

Ski towns ride out global downturn

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Cranes tower over a huge new development project at the Vail ski resort in Colorado. Gretchen Peters / The National

VAIL, COLORADO / On a December afternoon, skiers zip down the slopes of this high-end Colorado ski resort, blissfully unaware it seems of the country's economic woes as they manoeuvre tricky mogul fields and shush the snowy bowls.

Not far away, six massive cranes and dozens of construction workers were busy putting the finishing touches to a US\$2 billion (Dh7.4bn) "facelift" on the village of Vail, a project that seems to fly in the face of the nation's real estate slump with a burst of multimillion dollar condos, designer shops and 5-star restaurants.

Vail is putting up a Ritz Carlton, a Four Seasons, 450 new luxury residences, 100,000 square feet of fresh retail space, and even heated cobblestone streets.

"There has never been as much development or redevelopment going on in Vail's history," Stan Zemler, the town manager, told *The Denver Post*.

And there is no sign of it stopping. Vail planners are currently finalising a billion dollar addition to the town, known as Ever Vail, which is being touted as the world's first environmentally friendly ski village.

Perhaps it is the lack of oxygen, but many at Colorado's higher altitudes appear not to have noticed the country is gripped by the worst recession in half a century.

In addition to Vail's facelift, luxury rival Aspen/Snowmass is getting about \$40m of work done. There is another \$30m going into Winter Park, \$8m in capital improvements at Steamboat Springs and a \$25m new hotel and spa at Crested Butte.

Resorts in the Rocky Mountain have not only been spared the foreclosure crisis, there is not even

talk of froth in a place where property prices have held steady at as much as \$3,000 a square foot.

Properties valued at more than \$20m continue to move – and to soar in price. Take for example the \$36.4m ranch in Snowmass purchased by Russian billionaire Roman Abramovich in April. It was the third most expensive home sale ever in the Aspen/Snowmass area.

“I feel very optimistic,” said Rod Slifer, a former mayor of Vail who owns a real estate agency. “The market has slowed but values and prices have held steady. Homes stay on the market longer, and buyers are a little more cautious. But they are still buying.”

Part of the issue is the financial health of the clientele: people who are able to afford a \$3m-plus holiday home have not been dinged by the economic downturn.

Plus there is the lack of available land: In most of the Rocky Mountain resort towns, only about 20 per cent of the land can be built on, a fact that continually drives up prices. At a time when the stock market seems risky, pouring money into real estate in such an area starts to look like a safe investment.

“We are kind of blessed in that regard,” Mr Slifer said.

The poor economy has slowed down sales. Transactions in Aspen, for example, have dropped 35 per cent over 2007 levels, and the overall sales volume is down 50 per cent. But that dip is only expected to drag the 2008 sales volume back to Aspen’s 2004 level, which at the time was a record \$1.04bn.

“We are not immune, but we are insulated,” wrote Aspen real estate broker Tim Estin in his quarterly market roundup *The Estin Report*.

In part, developers said the effects of the recession will not be felt until 2009. Financing for the Vail facelift, for example, was already in place, most of the new units sold, and construction well under way before Wall Street crashed in September.

According to Suzanne Silverthorne, the spokeswoman for the town of Vail, developers there are now focusing their efforts on getting building permits and architectural plans in place for Ever Vail, so they can be ready to sell it once the market bounces back.

Financiers also halted construction on millions of dollars of planned but yet unsold residences in Snowmass.

“A lot of the financing and funding for such projects has changed dramatically since the credit crunch,” said Joshua Saslove, an Aspen estate agent.

What has sparked more worries are indications that this ski season will be one of the slowest the Rocky Mountain resorts have seen in decades, after a record 60.5 million skiers hit the slopes in 2007.

An October USA Today-Gallup poll found that 34 per cent of Americans planned to cut their holiday travel this year, and most of the resorts are reporting deep declines in advance bookings.

Last week, Vail Resorts CEO Robert Katz laid off 50 full time employees and suspended raises for year-round staff. Luxury retail shops in Aspen, including Gucci and Prada, are already holding sales, and restaurant owners are expecting a 10 per cent drop in business.

Still, with profit margins as high as the snowy peaks, few are really suffering here. And fewer tourists just means the employees get more time on the slopes.

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