Town of Vail Economic Indicators Summary: July 2014 Update

(Based on data as of April 30, 2014)

INTRODUCTION: This Summary report of Vail Economic Indicators is based on April 30, 2014 data and is updated in July of 2014 as winter (November – April) data have become available. It is intended to provide an overview of recent economic activity and to serve as a benchmark from which future economic activity can be displayed and compared. These seasonal reports began in early 2009 when relevant data was gathered from various secondary sources for the date range of November 2004 through April 2009 and is now updated seasonally. The data is depicted by general category (Tourism, Real Estate, Town Revenue, Business Growth and Macroeconomics) and seasonally (Winter: November – April, Summer: May – October). It is presented in chart format with this brief summary as a part of the Town of Vail 2014 Economic Development Strategic Plan and is limited in scope and accuracy by the availability of data from secondary sources. It is believed to be accurate but not independently verified and is best used as a general overview as a result.

OVERVIEW: This narrative overview is supported by a more granular chart (attached). Most statistical comparisons are based on year-over-year comparisons as of April 30, 2014, vs. April 30, 2013, and reflect a winter seasonal view unless otherwise indicated:

1. **Tourism**: The 2013/14 winter season brought increases in almost all tourism indicators and represented a more "normal" snowfall, similar to the 2012/13 season. As a result, when comparing season over season, there are less anomalies caused by weather and lack of snow than seen in past years. During the 2013/14 winter season, Vail saw an increase in occupancy (+4.5%) and a larger increase in the average daily rate (+6.7%) resulting in a significant increase in revenue per available room (+12.0%). This increase in average daily rate (to $443) exceeds last season, which had surpassed the 2007/08 pre-recession's average daily rate ($409) and is at the highest since this measurement system was established. Occupancy is still consistently increasing but remains below the pre-recession high (60.3%). When compared to other U.S. western mountain resorts based on overall DestiMetrics industry data, Vail just slightly under-performed the industry in occupancy, where the industry increased to a slightly larger degree (+4.7%). Vail over-performed in rate compared to the industry, which also increased but to a lesser degree (+5.8%). The industry occupancy and rate increases resulted a year over year percentage change in industry revenue per available room of (+10.8%), a lesser increase than in Vail. Other metrics to note are Tunnel Traffic, which increased (+4.5%) from last year and deplanements at Eagle County Regional Airport, which to decreased (-5.5%), a trend that has continued for the past three years due to declining flights and capacity. A variety of special events took place during the winter months, with total attendance and participation at these events increasing (+13.5%), led by the growth of the Burton US Open Snowboarding Championships and offset the loss of attendees from the discontinuation of the Winter Mountain Games.
2. **Real Estate Indicators:** Converse to last year's indicators, which showed a significant increase in number of transactions (+17.0%) and a slight increase in gross sales (+2.3%), the 2013/14 season reflects a significant increase in gross sales (+21.9%) but a decrease in number of transactions (-18.2%). This resulted in an increase in average price per square foot (+11.4%) and average ratio of list price to sales price (+2.9%) reflecting a return of demand for higher priced homes. No newly constructed dwelling, hotel/accommodation or fractional fee units were completed in 2013, which will decrease the volatility of the of the real estate metrics in the future.
3. **Town Revenue Metrics** include: sales tax, construction use tax, property tax and real estate transfer tax revenues along with general fund balance as an indicator of the Town's level of reserves.
    a. **Sales tax** is segmented by business type (retail, lodging and food/beverage) and further broken down geographically by Vail neighborhoods. Excluding Out of Town collections, all segments combined showed a strong increase in overall winter sales tax revenue (+8.7%) following the previous winter season's sales tax revenue, which had increased (+5.8%). Specifically, lodging (+11.4%) and retail sales tax collections (+8.0%) each saw a higher year over year increase than food and beverage (+6.8%). When segmented by neighborhood, Lionshead experienced slightly larger increases overall (+10.1%) compared to Vail Village (+9.8%) and Cascade/Sandstone/East & West Vail (+8.0%). A study conducted by DestiMetrics shows that the average of taxable sales at comparable ski towns was also up season-over-season although with slightly smaller increases in both lodging sales (+10.0%) and total taxable sales (+6.6%) with data as of the end of March.
    b. **Other Tax Collections** by the Town of Vail include construction use tax, property tax and real estate transfer tax and are reported on a calendar-year basis. As a result, these taxes do not correlate with the seasonal indicators above. Construction use tax showed a slight increase in 2013 from 2012 (+11.4%), following a year of a significant increase (+68.4%) and is showing more stability post-recession. Real estate transfer tax collections, decreased in 2013 from 2012 (-13.3%). Over the past several years property tax has been impacted positively by new lodging product, however for the first time in recent

history, property taxes collected in 2012 decreased (-14.6%) from the previous year, possibly due to the leveling off of new properties being built and the decrease in property values due to the "Great Recession." In 2013, property taxes increased (+1.7%) from 2012. Stabilization in all aspects of these tax collections are being observed and are now being affected by conventional economic factors.

c. **Town Reserves** as measured by General Fund Balances remain healthy at $16.4 million or 50% of General Fund revenue after reflecting an $8 million contribution to Timber Ridge Affordable Housing Corporation to pay off debt on half of the property.

4. **BUSINESS GROWTH** is based on broader county and national indicators, many of which are tracked on an annual basis, lag significantly and have just been updated for the 2013 calendar year. While not as current and telling of the current market conditions, the Business Growth indicators show a steadying economy as evidenced by unemployment in Eagle County, which experienced a significant decrease, from 7.8% to 6.8%.
5. **MACROECONOMICS**: Five years after the first signs of 'recovery', most analysts have stopped hedging their bets and agree that financial strength is returning to the U.S. economy in a meaningful way. Those indicators most reflective of our consumer-centricity– job creation and consumer confidence – are now consistently acting of their own accord and building momentum, having shed much of the reactionary behavior they've demonstrated since 2008. Meanwhile, financial marketplaces (Wall Street et al) have been on an historic roll since January of 2013 and continue to set all-time records. The real bottom-line indicator, however, will always be GDP growth. To break it down: **(1) Consumer Confidence** is now at its highest level since January, 2009 and been above 80 points for 7 of the last 12 months and for each of the past 5 consecutive months. At 85.2 points, it is now very close to the 90 point mark, where economists consider the marketplace to be driven by consumers, rather than suppliers**. (2) Unemployment** continues to decline and reached 6.1% in June, the lowest since September 2008, prior to the failure of Lehman Bros. Employers have added an average of 203,000 jobs per month over the last year, and 221,000 jobs over the past six months, recovering all jobs lost during the recession and building self-sustaining momentum. However, workforce participation remains at its lowest level since 1978 (62.1%) and will need to improve sharply. **(3) Wall Street** spent most of 2013 being reflective of big business investment rather than the overall economy; however that is now shifting as main street investors begin to move back into stocks and bonds and the 401k marketplace. Markets are also showing self-confidence as the Federal Reserve tapering of its investment in the economy has not significantly changed market behavior. On the cautionary side, markets are now 19 months overdue for a major correction of 10% or greater, though most analysts agree that it would signify a return to healthy and level-headed investment and that consumers and employers would both weather such a correction. **(4) GDP,** as was widely reported recently**,** declined a very sharp -2.9% in the first quarter of 2014. Though significant by itself, when contextualized the Q1 declined had little to do with declining economic strength and a great deal to do with Mother Nature, as record-setting winter weather halted major economic output across much of the country for long periods of time. Though the 2014 annual projected GDP is now downgraded somewhat due to Q1, the Q2 – Q4 GDP is expected to gain anywhere from 2.1%-3.5%. Overall, the economy is earning its keep, given the magnitude of the task at hand, and suppliers throughout the consumer side of the equation should be more confident in the momentum shift towards a consumer-driven marketplace.

This foundational data set and summary will be further updated and expanded upon twice annually, taking its place among the tools available to better inform the Town staff, its various committees and the public it serves.

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For the full report, including foundational dataset information, please contact Jeremy Rietmann, business development director at Vail Valley Partnership, at jrietmann@visitvailvalley.com or 970-477-4012.

Attachment: Vail Economic Indicators Table