



Business Outlook Breakfast
Wednesday, February 11, 2009 @ Rex's 7:30-8:45am

Lori Thompson - Colorado Group Realty & Steamboat Board of Realtors President

Few foreclosures in town, but not a lot of stress-sellers. Pricing for 2008 increased slightly. Median single family home price was 1.1 million in 2008. Correction in pricing over the next year which is probably needed, could be a good thing. Big reduction in land purchases. Escalating costs, lacking new affordable parcels, and other contributing factors. Websites seeing good activity. People are holding back on sidelines, waiting to see where/when the bottom is - we don't know until it starts back up again. Currently very high inventory - wiser brokers are advising people not to list if they don't need to sell: 1,994 active listings in MLS, 94 pending listings, many are downtown projects that haven't closed yet. December inventory has increased 60% since 2005. Lending history has tightened, rates are very good right now for those who qualify. Over the next year, we are near if not at the bottom. Steamboat has a lot of things in favor (mountain, community, quality of life). Historically prices have continued to increase, probably will stabilize this year. Weather the time, know that people will continue to buy in Steamboat. Currently seeing low-end sales and very high-end sales while middle market is slow (locals are not upgrading). Young families in good financial situation who can afford a higher price (\$500,000 area) are moving in and planning to stay. Oak creek and Hayden (\$250,000-\$450,000 for single family home) can be tough for fresh starters without income. Baby boomer retirees (not expected to be year-round residents) and family retreat buyers segments are expected to increase.

Tom Fox – Fox Construction

Construction is flat in town, but by no means dead. Young contractors who have only seen increases will learn to get lean and mean, preserve cash and see it through. There is light at the end of the tunnel – some projects still continuing with designs and intending to start building. Many buyers and fence-sitters are second home, builders, etc. who will be looking at national economy and stimulus package approval; ready to go as soon as the upturn occurs. Quick turn around in local economy when national economy comes back – lots of activity in a short period of time for those who want to take advantage of construction costs and pricing. Pricing atmosphere is in favor of owners/general contractors. Bids have changed dramatically (7-8 contractors will bid jobs competitively vs. just a few). Material costs are not going down. Keeping current wages stable - finding and keeping key employees in construction is difficult. Reduction in costs comes from contractor and sub-contractor profits: 30% profits reduced to 5%. Lumber, drywall etc. is staying at cost while structural steel and copper costs have gone down 30-50%. Overall 8-15% decrease in construction costs, depending on products in the home (not 20-30% as some have said). Permits are down. Remodel sector might be one of the first construction sectors to come up. Optimistic that Routt County is poised for a quick comeback.

Karen Schneider, Steamboat Grand Resort Hotel & Conference Center

Groups and conferences often book two to three years in advance. Two main customer profiles are corporate (Wells Fargo, garden restaurants) and non-corporate groups (CO municipal league, US Forest Service, government sector including medical/legal/other leagues who need continuing education credits conferences). Corporate is biggest market affected thus bookings are down. Corporate customers are more into flash (Vail, Aspen) vs. Steamboat's western heritage. Aggressive buyers want lower rates and discounts. Positive on local end: only two conference locations so not much competition. High end centers like Four Seasons and Ritz Carlton are vying for lower price customers; Steamboat is right in the middle to reach a wide audience. Booking decision process is taking much longer. Meeting planners are confident that events are still occurring. Expectation of customers is sky high, service levels need to be at the highest possible. Show them we care now to seed future business loyalty.

Chris Diamond – Steamboat Ski & Resort Corporation

Bookings are being driven by cheap air more than anything else. Tight discretionary spending means retail is down 20-25%. Technology/equipment sales are inconsistent while rentals are pretty good. Ski school has seen a significant drop. Common trends throughout industry. Decent but soft Christmas, spiked with some groups who book two to three months out. End of the season probably won't be as good as beginning, not counting on gains for next season. The wild card in Steamboat is the air fare. Over \$2 million is spent to subsidize cheap flights, yet can't control airfare prices. Airline summit was positive, relationships with clients show no indication of huge changes on their part, but never know. Very reliable customer survey information is used in planning. Customers expect more for less. Looking at where to cut costs to get prices down. Intrawest is changing names of fees on billing statements to appease the focus on conspicuous consumption. Spurs on Service program with the Chamber has been helpful – able to hire (and fire) for service, thus have an outstanding and motivated staff (anything less is not tolerated in this market). This will drive intent to return and solidify the foundation for business next year. Vail's local pass sale price reduction idea is not applicable to Steamboat due to different market. Food and beverage outlets don't have a big drop, doing well on maintaining quality. Last minute promotions for end of season: 20-25% discount packages remodeled a bit (Ski, Stay and Soak free – got great national news, same old discount, freshens message). End of season close with Ski Free package is bringing in bookings.

Bob Kuusinen – Vectra Bank

Banks have money and are looking for places to lend to. Commercial loans used to have a 3-5 year burn time. Appraisals in bigger numbers than before. 80% was common, sliding back to 70% which requires more cash when borrowing. Wall Street prime rate 3.5% which makes it irrelevant in banking industry. 3-4% above prime depending on property. Mortgage rates around 5% or lower, drives more commercial lenders with refinancing for business purposes. Home equity rates as low as 4.5%. Federal regulations relaxation would help get business rolling again. Good news side: Front Range economic forecast estimates a turn around in third quarter – may be too optimistic? Likely two to four years in other parts of the country which can affect us as a destination market. Colorado is perceived as doing well overall. TARP enhances balance sheet and is meant to give banks a bit of confidence. Second homeowners real estate rate (granted good credit score, cash flow, etc.) can get in around 5% with pretty good rates.