



Investment Characteristics

In coming years, Eagle County's ski-accessible property is poised for significant growth and should not be confused (or associated) with the general real estate downturn now occurring in the country's many major metropolitan markets. This conclusion is based on the following economic drivers:

Population Demographics: 78 million baby boomers (representing one out of every four Americans) are increasingly demanding more travel, leisure, recreation and vacation home ownership in their never-ending search for lifestyle enhancement and family centered activities. In a survey of 25,000 households with incomes in excess of \$200,000, American Demographic magazine listed a vacation home as the number one desired asset for the nation's most affluent households.

Socio Economic Profile: A study by the National Association of REALTORS® of the most expensive resorts in the US concluded that, due to 'price elasticity characteristics,' world-class destination resorts outpaced national average rates of appreciation by 2:1. Affluent buyers are actively seeking highly ammenitized communities such as Vail which are capable of meeting their recreational passions. Due to demands on their time, high-end customers measure vacation home opportunities based upon 'lifestyle and convenience' considerations above pricing and physical improvements.

The Vail Renaissance: As elements approach 50 years in age, a major criticism of the ski industry has been the aging infrastructure and deteriorating physical improvements. The best and most proximate locations to the chairlifts oftentimes have the oldest, most obsolete structures. High end socio economic customers value new, attractive, well designed, buildings not typically found within the industry. However, in terms of modernizing and redeveloping its base core villages, Vail is leading the way with more than three billion dollars (\$3,000,000,000!) of market improvements with an additional half billion dollars (\$500,000,000) being spent at the entrance to Beaver Creek. In relation to existing inventory these capital investments have significant value-added implications and represent a staggering amount of property creation.

Vail Resorts: Operator of Vail (#1), Breckenridge (#6), Beaver Creek (#8), Keystone (#14) and Heavenly Valley (#17) is the recognized industry leader in both ski mountain operations and resort real estate development. Given the mature and consolidating nature of the industry, their long-running corporate strategy of stripping market share from competitors through massive capital expenditures on their products, goods and services is a proven success formula. It is important to recognize that the economic engine driving most ski towns is ultimately the ski mountain itself – and the successes or failures of the ski company. Therefore, if the entity is vibrant, responsive and delivers a quality and reliable experience then demand increases and the community-at-large prospers. However, if the operator hurts demand as evidenced by the American Ski Company laying off 1,100 employees at Steamboat Springs several years ago, the towns suffer and property values fall (in that case by as much as 13%). Because Vail Resorts is recognized as a financially strong and forward thinking company, we anticipate they will enjoy continued success and dominance in this competitive, consolidating and mature life cycle industry.

Appreciation: Since 1991, the compounded average growth rate (CAGR) for Eagle County has been eight percent (8%). However, factoring 2004, 2005 and 2006 price increases, that CAGR is closer to ten percent (10%), due primarily to ski village property sales. "Are we at the top of the market or can prices go even higher?" This is a frequently asked question by buyers who suffer through less favorable markets and/or are discouraged by sky high pricing. Vail has always enjoyed its share of the 10% of households who control 50% of all US wealth. However, given the resort options available in this country and abroad, one has to wonder how deep this 10% market really is. Considering the massive overhaul of its base villages, an irreplaceable ski mountain, reliable snow and a world-class lifestyle experience, Vail's ranking among select, worldwide ski destinations is sure to grow. This dominance, in turn, is bound to significantly enlarge the customer base making Eagle County a truly international destination resort. In quantifiable terms, if the US has 113 million households and the richest 11,000,000 control 50% of the nation's wealth, imagine what happens when that number doubles, or triples, as a result of a larger worldwide customer positioning! The implications of an expanded international customer base is significant, to say the least.

As you can you can imagine, we are very bullish about the future of the Vail Valley and Eagle County in general. We invite your questions, comments and interest in becoming part of this exciting transformation and if you would like additional information please don't hesitate to call.

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