



# Cost of Ownership

Whether it's a two-bedroom, two-bath starter condominium on the bus route for \$500,000 or a ski village residence for \$5,000,000, price point usually boils down to two essential financial elements: a specified down payment (typically 20-25%) and an annual "cost to carry" after possible short term rental income offsets. (Sorry, there is no such thing as "breakeven" or "cash flow neutral" properties without large down payments.) ■ Therefore, in an attempt to illustrate the magnitude of these two financial variables (at differing price points in different geographic locations), we offer the following menu of category alternatives. In order to help buyers understand the differences of "price per square foot" relationships based upon proximity to the ski slopes and size of structure, we have divided the Upper Vail Valley into four (4) distinct appellations. ■ Please keep in mind, these are case studies and NOT necessarily available "for sale" properties. These best-of-breed examples are intended only as financial guidelines illustrating the effects of a maximum leverage purchase model in conjunction with short-term rental income offsets, where applicable.

## Vail Village – Village Center Condos



### Cost of Ownership

Beds + Baths	2 + 2
List Price	\$1,600,000
Square Feet	1,050
Price per Square Foot	\$1,524
Downpayment 25%	\$480,000
Financing 75%	\$1,120,000
Mortgage 6.00% (10 Yr 1/O)	(\$67,200)
Association Dues	(\$10,000)
Property Taxes	(\$2,500)
Annual Cost	(\$79,700)
Net Rental	\$36,000
Yearly Expense	(\$43,700)
Monthly Expense	(\$3,642)
Net Income / List Price	2.25%

#### DESCRIPTION:

*A newly remodeled residence with magnificent appointments, in the heart of Vail Village overlooking Gore Creek and ski slope views.*

## Example Properties:

Click on any of the four following areas/categories to view three representative properties at escalating price points with cost of ownership financial calculations.

- **Slope-side** – The Tyrolean-themed village that started it all offers pedestrian access to the ski mountain, restaurants and shopping. Lionshead, which provides easy access to the Eagle Bahn Gondola, has a history of lower prices than Vail but is now coming on strong as a result of massive re-investment in the area. Cascade Village – the most under rated and least understood of the three villages – offers walk-to-the-lift access in combination with Vail Cascade Hotel and Aria Spa amenities at two-thirds the price.
- **East to West Vail** – At half the cost of ski village pricing, these 10-plus "micro" neighborhoods offer more space for less money in relaxed residential settings just 10 minutes from the slopes. Typically, there are more properties to choose from and bus service is generally available.
- **Beaver Creek** – The last major ski resort to be developed in the U.S. (along with Deer Valley, Utah), Beaver Creek is a master planned community featuring true ski/in ski/out access. These properties cost 40% less with newer physical improvements than in Vail or Lionshead.
- **Super-Premium Homes** – Some of the most architecturally significant real estate in the industry can be found within many of the Upper Valley's most exclusive residential enclaves. When it comes to discovering the best of mountain resort living, these magnificent homes demonstrate both the diversity and selection available for discriminating buyers.

Although our examples are financial in nature, we can compare qualitative issues in an easy-to-use spreadsheet format. To our knowledge, Vail Property Brokerage is the only local real estate company offering this unique approach towards the decision making process. So please give us a call for your own customized property report.

## *The Evaluation Process*

A thorough understanding of the marketplace and comprehensive financial analyses are what set a "smart" real estate decision apart from the average.

### **Typically, 'value' is measured in three ways:**

- 1) Price point as compared to the overall field
- 2) Price-per-square foot which equalizes the dilemma of varying sizes
- 3) The monthly "cost of carry" as measured by negative cash flow

Shopping and pricing property without some form of spreadsheet analysis is an almost impossible task. Not all equally priced properties are the same! Each and every home has its unique personality reflecting location, floor plan, square footage, cost of maintenance, property management and an ability to generate short term rental income (or lack thereof). Therefore, net income is the great leveler to this varied and bumpy playing field. Income reflects all of the property variables – good or bad – as represented by the market's willingness to pay set prices for use during high tourist seasons. ■ Using these three indicators of value, properties which intuitively offer the best price point value (in relation to available inventory), have the lowest cost per square foot and suffer the least amount of negative cash flow, typically tend to qualify as "best buy" recommendations. ■ To find properties that are truly worthy of serious consideration, our spreadsheet analyses will distill an array of variables into a simple to use format where you can quickly identify the players in the field. For the purpose of determining true market value, properties that make the "short list" are then compared to past sales records. ■ Additionally, sellers are well advised to utilize this methodology when listing property. Packaging a "to be sold" home from the buyer's perspective will greatly accelerate the sale; eliminating pricing errors and presentation flaws which oftentimes prevent sellers from maximizing their financial goals and objectives. ■ If we have intrigued you with our unique approach towards the buying and selling of real estate, please give us a call. As the Vail Valley's only real estate consulting and advisory service company we offer unbiased counsel and information designed to put you in control of the overall process.

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