

Kelsey & Norden Resort Real Estate Report

Fall 2014 - Industry Trends Update

10 October 2014

Kelsey
&
Norden



Introduction

Purpose

The Kelsey Norden Resort Real Estate Report was launched in the spring of 2009 in an effort to gauge the opinions of industry experts in the wake of the Great Recession. Five years and seven reports later, the economic outlook is much more positive but there is still uncertainty about our industry's future. Our readers tell us that they remain keenly interested in learning about evolving trends, the impact of Generations X and Y, and changes in the fundamental economics of the industry.

Accordingly, the purpose of this year's research was to gather the opinions and projections of leaders within the resort real estate field. In lieu of polling via surveys, this research was conducted via a series of round-table discussions with 25 respected professionals. We focused the dialogues on what our colleagues are seeing and experiencing in their current work in an effort to identify both market trends and current issues of common concern.

These six organized forums provided for dynamic and idea-provoking discussions. When reviewed in concert, these discussions revealed a series of recurrent and consistent themes.

We hope that this report will prove useful to our friends and colleagues throughout our specialized industry. As always, we remind you that we are not professional researchers but curious professionals who appreciate what we have gained from the industry and enjoy learning through the process of

conducting this research. You can find our previous reports at www.kelseynorden.com.

Key Findings

In general, we found the mood and overall outlook of our participants to be significantly improved. Nearly everyone indicated they are intensely busy preparing new residential products and programs for their resort communities while expressing enthusiasm for new sales activity.

During the course of our research, we identified a number of trends that are organized in this report into five categories:

- Consumer Trends
- Product Trends
- Amenities and Programming Trends
- Marketing Trends
- Industry Trends

Out of these categories, the following is a summary of key findings.

- A significant uptick in sales activity is being driven by the truly affluent who are purchasing top tier properties in A-grade destinations and quality drive-to resort environments.
- The age range of purchasers has significantly widened post recession with buyers ranging in age typically from 35 to 75 years with an even mix of Baby Boomers and Gen X comprising the majority.
- Today's buyers are investing in their families, looking for family friendly amenities and services, homes that sleep and entertain large broods and aspiring to build a legacy to pass on to their children and grandchildren.

- Intelligent Consumption is the new mode as buyers need to be convinced of the value, utility and long-term stability of their purchase while also looking smart in front of friends and family.
- “Wellbeing” has replaced “Wellness” as programming focused on improved health and happiness includes “authentic experiences” and new interest in volunteerism and giving back.
- On the architectural design front, clean and contemporary is in. Rustic, rich and traditional is out. The trend is so prevalent that developers are literally whitewashing and remodeling existing inventory to make it sellable.
- Internet based marketing technology evolved dramatically while the industry went to sleep during the recession. The result is intense experimentation today in new techniques that include engagement in a complex internet advertising environment, trying to find value in social media platforms and designing new websites that reflect contemporary best practices.
- The influx of younger customers combined with vast access to information has resulted in a new hyper informed and typically misinformed customer who requires a different sale approach to manage their perceived self-expertise.
- New development activity is focused almost entirely on smaller-scale infill projects with 5 to 7 year life cycles, a sharp contrast to the mega master plans of the 2000’s.
- Changes in capital sources have changed the nature of how resort real estate is developed, squeezing out smaller individually held organizations in favor of larger scale organizations that have relationships with institutional capital providers. It is harder than ever

for individual development professionals to find a deal, raise the capital and run their own deal.

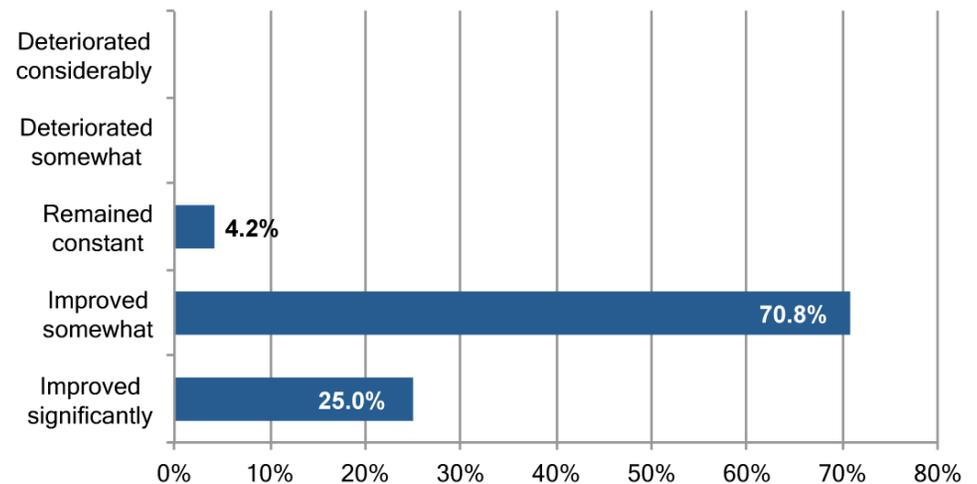
“Five years of challenges have made us smarter.”

- Spencer Castillo, C & R Communications

Industry Outlook

Six years removed from the onset of the largest recession of our lifetime, the resort real estate industry is finally looking up. Of the 25 industry leaders that participated in our roundtable discussions, all but one participant agreed that their market had improved within the last twelve months. A quarter of those shared that their market had significantly improved.

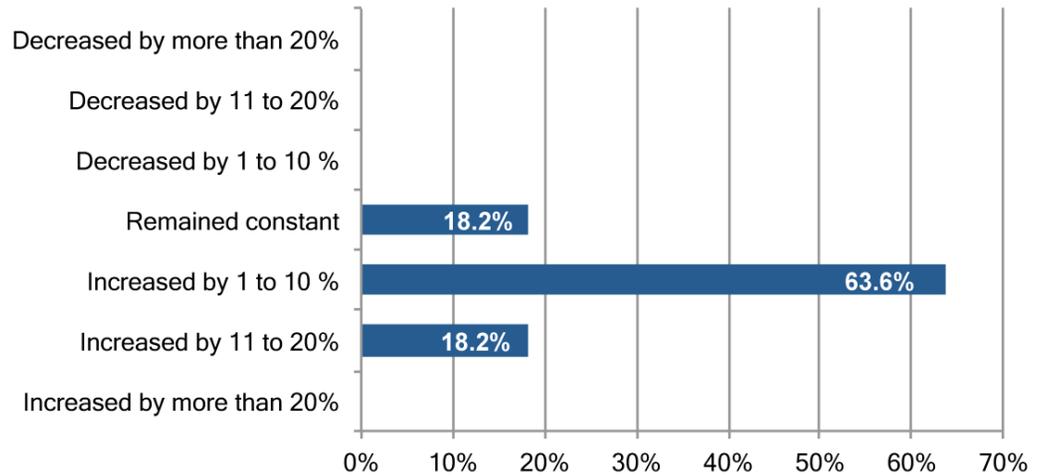
In the past 12 months, in the markets where you work, your general outlook on the resort residential development industry has:



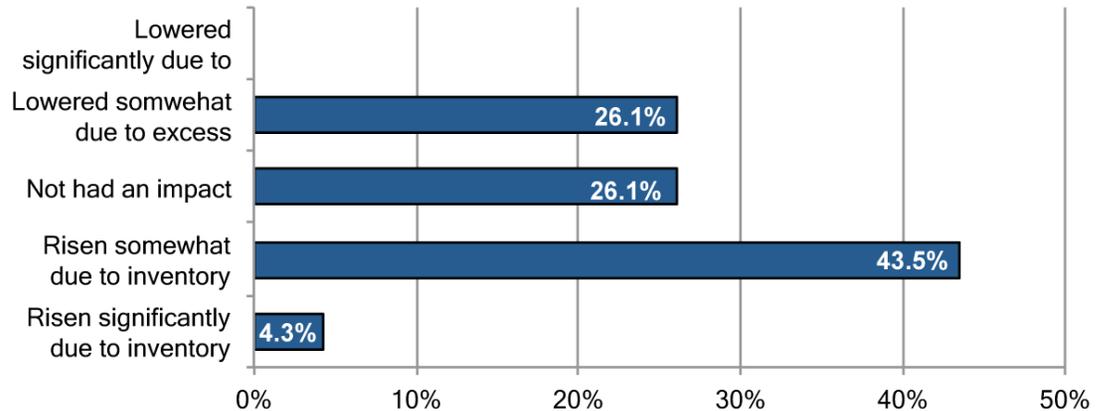
And 95% opined that their overall outlook on the industry had improved in the past year.

Roughly 50% think that the increase is at a pace that will sustain itself for the near term and 40% believed it is the start of better things to come. Nearly 95% of individuals agree that property values are rebounding but there is less agreement on why. Roughly 45% of responders believe that prices are rebounding as a result of inventory shortfall with the balance offering a mix of potential explanations.

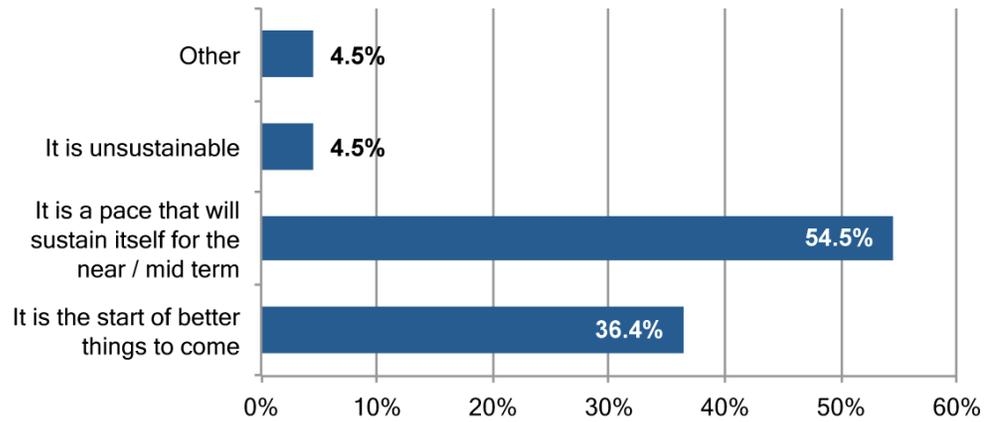
In the past 12 months, pricing in your market has ...



In general, how is existing inventory impacting pricing in your markets?



If you are reporting an uptick, you believe:



Consumer Trends

The New Age Bracket – 35 to 70

One of the biggest changes that has emerged post-recession is a significant broadening of the age range of the typical resort real estate purchaser. Matt Walker of Lowe Enterprises succinctly described this change in saying; “We used to think of our buyer as 45 to 60 years old; now our buyers are every age from 35 to 70.”

“The buyer group is expanding. It used to be 45 – 60 years of age and now it is 30 - 70. Not one core demographic. And they are experiential driven.”

- Matt Walker, Lowe Enterprises

Consistent with our findings in our Consumer Survey of 2011, the resort real estate market is roughly split today between Boomers and Generation X buyers with small groups of the Silent Generation and Millennials on either side of the bracket.

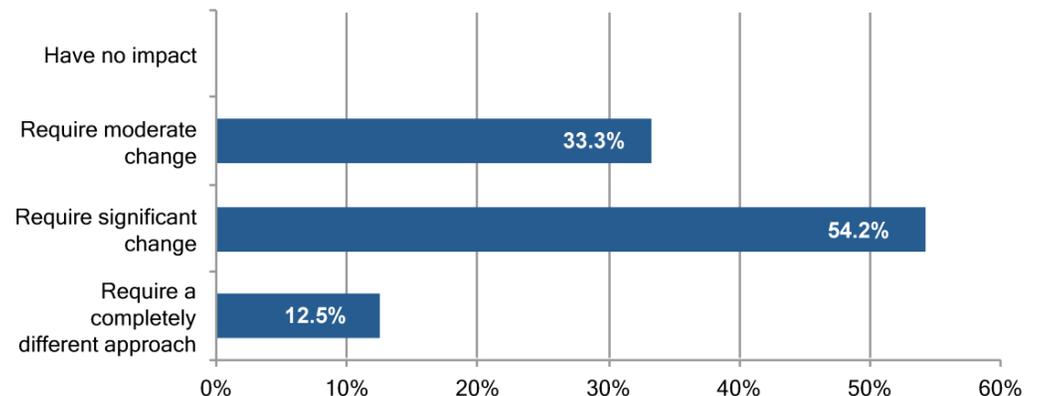
From 35 to 49 years old, Gen X buyers are active in most markets, particularly in locations fed by tech-oriented businesses. As an example, Martis Camp in the Lake Tahoe market sees a majority of Gen X buyers given the proximity to Silicon Valley. At the other end of the spectrum, communities like Bahia Beach Resort in Puerto Rico report a continued preponderance of Boomers - today between the ages of 50 and 68, many of whom are looking for the tax benefits that the commonwealth

territory now offers. Many communities, however, report an even blend of ages and many feel compelled to market to the full spectrum to capture a larger audience. This creates a new dilemma in which resort communities work to be “all-things-to-all-people” in terms of their product, amenity packages, programming and marketing.

When asked, our participants almost universally agreed that the differences between the generations would require changes in how they do business. In fact, 65% said that the required change would either be “significantly” or “completely different” relative to before they entered the market.

As we dig deeper into the analysis, however, we find that the new consumer may differ in age, but many of their values align with the predecessor Boomer – the most apparent being the desire to create life-long traditions for their children.

What level of change to how you do business will be required by the introduction of Gen X and Gen Y (Millennials) buyers into the resort residential market?



Aging Boomers are looking for the second home to be their magnet for family gatherings and often prefer to be within driving distance of the grandkids. For Gen X, the second home is the beginning of family traditions, emulating the traditions they enjoyed during their childhood years. Based on the input from our participants, our previous research and our own experience, we have come to believe that the primary differences between the generations lie in their recreational pursuits and how to most effectively communicate to them. Marketing to these different age cohorts requires a two-pronged approach. And the broader age spectrum serviced within resort communities requires a similarly broad menu of activities. In the subsequent sections, we will present pragmatic approaches to delivering on both of these new challenges.

More Family Time

For many affluent families, their second home community becomes their “neighborhood” where they find the time to stop and take the long overdue breathers for family and community time. Back home soccer, dance, school, work and other competing time demands keep the family fractured; in contrast, time at their second home gives them the chance to slow down and both reconnect with their own family as well as create close-knit friendships with other families like theirs. Their aspiration is for their kids to grow up together, forming life-long friendships with the other children in the community, thereby creating the foundation for legacy ownership within a true neighborhood.

As resort living continues to be an attractive alternative and often one that provides the most healthful lifestyle, residence is

extending beyond the prime months. The evolution from resort home to second home or even primary home continues, particularly for the Boomers who are either approaching retirement or simply have greater flexibility in where and how they work.

With these trends comes the requirement for resorts to find more family-friendly activities. Our participants report that they are all working furiously to add a plethora of kid friendly activities and creative one-stop-shop amenity centers, to drive experience-hungry family members to stay on the playground together.

“Now it is all about the emotional connection, and according to our research the highest emotional connections are from those that want to be there year round.”

- Chris MacInnes. Crystal Mountain Resort, Michigan

Intelligent Consumption

From the Conspicuous Consumption of the mid-2000’s to Conspicuous Frugality of the recession years, our consumers continue to be motivated by current cultural trends. While there has been a significant amount of frugality fatigue that has re-opened the door for the affluent to begin purchasing again, the new mode is Intelligent Consumption.

Before they buy, today’s customer has to believe that purchasing is a smart choice and that their family, friends and colleagues will agree. They need to think that:

- they paid a reasonable price, or better yet, got a good deal,

- their family will truly use the property for many years to come,
- the community is on stable financial footing, and
- there won't be other forms of unpleasant surprises.

“The underlying corollary to the market change is that people are looking not to purchase as an investment but for personal use and community. Keeping pace with inflation is good enough.”

- Steve Rice, CNL

“No more bragging rights for conspicuous consumption.”

- Chris MacInnes. Crystal Mountain Resort, Michigan

“The ideal purchaser buys with the head and the heart. Buyers are informed how resorts make their capital investment and real estate decisions. People want to understand what has been done and what is in the plan.”

- Mark Hall, Boyne Resorts

PR expert Spencer Castillo summed up the trend nicely, “The wow used to sell. Now it is about substance.” While Toni Alexander pointed out that “the days of boasting about your nine club memberships are over.”

Demographic changes have further reinforced the smart buy as aging Baby Boomers now view their real estate investments in the same light as their financial portfolio – once looking for

growth and income, they now rebalance towards safety and mitigation of downside risk. Gen X'ers, always the skeptics, continue to leverage their ability to unearth data. Relying on on-line means such as Google Earth and Zillow to perform their own detailed research, they often gather more information than the broker representing them in the transaction.

“The buyers are placing more emphasis on “purpose driven” purchases. They are more thoughtful about how they [and their extended families] will actually use the properties. They aren't maxing things out [to code limits or otherwise] just because they can. They have gone through the full emotional cycle of irrational over-exuberance to shock, panic, despair, acceptance, patience, cautious optimism and slightly wary confidence. Buyers are now psychologically stable and largely rational again.”

- David Corbin, Aspen Skiing Company

Today, risk mitigation is a major aspect of the purchase as consumers perform their own project underwriting. Rather than list and count amenity menu items, buyers are ticking boxes on their internal risk mitigation list. Toni Alexander described the “seven layers of risk mitigation” that include checking through questions including:

- If I buy it, will I look stupid?
- Will my family really use it?
- Will my friends visit us there?
- Does it have what we need?
- Can we afford it?

- Do we know all the ongoing costs of ownership?
- Is the community and the developer financially stable?

Resorts need to be prepared, as today's smart buyer is likely to inquire into details such as the resort's 5-year plan and how improvements will be capitalized. Accordingly, it is important to create the perception that the developer is being honest and transparent so buyers believe that they have the information they need to feel good about their purchase.

Consistent with trends cited in past reports, ongoing costs of ownership are a major concern. And the smart buyer is particularly concerned about minimizing these costs. This extends to taxes, as current owners avoid trading up purchase opportunities in certain markets like Whistler to avoid the subsequent tax increase. Some developers are turning services that used to be built into the association or the club into à la carte options, so that buyers can feel good about paying for things that they choose, as opposed to resenting paying for services they didn't choose for themselves.

A majority of today's purchasers also want to believe they got a deal so many feel the need to negotiate the price and win a concession. Many developers are finding it difficult to hold firm on pricing; most report that at a minimum they are forced to throw in incentives such as design credits, association or club dues, golf carts or other toys appropriate for the location.

Experience Driven Purchase

Product, price, and features. No more. Today, it's all about the experience.

Consumers are demanding unique, authentic, and extraordinary experiences – and lots of them. Shorter attention spans and a broader audience mean heightened requirements. To compete today, resorts have to deliver great diversity in their programs, services and activities, some of which may transcend the boundaries of the resort proper. A great example of this is Marriott Vacation Club offering its owners the ability to convert their time-share points into trips to the Super Bowl or Grand Canyon experiences.

“The more diverse and sophisticated the entertainment and lifestyle can be, the more interesting for the customer to make an investment.”

- Pat Kelly, Whistler, BC

Wellbeing - A New Word with a Deeper Meaning

Wellness is yesterday's buzzword. Today it's all about “wellbeing.”

It's not just a change in terminology; it's a significant broadening of the notion that happiness and health are enhanced with a broader range of lifestyle choices: good workout, better diet with locally sourced food, a spa treatment or two, philanthropy, and “life-long learning” programming. Wellbeing in today's parlance includes all of the programmatic components of wellness but also a wide variety of emotional aspects with roots in learning, care giving and giving back.

A particularly interesting expansion of the programs and experiences associated with “wellbeing” is the inclusion of volunteerism as a rapidly expanding experience category. In particular, families are traveling together specifically to participate in volunteer endeavors such as building homes for people in need. A variety of forces are driving this trend:

- Millennials have been raised with school curriculums full of volunteerism; no school program today is complete without dozens of hours of community service. As a result, today’s children are leading their parents and grandparents to organize family vacations that include volunteer activities.
- Gen X has historically challenged corporations to embrace responsibility for their actions. As they begin to move into resort communities, they bring this approach with them, pushing developers to be green, to give back to local communities and to provide them means to participate and give back as well.
- Successful boomers are now “repurposing their working lives” rather than taking a traditional retirement. This repurposing often means volunteer work, and there is no better place to contribute than within your dream community.

These factors have made volunteer tourism one of the fastest growing sectors in the travel industry. At the same time, resort developers see opportunity to attract more customers by incorporating volunteer opportunities into their communities. The key to success is that the experience resonates as genuine in that it delivers legitimately positive results as well as connecting participants to the people, places or environments that they are helping.

California-based Sandra Kulli thinks this trend will be long lasting. She sees harbingers in two global organizations. The first is the New Zealand Mental Health Foundation and its “Five Ways to Wellbeing.” These include: give, be active, keep learning, connect, and take notice. The second is the Happy Planet Index, an organization that uses global data on life expectancy, experience, and ecological footprint to calculate sustainable wellbeing.

“Our owners are looking for ways to give back.”

- Ray Jackson, Bahia Beach Puerto Rico

Millennials – Renters or Buyers?

Given the immense size of their cohort, there is no doubt the Millennials, also known as Generation Y (now ages 15 to 35), will have a significant impact on the industry. What is likely the most important question about them remains unanswerable for the moment: Will they be renters or buyers?

“I have a concern about the future. How does the ‘sharing’ economy work beyond traditional hospitality?”

- Randall Bone, Sunrise Company

The source of this concern is that they have grown up in a very different kind of market place than their predecessors, a market that offers both instant gratification and all kinds of new forms of renting. Millennials are fully accustomed to calling on Uber or using a Zipcar instead of owning their own

car. They rent ball gowns and purses instead of buying. And they tend to be spontaneous or wait until the last minute to plan travel, operating in an endless universe of websites that offer last minute deals. Said another way, the Millennials are share-minded.

Lani Kane-Hanan of Marriott Vacations Worldwide (MVC) reports that the Millennials are now a significant portion of their business. And while MVC is a form of ownership, it's a different and highly flexible kind that allows a wide variety of destinations and formats. She indicates that their Millennial owners are true to form in that they do tend to book late and exhibit interest in visiting lots of destinations as opposed to returning to the same locations over and over.

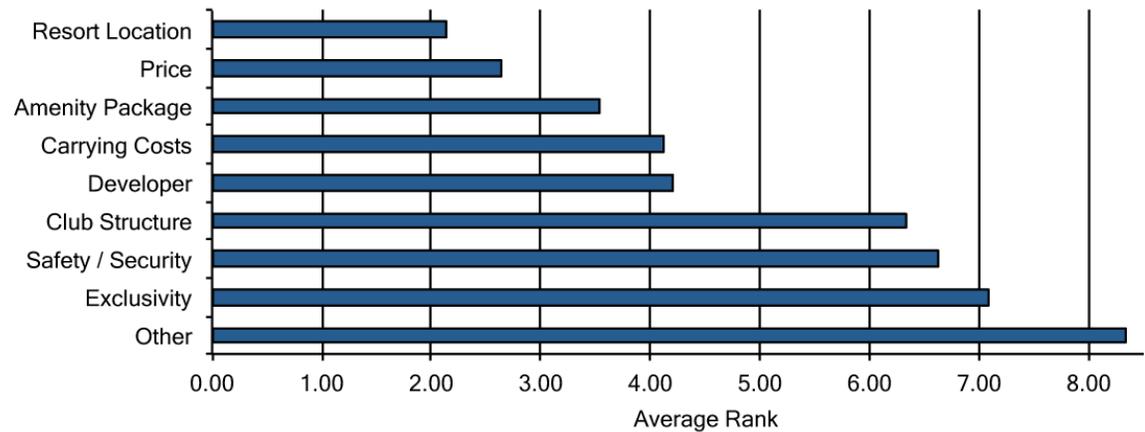
“The millennials are a more authentic lifestyle buyer. Much more focused on varied experiences and flexibility in travel plans. They are seeking different experiences, customized to their preferences.”

- Lani Kane-Hanan, Marriott Vacations Worldwide

Resort Location – Most Important Factor

In all of our previous research efforts, we have asked this same question about which amenities our customers want the most. What’s interesting in this iteration is the jump of resort location to the first position ahead of price and carrying cost, demonstrating that economics are no longer leading the discussion.

What matters most to today's consumers at the resort(s) where your work is focused?



Product Trends

Brighter, Lighter, More Contemporary

Consistent across the board, there is a strong new trend towards lighter, brighter, more contemporary design that appears to be a requirement in many, if not most resort residential markets. White marble, clean lines and lighter colors are in. Dark stain, big stone fireplaces and heavy timbers are out.

“Rustic alpine design aesthetic is waning. We see contemporary design with lighter colors, not as heavy.”

- Randall Bone, Sunrise Company

“Mountain contemporary. People want options from the more traditional big logs and timbers.”

- Alex Iskenderian, Vail Resorts

In mountain destinations like Vail or Beaver Creek, we learned that a contemporary re-model is practically a requirement for homes to re-sell. At the beach, the traditional Tommy Bahama look is out, too. Providing an excellent example, the developers of Bahia Beach in Puerto Rico found that they had to take the painful step of painting stained teak doors and trim in order to move unsold condominiums.

Integrated into this cleaner look, new technology in the form of super thin flat screen televisions, LED lighting, built-ins in lieu of walk-in closets, and even fancy thermostats contributes to

the overall contemporary feel of current resort real estate products. This trend in particular was the most consistently identified by our participants.

“We are seeing new projects on tap with design characteristics toward new urbanism.”

- Kraig Forbes, Beaver Creek, Colorado

“What we are seeing is that the more traditional design is not selling as well. A less traditional look, cleaner and edgier with a more contemporary character is getting more attention.”

- Richard Albrecht, Kukui’ula, Hawaii

“The tropical plantation look is not doing it. Must come from architectural digest. Clean, contemporary. Timeless contemporary. We painted mahogany doors and trim white and ocean units started selling because it was lighter and brighter.”

- Ray Jackson, Bahia Beach Puerto Rico

Instant Gratification Gets a Premium

Completed, ready-to-move-in properties are out selling build-to-suits, pre-sales and vacant lots. Today's buyers know that the building process is hard; and they are not only willing to sacrifice customization to their requirements, they are also willing to pay a premium for it. After years of inactivity, buyers have a very high sense of urgency to begin using their vacation property and very little patience for lengthy construction projects. Boomers are counting the number of quality years left and Gen X'ers are counting the years left before their kids leave the nest for college.

"Buyers want to be satisfied immediately."

- Pat Kelly, Whistler, BC

Simplified Ownership Critical

Consistent with the desire for instant gratification, simplified ownership is also key. Buyers are attracted to fee simple ownership structures with limited layers of club or association governance. They appreciate services that make ownership more convenient but prefer selecting services on an à la carte basis.

B- and C-Locations – Still Lagging

No surprises here: it's clear that all this good sales activity is either in A-destinations or high quality drive-to locations. Second and third tier resorts continue to struggle and in the case of the third tier have little hope of near-term upticks.

Top Tier Products – Two Sweet Spots

While the price brackets move from market to market, the findings are consistent. The affluent are active in A-locations and there are two sweet spots of activity – the super premium offerings and high-quality semi-production products typically clustered around core amenities and downsized to meet today's market requirements.

The highest price point custom homes and penthouse units are selling. But they have to be just right: the best views, highest quality construction, contemporary designs with clean lines and the right configuration of rooms. Richard Albrecht with DMB in Kauai shared that his community Kukui'ula is selling \$6M and \$7M homes while product in the \$4M range sits if it does not deliver sufficient sex appeal or feels "value engineered." Richard's feedback was consistent with what we heard from our other participants who shared that the best penthouse units and beachfront or ski-in/out properties sell first and fast.

"The largest units with the best views are showing the most demand."

- Kevin D'Arcy, Spruce Peak at Stowe, Vermont

"There is demand for larger units. The more expensive, larger, premier locations are selling better than the smaller, lower price point units."

- Alex Iskenderian, Vail Resorts

The other category attractive to affluent buyers are high quality clustered neighborhoods of semi-production homes and townhomes. Often called “Cabins,” “Cottages,” or “Casitas,” these homes are smaller relative to super premium custom homes but are characterized by efficient floor plans that provide for a large number of bedrooms and great room style common spaces. They typically forego the old specialty rooms like media or wine rooms, trading instead for large gathering spaces and lots of sleeping accommodations, often incorporating bunk rooms to maximize their pillow count.

“Across the board we are seeing success with 2000 sf – 2200 sf entry level detached cabins from \$800k to \$1.5M. It works in desert, golf, or mountain locations. A cabin equals a small home.”

- Matt Walker, Lowe Enterprises

In drive-to locations, the price range for this product might be \$750K to \$1.5M or in A-destinations, it might be \$1M to \$2+M. In this category, the buyer is still affluent but typically more practical in their approach – another good example of the trend of Intelligent Consumption. These buyers are willing to accept smaller homes to get to the price point. These products usually also incorporate services such as landscape maintenance designed to reduce the headaches of ownership.

Our participants report that purchasers of residences in this price bracket tend to want the properties to have the potential to generate rental income. They are also prone to finance their purchases taking advantage of cheap mortgage rates even though most could afford to pay cash.

“Owners with 5,000 to 10,000 square foot homes are expressing a desire to simplify and downsize to smaller properties.”

- Kraig Forbes, Beaver Creek, Colorado

“Even the wealthy are looking for simpler, smaller, better.”

- Tony Green, The Pinehills, Massachusetts

Timeshare Resurgent

Supporting the idea that there is also demand in the lower price tier, the major timeshare providers are reporting high volume sales in some locations. The contemporary timeshare industry has evolved into a sophisticated business with highly flexible programs that provide multiple locations and huge flexibility to their customers. The industry leaders include Marriott Vacation Club and Hilton Grand Vacations, who both are enjoying surging sales.

These larger providers are enhancing their appeal with high levels of service, interesting experience packages and websites that make booking reservations and activities easy. Marriott Vacations Worldwide’s Lani Kane-Hanan reports a number of significant adjustments to their business that reflect changing consumer behaviors, including a significant influx of Millennials into their ownership group.

“Overall timeshare utilization rates are strong; our system averages over 90% occupancy. The buyer is buying for use. This allows for a more stable flow of guests during off-season periods in a mixed use environment.”

- Lani Kane-Hanan, Marriott Vacations Worldwide

On the convenience front, Marriott is seeing its customers, particularly the Millennials, booking their stays later and taking greater advantage of services such as having their luggage unpacked so they can maximize their play and leisure time. Marriott is also offering interesting experience options such as full days with local chefs and even the ability to exchange club points for Super Bowl tickets in lieu of actual time in a resort. They have also expanded their marketing efforts to capture broader consumer markets including singles and alternative lifestyle families.

“We are designing a mix of product in the same building (e.g., studios, hotel rooms, 1-4 bedrooms villas) so owners can use their points flexibly and obtain additional bedrooms for extended family.”

- Lani Kane-Hanan, Marriott Vacations Worldwide

No Cream Filling in the Middle

Products in the traditional middle market are still very slow to sell. One participant noted: “there is just no cream filling in the middle.” The upper middle class consumers, who were once active in the middle of the market, are constrained now both by access to credit and greater restraint in their willingness to use leverage to finance their lifestyles.

The Lower Tier – Demand but Creativity Required

Immediately after the downturn of 2008, designers, developers and marketers forecasted a shift towards smaller, simpler homes. The prognosis was basic: as purchasing power was reduced, lower price would have to follow and the easiest way to achieve a reduced price would be building smaller homes.

There is no doubt that there is demand for lower price-point properties. But it’s impossible for most developers to deliver traditional product at or below the \$300K mark, no matter how efficient the floor plan. At the same time, however, there is significant discussion in contemporary media about Americans simplifying their lives by purging their belongings, downsizing and minimizing their homes, and liberating themselves to spend on travel and adventures.

CNL’s Steve Rice addressed the industry’s need to create “the \$250,000 home – and lot’s of them.” In light of this broader trend of simplification and small living, he and others think there is room for significant creativity for prefabricated construction, high-density micro-cabins with pop-up beds and dining tables, storage container based construction, tent based hospitality and other creative alternatives.

“A new and future trend is product that you can get into for under \$250k dollars. An example of this is at Tiger Run in Breckenridge: a 400 – 600 sf product delivered on a flatbed. It’s a densely packed trailer park, but also way more than that. This isn’t a trophy home, but rather one that they get value from.”

- Steve Rice, CNL

Outdoor Living – Must Have Options

Consistent with an increased interest in cooking and the drive towards family gathering spaces, large outdoor living areas with elaborate outdoor kitchens are popular in all locations and climates. Today the Big Green Egg and the pizza oven flank the traditional barbecue grill. And don't forget the outdoor fireplace or fire pit, radiant heaters, cooling misters, showers, insect control systems and extra outlets for the holiday lights.

For developers and builders selling new built product, this is good news because these are all margin enhancing options.

Amenity and Programming Trends

In the Consumer Trends section we described the importance of the “experience driven purchase,” and the corresponding demand for unique, authentic, and extraordinary experiences. To meet this demand, we see developers using two primary strategies: simplifying amenities while intensifying programming and services. From the simplicity of a room full of equipment available for self-directed fun to a complexity of programming aimed at providing customized experiences, resorts are rising to meet the “something for everyone” challenge of their multi-generation clientele.

An overarching theme present in our discussions on amenities and programming was the notion of connectivity. Whether spending time with family and friends, participating in community-oriented facilities and programs, visiting the garden where local produce is growing, enjoying the overall “walkability” of a resort property, connecting one-on-one through personalized guided programs, sampling regional food and drink specialties, or experiencing the local culture, today’s consumers are looking for opportunities to connect throughout their resort experience.

“Amenities are less about the physical buildings and more about programming and activities. The customer is looking for special, engaging activities and things to capture their attention all of the time. The seasonal activity calendar is lengthy and perhaps our best marketing tool.”

- Mark Kehke, Pacific Ventures

Old Fashioned Family Fun – Simple is the New Retro

Many of our participants spoke of a common desire to simplify amenities and programming offerings, getting back to “old fashioned family fun.” This means less focus on specific venues for specific activities, and more on providing options and flexible space.

This focus on the simple stuff fits well as consumers require we mitigate carrying costs. Among the most popular of the “simple” amenities is the basic play field supported by a “Toy Box” or “Toy Barn” full of sporting goods that together provide endless hours of spontaneous family fun. Here are the toys, do what you want! And, by the way, it’s cheaper for us to replace the toys that you lose than to provide the staff to monitor checking the gear in and out.

“Every form of recreation in one room.”

- Matt Walker, Lowe Enterprises

Family is the New Golf

“The old formula of golf course, clubhouse, fairway and housing is broken,” says Beth Callender, a west coast marketing consultant. Golf as the central amenity is proving to be a liability in many existing communities – it costs too much to maintain, takes too much time to play, and doesn’t bring the family together.

“From an amenity standpoint, family is the new golf.”

- Spencer Castillo, C&R Communications

Oversized clubhouses and outdated club structures require restructuring for financial viability. Alternatives to the maintenance-intensive and time-consuming traditional 18-hole course continue to emerge, with the goal of loosening up the sport, appealing to a broader audience, and making the game more fun for all golfers, from the best to the worst.

The Long Cove Proving Grounds outside Dallas, TX provide a short-course practice facility that delivers a return of more fun for everyone while consuming less land, up-front capital, on-going maintenance costs and time commitment. The flexible format allows the serious golfer a challenging experience while giving the beginner a fun and comfortable venue to try out the game.

Some are down playing the golf component. Richard Albrecht with DMB at Kukui’ula on Kauai shared his story of building the community’s new “Toy Box” in front of the clubhouse for

“On the golf course we are loosening it up a bit, so that it is not so intimidating for novices. Night golf brought out a lot of people because it made it more social. Make it fun for the bad, casual golfer. The course still has to be in prime condition.”

- Richard Albrecht, Kukui’ula, Hawaii

the purpose of bringing greater attention to other forms of recreation such as paddle boarding and kayaking.

Communities with the option are electing a variety of open space alternatives to replace fairways and have combined this with a wide array of family-friendly amenities that provide opportunities for fun and recreation for all age brackets. Where homes might have lined fairways, they are now organized around open spaces including parks, wooded trails, meadows, farms, wineries and even wetlands. The farm is one of the most popular amenities at Kukui’ula. Fully staffed, and providing fresh produce for the resort’s restaurants, many guests enjoy wandering around the fields, or taking a bag to “pick your own” for lunch.

“The farm is the most popular amenity. We grow flowers, fruit, lettuce, arugula. It’s not a community garden. It is staffed. Owners like to wander it, see it, take a bag and pick their own.”

- Richard Albrecht, Kukui’ula, Hawaii

The New Cruise Director?

In contrast to the self-directed play option of the Toy Box, activity-specific directors and concierges are tailoring programs to help broaden the experience of the resort environs. Is this personalized and guided programming the new generation of cruise director?

At the Cliffs Communities (Western Carolinas) Tour de France cyclist George Hincapie as the Director of Cycling leads enthusiasts out into the Blue Ridge Mountains. One of the

most popular Marriott Vacation Club programs includes spending the day with three local chefs, learning about and preparing regional cuisine. For those who enjoy getting their hands dirty, Kukui'ula guests can work with the farmer.

“Guided instruction – for bucket listers, gets people to experiment and try new things. It’s bringing in new opportunities.”

- Toni Alexander, InterCommunicationsInc

Made to Order

Creativity is required when delivering a menu of amenities and programs to satisfy the multi-generational nature of resort consumer groups, to ensure that no one group’s experience is compromised in the process of satisfying everyone. In an effort to address this complexity and minimize potentially conflicting experiences, some are developing different zones of activities within the resort. While the Spa District may remain tranquil and allow for peaceful introspection, the Action District can hop from sun-up until bedtime.

Resort Developers are also connecting their buyers with the existing activities and programs of broader resort environs. This broadens the offering and eliminates the unwanted carrying costs of project-specific amenities. The Epic Discovery program just underway at all of Vail Resorts’ mountains provides an array of family fun, and has allowed Vail Resorts Development Group to simplify their development focus on units.

Flexibility is the key to facility design, allowing space to morph between functions depending on the time of day, time of year, or type of user. The new Adventure Center at Stowe serves two seasonal purposes, while providing an “all-things kids” fun zone throughout the year. While in the winter it will be the focus of the kids snowsports school, in the summer it will be the headquarters for all kids programming. In addition, in the evenings throughout the year the Adventure Center will host family-oriented events and programs. Many resort communities are creating variations on this theme: Waterman’s clubs, kids clubs, kids shacks, family barns and game rooms.

“We have found it very important to tap into the needs of the older kids – we have recently added a ropes course and ziplines to target a wider span of ages.”

- Mark Kehke, Pacific Ventures

“We are looking at scaling back on amenity levels in new buildings on the theory that the amenities are in the surrounding outdoors – skiing, hiking, fishing.”

- Alex Iskenderian, Vail Resorts

All Things Wellbeing

As discussed in greater detail in the Consumer Trends section, wellbeing includes all of the programmatic components of wellness but also a wide variety of emotional aspects with roots in learning, care giving and giving back. For amenities and programming this translates into providing opportunities for interaction at all levels – family, friends, neighbors and

locals, accessible recreation for both the young and the young at heart, and unique and relevant educational experiences.

“Wellbeing is not just physical fitness; it’s being part of charitable organizations, learning, and teaching.”

- Sandra Kulli, Kulli Marketing

“Components beyond physical fitness equals wellbeing, and most importantly with a deeper sense of community.”

- Tony Green, The Pinehills, Massachusetts

Local First

In many resort environments the location itself is the amenity. Connecting with all-things “Localvore” – beer, wine, hard cider, food, arts, crafts and cultural traditions, allows for regionally relevant authenticity in resort programming that fosters connection to the broader community. This may also include facilitating volunteerism in the local community, satisfying the desire to connect and give back.

“Our goal is equipping people in town to take over what starts as our philanthropy and becomes their applied knowledge for community benefit. Being mindful of people in the community that we have joined.”

- Sandra Kulli, Kulli Marketing

The Michigan Legacy Art Park at Crystal Mountain is a popular year-round attraction for resort guests, but is also a valued part of the community for Crystal’s second homeowners and homesteaders (second home owners that spend more than six months of the year on property).

Participating in the park’s programs, volunteering, or serving on the Board of Directors, provides a cultural dimension to resort life and is integral to being a member of the Crystal Mountain community.

Walkability, the New Amenity

All Kelsey & Norden reports have identified trails as the #1 amenity. Let’s not forget the simple notion of walkability and connectivity: all aspects of the resort experience must be connected by visible and accessible pathways and trails.

Technology – an Expected Necessity

Work flexibility and the emergence of Gen X means technology is a must. The bandwidth required by today’s customer is enormous. Uninterrupted service is expected as part of the package, not a “premium” upgrade. In many cases this means renovation, as resorts find it critical to upgrade aged technology. Some hotels and condominiums are even contemplating eliminating telephones from their rooms as they move from wired to Wi-Fi.

The Millennial Impact

While the over-arching desire to connect with family results in many general consumer preferences transcending generational differences, we are also seeing the need for a different spin. While the Boomers want the beautiful negative edge pool, the Millennials want the same pool but with bar, 24/7 music and broadband Wi-Fi. Quicksilver is addressing this phenomenon in its current development of two new resort hotel brands similar in quality but specifically varied to appeal to Boomers in one and younger patrons in the other.

Marketing Trends

Pixels Replace Ink

Our discussions with our participants on the topic of marketing proved difficult to glean great clarity in what is and is not working in today's resort real estate markets. It is, however, clear that there is significant experimentation in new forms of internet based marketing.

Given the dire impacts of the recession on second home real estate, there was very little investment in marketing between 2008 and 2013. Yet during that period, seismic shifts occurred in marketing as technology advanced and old-line print publications scrambled to adapt. As a result, it's clear that developers in our narrow niche have not fully adapted and are only now investing in new websites and testing out new forms of advertising.

"Our transactions with Gen X and tech savvy buyers from marketing to sales are now completely paperless."

- Mark Kehke, Pacific Ventures

As with all other industries, the primary vehicle for marketing resort real estate has shifted to electronic means as pixels replace ink. For most, fancy printed brochures are a relic of the past, replaced by websites seen on tablets, cell phones and video screens in sales centers.

Paper is even being replaced in legal documents as closings are now conducted in a handful of locations electronically. Mark Kehke of Pacific Ventures reports that everyone under 50

buying at Martis Camp does their closing on an iPad and has recently reported their first sale using "bitcoin" currency.

Hyper-Informed & Misinformed Customers

Given the avalanche of information available on-line, second home consumers tend to be very well informed. Many of our participants reported that customers come into the sales center having done their research and talked to their friends. As a result they are hyper-informed yet often terribly misinformed. Kraig Forbes of Beaver Creek offered a key insight that this new condition is changing the role of sales people, causing them to become "advisors" who help their customers navigate this sea of information, helping them separate the good from the bad. "They come in the sales office believing they are experts so you have to be very objective in how you respond to them."

"Today the customer knows, or thinks they know, more than the broker so you need to change your value proposition from 'provider of information' to 'provider of process or risk manager'."

- Pat Kelly, Whistler, BC

Websites

After more than five years of inactivity, resort communities around the country are investing in updated websites. While not a surprise, our participants all indicate that websites have essentially replaced printed brochures. Consumers are making thorough website reviews prior to making contact or visiting the community.

In general, our discussions in combination with our experiences in our own work indicates that the following are important characteristics of current websites.

- The best websites reflect the same design trends popular in architecture and interior design: clean, crisp, and even contemporary.
- They are image centric – loaded with large, high quality images.
- They work on computer screens, tablets and phones without employing a separate mobile version.
- At the front end, they tell the community’s core story quickly and efficiently.
- But they also allow a deeper dive into the details by clicking down through logical architecture with clear and consistent macro navigation always available.
- They often employ interactive maps.
- The “contact us” and phone number are on every page in a visible, consistent location.

“People are time crunched and time stressed. So you don’t want to be too mysterious. They want to know what it is in a quick manner (and be romanced of course).”

- Beth Callender, Greenhaus Marketing and Branding

Web Advertising

Endless Alternatives

Everyone is trying internet display advertising. Alternatives include:

- newspaper or magazine websites, often purchased in

- packages with print advertising,
- general media websites that are sold in a wide array of packages that aggregate multiple websites based on types, media groups, demographics of their users, etc.,
- sites with affiliated content such as websites focused on local or regional activities,
- blogs focused on relevant content such as recreational activities or design,
- Facebook,
- Zillow, Trulia and other real estate guides, and
- search engines such as Google, Yahoo or Bing that offer paid advertising placements.

All of these alternatives offer geographic and demographic targeting in which you set the parameters for the locations and demographic traits of the people to which you want your ads pushed.

The practice of re-targeting is also currently popular but unproven for resort real estate. Did you ever wonder why you might see an ad on the Wall Street Journal site for a car that you recently checked out on-line? That’s re-targeting. When a person visits your website, your website leaves a “cookie” on that person’s hard drive. Later, when the person is on-line on other websites, the customer is “re-targeted” with your ad, reminding them of their interest in your product.

Mixed Results

Reports of success on each of these channels are mixed and seem to depend heavily on local conditions. As an example, display advertising on Zillow and Trulia generates more web hits and leads in markets in which there is reliable sales and MLS data, particularly advertising via their mobile apps.

Specific websites read by affluent consumers like the Wall Street Journal are also described to be effective for some. In contrast, Facebook seems to be the least effective despite their extraordinary ability to target people with likely affinity to your product.

Get Your Own Geek

The good news is that each of these alternatives offers significant ability to target advertisements to narrow demographic bands determined by location, affluence and other factors. Additionally, it is relatively easy to measure the success of each of these alternatives using Google Analytics that allows you to track the source and quality of hits to your website.

The bad news is that this is as much art as it is science; in this new world that requires a detailed understanding of your target consumer, constant fine tuning of your program and tolerance for spending marketing dollars on experimental purchases in a rapidly evolving environment. We recommend that you find a smart techie to design and manage your program. Just keep a strong grip on the budget, and quickly cut off experiments when they don't yield quick results.

Social Media

All of our participants agreed in the need to engage consumers through Facebook, Twitter, Instagram and Pinterest.

Facebook

As we described earlier, there is general agreement that Facebook advertising is proving ineffective for second home real estate. Yet, almost everyone spends time and effort

maintaining a Facebook page and worries about how many "likes" they have collected. The hope is that people in your target demographic will "like" your page and then spread your content organically to their network of friends. The effectiveness of this is generally difficult to measure as it does not typically translate into direct traffic to your website or your sales center.

On the other hand, the real potential of Facebook seems to be in the creation of a virtual community that reflects the actual community you are trying to create among your owners and members. These "private" Facebook pages are accessible only by invitation to your owners and members and provide them the opportunity to connect and engage in discussion and distribution of community news and events.

All the Others

Pinterest and Instagram makes some sense to us as both of these platforms provide the chance to show off beautiful images of your community, amenities and home design. On the other hand, Twitter makes no sense to us at all when it comes to promoting resort communities. Nonetheless, the techies keep telling us that we need to be there.

Print Media – Hyper Targeted in Virtual Age

Despite all the discussion on electronic communication, there is still a reason to consider old-school print newspapers. Drive-to resorts report that advertising in the primary local newspapers has yielded success when the newspaper offers geo-targeted advertising. Geo-targeting is the practice of including the ads in editions distributed only to limited areas believed to be rich with potential customers.

In the marketing of his new community outside of Dallas, Chris Kelsey reports that a simple 4" by 4" sticker placed on the front page of the Dallas Morning News combined with a strip ad in the business section is consistently the largest driver of traffic to the community's website. The sticker in this case is only applied to a very limited number of zip codes, which keeps the costs down, allowing for relatively high frequency of placement and direct exposure to your target customer.

On another front, PR expert Spencer Castillo pointed out the resurgence of interest in resort real estate in major publications. He cited new, post-recession topical sections such as the Wall Street Journal Mansion section, House & Home in the Financial Times as well as new sections in Barron's and Departures. This is important not only from a public relations standpoint as each of these needs new and interesting content. But it is also important as you consider your advertising strategy as these new sections reflect consumer interest in our product types via old-line print publications.

"More and more media outlets are looking for third party endorsements, talking to owners and their experiences. This creates another layer of credibility for their stories on the category."

- Spencer Castillo, C&R Communications

Direct Mail

There is universal agreement on this topic. Direct mail is dead. So don't even think about it.

Messages that Work

In our discussions, it was clear that there are three top messages that developers are working hard to communicate.

Family comes first. Followed by genuine and unique experiences. And then closed with confirmation that purchasing is a smart decision.

"It is about dream fulfillment, not deal negotiation."

- Sandra Kulli, Kulli Marketing

Family Family Family

"Family is the new golf," declares Spencer Castillo. In our discussions, it was clear that we are all thinking the same way: it's all about the kids and the grand kids. "It's a great time to be a kid," added Spencer who pointed out that every community is competing to deliver the most fun amenities and programs for children. Accordingly, advertising is heavily focused on communicating arrays of fun activities as well as multi-generational scenes that depict family fun that brings kids together with their parents and grandparents.

"The story today is it has to have multi-generational appeal. Examine all three buckets rather than a narrow casted slot."

- Toni Alexander, InterCommunicationsInc

Genuine and Unique

On the genuine experiences front, resorts are competing to present the most unique and interesting amenities and programs, particularly elements that draw from and celebrate

local culture and recreation. Reinforcing this trend, Spencer Castillo shared that writers for the Wall Street Journal's Mansion section are no longer interested in new golf courses; instead they focus on stories of the most unusual and most apparently genuine experiences available via a subject resort.

Smart Purchasing

On the smart purchase front, Toni Alexander commented, "It used to be storytelling, now it's truth telling." She goes on to describe the need for purchasers to "mitigate risk" by asking themselves critical questions designed to determine if buying is a smart move or not.

Accordingly, the core story of a community told in both words and pictures needs to support the conclusion that purchasing your product will make the buyer look smart – to friends, to family and to themselves.

Cogent Messaging Across Multiple Platforms

In today's environment, your message is delivered via multiple platforms that are often conducted by multiple players. Your agency designs your ads; your PR company promotes you; your sales manager trains the sales team; and your receptionist is running your social media. A holistic approach is required to ensure these platforms are aligned.

"We need more holistic thinking on the marketing front, there are too many silos. Think of marketing as an ecosystem, each platform works off and complements the other. Social, PR, advertising, the digital realm, experiences work together to become a powerful force."

- Beth Callender, Greenhaus Marketing and Branding

Referral – Consistently the Highest Producer

The more things change, the more they stay the same. In this rapidly evolving and increasingly complex environment, everyone in our group agreed that the best sources of customers are – and always have been – referrals. In the sea of information available to them as they contemplate purchasing, the resources they value most are the opinions of their friends.

Accordingly, our dialogue included description of the traditional referral generators including:

- community events designed to convince current owners and members to bring their friends,
- ambassador programs, and
- referral incentives such as free HOA dues.

Try Before You Buy

Another old school tactic, try-before-you-buy programs are back in vogue. At Stowe Mountain Resort, sales associates offer prospective customers a weekend in a 4-bedroom condominium with golf, spa and other services for \$1,000. In California at Martis Camp, four purpose built cabins were introduced allowing prospects to wake up in the morning to smell the air and live the lifestyle. This has been very successful. At Kukui'ula on Kauai, qualified prospects are accommodated for short stays in on-site units to get them on property to experience the evolving resort first hand.

"Developers seeing the value of 'try before you buy' holding a lot of credibility in marketplace."

- Spencer Castillo, C&R Communications

Gen X and Millennial – New and Different Styles

When queried, almost all of our participants indicated that they strongly believe that there are differences in what compels Gen X and Millennial purchasers relative to their Boomer predecessors.

From a marketing perspective, here are the three specific ideas that jumped out at us.

First is the idea that Gen X does not respond to efforts to create a sense of urgency. Instead their purchasing decisions are driven more by how others in their sphere of influence perceive the product.

Second, the younger generations are more engaged in new media. Developers with products that appeal to younger buyers should focus more energy on things like promoting their communities to bloggers.

Finally, and perhaps most useful, is the idea that customer databases should now include a field to record the customer's preferred method of communication - phone, text, e-mail, instant message. Sales associates now report that they have to figure out what form of communication each customer will respond to and which might frustrate or even offend them.

“Ages of buyers have gotten dramatically lower. 28, 34, young families centered on kids. They want email, and text. ‘Don’t call me.’ Many of my other clients prefer a telephone call.”

- Kevin D’Arcy, Spruce Peak at Stowe, Vermont

Industry Trends

New Investments – Bite Sized, Entitled Infill

In contrast to the larger-scale master plans of the mid- 2000's with high unit counts, complex amenity packages and 15+ year timelines, today's developers are targeting smaller infill projects at existing resorts. Ideally already entitled and ready to go, these shorter-term plays require less initial capital investment and can be realized within a 5 – 7 year time horizon. These new investments are located in either drive-to destinations or A-locations that have existing attractive amenities, consistent flows of customers and capable operators running the current operations.

“My crystal ball rolled off the table and broke, but if I were betting I'd stay close to the tried and true destinations for a while.”

- David Corbin, Aspen Skiing Company, Colorado

“We believe we can achieve our sales goals if demand predicted by market research is accurate. To capitalize on this “petit” demand, our product, program and marketing campaign must hit the bull's eye.”

- Chris MacInnes, Crystal Mountain Resort, Michigan

Larger-scale projects caught mid-stream by the recession are being re-focused to allow for more immediate and smaller projects, reducing the up-front infrastructure requirements and

the resulting carrying cost burden that are typical of early phases of longer-term plans. Jeff Woolson of CBRE who has handled a large number of the major resort community transactions noted that developers are now keenly focused on minimizing subsidies of operations as they consider potential investments. Accordingly, there are a number of existing communities burdened with oversized amenities that remain unable to find new owners.

“Carrying costs are scaring developers as well.”

- Jeff Woolson, CBRE

Reinvestment Required to Regenerate Top Tier Destinations

The lack of re-investment into resorts during the recession years has highlighted an industry constant: even the best resort destinations must constantly re-invest to keep current with consumer trends and maintain top quality experience.

With capital now available for re-investment, the mature top-tier resorts are in the process of evolving to true four season operation. By way of example, Whistler is transforming into a “mountain lifestyle community,” not just a ski destination with a handful of summer activities. This evolution has been aided by significant investment in cultural and community-oriented facilities, and a diverse year-round offering of programs and events. New facilities include an internationally known mountain bike park, library and a cultural center. New programs include everything from yoga and writers' festivals to something called “Fungus Among Us Mushroom Festival.”

“Whistler is no longer only a discussion of skiing, but will eventually be known as a place where there is also a ski area. So it’s about animation and diversity, not hot tub and sauna.”

- Pat Kelly, Whistler, BC

Constant reinvestment is needed to renovate tired product, amenities and infrastructure to remain competitive and “fresh” in the marketplace. This process is political by nature, as leadership must grapple with complicated ownership groups to gain consensus and unite behind a common vision for the future. Add a hearty dose of operational challenges to this renewal, as resorts must continue “business as usual” behind the construction fencing. After the extended recession time-out during which technology raced ahead on many fronts, resorts are under significant pressure now to upgrade and innovate.

“Best of existing destinations are starting to relaunch projects. ‘A’ locations first.”

- Adam Ducker, RCLCO

In addition to significant capital, transforming old product requires commitment to the long-term. The recent renovations to the Mount Washington Hotel in New Hampshire has renewed interest in the Mount Washington valley as a destination, and will preserve the legacy of this grand hotel into the future.

The Third Time Around

As a result of the downturn, a large number of resorts and incomplete resort communities exchanged hands as lenders foreclosed on notes and projects went through bankruptcy proceedings. A large number of these properties were purchased on a “by the pound” basis as both affluent individuals and institutional investors rationalized purchases based on steep discounts relative to what had been previously invested.

“Groups that purchased resort properties do not have a long enough window to show some profits.”

- Toni Alexander, IntercommunicationsInc

So we wondered how many of these might be available again as they fail to meet their current owners’ expectations or owners grow weary of subsidizing community operating costs. Many of our participants agreed that institutional investors with specific return requirements and limited time horizons would likely be the first to call uncle.

We think that there will be additional opportunities for discounted acquisition of resorts and resort communities in the foreseeable future. Unfortunately, these will likely be predominately in second and third tier locations.

Definitely a Future – But Not for the Faint of Heart

As part of our initial survey we asked our participants “would you recommend to your son or daughter that they follow you

into the business?" as a way of gauging optimism for the future of the industry. The result reflected tremendous uncertainty: 25% said yes, 25% said no, and the remaining 50% said they were uncertain. When we pursued the topic during our roundtable discussions a more consistent theme emerged. There is definitely optimism for the future of the industry but also acknowledgement that it will not be without challenge. Many of our participants expressed certainty that there will always be a fundamental desire to own a second home; consumers will continue to seek resort environments as places for relaxation, renewal and shared experiences with family and friends.

"I do not believe the world is over for the resort developer for today and tomorrow. There are more affluent consumers today than ever before. People have an inherent desire to see and do new things. I am betting on a bright future."

- Toni Alexander, InterCommunicationsInc

Scarred by the experiences of recent years and faced with the reality of a shrunken total market, the group was however quick to point out changes in how capital in the industry is sourced, increased overall financial volatility that impacts consumer willingness and ability to purchase, and the widening gap between the affluent and the shrinking middle class.

These shifts in the industry change the nature of opportunities available to individual professionals in our narrow niche.

Richard Albrecht made a particularly salient point when he explained that there is now little or no room for small developers who must raise capital on a deal by deal basis. While smaller, entrepreneurial developers shaped much of the resort world in the 20th century, the new century will be dominated by larger developers who are in turn controlled by institutional funds who can move quickly on deals but will be prone to shorter required return cycles. This condition is exacerbated in a constricted industry increasingly focused on a limited number of high quality locations and a narrow band of affluent consumers.

"We need to stay in touch with how the consumer is changing. But the hardest thing for the real estate industry is to be nimble. [Financing new deals] is an inherently cumbersome process, requiring rear view mirror thinking (comps) and that doesn't help developers stretch to create new and different."

- Beth Callender, Greenhaus Marketing and Branding

As a result, experienced development professionals who would have historically formed their own development organizations will find it difficult to get started. To stay in the space, they will likely need to work as "hired guns" for large firms or to find ancillary entrepreneurial opportunities. These might be service providers to the large developer/operators or operational businesses ancillary to core resort development activities.

For those who continue in the industry – either inside or outside the larger companies – the ever-changing marketplace

will require passion and commitment to generate constant re-invention of products, services and whole destinations. In the near term, it's apparent that the focus of innovation will need to respond to increased consumer focus on utility and convenience. It will also need to respond to the emerging focus of Gen X and Millennials on fulfilling overall experiences and hyper flexibility to develop future products and tailor ownership opportunities. Keeping the point of entry into the market accessible will continue to be a challenge and a necessity, to broaden the pool of potential consumers.

"This is the best job in the world, but if you're going to do it you'd better be passionate about it."

- Kevin D'Arcy, Spruce Peak at Stowe, Vermont

It is an exciting time because it is a time to innovate."

- Beth Callender, Greenhaus Marketing and Branding

Methodology

As opposed to past reports that heavily relied on surveys, this year's report took a very different approach. With idea generating discussions like TED Talks, think tanks, and roundtable discussions becoming much more stimulating and popular with today's professionals, we felt it made sense to use a similar process in our 2014 report.

Our research began with identifying 25 of the most influential, experienced, and successful leaders of the resort real estate industry. Each of these participants were asked to complete a basic survey of roughly 10 questions as a small precursor to the discussion as well as a way to determine the hottest topics and most sought after answers of 2014. Based on their answers and areas of expertise, the 25 participants were broken up into six teleconference roundtable discussions with the intention of creating an idea and thought provoking discussion that could be used as the groundwork for our 2014 report.

Each teleconference roundtable discussion lasted roughly 90-minutes and included topics such as:

- Characteristics of today's customers relative to buyers from the early 2000's.
- New residential products that are working.
- Services and amenities that are critical to today's buyers.
- What's working (and not working) in marketing.
- Key characteristics for new resort residential projects.
- How new capital markets have changed today's development strategies.
- What's happening with all the recently traded properties.
- Future outlook for the industry.

After the conclusion of all roundtable discussions, each participant reviewed the information and key findings by phone and email. The ideas, answers, outlooks, and predictions of each of these industry-leading professionals were then summarized and compiled into the report below.

Participants

Kelsey & Norden

Chris Kelsey President, Long Cove Development, TX
 David Norden Founder, Owls Head Partners, VT
 Claire Humber Director of Resort Planning & Design, SE Group, VT

Roundtable #1 (July 18)

Steve Rice Senior Managing Director, CNL Financial Group
 Patrick Kelly President and Owner, The Whistler Real Estate Co.
 Chris MacInnes Chief Operating Officer at Crystal Mountain, MI

Roundtable #2 (July 28)

Matthew Walker Executive Vice-President at Lowe Enterprises, CA
 Randall Bone CEO at Sunrise Company, CO
 Kraig Forbes Founder, Sotheby's International Realty, Vail
 Mark Kehke President and Chief Operating Officer at DMB Pacific Ventures LLC, CA
 Lani Kane-Hanan Executive Vice President & Chief Growth and Inventory Officer, Marriott Vacations Worldwide, FL

Roundtable #3 (August 1)

David Corbin Vice President – Planning and Development at Aspen Skiing Company, CO
 Tony Green Managing Partner at Pinehills, MA

Ray Jackson VP of Sales and Marketing, Bahia Beach Resort,
Puerto Rico
Sanda Kulli President at Kulli Marketing, CA

Roundtable #4 (August 5)

Adam Ducker Managing Director at RCLCO
Mark Hall Senior Vice President - Real Estate, Boyne Resorts,
ME
Spencer Castillo Co-Founder at C&R Communications,
Santa Monica, CA
Toni Alexander President and Creative Director,
InterCommunicationsInc, Newport Beach, CA

Roundtable #5 (August 7)

Jeff Woolson Managing Director, Golf and Resort Properties
Group at CBRE, CA
Alex Iskenderian Senior Vice-President and Chief Operating Officer,
Vail Resorts Development Company, CO
Richard Albrecht President at Kukui'ula Development, HI
Kevin D'Arcy Spruce Peak Real Estate, LLC Broker for AIG
Global Investment Group, VT

Roundtable #6 (August 18)

Beth Callender Principal, Greenhaus Marketing and Branding, CA

The Authors

Christopher Kelsey

Christopher Kelsey is President of Long Cove Development, who is building Long Cove, a new community on Cedar Creek Lake, outside of Dallas. Chris now lives and works in Dallas, Texas but has focused the majority of his career in mountain resort environments. He has management experience in entitlements, general development, sales & marketing, operational assets and green design. Among other leadership assignments, he served as a Senior Vice President for Lowe Enterprises' \$1B+ Suncadia and Project Manager for Hines Interests' \$90M River Valley Ranch.

David Norden

David Norden is President of Owls Head Partners, LLC, a development manager serving as owner's representative for resort real estate developers and landowners worldwide. David has served as Executive Advisor for La Estancia de Cafayate, a 1500-acre sporting estate community located in the emerging wine region of northwest Argentina; Vice President of Development for Stowe Mountain Resort's \$500M Spruce Peak at Stowe in Vermont; and Project Manager for Hines Interests' \$280M Aspen Highlands Village in Colorado. Having successfully delivered these large-scale mixed-use projects from inception to operations, his expertise encompasses all aspects of the development process, including concept development, financial feasibility, entitlements, sales and marketing, construction management, and asset conveyance. Prior to this, David was a Principal of SE Group, providing him with a keen understanding of the interface between real estate and resort operations.

Claire Humber

Claire is the Director of Resort Planning & Design with SE Group. Claire has been with SE Group for over 20 years and has led both large and small resort projects throughout Canada and the United States, Scandinavia, Iceland, Korea and Japan. This breadth of experience and expertise allows her to understand the interconnectedness and specifics of a wide range of topics—ranging from development trends to multi-season operations to guest services and branding. Claire helps resort operators and developers conceive, plan and bring to life ski and mountain resorts that balance customer delight and loyalty, distinctiveness, operational efficiency, and cost-effectiveness. She combines systems thinking, wide-ranging experience, an abiding commitment to the ski industry, and expertise in creating focus and consensus to help clients make the most of what's in place today, while building for a future that's likely to be significantly different from the past.

Kai Norden

The authors would like to acknowledge University of Michigan Ross School of Business student Kai Norden for his contributions to the team. Kai's assistance, organization and technical savvy have been invaluable throughout this process. Thank you Kai!

Our Next Project?

We are always looking for new ways to gather and present information about our industry. Send us a note and let us know what subjects are important to you and how we might do the associated research. You can reach us at chris@kelseynorden.com.

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