What the data in the 12-month chart of rolling averages can’t tell you is what the market feels like, what people are thinking and saying, and what, if anything, that has to do with the actual data. Sometimes we can see that in graphs, but usually it requires a different process altogether.
As real estate brokers, we’re often asked, “How was the winter this year?” Bill Tomcich, president of Stay Aspen Snowmass, called it last September: “Between currency exchange rates and the recent volatility of the stock market, there’s no denying that we are facing some headwinds right now.” He was speaking of the forthcoming winter’s bookings, but the comment was also prophetic for real estate activity.

A disturbing election year, the Asian slowdown, increased terrorist activity, and fewer Australians and Latin Americans visiting Aspen this winter have contributed to an unsettled market. In the face of ambiguity about where we’re headed, most buyers become even more discerning, and some have simply pushed the pause button, waiting for more to be revealed this spring.

The winter season (the shortest market period that should be studied without excessive comparative distortion) has been noticeably soft. Total winter closings in the upper Roaring Fork Valley are down 16% from last winter (through March). This is not particularly alarming this early in the year, but it’s worthy of discussion, especially since pending sales are down by 30% from a year ago, an indication the market may stay quieter for a bit longer. (Note: This is the general market; we are happy to say our office is up considerably!)

Where is the market the softest? Surprisingly, in Aspen. December through March closings are down 18%, and pending sales down 35%. Snowmass closings have declined just 11%, and Basalt is up 12%.

In Snowmass, the analysis gets trickier. Home sales there were up 40% (through March), with ski-accessible homes, a segment which has languished in the past, a big part of this increase. Condo closings dipped 30%, but that’s only 9 fewer transactions than last winter, and the pending condo sales are up (from 16 to 19). Generally, it seems the marketplace is finally recognizing the value proposition Snowmass represents compared to Aspen.

The Basalt market hasn’t contributed to the softening — in fact, home and lot sales are up slightly; condo activity is down marginally and that will likely be made up this spring.

Why is the market soft? Here are the primary reasons:

1) Supply. In Aspen, for example, there are simply not as many choices. In 2015, 125 condo buyers purchased properties priced at $2M or less, representing 60% of Aspen condo sales activity. This year, 80% of condo sales have been under $2M. At present, there’s not even a 9-month supply of condos listed under $2M.

2) Pricing. The average price paid for Aspen non-luxury property (under $7.5M) has been around $1100/SF for the last 4 years, but the current average list price of available inventory is about $1400/SF, a reflection of sellers asking a 30% premium over last year, which buyers are resisting.

3) Quality. One interesting thing about last year’s big increase in sales (over 2014) was the relative strength of inventory priced at both $800-1300/SF and over $2000/SF. Buyers with budgets want the best quality and location they can afford; buyers with no budgets want the best quality and location, period. Now we’re running a little low on buyers with no budgets, and low on quality product for buyers with or without budgets (although less so in Snowmass). As the recession eased, developers bought up available land and re-developable homes in Aspen and Snowmass while prices were low. Today, well-located real estate for new development is scarce, accounting for fewer sales. Also, many of the homes contemplated for these properties are under construction or in the planning stages. Since today’s buyers often want new, contemporary, and move-in-ready property, the low inventory of such homes contributes to fewer sales, as well.

Maybe “soft” is not the right descriptor. Last winter (2014-15) was up 30% in sales and 130% in dollar volume in the upper Roaring Fork Valley. Aspen alone was up 50% and 200% in sales and volume, respectively. A winter like that is a tough act to follow and begs the question, “Who you callin’ soft?”

Also, all real estate markets have cycles, and what we’re seeing could be a naturally occurring down phase that occurs about every 6-7 years in Aspen/Snowmass. The fact that we haven’t fully recovered from the 2008 credit collapse makes it seem too soon, but we’re actually on schedule. Although we think 2015 may have been the peak of this last cycle, we expect 2016, while not record-breaking, to be solid. As for first quarter performance, this is relatively typical. 2014 Q1 was almost identical to this one, and the year turned out to be the second best out of the last eight.
t was an interesting March on the Aspen development front. A new moratorium is in place in parts of downtown, and several changes have been made to upcoming local projects. Here’s a summary:

MORATORIUM IN ASPEN

In mid-March, Aspen City Council unanimously passed a moratorium, effective immediately and for up to a year, on new development applications in Aspen’s main commercial districts. For property owners in the targeted districts, there can be no expansion of net leasable or livable space. The ordinance excludes interior remodels and duplex or SF home projects within these zone districts, and it does not apply to the lodging or residential zone districts.

Why a moratorium? Since a 2012 ban on top-floor penthouses in Aspen’s commercial core, City officials have become concerned about increasing pressure for more high-end residential development in zone districts near the core — which remained possible until the moratorium. The emergency ordinance that implemented the moratorium refers to “negative effects upon the community” that the City claims recent downtown developments have had, such as residential owners’ desires impacting retail spaces below, by keeping them vacant, for example. While the moratorium is in place, the City plans to review its land-use code, possibly tightening up areas pertaining to height and residential uses, among others.

Four submitted land-use applications that were deemed complete prior to March 17 escaped the moratorium. Those include a commercial project from developer Mark Hunt on the site of the Main Street Conoco gas station, commercial and residential additions to the Mountain Forge Building on E. Hopkins and the Mesa Building (home of O2 Yoga) on W. Main, and minor work on the Volk Plaza (Paradise Bakery) building at Cooper and Galena.

GORSUCH HAUS PLANS SUBMITTED

After months of informal presentations, an application for the Gorsuch Haus hotel project near Lift 1A was submitted. Seen as a key component to revitalize that neighborhood, Gorsuch Haus is being spearheaded by a partnership of three locals — retailer Jeff Gorsuch, real estate agent Bryan Peterson, and Jim deFrancia of Lowe Enterprises — who are assembling investors and lending for what’s being reported as a $100 million project.

According to current plans, Gorsuch Haus comprises 60 hotel rooms and seven condominiums, (a total of 81 keys), plus six additional residences, a slopeside restaurant, and some retail and skier services. Along with the development, the Aspen Skiing Company has pledged to build a new lift, currently envisioned as a high-speed quad but, per Forest Service approvals, with the potential to be a gondola or hybrid gondola and chairlift.

With an approval process expected to stretch well into 2017, groundbreaking on Gorsuch Haus would be Spring 2018 at the earliest, meaning the soonest the hotel could open, after two years of construction, would be 2020.

LIFT ONE LODGE MOVES FORWARD

Meanwhile, plans for a fractional development in the Lift 1A area are close to being finalized, as Aspen’s Planning and Zoning Commission has given Lift One Lodge the green light.

Lift One Lodge was approved in 2011 as a 22-unit private fractional residence club with five fully-owned condominiums, totaling 84 potential short-term rental rooms. The property changed hands in May 2015, and the new owners, Irongate and Haymax Capital, who also own the Hotel Aspen and Molly Gibson Lodge, approached the City with minor changes to the plans. Those changes — small architectural tweaks and conversion of about 20,000 sq ft from accessory to commercial space — were approved by P&Z in mid-March.

The Lift One Lodge project also includes a ski museum in the old Skier’s Chalet lodge building, affordable housing in the Skier’s Chalet Steakhouse building, and a platter pull to bring skiers to the base of Lift 1A.

(continued on page 4)
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Inside This Issue

The Current Market & Highlights
- The Aspen Development Scene
- El Niño

The number of sales transactions has increased 2%.
- Dollar volume has decreased 11%.
- Inventory has increased 11%.

Prices Per Sq Ft and Inventory 12 months at 4.30.16 (vs. 4.30.15)

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<thead>
<tr>
<th>Area</th>
<th>Sales Change</th>
<th>$/SF Change</th>
<th>Inventory Change</th>
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The Current Market

| ASPEN • SNOWMASS VILLAGE • BASALT |

How’s This Winter’s Sales Activity Compared to Last?

Base (One) Lodge

An affordable lodge project near City Market has been tweaked and approved by City Council.

The Base Lodge (formerly known as Base One before its sister proposal, Base Two on Main Street, was shot down by Aspen voters) was approved in 2015 for 40 small rooms in a three-story building at Cooper and Original that will also contain retail space, a restaurant, and a rooftop bar.

In March, after his team missed an administrative filing deadline, developer Mark Hunt made some changes that removed all variances from the project. The hotel plans now include an underground parking garage of up to 24 spaces and uses a higher affordable-housing calculation rate. After some negotiation at the Council table that will restrict guest access to neighborhood parking passes, Council approved the amendments. Construction on Base Lodge may start in 2017.

Sky Hotel Reconstruction Delayed

Aspen’s Sky Hotel won’t shut down this spring for reconstruction after all.

Property owners Northridge Partners were all set to demolish the building at the end of the ski season to make way for a new hotel and fractional ownership project, approved by the City in 2015. But owners’ representative John Sarpa announced recently that construction would be delayed by about a year for more time to finalize construction drawings and other planning.

The redeveloped property, to be operated by Starwood’s W Hotels, will include 88 traditional rooms, 11 fractional-ownership residences, a lounge and bar similar to the current 39 Degrees, and a public rooftop pool.

Current hotel operator Kimpton will continue to manage the hotel until demolition.

El Niño Rides Again

After a dry and spring-like February, with March came the return of El Niño, the Pacific Ocean-driven weather phenomenon that often fuels particularly snowy winters. March ended with 60 to 70 inches of snowfall on local slopes — which is above average — just as the aspenweather.net forecasters had predicted. In fact, Cory Gates’ and Ryan Boudreau’s winter outlook once again proved to be right on the money: a snowier-than-normal beginning of the season, followed by an average January and February (January was above average and February below, balancing things out) — and then, March, when it snowed over 60 inches, over half of which came after the official beginning of spring. And don’t expect the pattern to change as, according to Gates and Boudreau, the tail end of an El Niño winter can be particularly strong, with snowfall lasting well into May … (oh, say it isn’t so).