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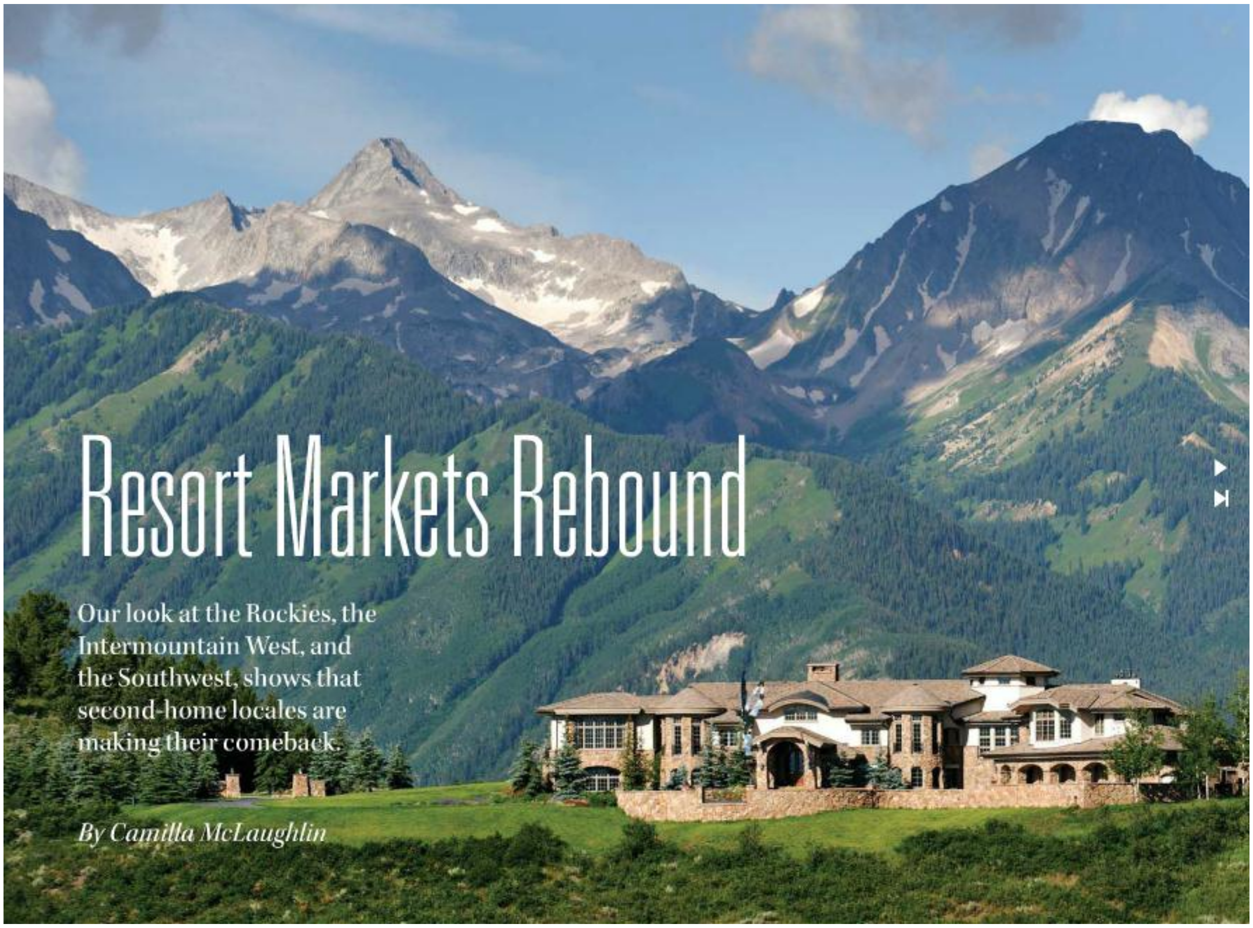


Resort Markets Rebound

Our look at the Rockies, the Intermountain West, and the Southwest, shows that second-home locales are making their comeback.

By Camilla McLaughlin

Nothing is more elusive than the tipping point — that moment when a market flips into recovery mode or takes a definite turn favoring buyers or sellers. Like the bottom of a downturn or a peak, you usually don't recognize the tipping point until you are well beyond it.

As many prime markets moved into full recovery mode in early 2012, most resort properties had yet to see the spark of a turnaround. Today, that's changed. Along the Rockies and in the Southwest, second home and resort locales have the tipping point squarely in their rearview mirrors.

"In the last year we've seen a total recovery in the resort market," explains Telluride, Colo., broker George Harvey. "We've never seen a recession in my lifetime like the Great Recession, which gave the affluent pause for the first time that I can remember." More than balance sheets took a hit; there was a period of time when it was not OK to spend money. When the affluent got comfortable with the idea of buying again, he says, they started looking for deals, and, for the first time after the run-up to the boom, they were finding deals.

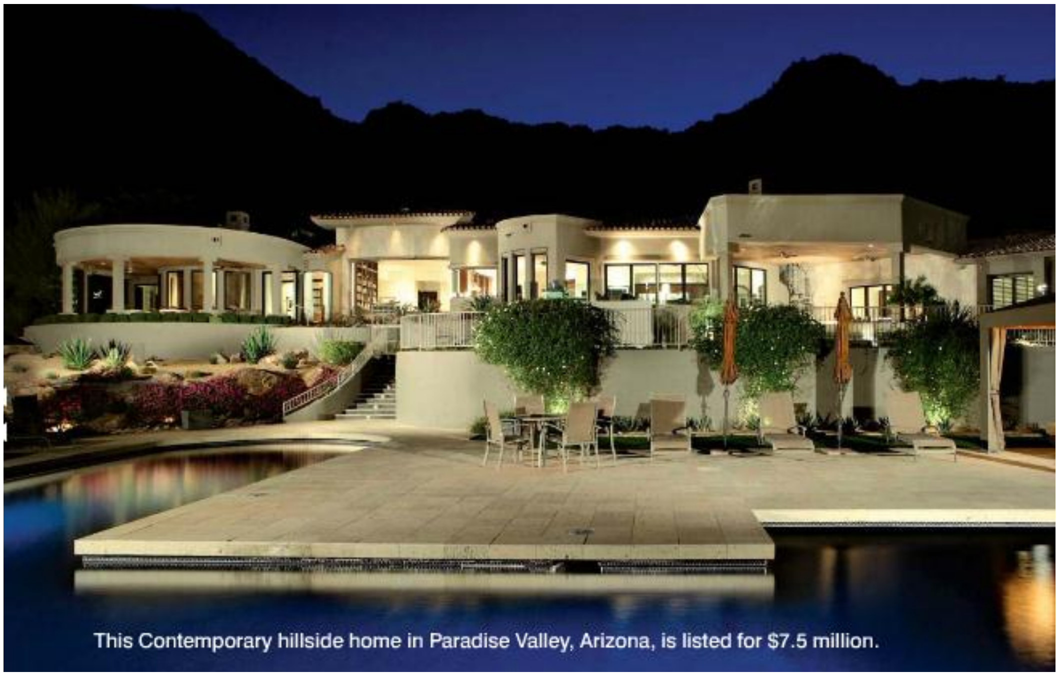
"Last September was the true switch. The faucet really turned on in the fall of last year and it never turned off," says Paul Benson with Summit Sotheby's International Realty of the Park City, Utah, market.

A year and a half ago, when Mark Pordes was considering an equity investment in 425 unsold residential condos at Veer Tower at City Center in Las Vegas, he says, "The market was sketchy. There were no indicators that the market was going to come back." His company, Pordes Residential, completed the deal at the end of 2012, and has sold 60 condos, ranging from $250,000 to $1.5 million, since February. Along the Strip, properties are selling. "We're seeing a lot of traction now. It is indicative that the whole area is turning around," he says. New projects are also underway, including a $2 billion mega-resort on the site of the old Stardust being developed by the Genting Group of Malaysia.

Sales in Austin are "off the charts," says Eric Copper with Keller Williams Realty. "This is the hottest market since the early 2000s." Here, the high-end includes a mix of resort properties and primary homes, and this market started to gain traction in late February of 2012.

At year end, markets received an added boost from upscale buyers pulling the trigger to avoid potential tax changes in 2013. "Beginning in November 2012, we saw our market just literally light on fire with people who wanted to close by the end of the year," says Carol Linton with the Jackson Hole Real Estate Associates. "We had almost 60 closings in December and it has continued into 2013. We've seen a total change in our market." By some estimates, Jackson Hole was the best performing resort market in the Rocky Mountain region.

"Up to $1 million, it is definitely a sellers' market. Luxury is still finding its way, but high-end sales are stronger than we have seen in years," says Susan Lowe with Chase International, referring to Lake Tahoe, which charted two sales over $20 million in the last six months, a significant indicator because the last $20 million →


This Contemporary hillside home in Paradise Valley, Arizona, is listed for $7.5 million.

transaction posted in 2008. Sales volume around the lake is up 61 percent, primarily due to a 133-percent jump in homes sold for more than $1 million.

Aspen continues to be a high-end haven, with sales up by more than 10 percent. "A solid recovery" is the way Brian Hazen characterizes the market. Historically, strict growth controls have kept a lid on the number of homes. This damper on development also ensures Aspen continues to be a location the wealthy consider a triple-A investment, according to Hazen. The over-$10 million segment has been particularly strong.

Last year, the highest sale in Aspen was Prince Bandar's Hala Ranch for $41 million. A ranch just outside Aspen represented by Joshua Saslove is one of the most expensive properties currently on the market nationally (listed for $75 million). Since January 2013, three properties here have sold for over $10 million.

Trickling Up

In Denver, inventories are so low that houses are selling for multiple offers even prior to making the MLS. Like a lot of brokers, Julie Gelfond with Coldwell Banker Devonshire in Denver wants to create the best outcome for her sellers. She says she sets a day when everyone can come and see the property, and a day when she will accept contracts. She has sold her last five listings, which ranged from under $1 million to $600,000, that way. Sales above $700,000, Denver's threshold for the upper tier, are beginning to pick up with transactions at $2 million and $4 million. "Six months ago, sales at $1 million were unheard of," she says. The outlook is positive, she says, because when you have a hot market in lower price brackets, it always trickles up.

Jumping Back In

What becomes the tipping point for affluent buyers? The tremendous values when we hit bottom were definitely a shot in the arm for buyers, observes Walt Danley, owner of Walt Danley Realty. Upscale markets in Phoenix are definitely picking up. "Prices are way off the high-water mark of the market, and off the low-water mark. They may be climbing, but, he says, "It's nothing like the rocket ship we saw in 2006 and 2007."

"I've had clients say they just need to feel that tomorrow will be better than yesterday. It doesn't have to be a lot better, but they just have to see the trend going in the right direction so they can say it's OK to make this luxury purchase," shares Harvey.

Asked to identify an overall trend, Marilyn Hoffman with Hoffman International Properties says, "It is that people are ready to buy now. They are tired of waiting."

Value and potential return on investment are important, but unlike the overall market, where purchases by institutional investors are pushing sales, the luxury rally is fueled by individual buyers. "Investors have been the driving force in the recovery of the production home market, but we haven't seen a flurry of institutional investors in the luxury home market," explains Danley. "There are great values in the luxury space and many end-users are buying now because they see it as a good long-term investment, but their goals are slightly different from an institutional investor — they eventually want to retire here and see that now is a great time to buy. Most institutional investors would rather buy ten $150,000 houses than one $1.5 million house; it helps mitigate their risk."

In Park City, sales of luxury condos are not as robust

MICROS RISING

Whether it's beer, or whisky, or houses, anything labeled "micro" seems to turn heads today. Pair micro with celebrity, and you have the champagne of real estate, an elixir for market success. Two A-list micro markets beginning to pop are Sundance and Palm Springs, both celebrity havens.

Palm Springs has been a star-studded retreat for many years, but the interest in mid-century architecture is creating a renaissance. "It has become the place to go," says Joyce Rey of Coldwell Banker Previews International, who was recently in town for a filming of one of her new listings, actress Suzanne Somers' estate. Even though it was a weeknight, she says, restaurants were packed and there was such a great vibe all over town.

Robert Redford might have made Sundance a celebrity Mecca, but tiny roads leading to leafy sheltered sites tucked under aspens and firs are what really make this a top location. The homes are striking, and each one is a private hideaway with guaranteed privacy, so it's easy to see why it is popular with celebrities. Another micro, Santa Fe, has strong ties with the arts. The recovery is just getting started here, although ranch properties are in demand.


Suzanne Somers' estate

as other property types, which, according to Benson, reflects the absence of investor buyers.

Not Just the Price

More than great deals are driving upscale resort sales. "From 2002 to 2007, people got a little carried away with the investment side. Now affluent consumers are more reflective," observes Harvey. They realize they don't have to have a steal. They realize they are doing well financially and they want a place where their family can gather. "I am glad to see that come back. The lifestyle purchase priority has returned to a level that is healthy." Harvey uses the example of a recent purchase, the third for this buyer. "He thinks values are so good that when he gets ready to sell that it will be a good diversification of his investments, but in the meantime they can use it and have fun. That's the driving force of all these purchases."

Another boost to Southwest markets comes from Californians looking to escape high property taxes. In Phoenix, Danley sees this as a trend. In Jackson Hole, quite often buyers "are coming from high-tax states, and states where they want to get out of the heat," says Linton, noting that Wyoming is one of the top two states for tax relief.

Texas' status as a no-income-tax state also beckons Californians, especially to Austin, where luxury demand ripples out from city center. "Austin has a vibe that is pretty much like California. We have businesses relocating here, and high-net-worth individuals coming from California," says Copper.

The New Normal is For Real

Clearly, buyers have returned with new priorities, which might be the clearest indication that there really is a new normal. Instead of ski-in, ski-out condos, Benson sees buyers gravitating toward larger properties with more land and opportunities for a broader range of experiences and activities.

The switch to lifestyle properties is changing resort markets all over the West. "People are buying fewer properties with the intention of using them more," observes Benson. And rather than a $2 million or $4 million condo, many affluent consumers would rather put their money into a $6 million or $8 million ranch. "Coming out of the recession, people have accumulated wealth and they are feeling comfortable putting that wealth into large properties. Now it looks safer than parking money in the stock market. Family lifestyle and experience became more important than it ever was. They want their kids to

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In many ski towns, summer rivals or surpasses winter as the prime season. Telluride is known for a summer-long roster of festivals. In Jackson Hole, summer is more popular than winter, with second-home owners arriving the second week in June and often staying through September.

In Telluride, Harvey also sees the ranch sector picking up significantly. The momentum started about a year ago and he expects it to be aggressive for the next two years. "Some of the very wealthy look at big land purchases as a hedge against everything else for a simple reason — it's a fixed commodity."

Hoffman specializes in ranch properties in a number of states, including her base in Texas. "The horse market is booming," she observes. When sales for a single horse often exceed $1 million, it's no surprise that demand for ranches is climbing. "When horses are selling for that much the owners are not going to put them in a cheap barn. They will put them in a property that is worth much more than the horse is worth."

International buyers represent a big chunk of upscale transactions in the West, especially in California's prime locations. In the Southwest, international buying is slowly gaining momentum. Brokers in Park City report more interest and sales from buyers from China, Europe and Mexico. Asian buyers have purchased properties in Park City's exclusive Deer Crest, and they are also looking in the Colony. Traditionally, Mexican buyers have gravitated to Vail, and Aspen's international draw is broad.

Expect to see these resort locales continue to gain momentum, especially as more baby boomers turn their attention to the next phase of their lives. Pre-retirement buying is already a strong trend, and recent research from the Pulte Group shows boomers are having second thoughts about continuing current employment after age 65. This is playing out in enclaves such as Scottsdale and Paradise Valley in Phoenix, where Danley says his agents are seeing more buyers in their early to mid-50s. They plan on working eight to 10 more years, but want to take advantage of current bargain prices. In the interim, they can enjoy the property and learn about the community. Already, agents in Park City are getting interest from individuals from the energy and tech sectors who are retiring at an early age and choosing Park City to be their home base.

The line of sight into the road ahead might not be long, but expectations in the industry, including from Lawrence Yun, chief economist for the National Association of Realtors, are that resort sales will continue on this upward trend through next year. And along the way, who knows what new tipping points we'll encounter. UH

SELECT LUXURY REAL ESTATE MARKETS IN PERSPECTIVE

LOCATION	2012 SALES $	% CHANGE FROM 2011	2012 SALES #	% CHANGE FROM 2011
ASPEN, CO	$1,491,364,705	17.5%	749	1%
BRECKENRIDGE, CO	$772,913,600	13%	1,624	12%
CRESTED BUTTE, CO	$105,203,530	1%	228	17%
DURANGO, CO	$315,754,148	4.7%	1,029	22%
JACKSON HOLE, CO	$881,000,000	50%	565	38%
PARK CITY, UT	$1,240,542,783	15%	1,817	9%
STEAMBOAT SPRINGS, CO	$483,899,850	7.4%	1,716	15.9%
TELLURIDE, CO	$364,700,000	47%	444	16%
VAIL, CO	$1,513,490,284	31%	1,726	27%

Almost all of the reporting ski resorts had their best year since 2007.
The bottom of the market for these resorts was in 2008/2009.