

THE LOCAL

weather

The Real Estate Climate Today in Aspen • Snowmass • Basalt Summer/Fall 2012

A Conversation with a Few Good Men: Aspen, Snowmass Village and Basalt Town Managers

From sales tax collections to occupancy, from new development to development news, the upper Roaring Fork Valley economies have much to be optimistic about. We spoke at length with three men who may have the best insight into the health of their respective communities—Aspen City Manager Steve Barwick, Snowmass Village Town Manager Russ Forrest, and Basalt Town Manager Bill Kane—and asked them how things are faring in their necks of the woods, and what challenges and opportunities their towns are facing.

Each place—given their distinctive identities—has its own unique set of issues, but common threads bind each community. Putting the puzzle together reveals a picture of hope, confidence in the special and diverse attributes the valley has to offer, and a strong desire to tackle challenges in order to help steer each town's destiny.

Aspen

Aspen was the last of the valley communities to get hit in the downturn, and the first to recover. Economic indicators are continuing their upward trend in 2012, and the real estate market is “unquestionably stronger” than other valley towns, according to our own Andrew Ernemann.

“Things are going pretty well,” says Aspen City Manager Steve Barwick. “I think we’ve reached a new equilibrium, and we’re seeing some growth, albeit at a lower level [than during the boom years].”

Aspen's sales tax revenues were up 7 percent in 2011 over the prior year and, as of May, were up 9 percent over 2011. Purchases related to construction and home improvement show the strongest

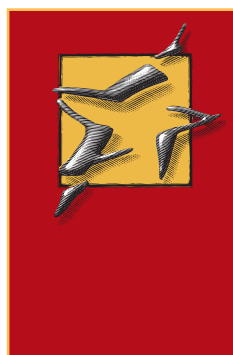
leap—up 38 percent in 2011, and up 22 percent so far in 2012. The second-strongest category, luxury goods, was up 14 percent in 2011, and 45 percent in January 2012.

An increased lodging tax for tourism promotion that debuted in 2011 finished the year 9 percent over budget and, thus far in 2012, revenues are up 13 percent over last year.

Occupancy for the 2011-2012 winter was up 3.4 percent, which was great news given the low-snow year. Other mountain resorts in the region were down 2.8 percent, on average.

Real estate sales were up nearly 15 percent in number of sales and dollar volume in 2011, and Aspen was the only upper Roaring Fork Valley town to not see any downward trends. (See 2012 stats on back page). Led by Aspen, Pitkin County is easily the strongest and most stable real estate market compared to other Colorado counties that include resorts such as Vail, Breckenridge, Winter Park, and Steamboat.

Real estate, says Barwick, “is an investment in the community, so it's a reflection of optimism.” But despite its importance, says Barwick, Aspen needs to look more broadly for its overall economic health. “City Council's goal is to try as much as possible to assist the economy without the creation of a bunch of bigger buildings.” →



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(Cover story continued)

Factors that benefit the greater local economy and community include a great hospital and outstanding schools.

The addition of American Airlines and direct flights from new major hubs have

million into an overhaul of the properties. After a mere seven-month remodel, the Silvertree will reopen in December as the Westin Snowmass Resort.

"I think this says we're a community worth investing in," maintains Snowmass Village

"After the transaction closes, we look forward to discussing Base Village with local officials and all key stakeholders."

Because the marketplace is different than it was when approvals were granted in 2004, Base Village remains one of Snowmass'

Real estate is an investment in the community, so it's a reflection of optimism. —Steve Barwick

facilitated travel for many potential Aspen visitors. CMC's recently introduced Isaacson School for New Media will teach skills that could translate into a new wave of digital entrepreneurship in the valley. And, "the entire cultural and arts side of town is much larger than you find in other ski resorts."

Aspen's biggest challenge? "The most immediate is the possibility of drought, water shortages, and increased fire potential," says Barwick, referring to the unusually dry weather this year.

Snowmass Village

Development on a grand level is weighing the scales in Snowmass Village, which began its long, slow economic recovery last summer but was still feeling then the stigma of the stalled Base Village development. Two things, however, are expected to effect changes: the transformation of the Silvertree complex into a Westin resort, and Related

Town Manager Forrest. "In this economy, you have to think long-term, and that's exactly what they're doing."

"Having that flag on the Westin property is going to be significant," adds Forrest. "The capability to expand our marketing and group sales will be a significant shot in the arm for the summer."

Related Colorado, which owns the rest of the Snowmass Mall, as well as The Snowmass Center, is focusing on commercial viability at its properties in the short term.

"We're thrilled that Base Village's Viceroy Hotel has received such positive press since opening, and we want to build upon that success," says Related Colorado President Dwayne Romero. "We will continue to work toward stabilizing retail businesses in Base Village and backfilling empty commercial spaces as needed, once we are back in control."

most significant challenges, says Forrest. "As a community, we will have to see what makes sense today versus 2004, what sort of product is desired in a real estate resort market, what the assumptions should be in 2012 and 2013, and really begin to understand what the market is going to support. How do you match all that with the needs of the community?"



Snowmass Village Town Manager Russ Forrest

This is a town that wants a rural feeling on its roads, a comfortable scale in terms of development and sustainability, and a relaxed, livable community while remaining a thriving resort. And, that's a contrast to Vail. —Russ Forrest

Colorado buying back Base Village from the banks that had foreclosed on it by the end of last year.

Having bought the Silvertree Hotel, Wildwood Lodge, and Snowmass Conference Center last summer for \$42 million, Wasserman Real Estate Capital and its corporate partner, Starwood Capital Group, are pouring \$55

Future development in Base Village is a little tricky, however. Vested rights for the unbuilt parcels expire in 2014, so the Town and Related Colorado will have to renegotiate the timeframe and the plan.

"Any development in Base Village will be based upon real estate industry needs and local market fundamentals," says Romero.

Still, having an experienced buyer [Related Colorado] who already knows Snowmass and can plan coherently for the health of all three commercial nodes is a distinct advantage. "The buyer knows exactly what they are purchasing; we know them and they know us," says Forrest.

In terms of economic indicators, Snowmass has seen one of the strongest bumps of mountain resorts. Double-digit increases in sales tax revenues put 2011 up 8.5 percent over 2010, and this year is up 6.5 percent through May. December was actually stronger than in 2007 and 2008, and January and February also



The new Whole Foods complex under construction at Willits Town Center. (Photograph from June 2012)

had double-digit increases. Snowmass ended the winter with a 7 percent increase in occupancy, markedly better than most resorts, and lodging tax revenues were up 11 percent through May.

"I'm optimistic we're starting to see a recovery; it's a slow recovery, though," says Forrest, sounding the note of caution that reflects government budgeting these days.

and construction," Forrest said. "And having a stigma of foreclosure really impacted our real estate industry."

Snowmass' uniqueness gives Forrest hope, he says. People will always be drawn to beautiful places, whether they're full-time or part-time residents or visitors, and "in Snowmass, we like a balance. This is a town that wants a

to pre-recession levels in Basalt, but we are slowly inching our way back." The town budgeted flat for sales taxes these past four years, but so far this year, sales tax collections are up 4 percent

We know we're attracting investment from people who believe in this town. —Bill Kane

On the real estate front, Snowmass has finally turned the corner. Real estate transfer tax revenue (which reflects overall dollar volume) was up 32 percent in 2011, its highest level since 2008. In 2012, average sales prices and price per square foot are both up.

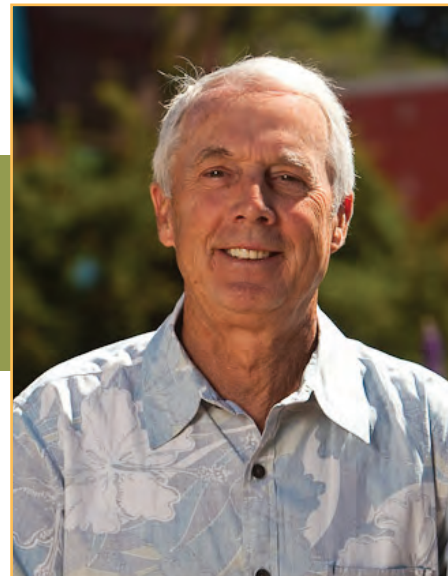
Related's acquisition of Base Village should have a positive impact on the local real estate economy, Forrest recently told *The Snowmass Sun*.

"A big part of our economy is real estate

rural feeling on its roads, a comfortable scale in terms of development and sustainability, and a relaxed, livable community while remaining a thriving resort. And, that's a contrast to Vail."

Basalt

Buoyed by a gradual increase in sales tax collections, a surge of real estate activity, and promising development opportunities, Basalt's economy is "stable and very hopeful," says Town Manager Bill Kane. "We are not close



Basalt Town Manager Bill Kane

compared to the same period in 2011. Running a surplus in town coffers not only feels good, Kane pointed out, it's a sign of stability.

(Story continued on page 6)

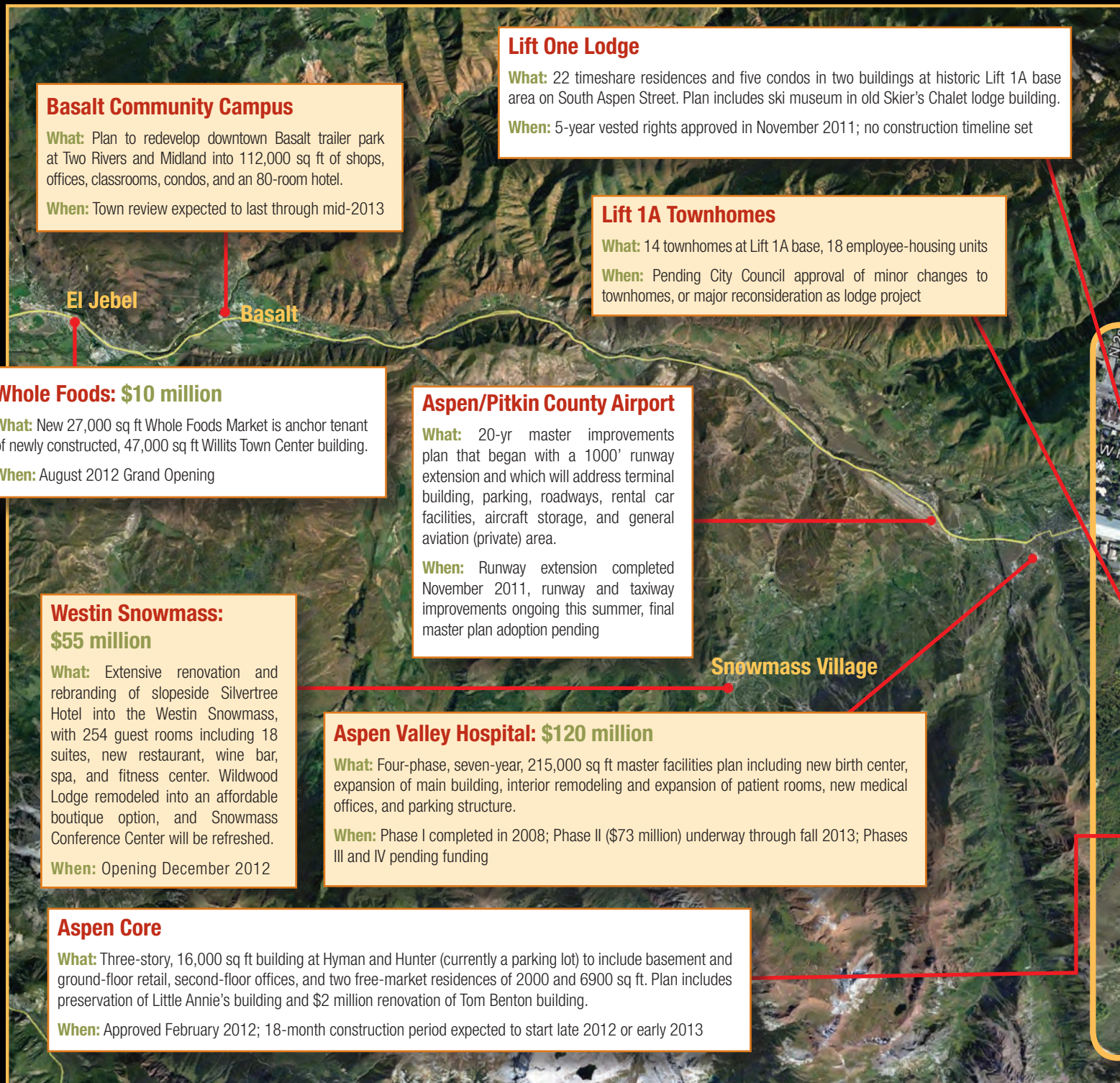
Back on Track, with Momentum

Last spring, after a couple of relatively slow years, the hum of construction picked up again in downtown Aspen, and quickly became the dominant activity of a snowy yet quiet off-season. The first half of 2011 saw \$100 million of construction activity in the city, nearly three times what it was the year before. On Spring Street alone, eight redevelopment projects were underway or planned on just four city blocks.

So far in 2012, the pace of development is picking up even faster. As some sectors are still shaking off the effects of the Great Recession, the significance of all these planned and under-construction projects can't be underestimated.

The financial investment represented—around \$300 million for just those projects that are underway—reflects a growing, robust confidence in the future that we haven't seen for a while. Also encouraging is that the swath of projects is spread throughout the valley, from the Aspen Club's planned healthy living community to the Whole Foods project in Basalt, which is expected to generate positive economic impacts far beyond the opportunity to buy quality organic food.

Below is a snapshot of the projects planned or underway between Aspen and Basalt, with construction values wherever available:



Dancing Bear

What: Renewed sales effort in the Dancing Bear Aspen private residence club, now managed as part of Timbers Resorts portfolio. Unsold shares in completed, nine-unit building are being actively marketed; demand will determine construction timeframe of second, 11-unit building.

When: New ownership and management as of February 2012; sales and planning ongoing

Crandall Building: \$2 million

What: Historical designation and renovation of Tom Benton-designed Crandall Building, including condominiumizing tenant spaces and addition of a 3rd-story penthouse.

When: Completed early 2012

623 E. Hopkins

What: Historical renovation of Susie's consignment store and the hair salon next door, plus new three-story building on rear of the lot, including ground-floor retail and upper floor residence.

When: Under city review

625 Aspen

What: Three-story, 27,000 sq ft building at 625 E. Main Street. Includes 6700 sq ft of leasable space on first floor, basement and second-floor commercial space, two employee-housing units, and three free-market condos ranging from 2800 to 3100 sq ft.

When: Completion September 2012

Hotel Jerome

What: Comprehensive interior renovation includes guest room remodels, new banquet room, retail shop, and spa.

When: August to mid-December 2012

508 E. Cooper: \$3.5 million

What: Brand new four-story building in heart of downtown. Includes street-level retail to be occupied by Italian fine clothier Brunello Cucinelli, subgrade restaurant, and 4500 sq ft penthouse on third and fourth floors.

When: Late 2012 for retail opening

Spring Building: \$2.5 million

What: Three-story, 10,000 sq ft "green" office building at Spring and Hopkins, with 2500 sq ft, third-floor residence.

When: Late 2012

Walton/Berg home: \$3.3 million

What: Unique, downtown single-family home project, incorporating historical renovation of 850 sq ft Victorian and new, two-story, modern building. At corner of Spring and Hopkins.

When: Completion late 2013

300 Spring Street: \$1.2 million

What: Three-story, 3000 sq ft building addition on southeast corner of Spring and Hyman. Includes three office spaces and one employee-housing unit.

When: Completed summer 2012

Aspen Art Museum: \$30 million

What: New 30,000 sq ft home for Aspen Art Museum at the corner of Spring and Hyman, designed by Shigeru Ban. Includes 12,500 sq ft of gallery space, workshop space, a café, a museum shop, and rooftop sculpture garden.

When: Summer 2014

Aspen Club: \$60 million

What: The Auberge Residences at The Aspen Club: 20 fractional townhomes and condos. Plan includes 41-space parking garage and renovation of Aspen Club, including new pool and exercise studios.

When: Groundbreaking in spring 2013; two-year construction period

633 Muse: \$10.7 million

What: Three-story, 15,000 sq ft building at 633 E. Hyman (empty lot next to Aspen Art Museum site). Includes first-floor retail, second-floor offices, and 3500 sq ft residence on third floor.

When: Pending building permit approval, construction could start in 2012

(Cover story continued from page 3)

Basalt has plenty of economic development to be optimistic about—starting with the grand opening of natural grocer Whole Foods in August. Adding 100 jobs to the community, “it’s quite a boon,” says Kane. “And it brings with it a number of new commercial leases—moons that orbit around the planet of Whole Foods.”

The town is also considering a redevelopment of a downtown mobile home park into new shops and restaurants, a hotel, office space, and residences. On Basalt’s South Side are plans for a retirement community.

“We’re meeting challenges by creating a pretty aggressive development strategy,” says Kane. “We’re not going to say ‘yes’ to everything, but we will say ‘yes’ to things that are congruent to us as a community. We see things like Whole Foods and the Pan and Fork redevelopment, and we know we’re attracting investment from people who believe in the town.”

Another good sign is that enrollment in the schools has stabilized, after declines the past couple years that were mostly the result of departing families that had come during the construction boom years.

On the real estate side, Basalt condos and townhomes are by far the healthiest segment of the upper Roaring Fork Valley market, with less than nine months’ worth of inventory, compared to two to three years in most other areas. People are also starting to look at houses over \$1 million again, and listing inventory in general is down over 20 percent compared to 2011.

In the spring, for example, you can turn right to play golf and turn left to go skiing. —Bill Kane

As a service community for Aspen and its ski areas in the winter, Basalt’s challenges include affordable housing and supplementing its summer tourism economy, which is almost entirely dependent on flyfishing. Diversifying Basalt’s economy and attracting people who appreciate its unique way of life are two of the ways to answer those challenges, says Kane.

“As we grow and evolve, we become a little more diverse and sustainable,” says Kane. “We offer a different lifestyle, maybe with fewer skiers, but we have diverse recreation interests. In the spring, for example, you can turn right to play golf and turn left to go skiing.”

INTERNATIONAL VISITORS SAVED WINTER

DID YOU KNOW? International business accounts for more than 20 percent of winter destination visitors, according to Aspen Skiing Co. Vice President David Perry.

- Aspen/Snowmass is one of the top North American resorts for skiers from other countries, along with Whistler, which draws a large number of Asian and American visitors, and Breckenridge, which has a strong UK following.
- Australia and Brazil, two of Aspen’s top international markets, have seen their currencies and economies do quite well in recent years, which has been a boon for the resort. Growing numbers of Russians and other South Americans are also hitting the slopes here.
- The SkiCo and its marketing partners have put substantial efforts into cultivating international markets in the last decade, and this past winter, those efforts paid off in spades.
- International visitors are desirable because they tend to stay longer than their American counterparts, and when they like a place, they return.
- These habits—repeat guests and lengthier visits—can also bode well for real estate, as people who buy resort property tend to have been visiting the area for six or seven years, said Perry.

A penthouse-sized debate



On April 2, Aspen City Council voted 3-1 to cap new buildings in the city core to 28 feet, or two stories. The debate and decision was spurred by what City Council saw as “development being driven by third-floor penthouses,” according to Community Development Director Chris Bendon.

Facing the impending reduced height limit, developers submitted about a dozen proposals before the new rules went into effect in early May. Eight of those submitted since March, when the downzoning talk became serious, include third-floor penthouses. These include three-story redevelopments of the one-story annex next to the Red Onion on the Cooper Mall, which currently contains a poster shop; the Boogie’s clothing store and restaurant building; and the Zocalito building on the Hyman Mall.

There are also proposals for new two-story buildings without the penthouse component, such as The Gap building on Galena, whose owners want to add a partial second story for retail use, and the Bidwell building at Cooper and Galena.

Some of the applications, Bendon points out, have been anticipated for months, and thus are not likely a reaction to recent City Council action. These include three-story redevelopments of the Susie’s parcel, the Charles Cunniffe Architects offices, and the Aspen Athletic Club.

But some clearly would not have been submitted had they not been prompted by the new height ordinance, Bendon says.

“I don’t know if it’s a reaction to any kind of change in the marketplace, as much as it is to secure a right to something that’s about to be taken away,” he said.

Commercial realtors differ on what the third-floor ban does to a building’s value, but in any case, it’s unlikely that the law will remain in place for long. City Council this summer is revisiting downtown development rules, including this one. And Council members seem to be amenable to some lodging uses on the third floor.

Council is also interested in hearing what people in the community would like to see on a third floor, “what they’re willing to trade off a third floor to achieve, and where their values lie,” says Bendon.

Regardless of how things shake out, City Manager Steve Barwick notes that Aspen’s varied mass and scale and overall small-town feeling are what makes it special.

“It’s one of the biggest draws of this community,” he says. “It differentiates us from other ski resorts; the feel of downtown is different.”



Top: Crandall Building at corner of Spring and Hyman; Below right: Spring Building at corner of Spring and Hopkins, both with 3rd floor penthouses



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UPPER ROARING FORK VALLEY MARKET TRENDS

2012 vs 2011 (through June 30)

	Number of Sales	Sales Dollar Volume	Average Sales Price	Average Sales Price Per Sq Ft	Avg Sale Price as a % of Asking Price	Listing Inventory
<p>Aspen</p> <p>At first blush, it would appear that the real estate market in Aspen has taken a step backward. Sales Dollar Volume and Prices have dropped compared to last year. As always, one needs to peel back a few more layers to fully understand what's happening. Sales Dollar Volume is down primarily due to fewer \$10+ million home sales in 2012 (most of the best inventory sold in 2011), and the Average Price per Sq Ft is actually up compared to last year for Single Family Homes. Very stable Listing Inventory, Sales Discounts and Number of Sales translate to an improving real estate market.</p>	↔	↓	↓	↓	↔	↔
<p>Snowmass Village</p> <p>Finally some positive news to report for the Snowmass Village real estate market. Sales and Inventory have leveled out, establishing new norms. While Prices and Sales Dollar Volume posted drops compared to last year, it appears that the market in Snowmass Village has finally found the bottom. Condo Prices have held steady for upwards of a year now, although we'd like to see Condo Listing Inventory start to drop to solidify that segment of the market.</p>	↔	↓	↓	↓	↑	↔
<p>Basalt</p> <p>On paper, Basalt is now the healthiest real estate area in the Upper Roaring Fork Valley. Sales and Prices have leveled, and Listing Inventory has dropped over 20% from last year. Although the Aspen market is largely responsible for pulling the local real estate market past recovery mode, Basalt has all the signs of a well-functioning real estate market. Real estate investors have started returning to Basalt, and with some property sales occurring below replacement cost, it feels as though the next direction for real estate in Basalt will be up.</p>	↔	↓	↔	↔	↑	↓

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We pay close attention to the statistics and trends these days, as it's easy to get caught up in the headlines about drops or rises in Sales Dollar Volume, Prices, and Sales Activity. Important to understand are the fundamentals underlying the local real estate market, and what's occurring in particular neighborhoods with specific property types at various price points. The trends are pointing in a dozen different directions at a surface level today, and it's deep below the surface where we see the essential ingredients to new Sales Activity and Price baselines that will establish the makeup of the Aspen/Snowmass/Basalt real estate landscape in the coming years. **For the most comprehensive real estate trends report available in the valley, contact us for a copy of *The Big Red Book*, just updated through mid-year 2012.**