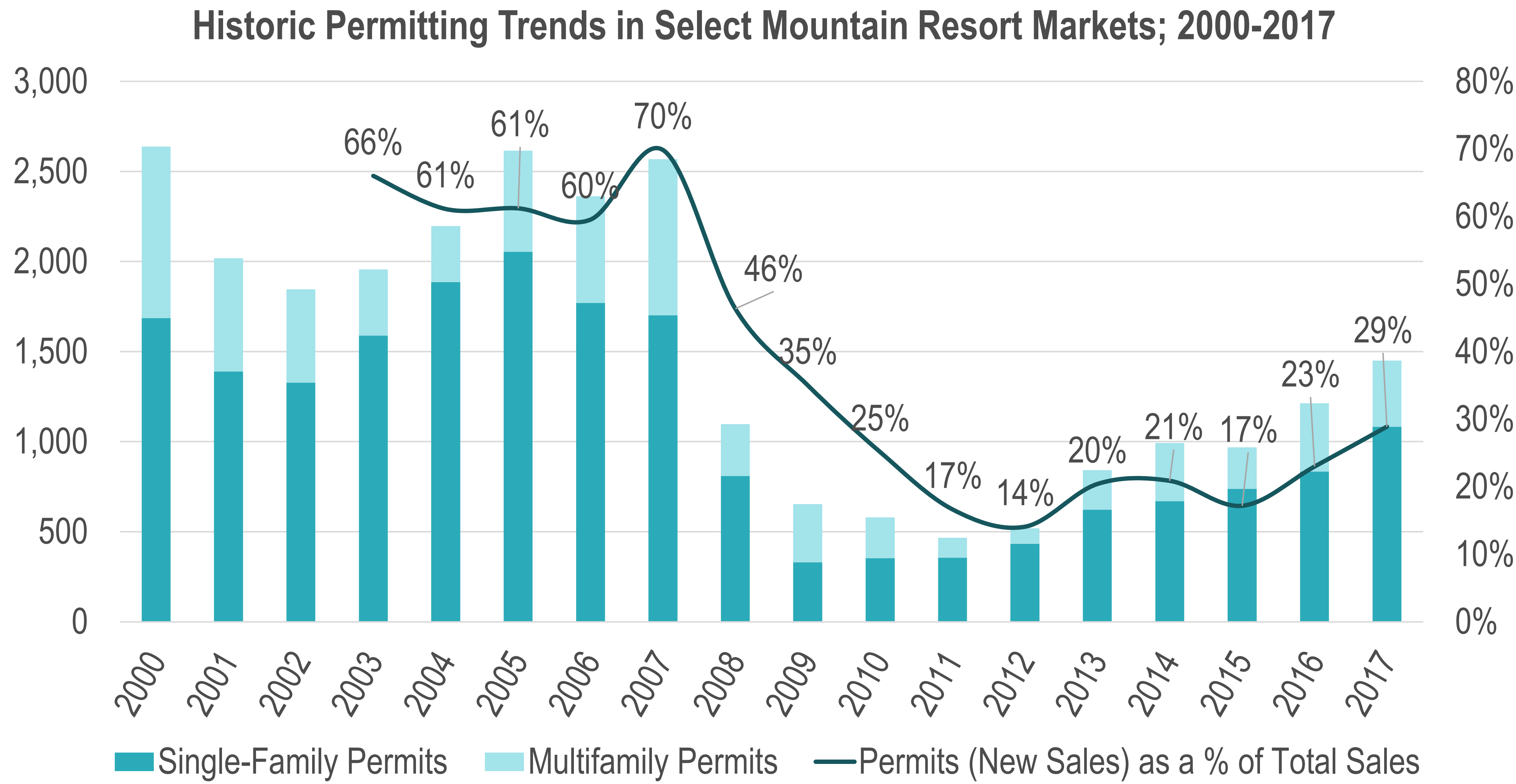
Note: Select Markets include Teton County, WY; Summit County, UT; Eagle County, CO; Summit County, CO; Pitkin County, CO
Source: US Census; RCLCO

HOUSING DIVERSITY

DECLINING NEW PRODUCT DIVERSITY IN MOUNTAIN RESORT MARKETS

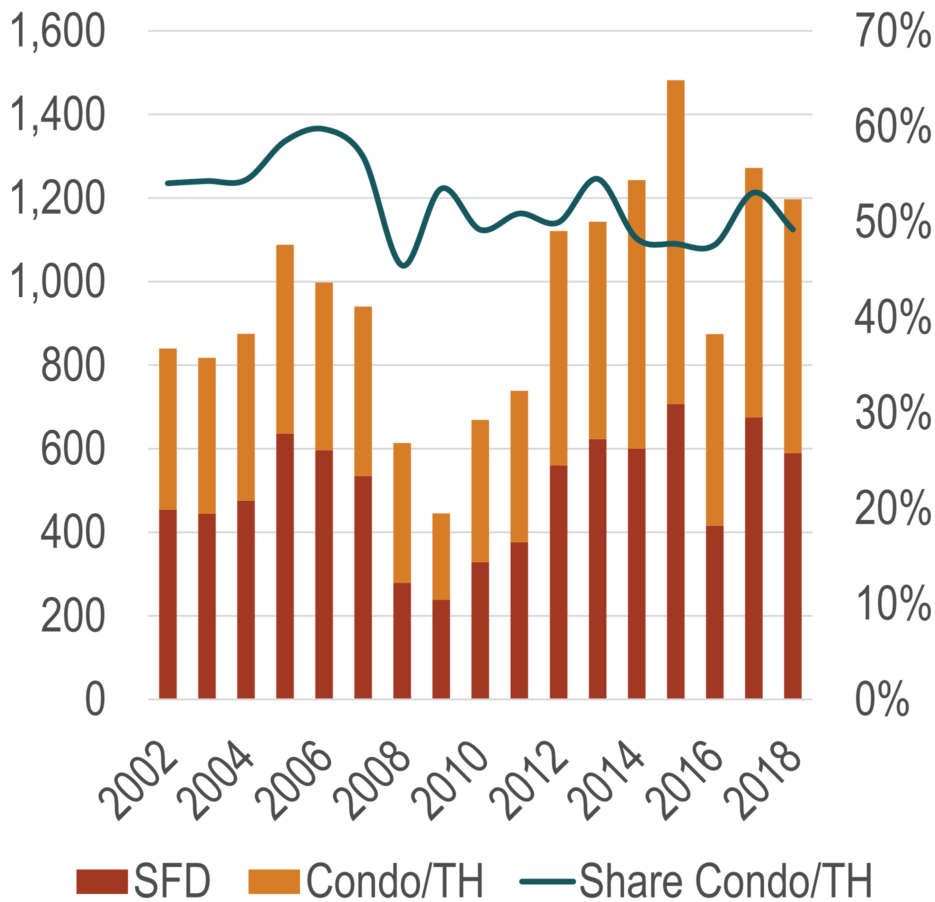


Note: Select Markets include Teton County, WY; Summit County, UT; Eagle County, CO; Summit County, CO; Pitkin County, CO
Source: HUD; RCLCO

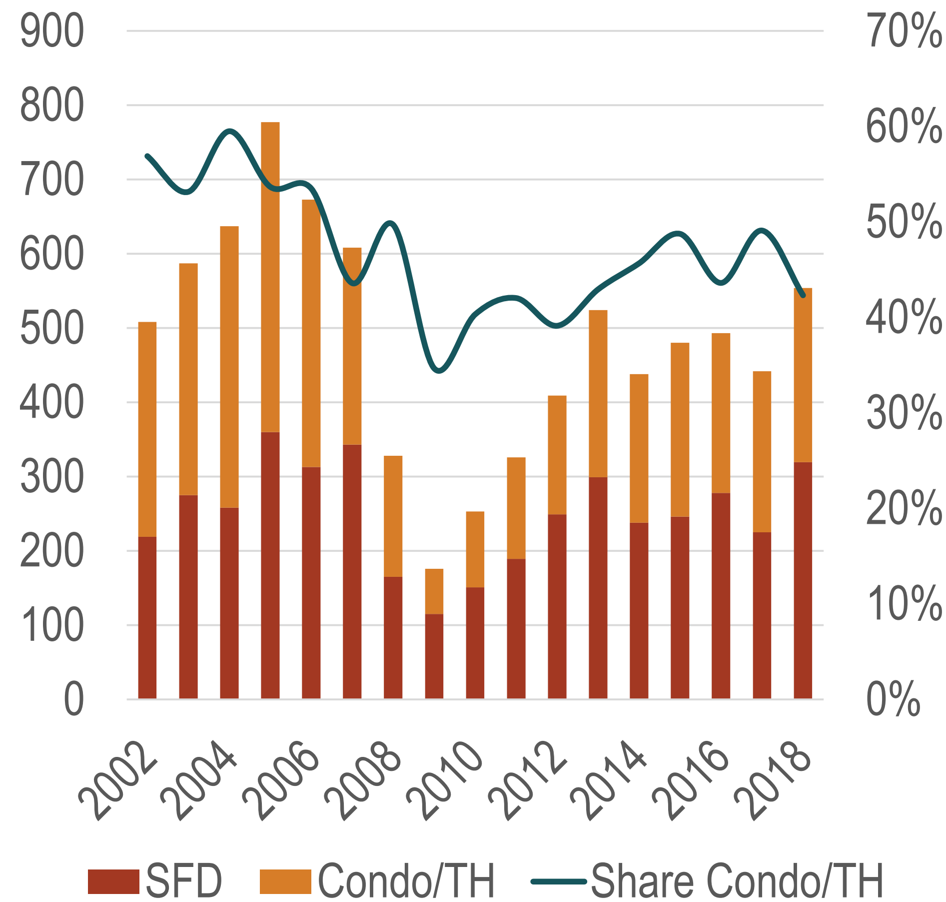
PRODUCT TRENDS IN SELECT MARKETS

ATTACHED PRODUCT SHARE OF TRANSACTIONS TICKING DOWN

Residential Sales by Type; Eagle County, CO, 2002-2018



Residential Sales by Type; Teton County, WY, 2002-2018



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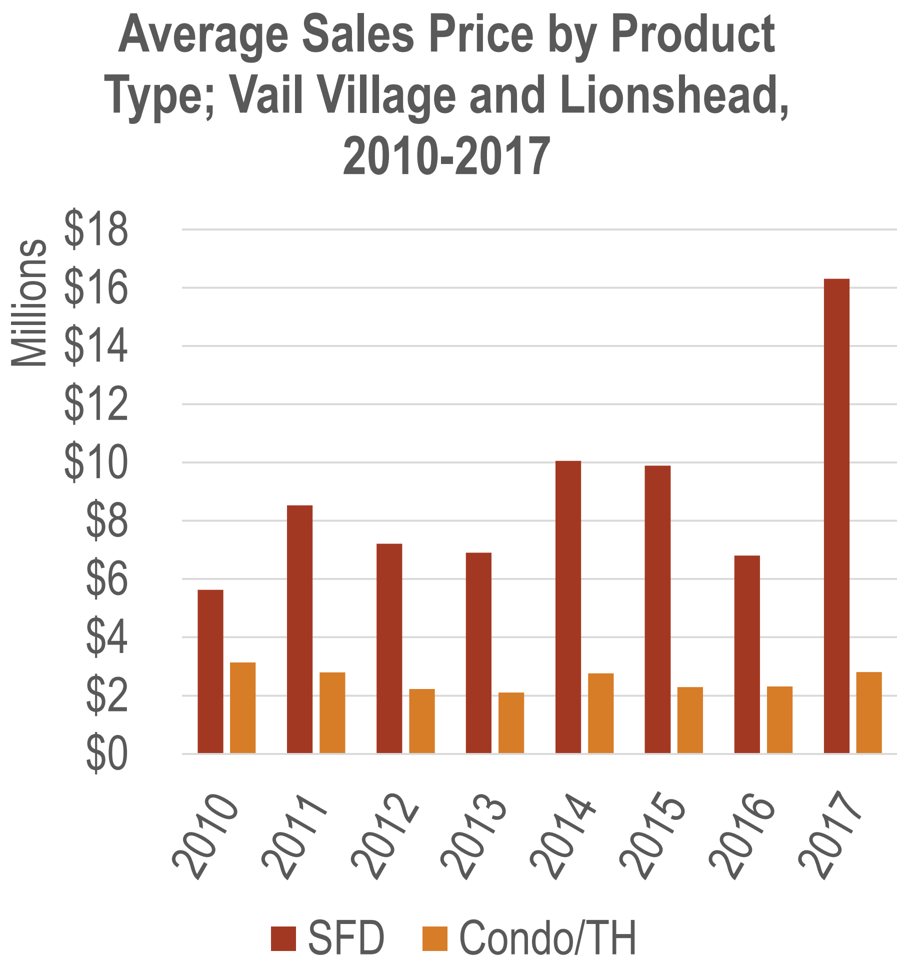
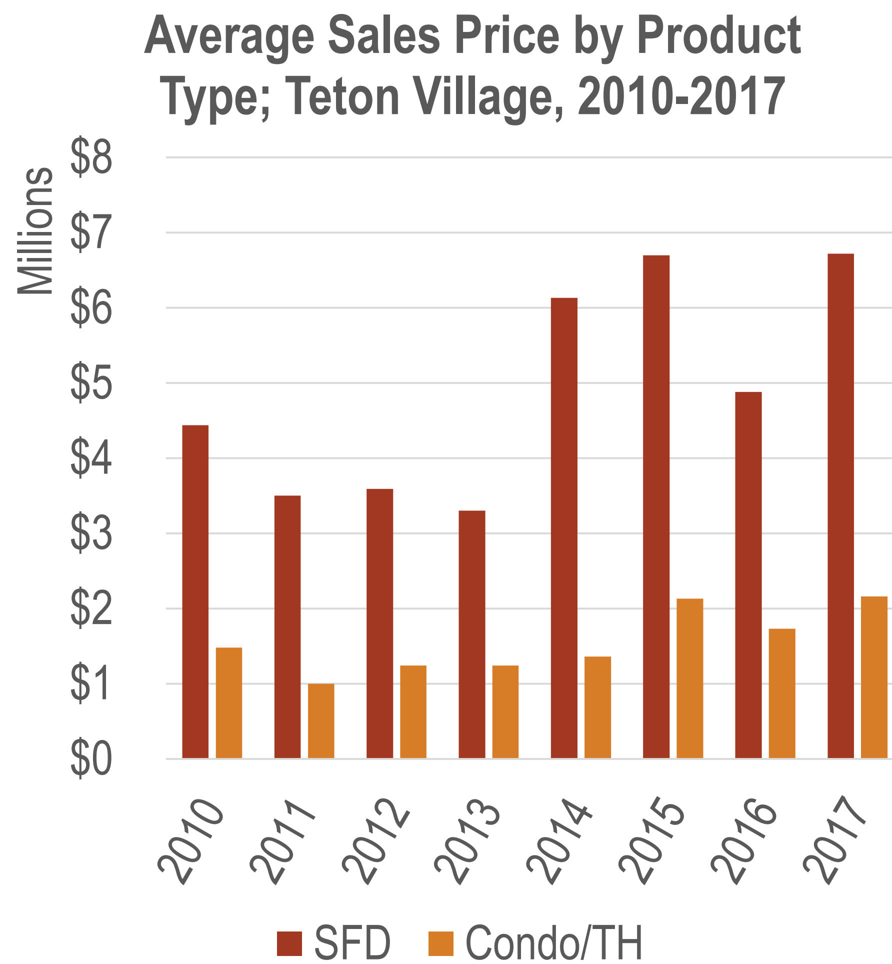
Source: David Viehman; RealQuest; RCLCO

PRICE POINTS BY PRODUCT TYPE

IN HIGHLY DESIRABLE CENTRAL VILLAGE AREAS, ATTACHED PRODUCT AT A SIGNIFICANT DISCOUNT BUT PRICES CONTINUE TO CLIMB





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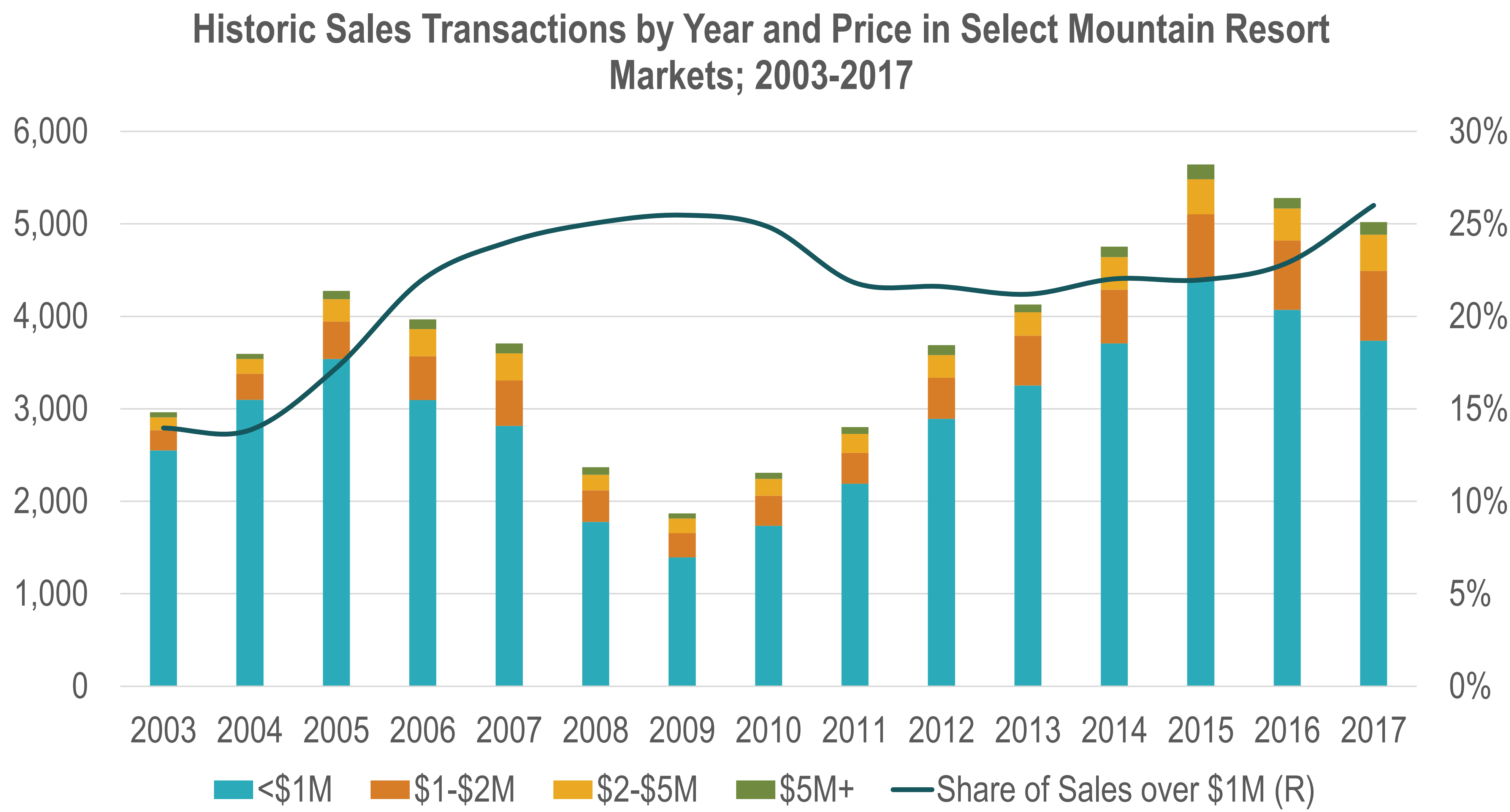
Source: Slifer, Smith and Frampton; David Viehman; RCLCO

AGGREGATE MOUNTAIN RESORT TRANSACTIONS EXCEED PREVIOUS CYCLE LEVELS



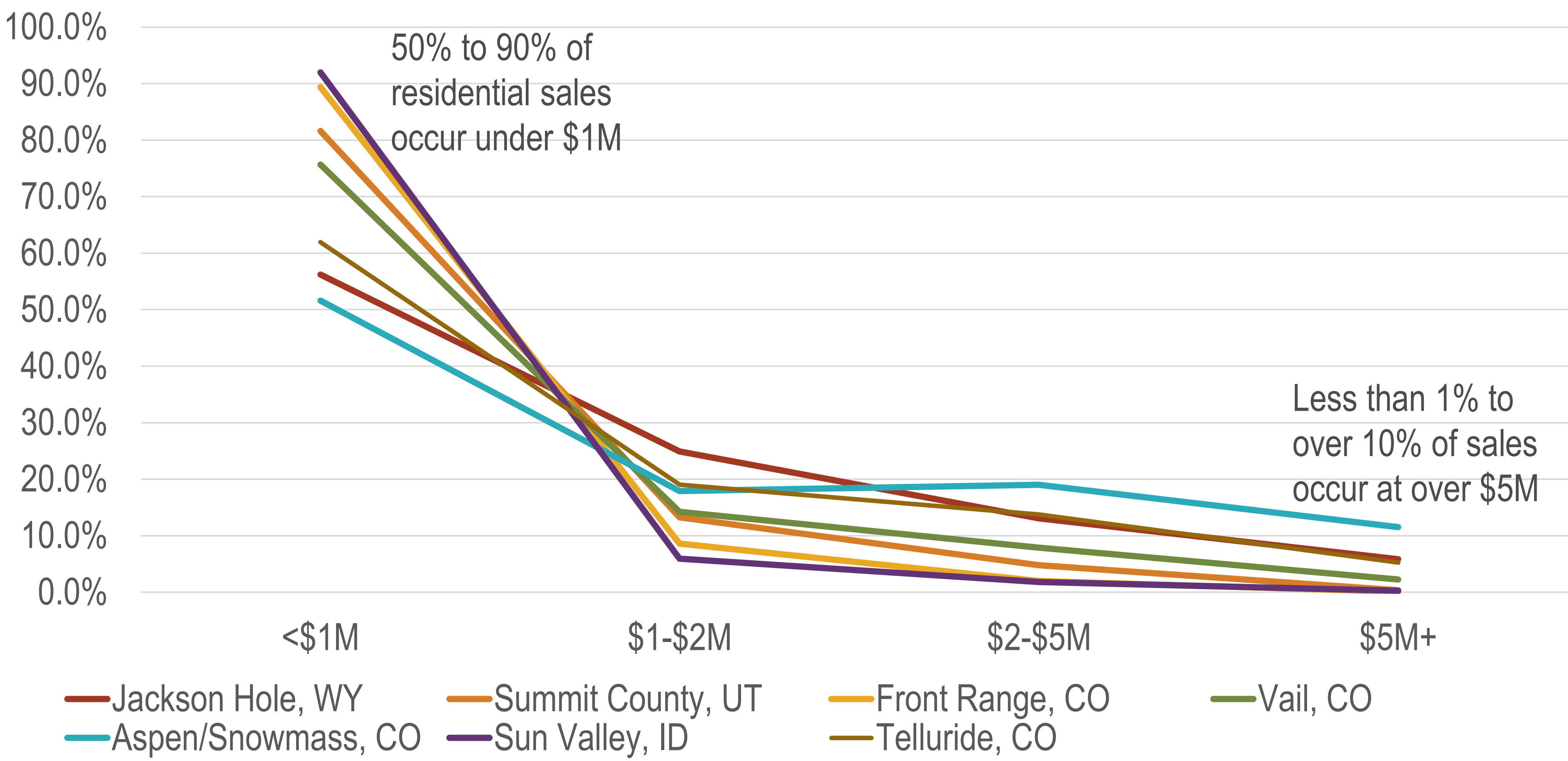
Note: Select Markets include Teton County, WY; Summit County, UT; Eagle County, CO; Summit County, CO; Pitkin County, CO; Blaine County, ID

Source: RealQuest; RCLCO

VARIABILITY IN TERMS OF MARKET ELITENESS

ASPEN, JACKSON HOLE REPRESENT MORE ELITE MARKETS AS GLEANED FROM SALE PRICE DISTRIBUTION

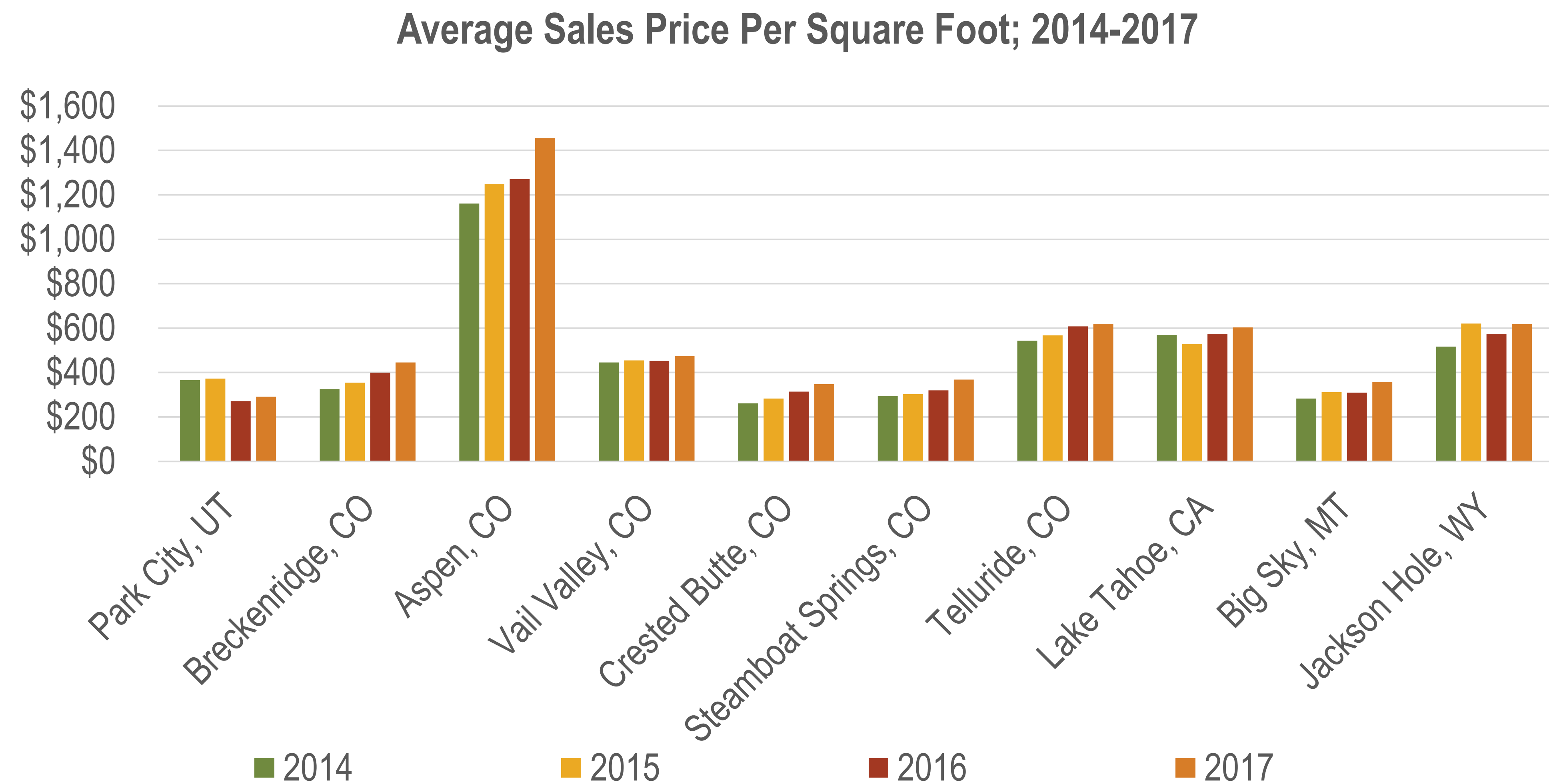
Distribution of Mountain Resort Sales by Price Range; 2013-2017



Source: RealQuest; RCLCO

MOUNTAIN RESORT MARKET COMPARISON

ALTHOUGH MOUNTAIN RESORT MARKETS ARE SUBJECT TO SIMILAR TRENDS, PRICES CONTINUE TO RISE ACROSS THE BOARD



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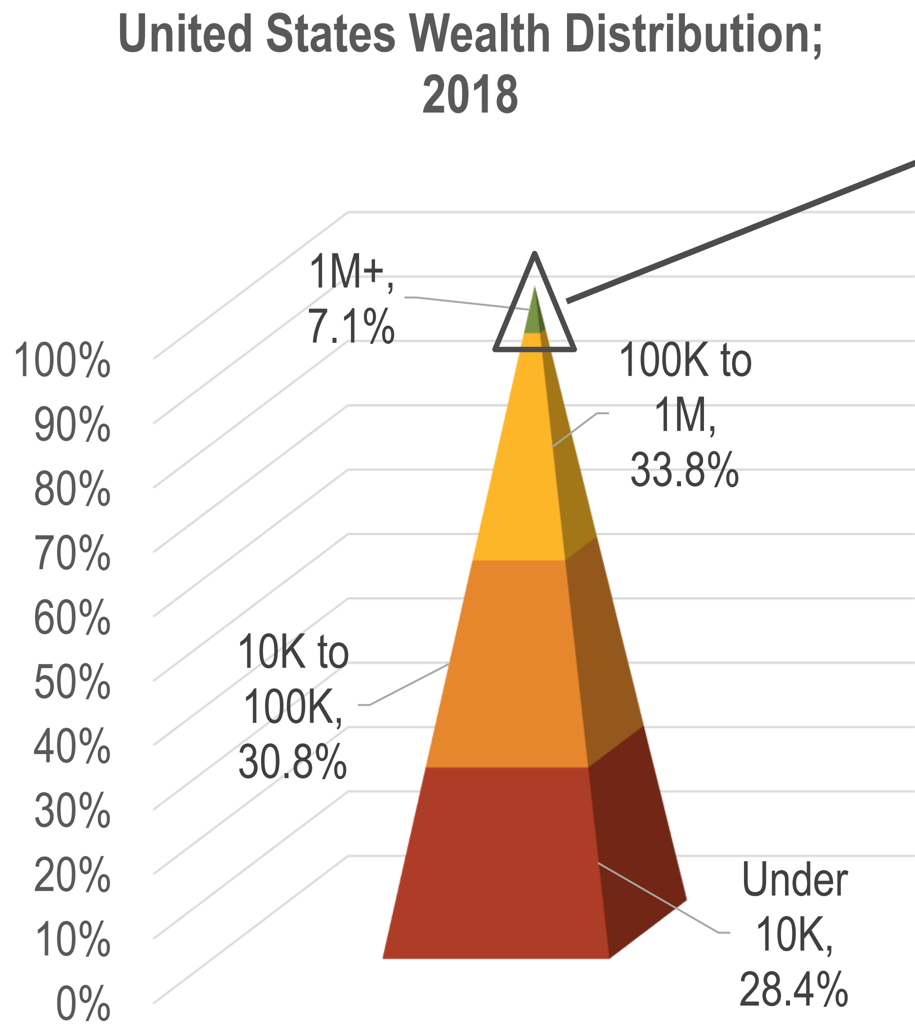
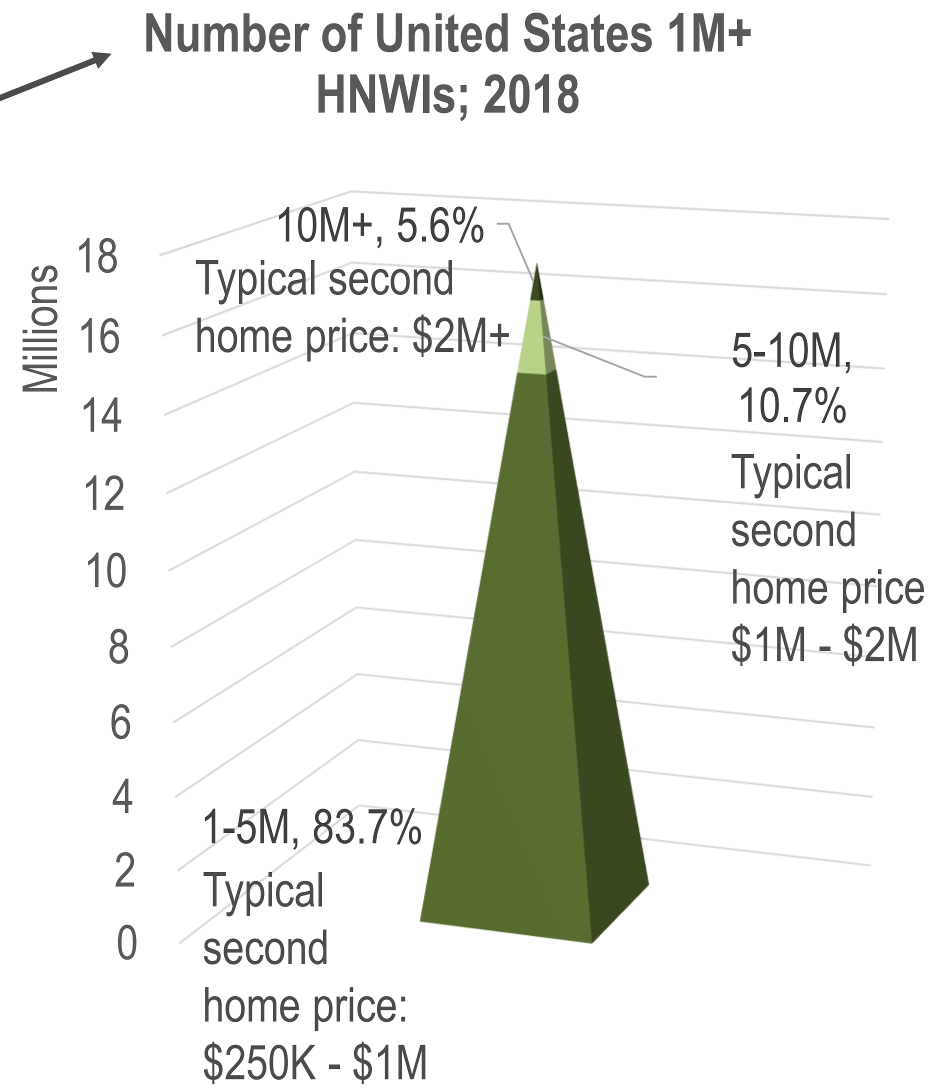
Note: Includes SFD and condo sales transactions
Source: Sotheby's; RCLCO.

LIMITED POOL OF HOUSEHOLDS THAT CAN AFFORD TO BUY IN THESE MARKETS





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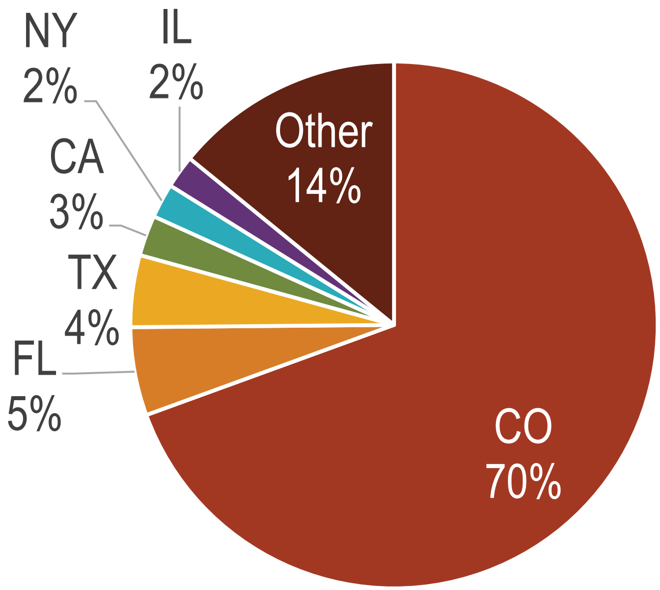
Source: Credit Suisse; RCLCO

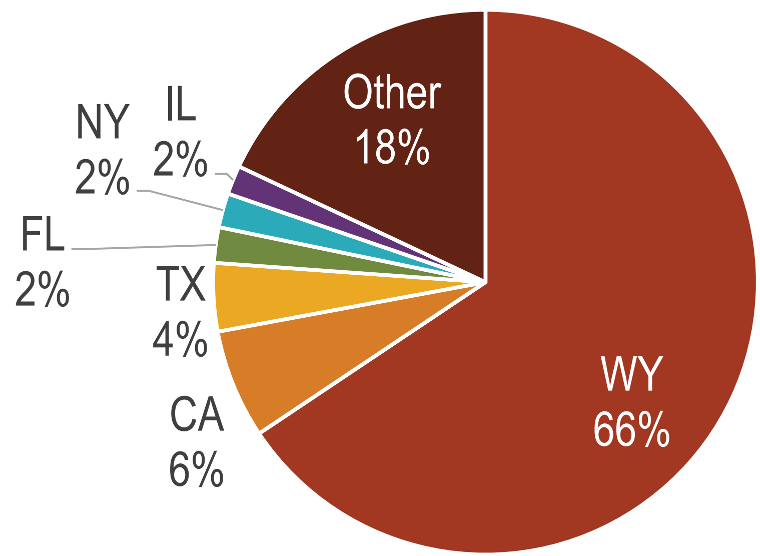
GENERALLY, OWNERS ARE DOMESTIC FROM PRIMARY URBAN MARKETS

Eagle County, CO Residential Ownership Origin; 2018



TOP FIVE OUT-OF-STATE OWNER MARKETS	
1	Orlando, FL
2	Dallas, TX
3	New York, NY
4	Houston, TX
5	Chicago, IL

Teton County, WY Residential Ownership Origin; 2018



TOP FIVE OUT-OF-STATE OWNER MARKETS	
1	Napa, CA
2	Austin, TX
3	Houston, TX
4	Los Angeles, CA
5	New York, NY

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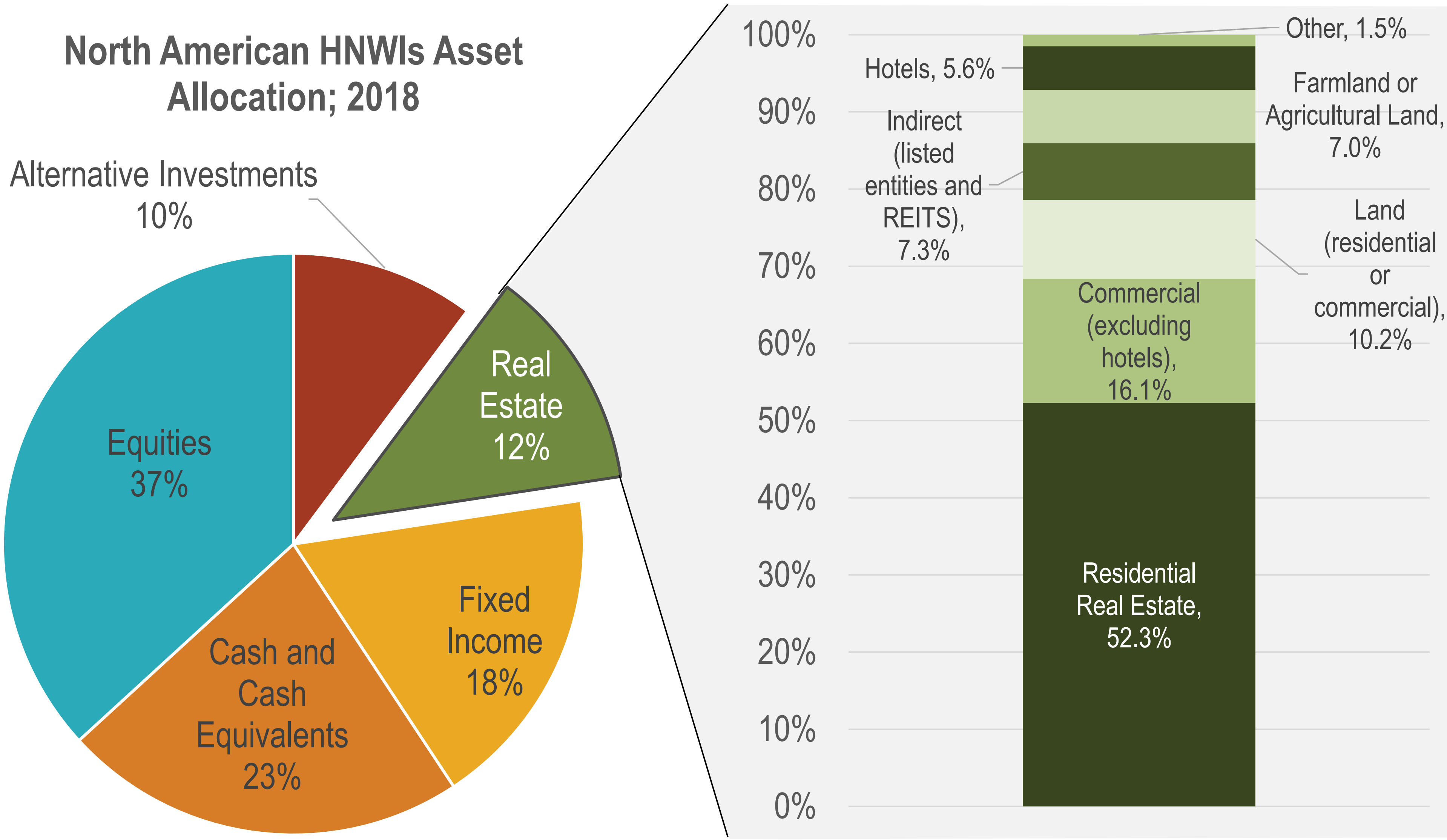
Source: Eagle County Assessor; Teton County Assessor; RCLCO

FOR HNWIS: LARGE INTEREST IN "SECOND HOME" ASSETS



Note: high net worth individuals (HNWIs) are defined as individuals with over $1M in investable assets, excluding primary residence, collectibles, consumables, and consumer durables
Source: CapGemini; RCLCO

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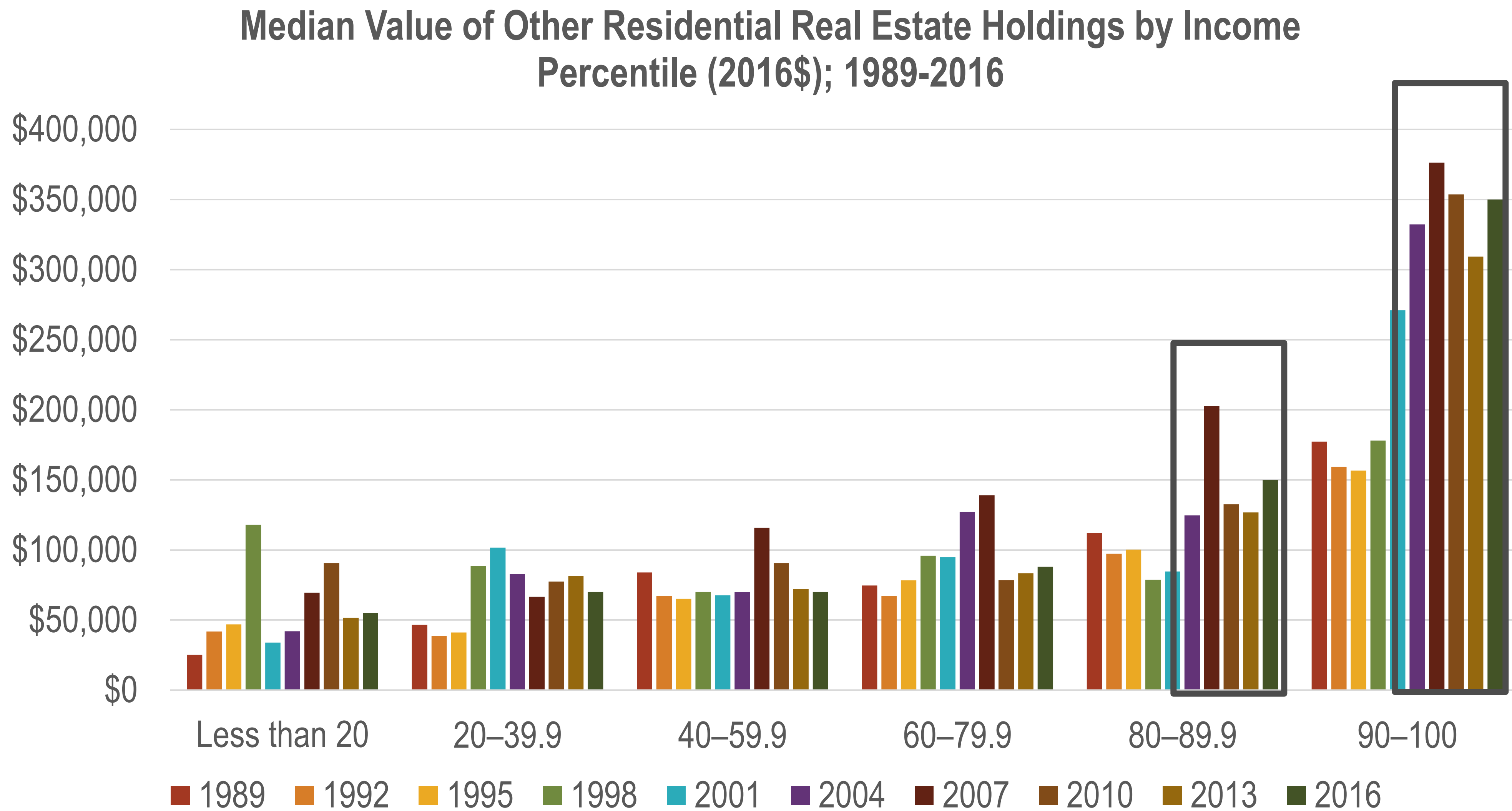
SECOND HOME PRICE RECOVERY AT THE HIGHEST INCOME LEVEL UNMATCHED



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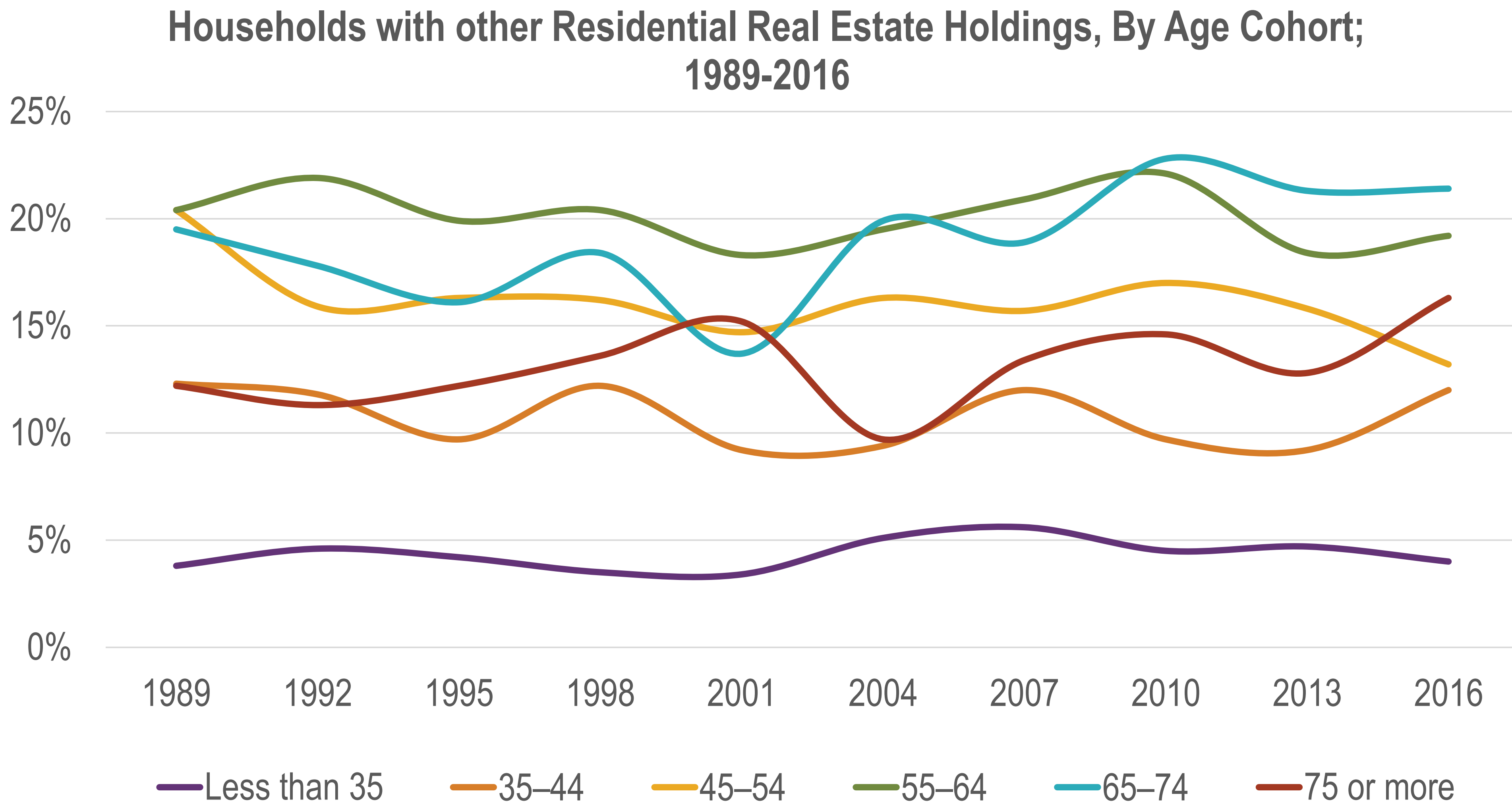
Source: IRS Survey of Consumer Finances; RCLCO

BABY BOOMERS CONTINUE TO DOMINATE SECOND HOME MARKET; WILL YOUNGER BUYERS STEP UP?



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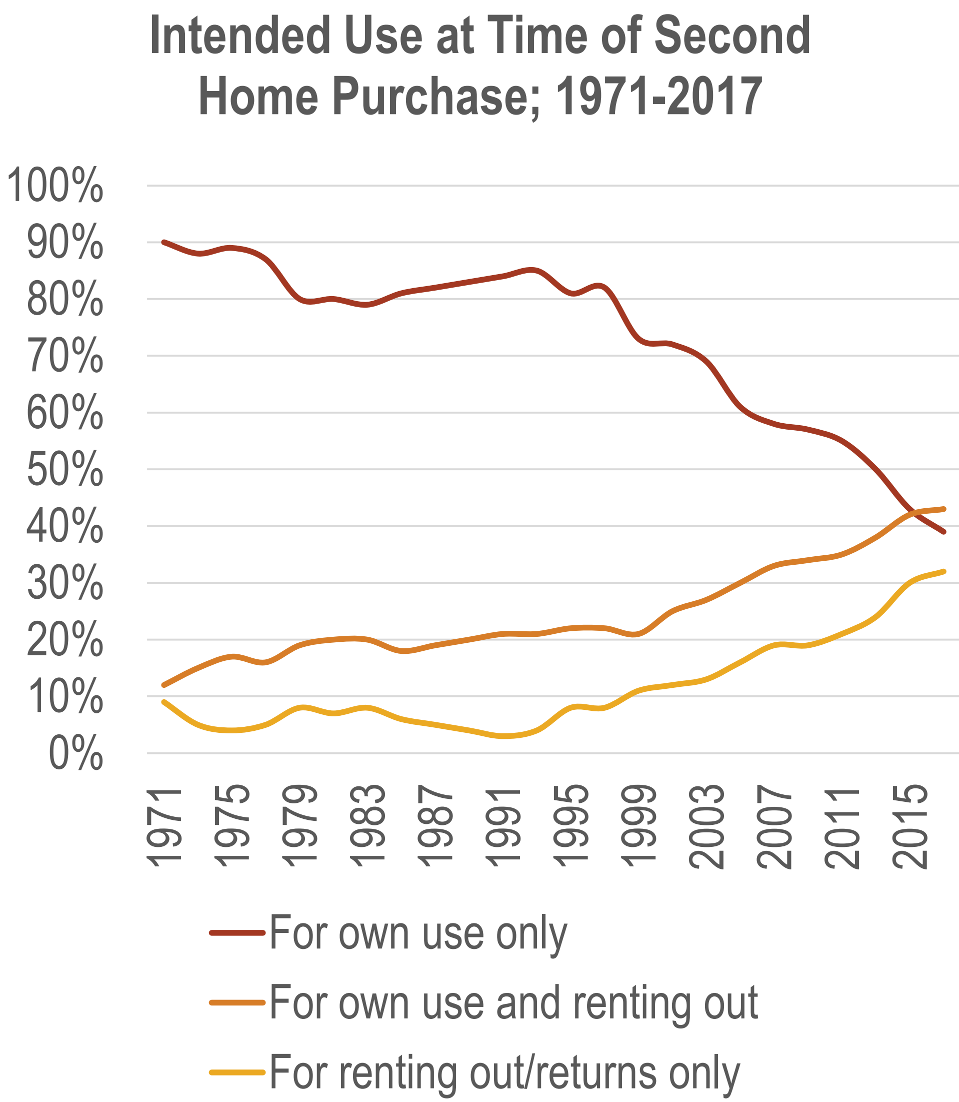
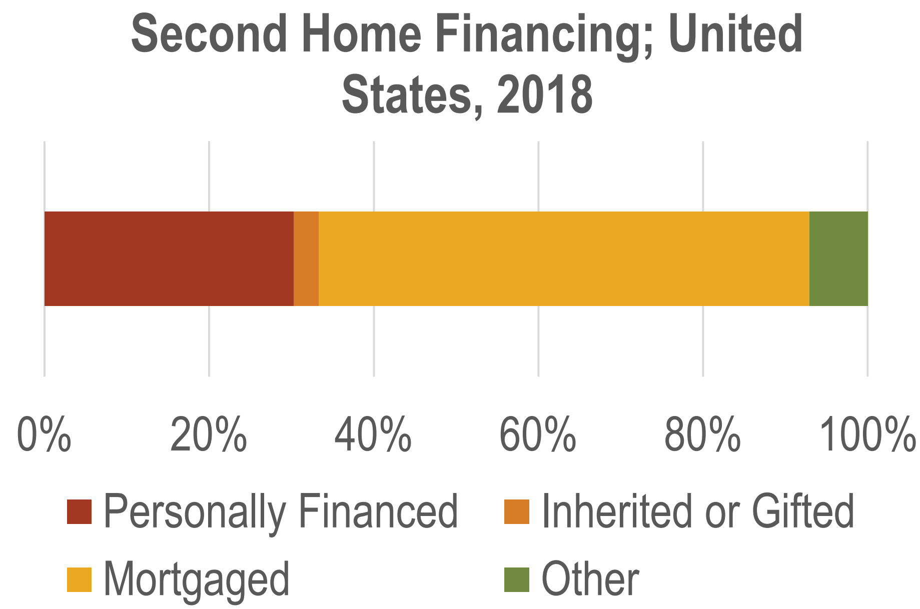
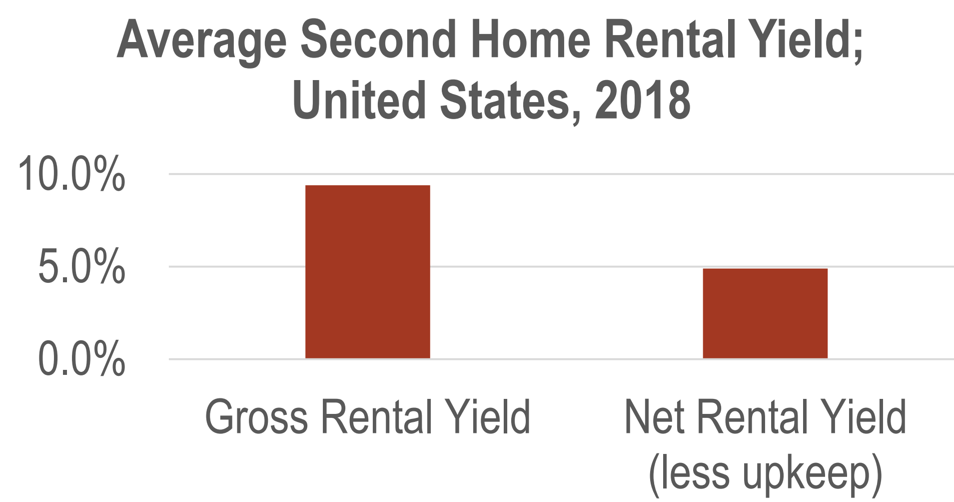
Source: IRS Survey of Consumer Finances; RCLCO

PERCEPTION SHIFT IN THE PURPOSE OF A "SECOND HOME"







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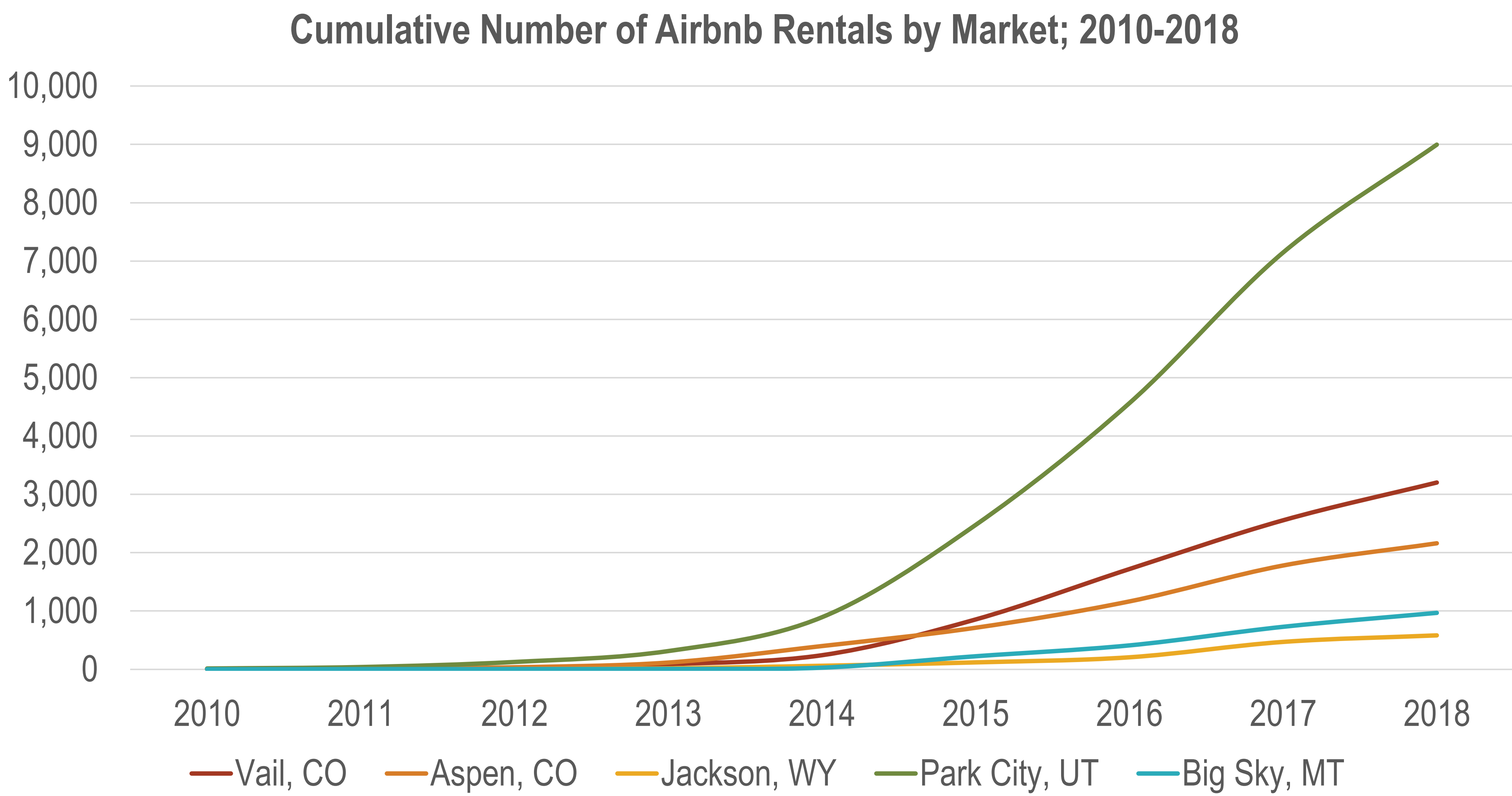
Note: Annual yield expressed as a % of purchase price
Source: Savills World Research; Homeaway; RCLCO

SHIFT TOWARD VACATION HOME RENTALS?

INCREASING SUPPLY AND DEMAND



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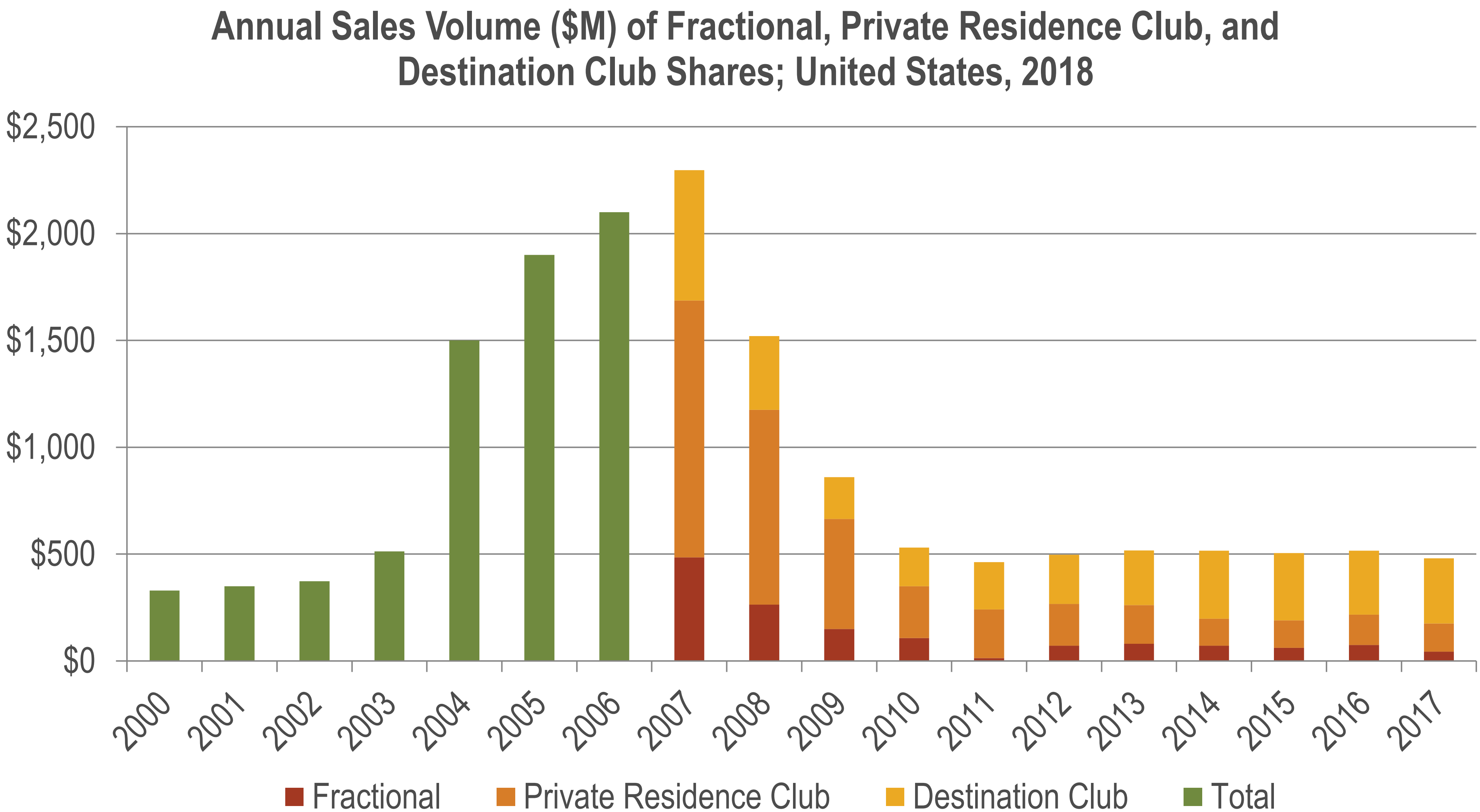
Source: Airdna; RCLCO

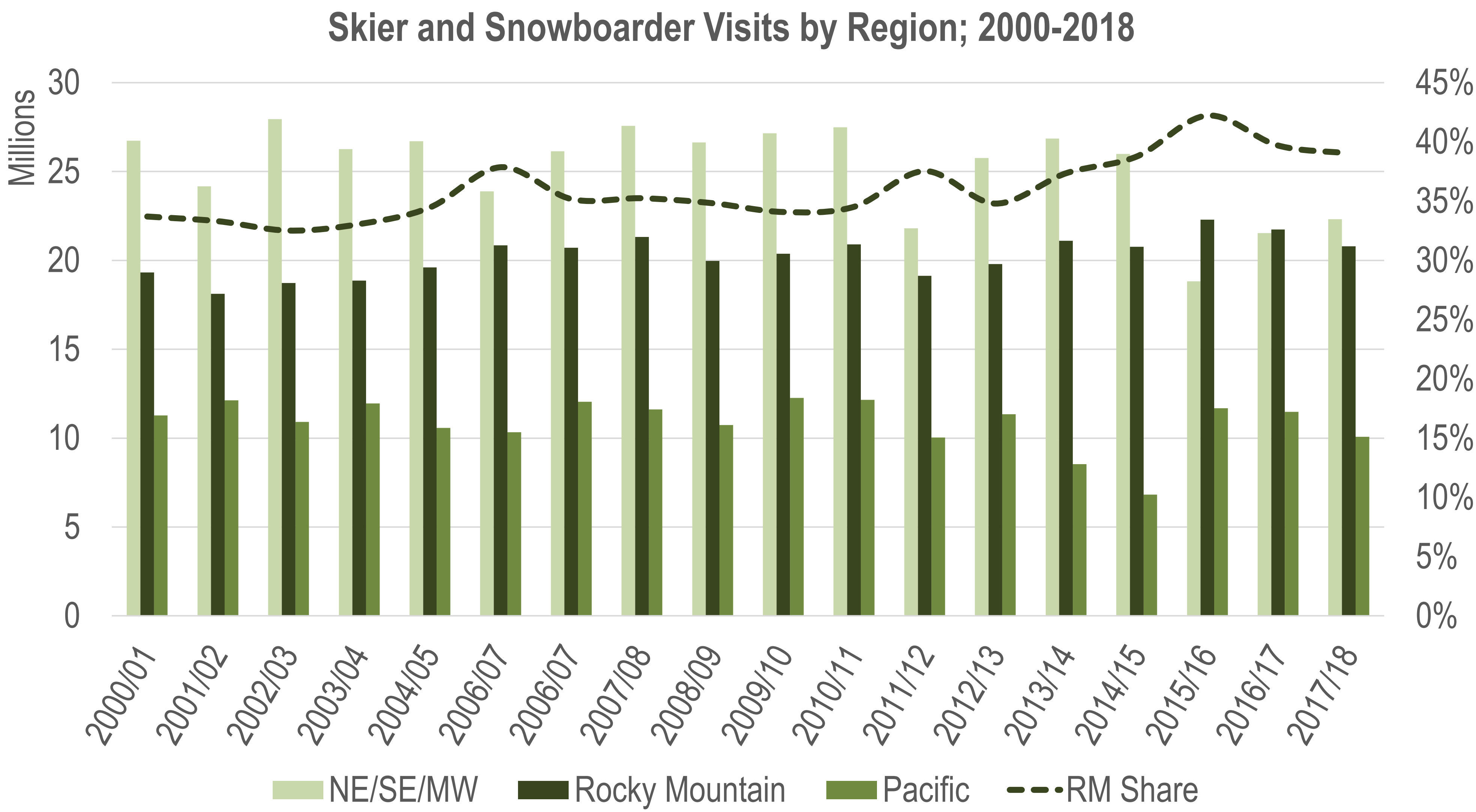
MEANWHILE, LACK OF FRACTIONAL THIS CYCLE



Source: Ragatz; RCLCO

MOUNTAIN RESORT REAL ESTATE DEMAND DRIVERS

THE DREARY SKIER PARTICIPATION STORY (GOOD NEWS IS ROCKY MOUNTAIN SHARE IS GROWING)



SOURCE: National Skier Association; RCLCO

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WHO ARE THE SKIER PARTICIPANTS?

ECONOMIC AND DEMOGRAPHIC FUNDAMENTALS OF SKIERS

1. **Families**: Over 65% of skiers first went skiing with their family
2. **High-income households**: 61% of Rocky mountain skier-visits in 2017/18 were generated by households with incomes over $100,000
3. **Long-time ski aficionados:** 82% of skiers first tried skiing at age 17 or younger
4. **Millennials:** This age group made up 32% of skier-visits in the 2017/18 ski season
5. **Locals:** Colorado residents make up about 44% of annual Colorado skier visits

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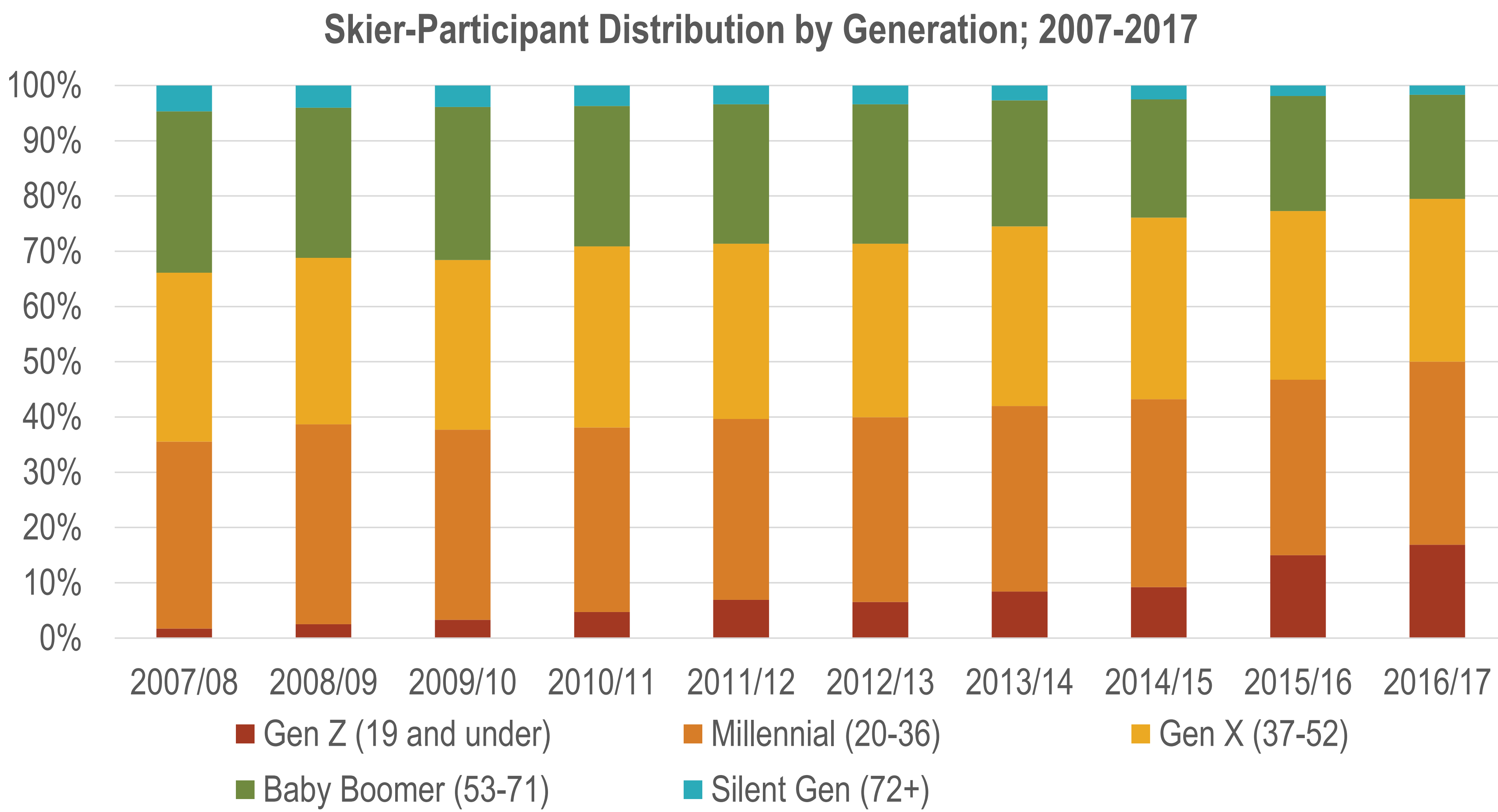
Source: Curbed; NSAA; GlobalData; Skiessentials; RCLCO

SKIER-PARTICIPANT HOUSEHOLD AGE DISTRIBUTION

GROWING DIVERSITY OF AGES, RACES, GENDERS



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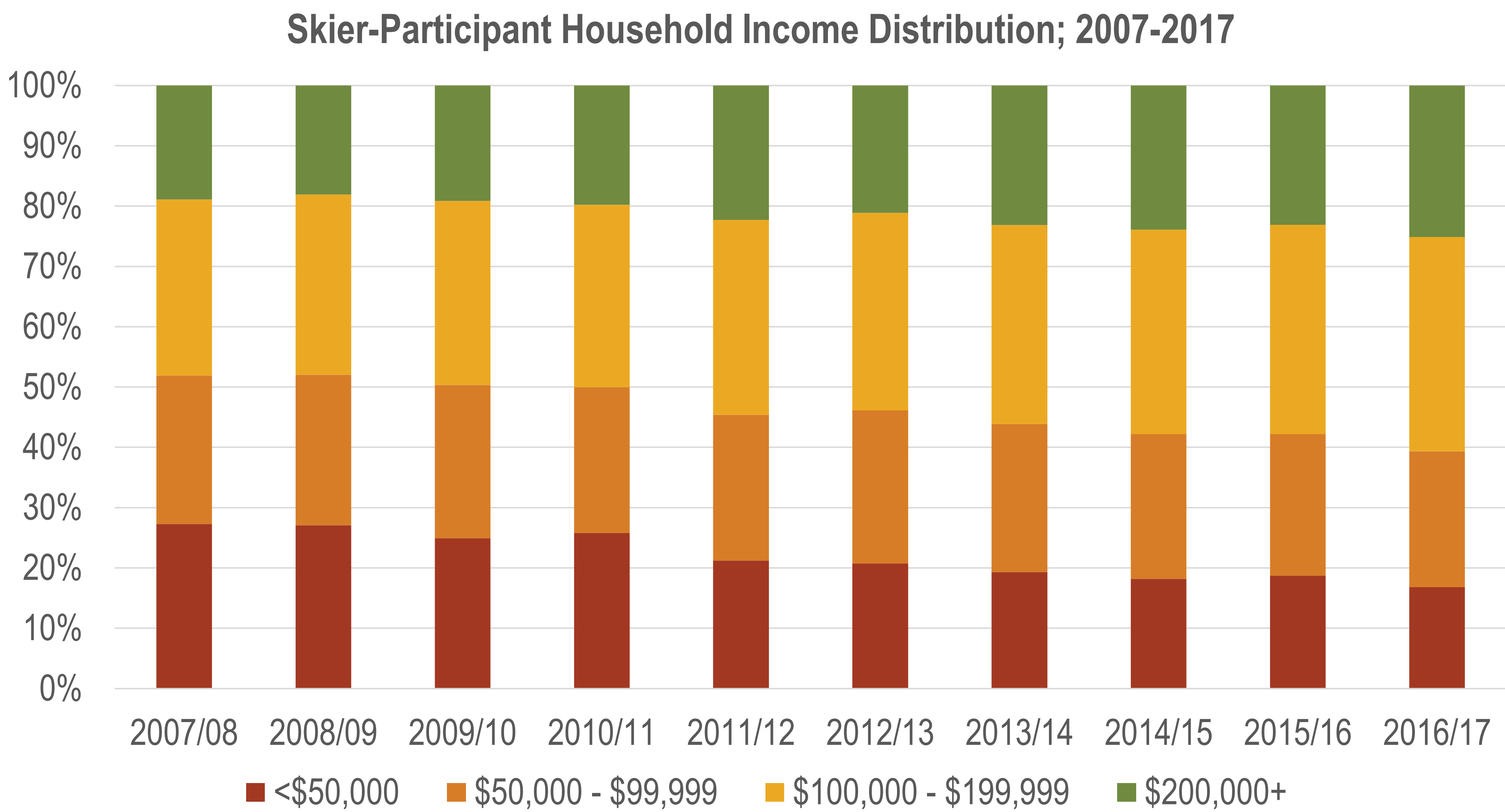
Note: Survey represents over 14,000 respondents.
Source: NSAA; RCLCO

SKIER-PARTICIPANT HOUSEHOLD INCOME DISTRIBUTION

TREND TOWARDS MORE AFFLUENCE/LESS INCOME DIVERSITY



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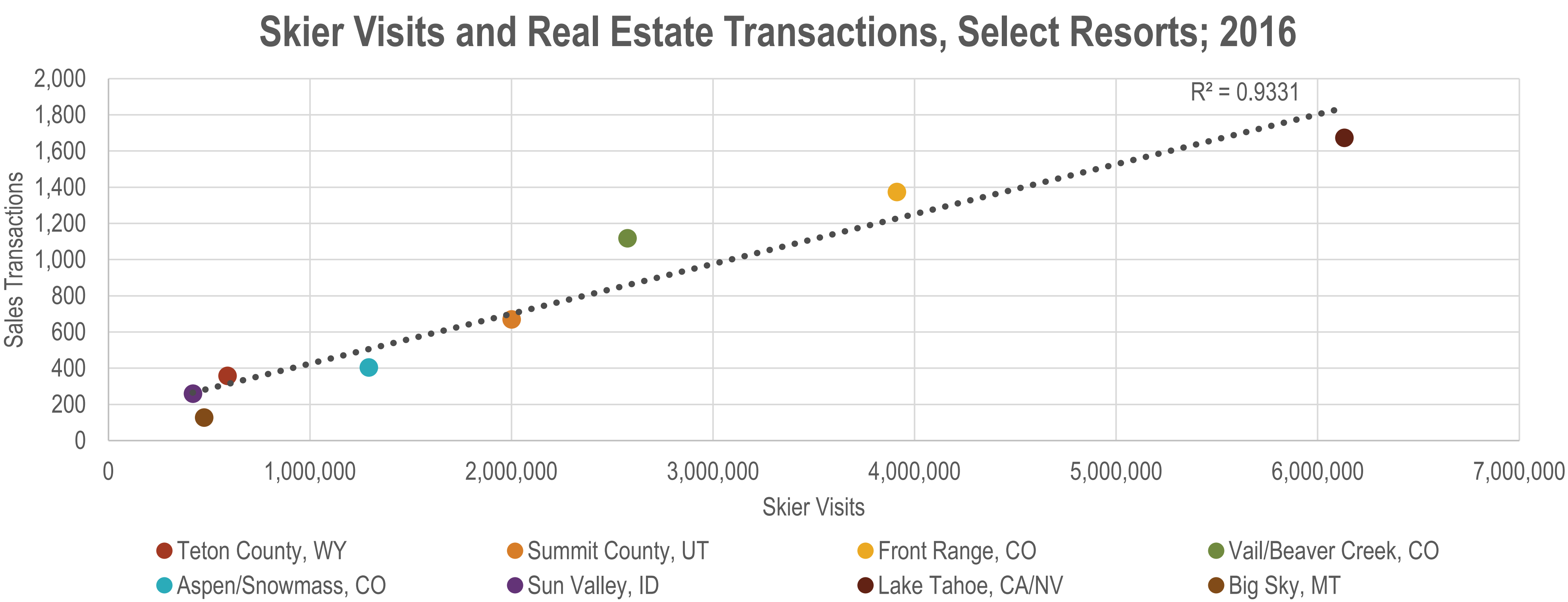
Note: Survey represents over 14,000 respondents.
Source: NSAA; RCLCO

IN MOUNTAIN TOWNS, SKIER VISITS HIGHLY CORRELATED WITH SALES TRANSACTIONS



	Year SV Reported	Number of Skier Visits (SV)	Transactions Per Year	Transactions Over $1M per Year	Skiable Acres	SV per Acre	Chairlifts	SV per Chairlift	HS Lifts	SV Per HS Lift
Teton County, WY	2013-2016	590,400	359	165	2,900	204	17	34,729	7	84,343
Summit County, UT	2016	2,000,000	773	132	9,326	214	65	30,769	32	62,500
Front Range, CO	2004-2016	3,911,909	1374	129	11,306	346	94	41,616	26	150,458
Vail/Beaver Creek, CO	2016	2,575,000	1119	264	7,104	362	55	46,818	27	95,370
Aspen/Snowmass, CO	2004-2016	1,291,854	405	201	5,480	236	42	30,758	19	67,992
Sun Valley, ID	2016	419,000	260	22	2,054	204	14	29,929	7	59,857
Lake Tahoe, CA/NV	2016	6,131,500	1674	182	17,264	355	111	55,239	28	218,982
Big Sky, MT[1]	2016	475,000	128	119	5,800	82	23	20,652	8	59,375
TOTAL		**17,394,663**	**6,091**	**1,214**	**61,234**	**14,324**	**421**	**41,317**	**154**	**112,952**

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SOURCE: RealQuest; Denver Post; Resort Websites

IMPACTS OF MAJOR, RECENT ACQUISITIONS

DIRECT INVESTMENT FROM RESORT OWNERSHIP TENDS TO DRIVE REAL ESTATE SPECULATION AND ADDITIONAL PRIVATE INVESTMENT

	2013 Taos Ski Valley sold to Louis Bacon	2015 Park City/Canyons sold to Vail Resorts	2017 Steamboat/Winter Park sold to Aspen/KSL	2018 Crested Butte sold to Vail Resorts
DIRECT INVESTMENT	Plans for 300 residential units, 70,000 square feet of retail at base	Planned $50 million in investment to combine Park City, Canyons resorts	New $15 million gondola, investment in new retail at base, downtown	New high speed quad lifts to increase uphill capacity by 50%
INDIRECT IMPACTS	Following announcement, transactions jump over 6x previous year	Listings for high-end homes jumped 20-25% immediately following announcement	Across all product types, sharp decline in DOM, continuous rising prices	Likely to see bump in skier visits and property values

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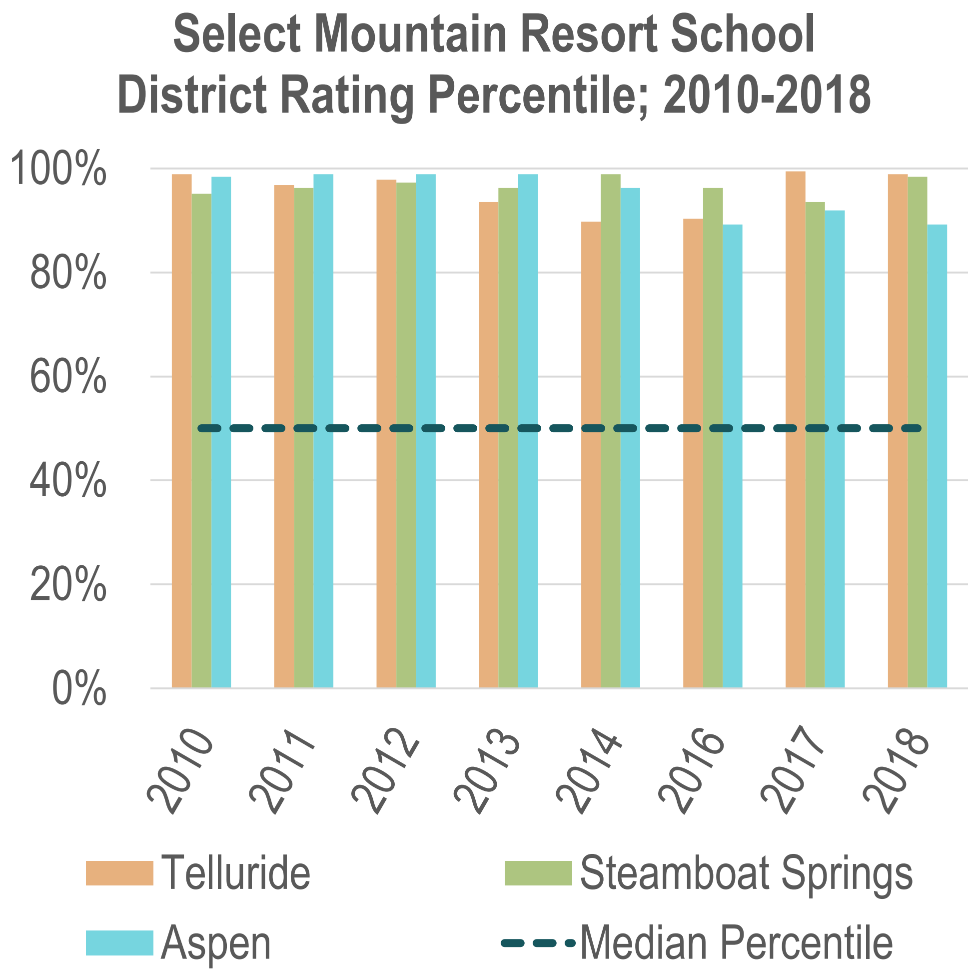
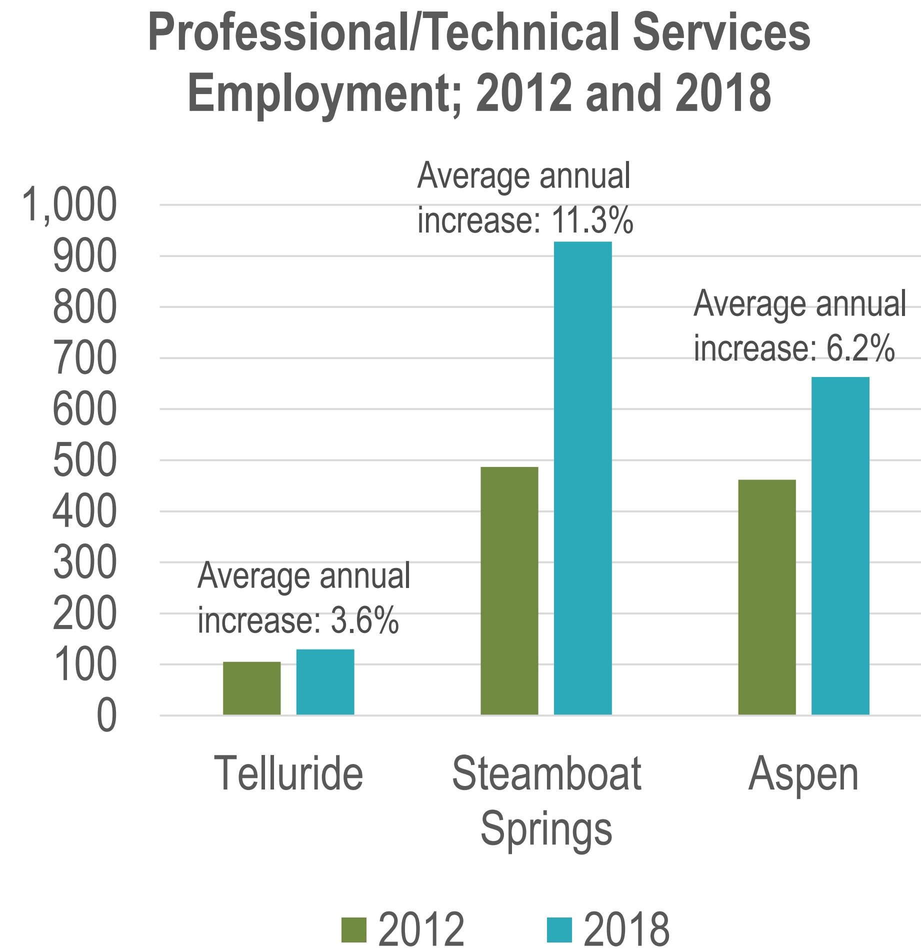
Source: Ski CB; Vail Resorts; KSL; WSJ; Hollywood Reporter; Sotheby's; RCLCO

HOWEVER, HIGH QUALITY OF LIFE, SCHOOLS, AND ECONOMIC OPPORTUNITY ALSO DRIVE DEMAND

LIKE PRIMARY MARKETS, GOOD SCHOOLS AND JOBS IMPACT REAL ESTATE





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Source: ESRI; Colorado Department of Education; US Census; RCLCO

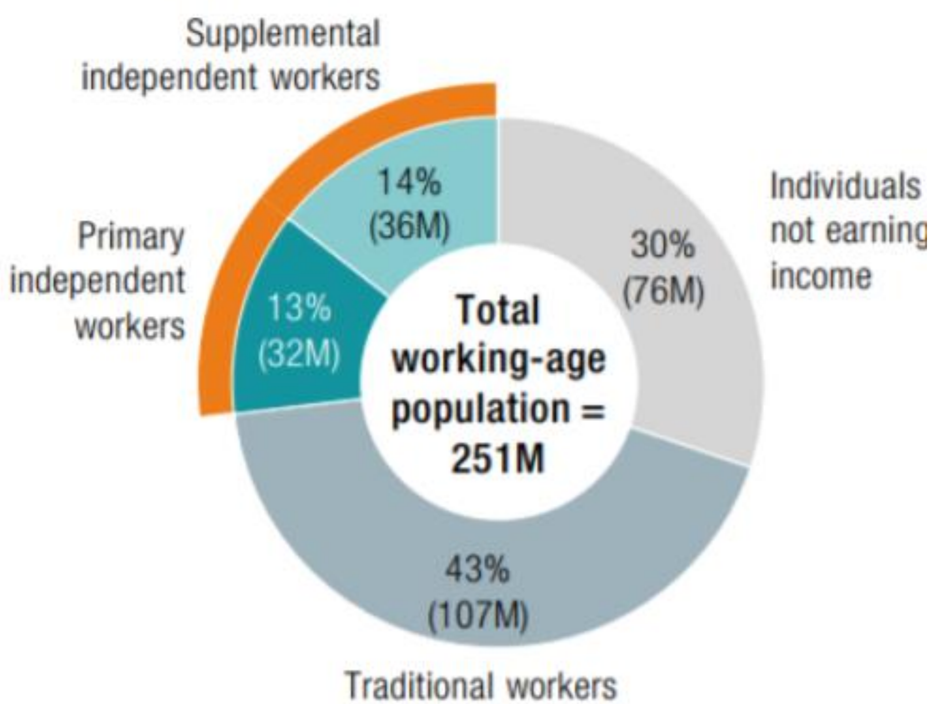
CHANGING RESIDENT DYNAMICS

PERHAPS 1/3 OF AMERICANS NO LONGER LIVING HOME AND OFFICE DYNAMIC

Sizing the "Gig Economy"

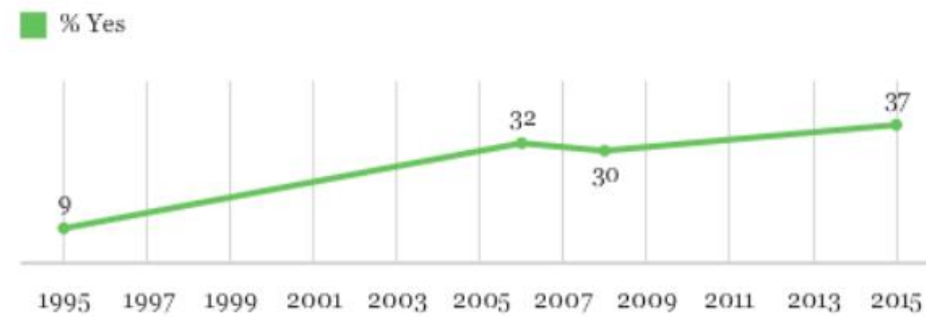
68 million

people engaged in independent work[2]



Have you ever telecommuted, that is, worked from your home using a computer to communicate for your job?

Based on employed adults



GALLUP

Ever Telecommuted -- by Education, Income and Job Type

Based on employed adults

	% Yes
College graduate	55
Non-college graduate	26
Annual household income $75,000 or more	52
Annual household income less than $75,000	26
White-collar profession	44
Blue-collar profession	16

Aug. 5-9, 2015

Note: White-collar professions are those categorized as being executive/managerial, a professional specialty, technical, sales or administrative.

GALLUP

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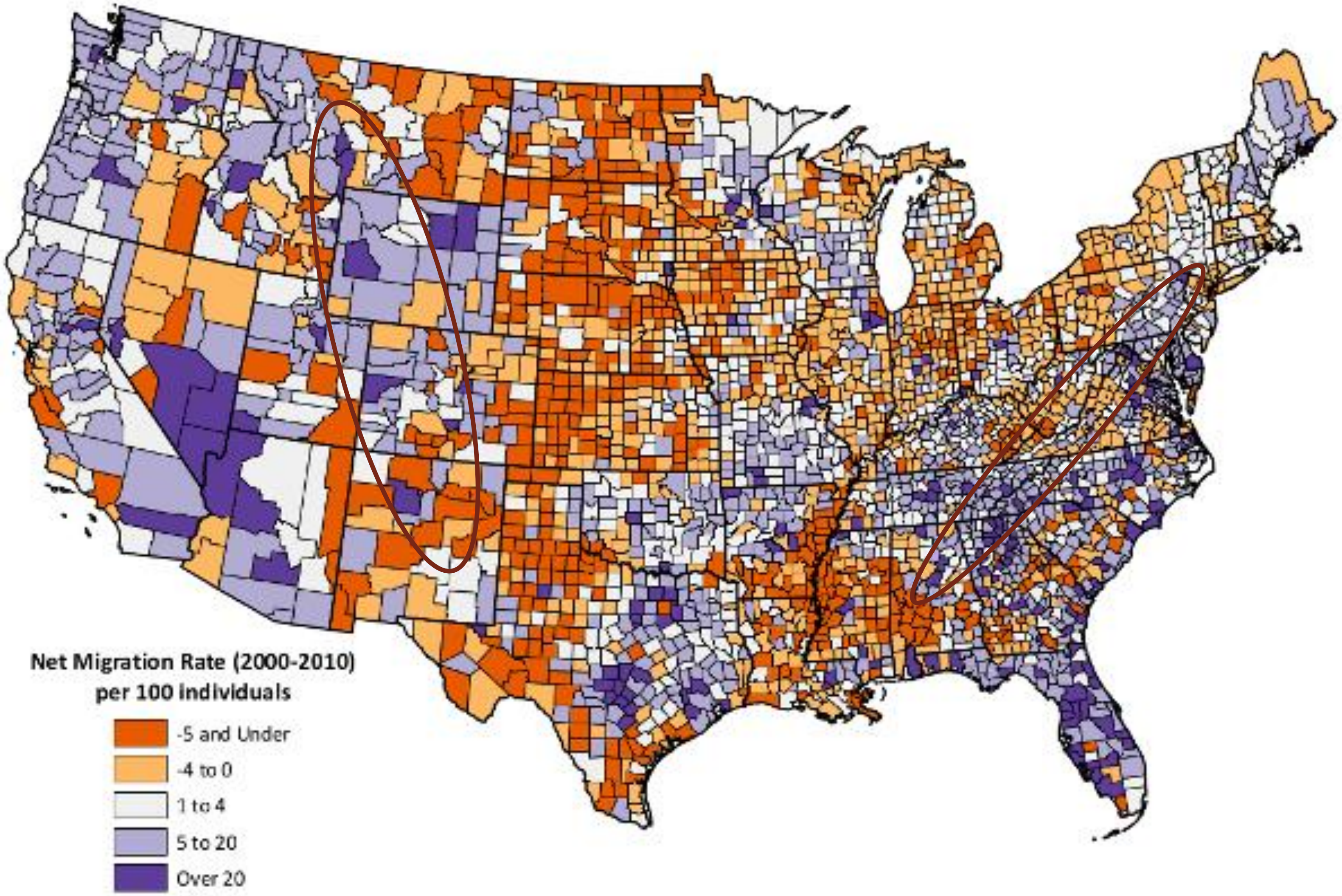
THE CHANGING FACE OF RETIREMENT

MOUNTAIN TOWNS EMERGING MECCAS FOR NEW ACTIVE RETIREMENT



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Source: U.S. Census; RCLCO

MOUNTAIN RESORT HOUSING: ALIGNING FUTURE SUPPLY WITH DEMAND

CONCLUSION

LUXURY MOUNTAIN RESORT MARKETS CONTINUE TO PERFORM WELL, WHICH IS GOOD NEWS FOR LOCAL TAX BASES BUT MARKET AUDIENCE REMAINS LIMITED

- High construction costs and sustained demand
- Prices continue to expand
- Local owners and many skier-families priced out of market
- Even more exclusive, investment-driven markets
- Need for a greater diversity of housing product to cater to locals, workers, upper/middle income vacationers

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CALDERA HOUSE, JACKSON HOLE, WY

TWO LUXURY OVERSIZED CONDOS PAIRED WITH SIX HOTEL ROOMS

OPENED SUMMER 2018

Source: Caldera House; Curbed; RCLCO

ONE SNOWMASS, SNOWMASS, CO

COMING NOVEMBER 2019

PARTNERSHIP WITH INSPIRATO

41 LUXURY RESIDENCES AT NEW, REVITALIZED SNOWMASS BASE VILLAGE

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Source: Aspen Times; RCLCO

TRANSFER TELLURIDE, TELLURIDE, CO

DOWNTOWN, MIXED-USE PROJECT WITH AFFORDABLE HOUSING, LUXURY RESIDENCES, COMMERCIAL SPACE

HISTORIC RENOVATION OF ICONIC SITE DOWNTOWN

PHASE ONE BEGAN IN 2015

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Source: Meriwether; RCLCO

VIRGINIA PLACER, TELLURIDE, CO

MIXED-USE AFFORDABLE HOUSING PROJECT OPENED IN 2018

COMBINES COMMUNAL LIVING, BELOW-MARKET RATE APARTMENT UNITS, AND TINY HOMES

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Source: CCA; Curbed; RCLCO

ACCESSORY DWELLING UNITS, DURANGO, CO

OVERHAULED HOUSING CODE TO INCREASE HOUSING SUPPLY

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Source: CityLab; Iriana Shiyan/Shutterstock.com; RCLCO

WASATCH SPRINGS, PARK CITY, UTAH

THE UPPER END OF WORKFORCE ATTAINABLE? ($500,000-$700,000)

SMALLER (STARTING AT 1,600 SQ. FT.) TOWNHOME PRODUCT

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Source: Wasatch Springs; RCLCO

6 WEST, EDWARDS, CO

120 MARKET RATE APARTMENTS

LUXURY BUT "UPPER END WORKFORCE ATTAINABLE"

UNDER CONSTRUCTION

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Source: Gore Creek Partners; RCLCO

BIG SKY TOWN CENTER

PURPOSEFUL PRICE AND LIFESTYLE ALTERNATIVE TO CLASSIC RESORT REAL ESTATE

MIX OF UNSUBSIDIZED RENTALS AND MEDIUM DENSITY FOR-SALE

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Source: L&KI; RCLCO

YOTEL PAD, PARK CITY, UT

MICRO UNITS EMPHASIZING EFFICIENCY TO KEEP PRICES DOWN

FULLY FURNISHED “TURNKEY”

COMING IN 2020

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Source: Yotel; RCLCO

QUICK FIRE SESSION: DEVELOPERS DELIVERING TO LOWER PRICE POINTS WITHOUT SUBSIDY?

BREAK OUT SESSIONS

BREAK OUT SESSIONS

- What is the missing “workforce attainable” product – what could work on land with market prices
- Conventional rental apartments -- What can the land use community do to accelerate non-subsidized deliveries
- Positioning resort communities for impact investment in non-subsidized housing
- Encouraging/incenting reinvestment in aging/under-utilitized resort real estate
- Removing regulatory barriers to non-luxury/non-subsidized real estate -- what entitlement constraints inhibit development and could be removed

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