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What's Next in Resort Real Estate?

Developers in Vail Valley think next generation vacation homers will not be as quick to flip their properties

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VAIL, Colorado — Vail Valley resident Jim Brinkerhoff has been in the development business for 30 years. And, like everyone else in the business these days, times are tough. But Brinkerhoff thinks he's on track to help redefine the resort business.

Brinkerhoff — who lives near Edwards — and several partners are working on a project in Baja Mexico, "Palm Orchard." Plans for the 20-acre property near the town of Todos Santos include just 29 homes, most with price tags of \$1 million or less.

In a recent conversation at the Ritz Carlton Bachelor Gulch, Brinkerhoff and partners James Churches and John Santaniello — who's currently the general manager of the Ritz Carlton Destination Club at Bachelor Gulch — talked about the next era of resort real estate, who will buy it, and why. "Buyers are looking for something affordable and authentic, that will stay that way," Churches said.

Plans are to build around the landscape, which means most of the homes will be hidden from each other. People will park their cars at the main gate, then zip around the property on foot, bike or in electric carts. Brinkerhoff and his partners are pitching a resort where people are involved in activities, and get to know their neighbors. In short, it's a vacation home for people who actually use their vacation homes.

Back to the future

Jerry Jones helped invent the ski resort condominium at Sun Valley in the early 1960s. Talking about vacation homes that people use for vacations has a familiar ring, because that's how the first condos at Sun Valley were sold. "If you look at the history, people bought vacation homes near amenities, and bought them for use, not making money," Jones said.

As the condominium market started, people were pitched on a new idea — rent out your unit while you aren't using it, the better to cover the payments. As prices started to rise in the 1970s, rental income covered less and less of mortgage payments. That led to what Jones calls the "appreciation" market, in which people bought condos, sold them after a few years, then bought another, more expensive home.

The three or four years before last year's financial system meltdown brought something more fevered — what Jones calls the "speculation" market, in which new projects sold out within weeks, days or, sometimes, hours of coming on the market. Those first buyers then put the units back on the market almost immediately.

"You could buy a \$4 million condo and sell it again in two years and make \$500,000," Jones said. These days, the local real estate market is at a virtual standstill. "In all the years I've been in the business I haven't seen anything like it," Jones said. These days, Jones said, about the only reasons anyone would buy a vacation home are perceived value and the use a family will get out of it, Jones said.

How will it look?

So what would a more useful, possibly less showy resort development look like? It depends who

you ask. And, of course, no one knows for sure.

At a recent community meeting Dave Kleinkopf, the new general manager of the proposed private ski resort at Battle Mountain, told a packed room that Crave Real Estate, the project's new developer, sees the future in much the same way Jones described it. Big hotel/condo projects such as the Ritz Carlton or Four Seasons in Vail were built for a different market, Kleinkopf said. Battle Mountain, Kleinkopf said, will appeal to more families, people interested in actually using their club privileges over years.

And the Cordillera Valley Club this year started a program in which owners there can both expand their club privileges to family members and include those privileges in their estates. It adds up to a vision of resort real estate that doesn't have much room for big-dollar projects and homes with floorplans the size of small countries.

But Harry Frampton isn't so sure. Frampton, who's been involved in Beaver Creek, Vail Associates (in the pre-Vail Resorts days), and his own development and real estate companies, has been in the business long enough to see very tall peaks and some very deep valleys in the markets. Frampton said the feverish market of 2005 into the early part of 2008 wasn't really healthy, and expects, over time, to see a "healthier" resort market. Frampton doesn't know what that's going to look like, and expects some changes and, probably, a fairly slow recovery. But, he said, the basics will be the same. "The resorts with the best overall experience will be the ones that succeed," Frampton said. "You'll need to build a great product at a great price."

Jones said that means we're unlikely to see a project like The Gates — a 49-unit condo project at the base of Beaver Creek that Jones was once the listing agent for — sell for anything like its initial asking prices of roughly \$800 per square foot. And before anything new sells — no matter what it looks like — Jones said there's a lot of inventory on the market now that has to start moving.

While the local market continues to sort itself out, Brinkerhoff and his partners and investors are planning Palm Orchard. "We're launching our sales program soon," Brinkerhoff said. And, unlike clubs that have either failed or flailed over the last couple of years, Brinkerhoff said Palm Orchard will have one important difference. "We have 10 partners who will all build there," he said. "And we're going to complete this project with no debt. We don't plan to ever have debt. "This is really a next generation development," he said.