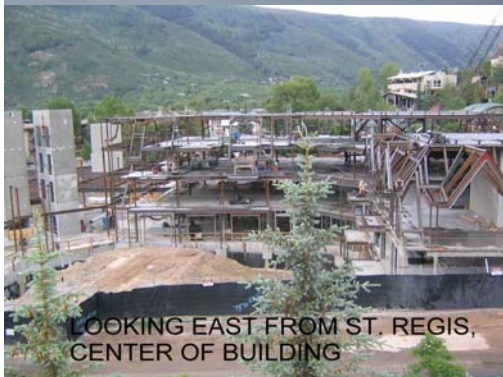


2005 LODGING INVENTORY EVALUATION



LOOKING EAST FROM ST. REGIS,
CENTER OF BUILDING

Prepared by the City of Aspen Community Development Department

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INTRODUCTION:

Aspen, Colorado is a resort town whose economic well being is inextricably linked with the visitors that make Aspen a travel destination. Consequently, it is necessary to continually examine, evaluate, and make improvements to the varied industries that cater to the visitor experience that make Aspen a premier resort. An important component of the guest experience is lodging. This report specifically addresses the lodge industry that provides accommodations for our guests and looks at the range of those accommodations.

In an effort to more fully grasp the types and amounts of lodging within the City of Aspen, as well as changes to that inventory over the years, the Community Development Department initiated this study in collaboration with the City Council and the Planning and Zoning Commission. As these bodies work to institute laws and codes that will be of most benefit to the community, it is essential that they have access to the best data possible.

Staff has undertaken this study to gather and condense available information about the Aspen lodging industry and then present it in an understandable manner. The report consists of two major sections: the first being composed primarily of statistical data gathered from various sources and the second being anecdotal information gathered from interviews with individuals within the Aspen lodging industry.

The majority of the statistical data contained herein was provided by the Stay Aspen Snowmass (SAS) organization. SAS provided data about the number of operating lodges and their pillow counts going back to 1991. They also provided information about the average cost of a lodge room in Aspen going back to 1995.

The Aspen Chamber Resort Association (ACRA) is another group whose help was crucial in acquiring the necessary data for this report. ACRA provided statistics going back to 1987 for the occupancy rates of the lodges here in Aspen.

Aspen Skiing Company (SkiCo) was the major resource concerning future development planned at the approved Base Village in Snowmass. They provided helpful information about the projections for new lodging units that will be developed there. Although not within Aspen proper, lodging development is bound to have an impact on Aspen due to Snowmass's close proximity.

By examining all of the data offered by the above groups, along with lodge development that is already under construction and properties that have been approved for development, Staff has crafted a document that illustrates some prevailing trends within this sector of the Aspen economy.

However, a quantitative examination of this data is only one part of this study. While this study does not provide models illustrating the effects of variables upon the lodging market, it does present input from various individuals within the lodging economy (lodge owners, developers, rental services, etc.) giving them the opportunity to express their views about the lodging situation within Aspen. Staff has met with many such individuals and posed a series of questions to see how they view the future of Aspen lodging. They were also permitted to add any other comments that they felt pertinent.

Data Collection and Methodology

It is important to understand how the source data was collected and the methodologies used in its examination. Of significance, is that there is not a standard gathering method established for all lodges (such as a form, a survey, or a computer registration program) to consistently measure data. SAS simply asks lodge owners to provide the pillow count, room costs, etc. of their specific lodge.

The information obtained from SAS is divided into six lodging categories consisting of: Deluxe Condo, Moderate Condo, Property Management Company, Deluxe Lodge/Hotel, Moderate Lodge/Hotel and Economy Lodge. However, there are no parameters set to define the categories. Lodge owners simply self categorize their businesses based on what that they believe to be most appropriate. There are no guidelines to help assist in self-classification aside from personal, anecdotal comparisons with other lodges within a certain category. There are also many cases where certain lodge owners could not be reached when SAS was gathering data and SAS simply transposed the data from the previous year and used it again under the assumption that there were no changes.

Given the imprecise nature of the source data it is difficult to precisely quantify any measures and the reader needs to keep that in mind. However, even with the “inexact” nature of the data, Staff believes that it is reliable enough to illustrate some overarching trends that are of concern. Staff has considered the general trends and presents them below in an effort to provide more information for all in the community that are involved with, and concerned about, the future of the Aspen lodge economy.

Staff has also included or subtracted a number of lodges and corresponding pillows that were either not included in the SAS data (Highlands Ritz Carlton), newly online (the renovated Annabelle Inn and Christiana Phase I), or recently lost from the inventory (Holland House and Skier’s Chalet). This amended data is reflected in Figures 1-6, Figure 8, Figures 12 -14, and Tables 1, 2, and 3. Figures 9-11 include data relating to occupancy and were not amended with the above referenced lodges and pillows because staff did not have information on the occupancy rates of these establishments.

Data Examination Results

As noted previously, SAS began to inventory both the number of lodges and pillows offered within the community on a yearly basis since 1991. Prior to that date, the Community Development, in coordination with the Chamber of Commerce and Aspen Central Reservations, had conducted a number of studies and produced a number of reports on short-term accommodations. As a snapshot of the industry in 1982, the data is included in this report.

In 1982, a survey was sent to managers and owners of short term accommodations in Aspen and Pitkin County. The survey asked the respondent to categorize themselves as a: 1) traditional lodge/dormitory/apartment, 2) multi-family residential/condominium apartment, or 3) single family/duplex residential. The survey also asked for the respondent to provide information on the number of rooms, units, and beds provided. The data shows that there were two-hundred and eighteen (218) properties providing short-term accommodations with a total pillow count of ten thousand two-hundred and ninety six (10,967).

Upon examination of the SAS data, it became immediately apparent that there has been a dramatic downward trend in both pillow counts and the total number of lodging properties in Aspen since 1991. It is quickly ascertained that, taken as a whole, the high point for the numbers of lodge properties and pillows over the last thirteen (13) years was between 1993 and 1995 and that 2004-2005 was the low point. For a short time period from 1991-1992 (the first year that SAS began to consistently gather this

data) until 1993-1994, both the number of lodges and pillow counts increased. But since hitting that peak, both categories have steadily fallen. Figures 1 and 2 clearly illustrate that decrease in both categories:

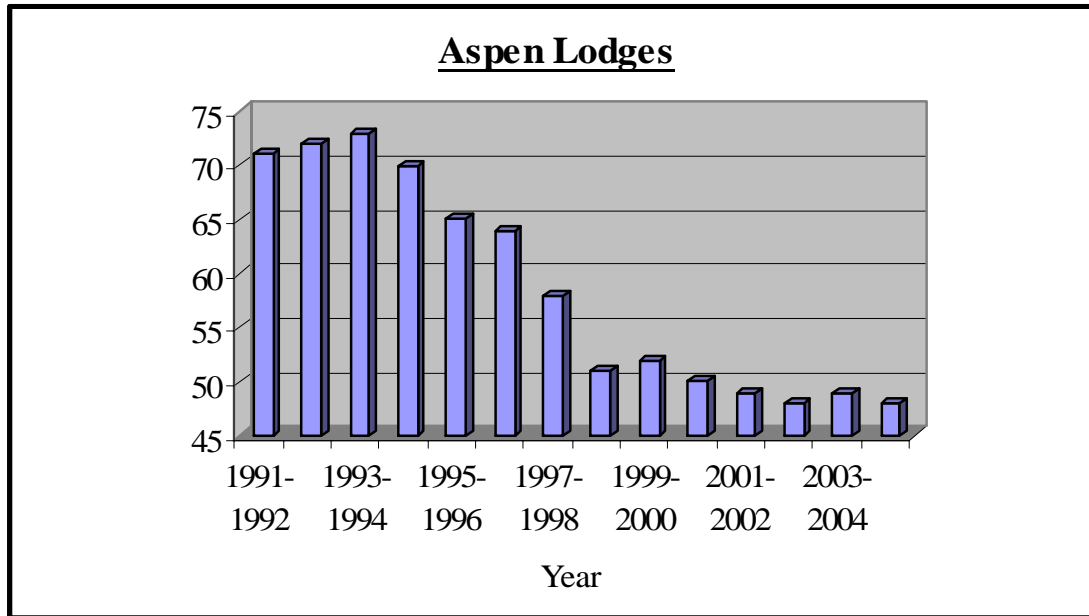


Figure 1: Lodge Properties, 1991 -2005

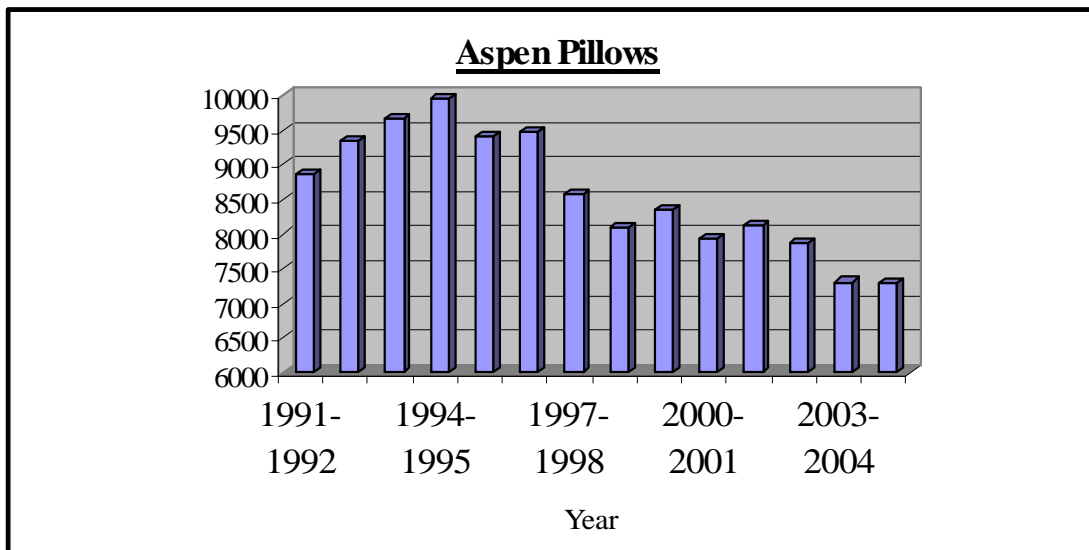


Figure 2: Pillow Counts, 1991-2005

Figure 3, on the following page, brings the two measures together and shows the close correlation between the decreases in both categories. The slopes of both lines are closely correlated in their downward trends.

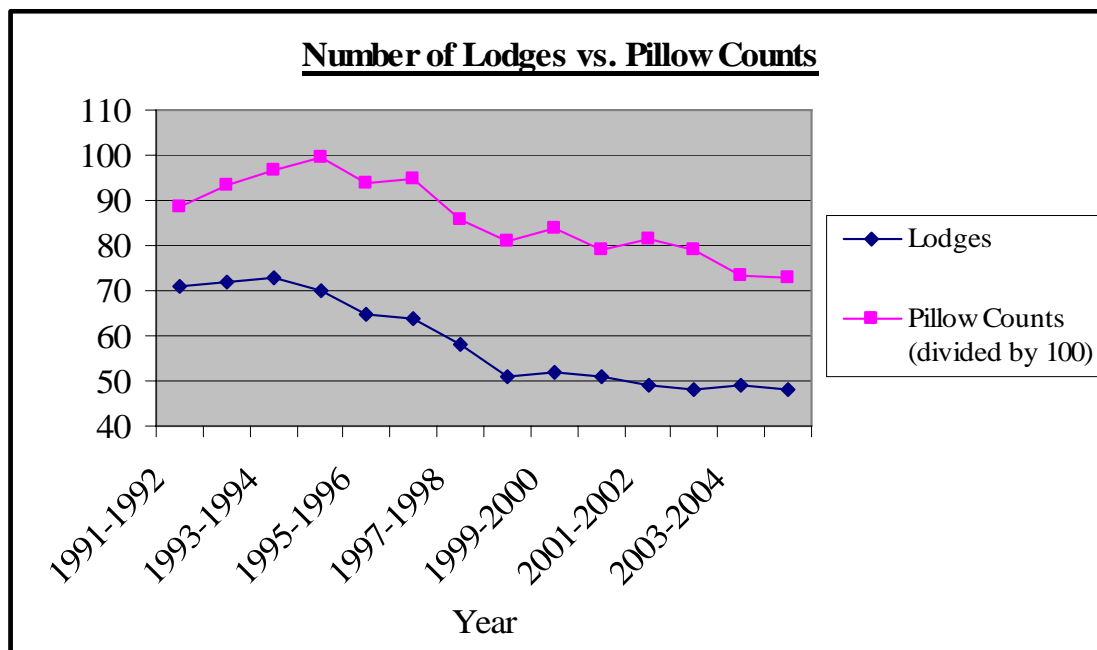


Figure 3: Lodge Properties vs. Pillow Counts, 1991-2005

Table 1 compares total pillows to total lodges over time, while Table 2 shows the number of pillows both by year and by lodging category. When you refine the data by category, variations in the loss or increase of pillows appear. To differing degrees, four of the categories (Deluxe Condo, Moderate Condo, Property Management Company, and Economy Lodge) seem to follow the same generally decreasing trend while the two other categories (Deluxe Lodge/Hotel and Moderate Lodge/Hotel) expressed slight increases.

	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
Pillows	8875	9337	9678	9959	9400	9487	8583	8102	8359	7924	8141	7883	7312	7300
Lodge Properties	71	72	73	70	65	64	58	51	52	51	49	48	49	48

Table 1: Property and Pillow Count Totals, 1991-2005

	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
Deluxe Lodge/Hotel	966	999	1514	1823	1857	1823	1665	1679	1943	1869	1815	1857	1647	1647
Deluxe Condo	1414	1460	1460	1465	1455	1465	1559	1389	1492	1485	1375	1375	1355	1355
Moderate Lodge/Hotel	1594	1591	1596	1618	1621	1621	1608	1711	1735	1638	1671	1639	1611	1611
Moderate Condo	459	459	459	459	459	291	230	224	259	252	252	252	238	238
Economy Lodge	1755	2001	1955	1767	1410	1410	1077	735	434	394	521	434	447	435
Property Management	2687	2827	2694	2827	2598	2877	2444	2364	2496	2286	2507	2368	2014	2014

Table 2: Pillows by Category, 1991-2005

Those differences are even more explicitly apparent when examining Figures 4, 5, and 6. In Figure 4, the precipitous dip in the pillow count totals for the Economy Lodge category is dramatically illustrated. The pillow counts within the Property Management Company and Moderate Condo categories also went down, while Deluxe Lodge/Hotel showed a strong increase. Deluxe Condo and Moderate Lodge/Hotel were fairly consistent.

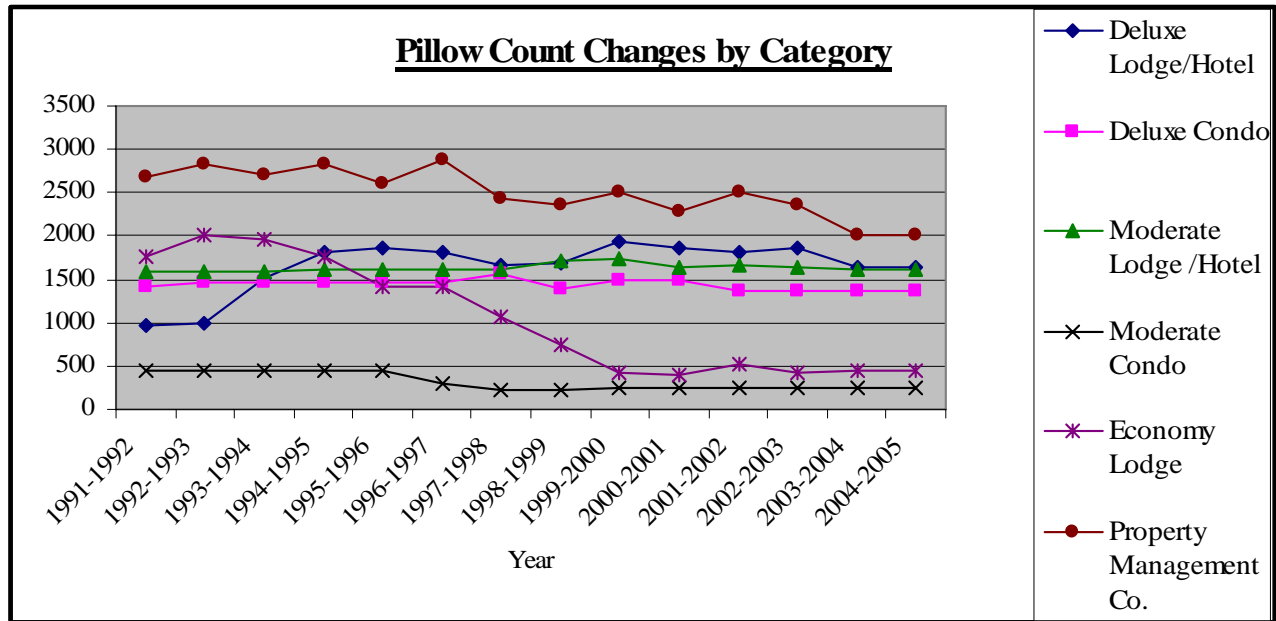


Figure 4: Pillow Count Changes by Category, 1991-2005

To get an even clearer picture of what happened in the different categories between 1991 and 2005, we look to Figure 5 which specifically illustrates the change in pillow count numbers for each category in from 1991-1992 to 2004-2005.

In 2004-2005 there were only fifty-two (52) percent as many Moderate Condo pillows as existed in 1991-1992 and the slide in Economy Lodge pillows was even greater with only twenty-five (25) percent as many pillows as in 1991-1992. Conversely, the only category with strong growth was Deluxe Lodge/Hotel which had a pillow count increase of a rather dramatic forty-eight (48) percent in the same time frame.

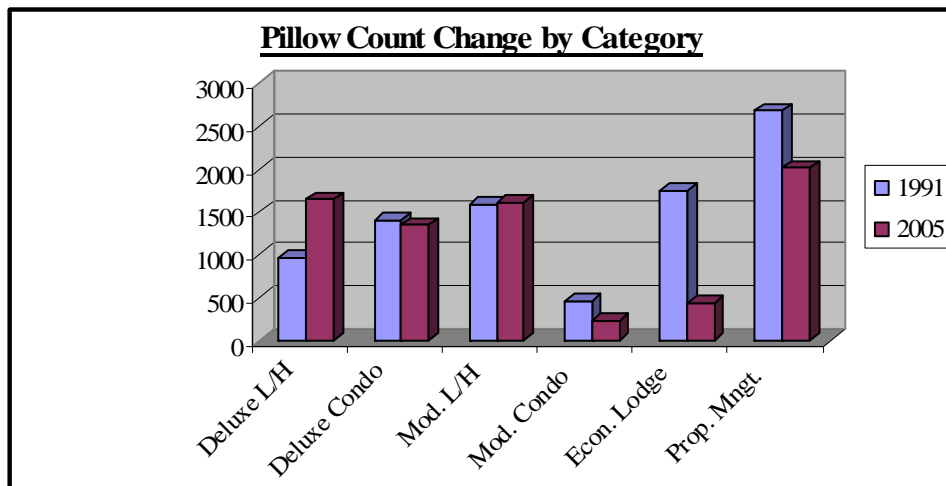


Figure 5: Pillow Count Changes, 1991 vs. 2005

Figure 6 illuminates the change to the percentage of the total pillow count for each category in 1991-1992 as well as in 2004-2005. The market share changed, quite dramatically, for certain categories. While the Economy Lodge category slipped from a substantial twenty (20) percent to six (6) percent of the market, the Deluxe Lodges/Hotel category increased to twenty (20) percent of the total from eleven (11) percent. Moderate Condos slipped from an already small percentage of five (5) percent down to only three (3) percent and Deluxe Condos and Moderate Lodges/Hotels both showed increases.

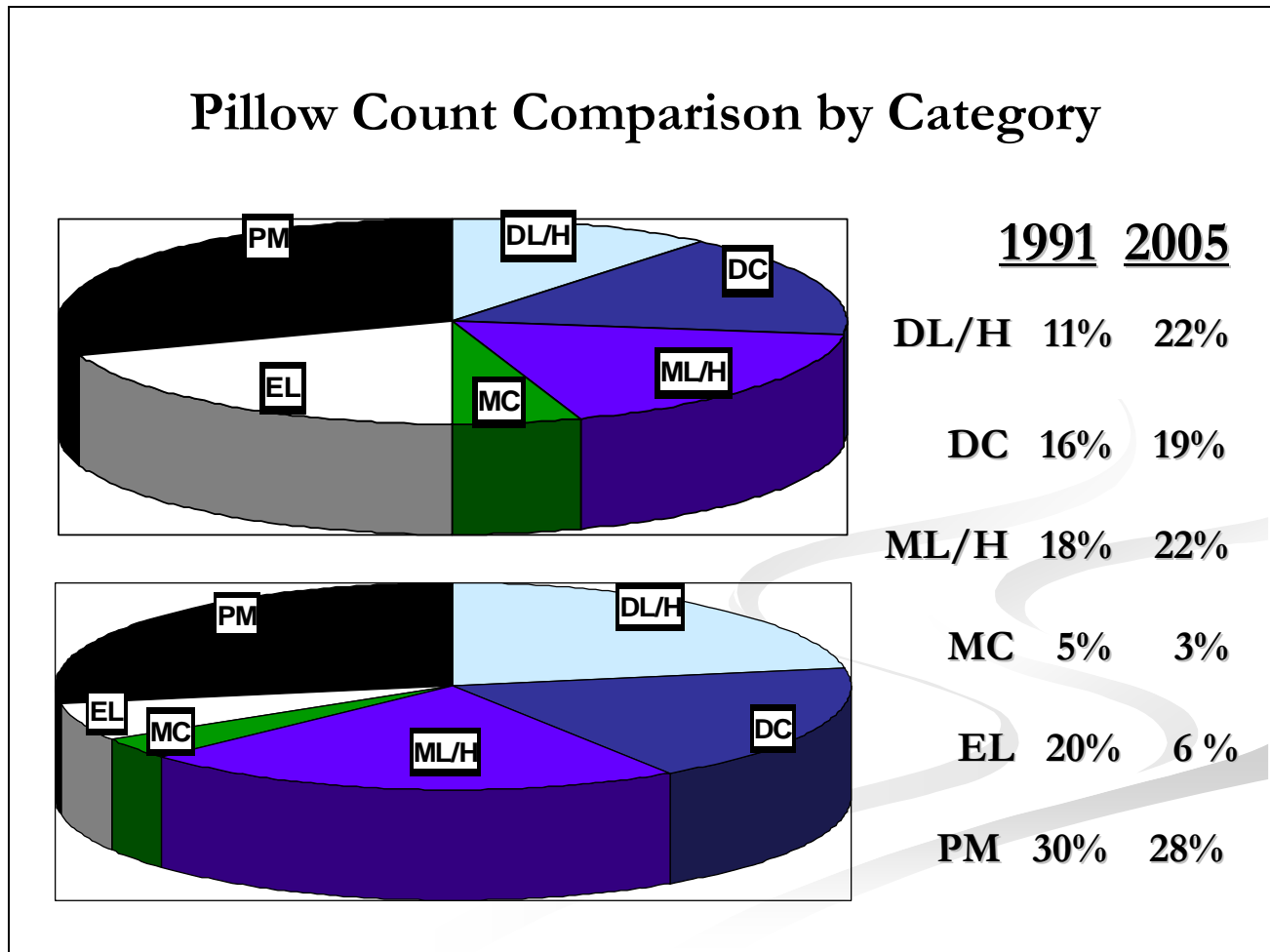


Figure 6: Market Share Comparison of Pillow Counts by Category, 1991-2005

Given the strong downward trend in pillow counts that is most evident in some of the moderate and economy categories, Staff investigated the change in cost for rentals of these units and see if any connection could be found. Once again, SAS provided data that they had collected about the costs of rental units within the rental pool. However, their cost data only goes back to 1995 and did not break out the costs among the six rental categories, but rather average daily rate per month. Consequently, Staff couldn't show cost differences by the category level, but the results were still significant. Staff computed a yearly rate average and adjusted the average for inflationary gain during each year¹. Even given the inflationary adjustment, Figure 7 shows a rather steep increase between 1996 and 2001. There was then a lull in that trend until 2003 when the prices shot up once again.

¹ An inflation calculator from the Department of Labor, Bureau of Labor Statistics website was used <http://data.bls.gov/cgi-bin/cpicalc.pl>

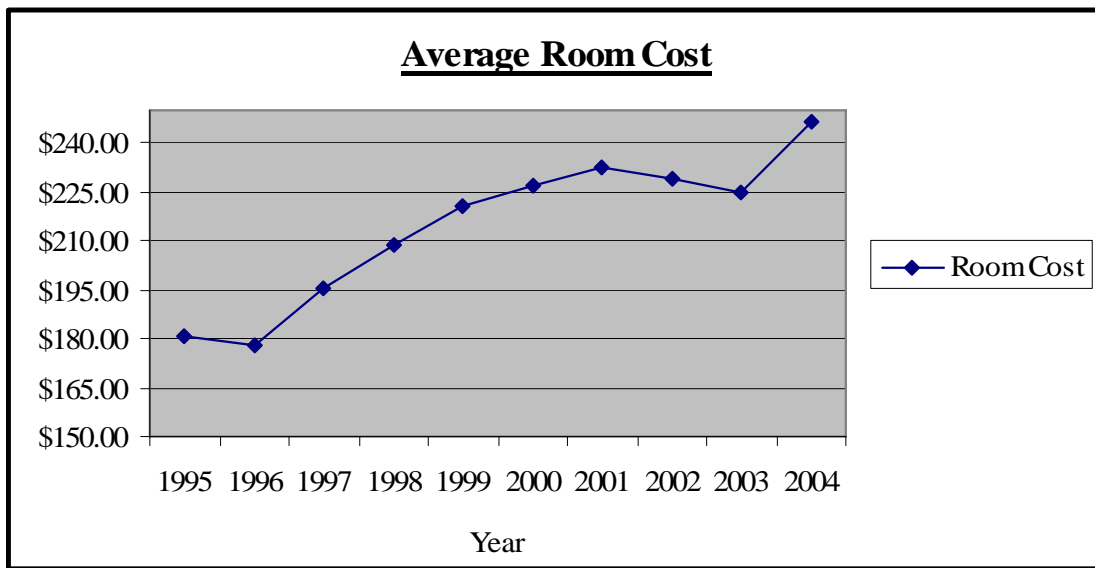


Figure 7: Average Room Cost, 2004 Dollars

The price data becomes even more compelling in Figure 8 when superimposed over the chart showing the downward trends in number of lodges and pillow counts. Just after the peak of lodges and pillow counts in 1994 and 1995 when both numbers started sliding down, the rental price began shooting up. Staff feels that there must certainly have been other variables affecting the cost, but the loss of so many lodges and pillows (particularly in the Economy and Moderate range) had a direct impact on the rising prices.

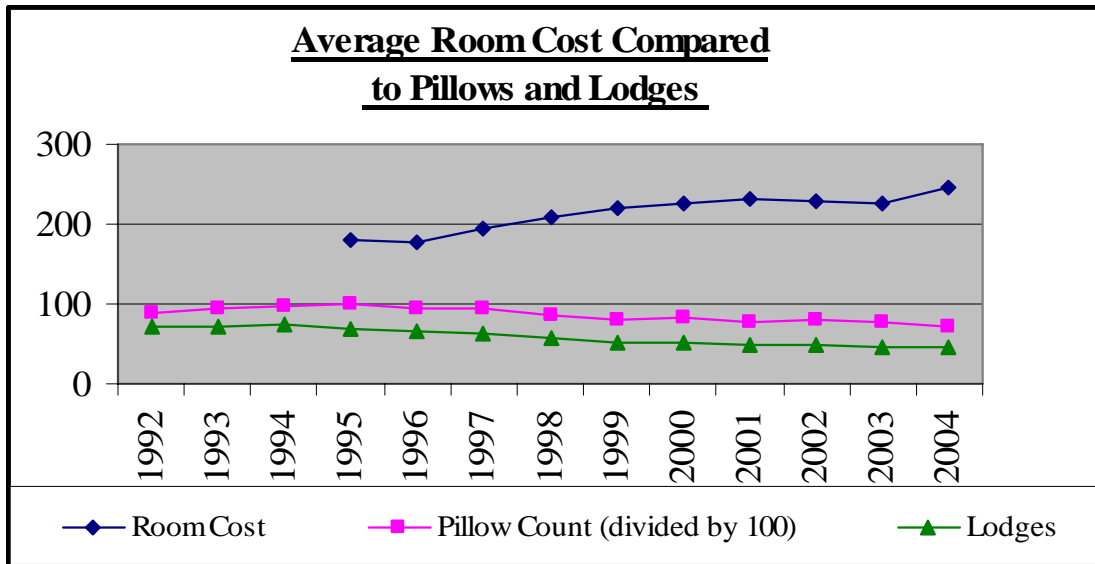


Figure 8: Room Cost Compared to Pillow and Lodge Counts, 1992-2004

A final, important piece of information necessary for an analysis of the lodging industry is the occupancy rates of the lodges. An important question to ask when examining the data is whether the occupancy rate rose during the years when the number of lodges and pillows were in a steady decrease. If the occupancy rate started low and increased to more healthy levels across the years, it could be surmised that perhaps there was a glut of lodging rooms and the market was simply driving out those that weren't competitive or attractive to consumers.

The following figure is pulled from data provided by Aspen Chamber resort Association (ACRA) and traces the occupancy rates from 1991 to 2004 of lodges within Aspen. There is a steady increase in occupancy levels from fifty (50) percent in 1991 to sixty-two (62) percent in 1996 (with a slight dip in 1993). From 1996 through 1998 the rate levels out at sixty-two (62) percent and then, curiously, it falls down to fifty-three (53) percent in 2001 where it stays for three years. The data finishes out with a substantial increase in 2004 shooting up to fifty-nine (59) percent.

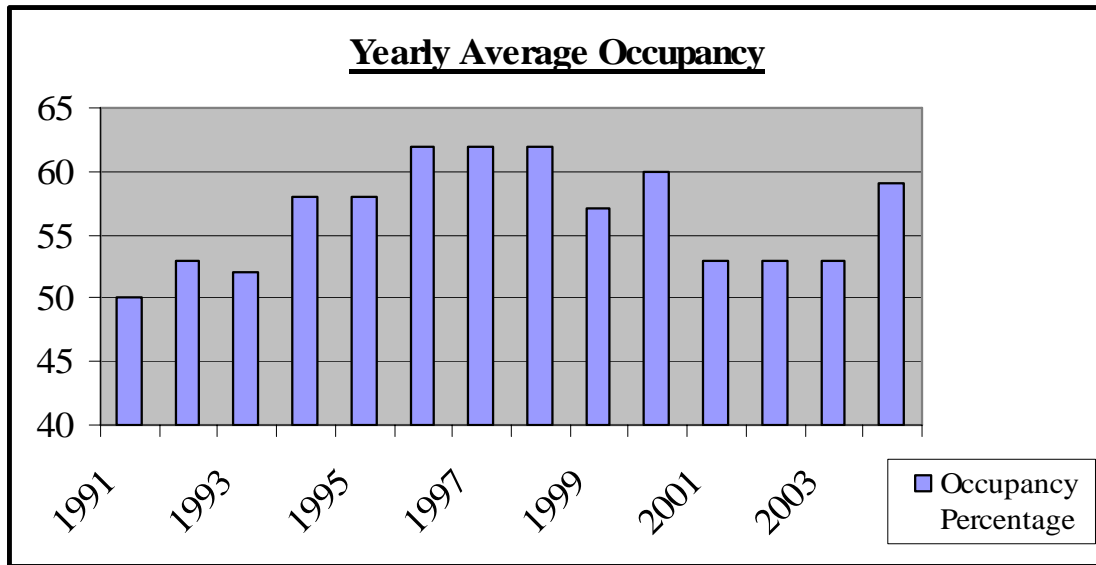


Figure 9: Yearly Average Occupancy, 1991 - 2004

It is an interesting pattern because it goes against a common sense analysis of how the occupancy rate should interact with changes to the pillow count (isolating those two measurements from all other variables). It could be assumed that during the time there was a steady increase in pillows from 1992-1995 the occupancy rate would decrease because of more lodging rooms on the market. It could also be assumed that during the period of a significant loss of pillows from 1994 to 2004, the occupancy rate would increase due to a restricted availability of lodging rooms. However, the actual interaction between these two data sets is almost precisely contrary to such common sense expectations. When the pillow count was increasing, the occupancy rate was also on a substantial upswing. Then when the number of pillows started falling, instead of the occupancy rate increasing, it leveled out for a few years and then followed a general downward path until 2004. This relationship is clearly illustrated in Figure 10.

Of course these previously mentioned “common sense” assumptions are based on a simple examination of these data points as they relate to one another, while discounting any and all outside influences. For example, a more expansive examination may reveal that occupancy rates fell in the late 1990s and early 2000s as a result of the economic downturn across most of the country during those years (or any other number of reasons). However, due to the limited data sets within this report, the questionable reliability of the source data, and the lack of extensive statistical analysis of said data, Staff is simply illustrating that certain trends have occurred within the Aspen lodging market, but is postulating absolutely no theories as to why they occurred.

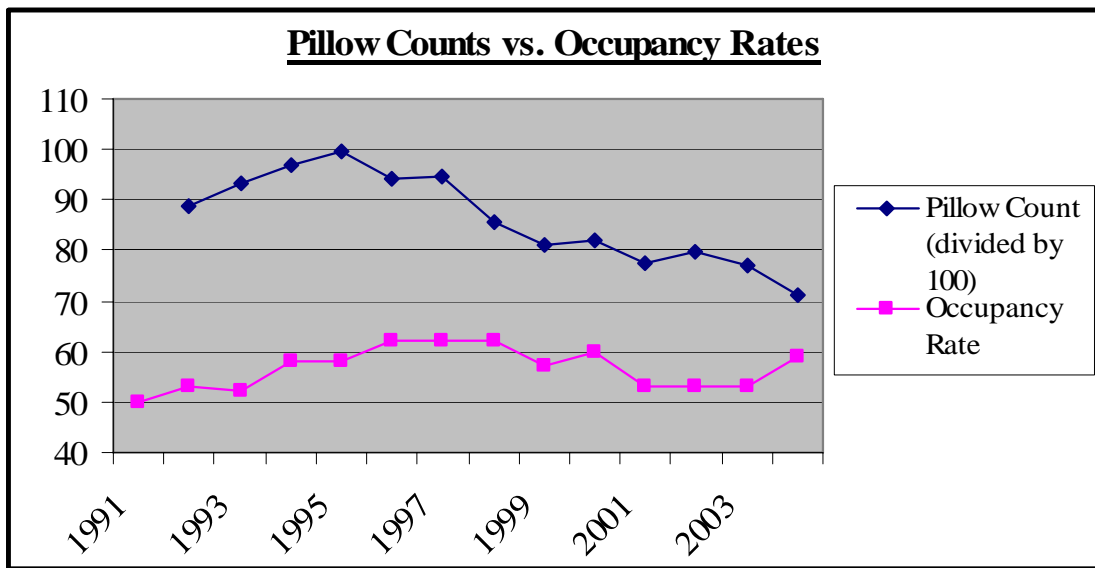


Figure 10: Pillow Counts Compared to Occupancy Rates, 1991-2004

Figure 11 examines the relationship of the number of pillows and the occupancy rate as an indicator of the actual number of visitors to Aspen. Although the occupancy rates have recently increased, it does not necessarily translate to more visitors because the pillow count was steadily declining over the same period.

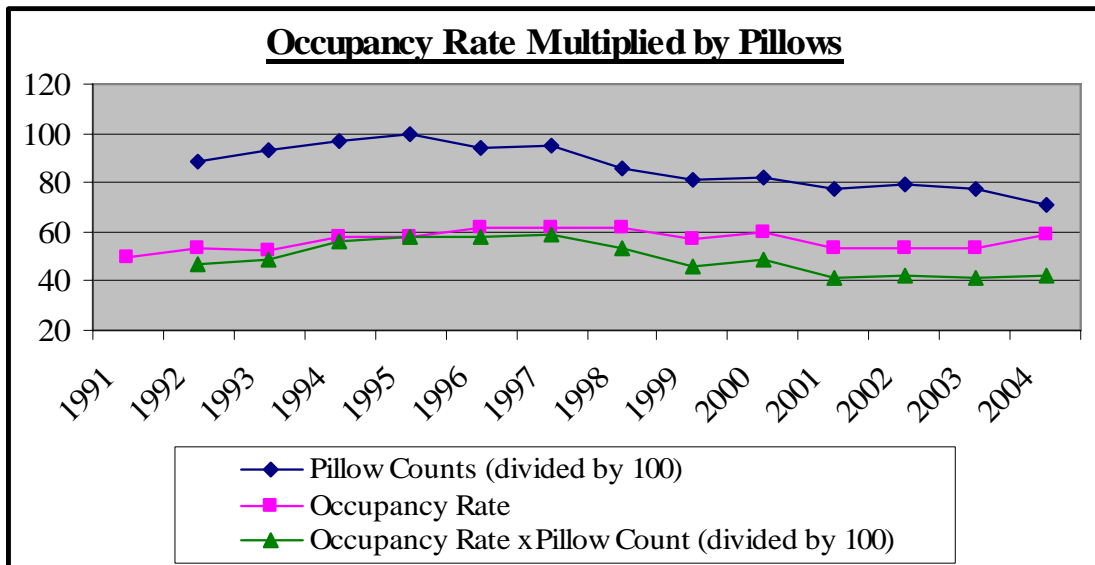


Figure 11: Occupancy Rate Compared to Pillows, 1991-2004

All of the previous text, figures, and table provide a clearer view of past trends within the lodging industry. It is important, however to examine the number of new lodges and pillows that are in the “pipeline” towards completion to have an idea of potential trends that we may see in the future.

To acquire such data, Staff considered all applications for lodge rooms that have been received in the Community Development Department and placed them into three categories: 1) Lodging under Construction; 2) Lodging that is fully entitled, but not constructed; and 3) Lodging in the Development Review Process.

Staff assessed what the most likely SAS categorization of the lodging project would be when completed. Of course, this categorization will ultimately be determined by the owner/manager, but analysis was done by Staff based on the categorization of current units (if the application is for an addition to an existing lodge) and the size and types of amenities as illustrated on submitted plans.

In calculating the number of pillows each project represented, Staff determined the number of new rooms that would be built based on submitted plans for application. The assumption was made that there would be two pillows for each bedroom.

Staff also examined projects that have been approved and are under construction and projects that are approved and fully entitled, but have not yet been constructed, to assess if they were likely to be built. Projects that are entitled but not under construction were given a rating of high, medium, or low probability of development. If a project received a rating of medium or high it was included in the data for Figures 12, 13, and 14. No projects that are still in the development review process but not yet approved are included. Staff also consulted with the Aspen Skiing Company to obtain data about the amounts of potential lodging that will be included in the Base Village development at Snowmass.

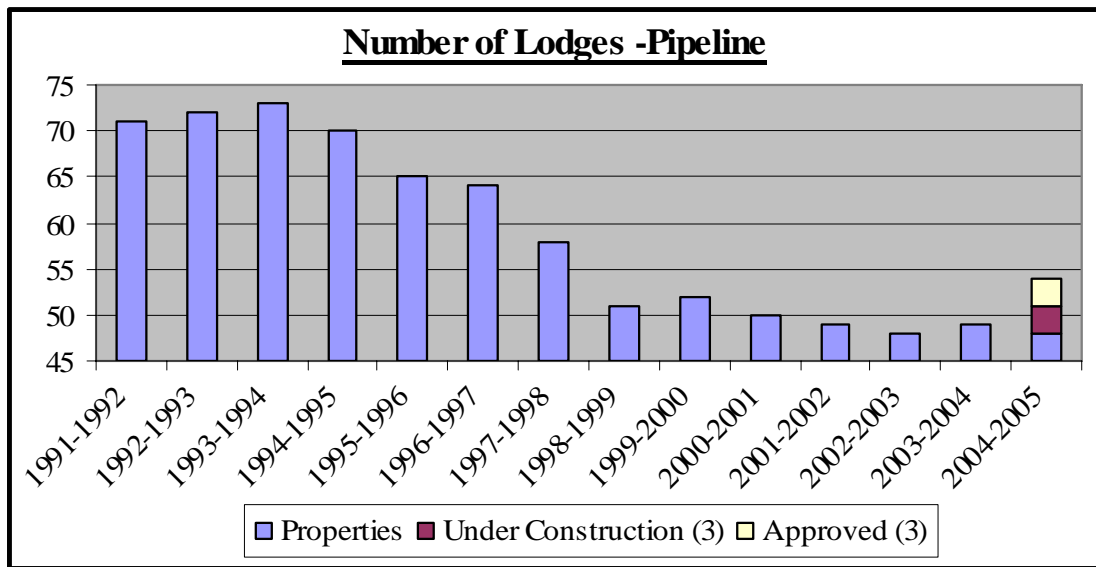


Figure 12: Number of Lodge Properties – Pipeline, 1991 - 2005

As mentioned above, it will be the responsibility of each lodge owner and/or manager to categorize their lodge once built. However, Staff carefully analyzed each development and categorized them based on the type of development proposed, current categorization (if an expansion), proposed room sizes, amenities and comparison with other lodges. With that data, Figure 14 was created. Only Moderate L/H and Deluxe L/H units would be developed and it would dramatically boost the upward trend of the Deluxe L/H category.

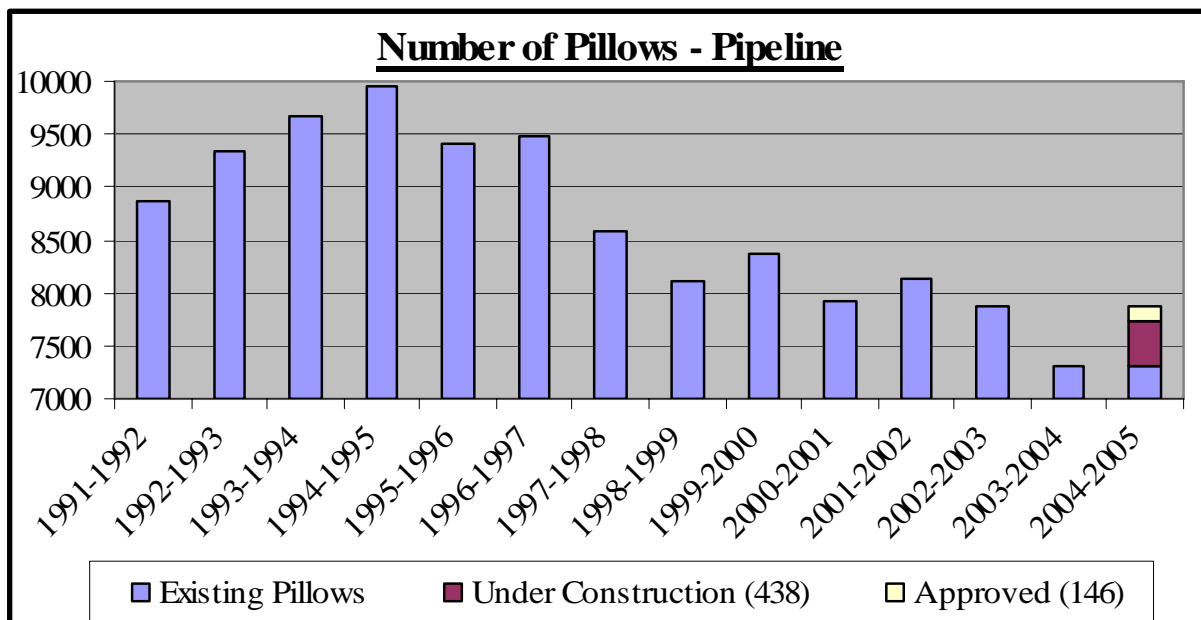


Figure 13: Number of Pillows – Pipeline, 1991 - 2005

Of all the projects in the “pipeline” that are under construction or that have a medium or high probability of being built, there are a total of five hundred and eight-four (584) pillows. Of that number, five hundred and seventy-six (576) or over ninety-eight percent (98.6 %) will be Deluxe L/H and eight (8) or just over one percent (1.4 %) will be Moderate L/H. However, those numbers may be slightly skewed given the fact that Staff assumed two pillows for every room regardless of size.

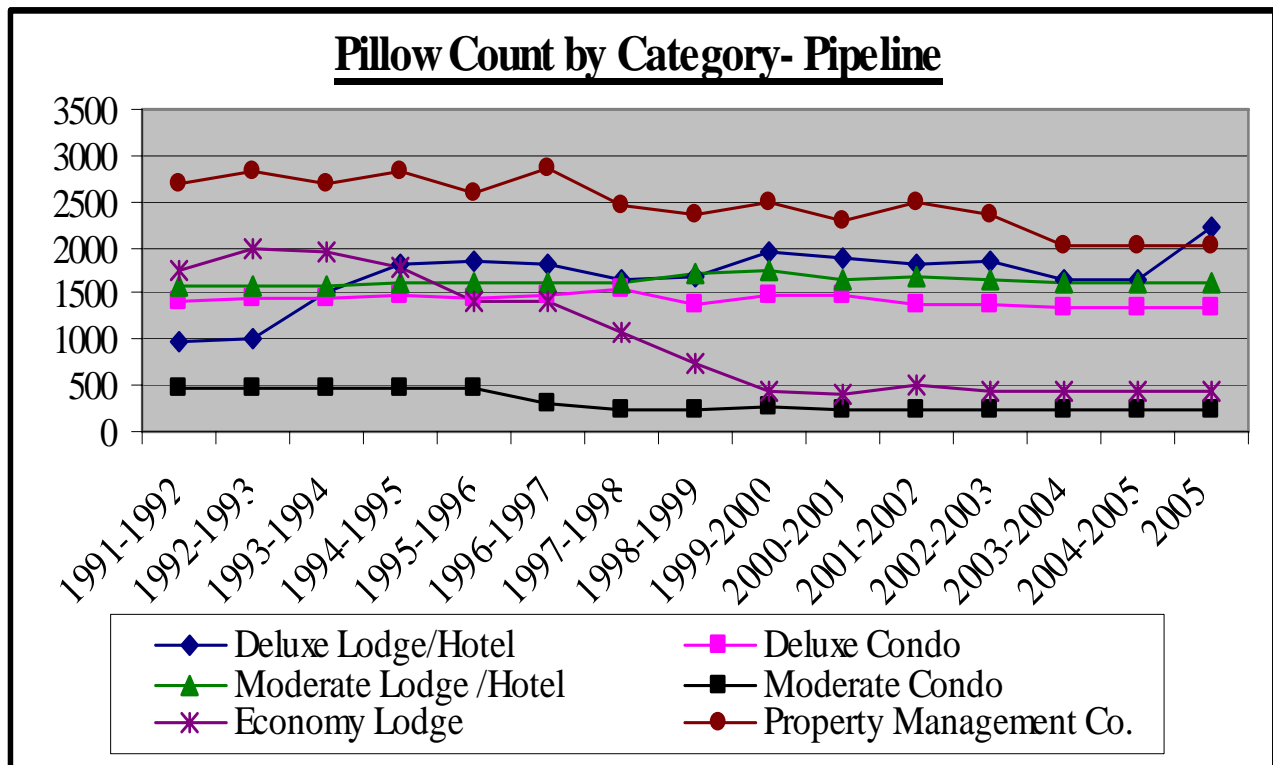


Figure 14: Pillows by Category – Pipeline, 1991-2005

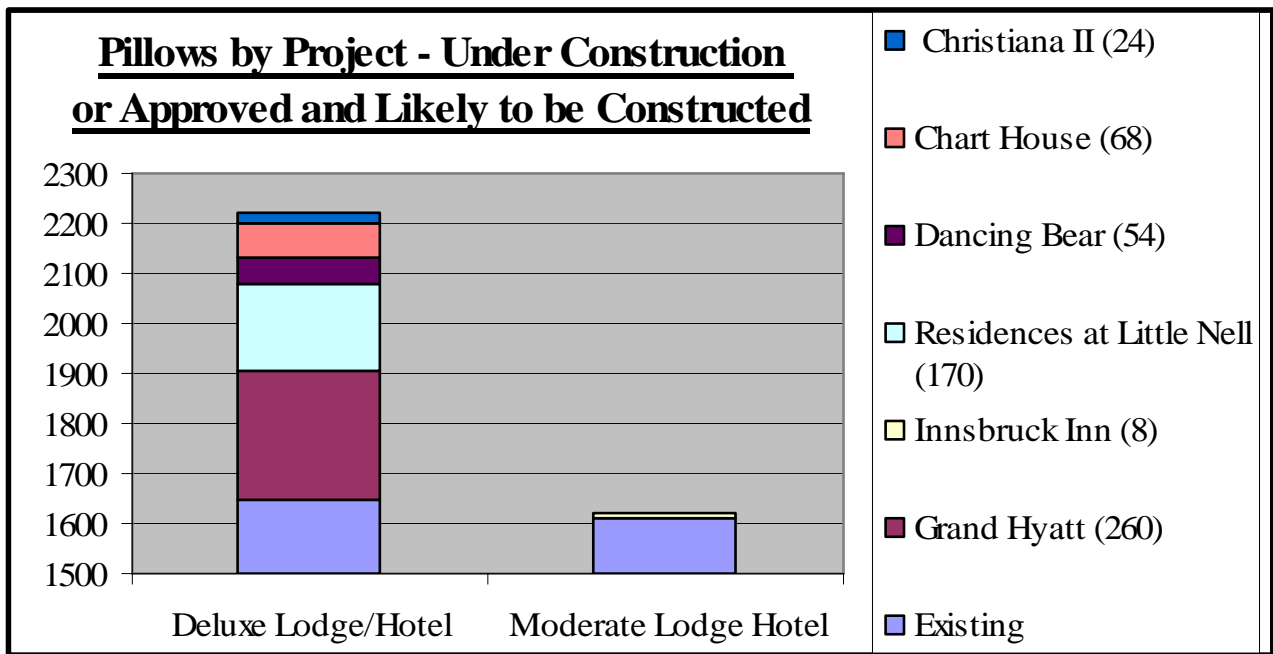


Table 3: Pillows by Project – Pipeline

Summary

Over the years, the amount and types of lodging that Aspen has to offer to the visitor has changed greatly. The industry has seen a thirty (30) percent drop in the number of lodges serving the community from 1991-2004 with a corresponding decrease in pillows by eighteen (18) percent. The composition of the lodging offered to the consumer has also changed over the years with a great decrease in the percentage of lodging units offered in the economy lodge sector and a dramatic increase in the numbers of units considered deluxe lodge/hotel. In the past two years, the City has begun to see an increase in development applications to construct new, add onto existing or rehabilitate existing lodges. To a great extent, these applications will continue the trend of increased lodging units and pillows in the deluxe lodge/hotel category.

APPENDIX

Existing Aspen Lodge Rooms not Included in SAS Numbers

Property	No. of Units	No. of Pillows	Lodging Type	Lodging Category	Year Added to Inventory
Highlands Ritz Carlton	87	174	Timeshare Lodge	Deluxe Lodge/Hotel	1999-2000
Christiana Phase I	21	42	Condo Lodge	Deluxe Lodge/Hotel	2003-2004
Annabelle Inn (Former Christmas Inn)	33	66	Traditional Lodge	Deluxe Lodge/Hotel	2004-2005
Total	141	282			

Table 1: Existing Lodges and Pillows within Aspen not Included in SAS Data

Property	No. of Units	No. of Pillows	Lodging Type	Lodging Category	Year Added to Inventory
Holland House	21	42	Traditional Lodge	Economy Lodge	2004-2005
Skier's Chalet	18	36	Traditional Lodge	Economy Lodge	2004-2005
Total	39	78			

Table 2: Lodges Recently Lost From Inventory and Not Removed From SAS Data

SAS Totals	Existing Lodge Pillows not Included in SAS	No. of Pillows Lost	Total
7,096	282	78	7,300

Table 3: Adjusted SAS Totals, Pillows

Aspen "Pipeline" Lodging Assessment

Source: City of Aspen Community Development Department

	Project	Lodging Bedrooms Approved (or proposed) to be Built	Existing Pillows Illustrated in SAS Data	Net Change in Lodging Rooms	Net Change in Pillow Count (estimate)	Type of Rooms	Likely Category (as assessed by Staff)	Likelihood of Being Built
Under Construction	Grand Hyatt	130	0	130	260	Timeshare	Deluxe Lodge/Hotel	Under Construction
	Innsbruck Inn	37	91	4	8	Timeshare	Moderate Lodge/Hotel	Under Construction
	Residences at Little Nell	85	0	85	170	Timeshare (77) and Lodge (8)	Deluxe Lodge/Hotel	Under Construction
Approved But Not Built	Hotel Aspen	8	0	8	16	Lodge	Moderate Lodge/Hotel	Low
	Dancing Bear	27	0	27	54	Timeshare	Deluxe Lodge/Hotel	Medium
	Chart House	34	0	34	68	Timeshare	Deluxe Lodge/Hotel	High
	Christiana Phase II	12	0	12	24	Condominium Lodge	Deluxe Lodge/Hotel	High
In Review Process	Lodge at Aspen Mountain	157	0	157	314	Timeshare (85) and Lodge (72)	Deluxe Lodge/Hotel	No Prognostication
	L'Auberge	-20	32	-20	-40	Lodge	Moderate Lodge/Hotel	No Prognostication
	Limelight	120-128	257	10-18	20-36	Lodge	Moderate Lodge/Hotel	No Prognostication
	Aspen Club	34	0	34	68	Timeshare Lodge	Deluxe Lodge/Hotel	No Prognostication
	Sky Hotel	90	180	0	0	Lodge	Deluxe Lodge/Hotel	No Prognostication
	Totals	296	91	263	526			

Note: Table does not include those in projects in review or categorized as "low likelihood of being built".

INTERVIEWS

This section is composed only of anecdotal feedback from individuals within the lodge market of Aspen. It is presented in a format much as it was gathered; a question is posed and then the responses of individuals follow below. It should be noted that not all individuals interviewed responded to each question; generally because it was not applicable to their position or they simply didn't have knowledge or an opinion about that topic. No names are used and each individual is identified simply as a numbered respondent.

Of whom is our lodge market composed in Aspen? What is the profile of our short-term guests as well as purchasers?

The market is mostly rich and high-end. The City is definitely not meeting huge demand in lower end markets...particularly during certain times of the year such as summer, x-games, music jam fests, etc. Look into hostel (dormitory) type of housing to help meet those demands.

Respondent 1

Clientele at this lodge runs the gambit from poor students who chip in and share a room to the very rich looking for a "different" experience from that offered in the properties that are more specifically geared to the high-end sector.

Respondent 2

Our clientele is not the high-end rich people, but they are very loyal. One of our guests has stayed with us consecutively for 22 years. We have a tremendous past guest list and they like to return to our more "homey" establishment. However, the building is in need of changes and people are starting to look around at other places.....not just in Aspen but other ski resorts.

It used to be that Aspen was the "best" when it came to skiing and recreational opportunities. We still are, but guest mentality has changed. "Good enough" is now fine as long as there are quality rooms to stay in full of amenities like kitchens, large bathrooms, quality televisions, etc.

Respondent 3

It is generally upper-middle class upward to the very rich. The top states for visitors to the area are the following: 1. Colorado, 2. New York, 3. California, 4. Florida, 5. Texas, 6. Illinois. International visitors are also a big segment of the visitors, especially recently given the weakness of the dollar. The biggest international markets are: 1. Brazil, 2. Australia, 3. United Kingdom.

Respondent 4

People making between \$100,000 up into multi-millions are our guests. We are trying to get the really high-end guests back. We failed to cater to families for awhile here in Aspen and have paid the price. We really need families here.

Respondent 7

Most of our guests are families and travelers. For us the summer season is even more busy than the winter. There are a lot of driving trips made during the summer. Fewer people arrive by car during the winter but they generally stay for a longer duration. There are a lot of people connected with groups and conferences during the summer.

Respondent 8

Aspen has been getting steadily more expensive. It seems that for quite a while we saw the “graying of Aspen” because the higher costs were attracting generally older people that could afford it. During that time night life sagged and young people fled. Now, things have improved because of events such as the X-Games. More kids are coming back and we seem to be moving in that direction. The City really needs to focus on meeting the needs of a different group.

What is 21st century lodging? It should really have the charm of the lodging you saw in the 60’s and 70’s but including all of the amenities of today such as a nice lounge area with a fireplace, attractive front desk/lobby area, pools and hot tubs, exercise rooms, televisions in the rooms, ski lockers, massage services, kitchens in the rooms, etc.

Respondent 9

What is the lodging market in Aspen? What is renting well? What is “rentable”?

The really successful places are those with amenities such as large bathrooms, air conditioning, fireplaces, kitchenettes, etc.

The eleven members of the Aspen Gems are successful because of a somewhat more traditional feel, but they still need to upgrade to attract guests. The costs will inevitably rise as renovations are made.

Respondent 2

We are more the moderate range but it goes well up to high-end. High-end is really starting to dominate.

Respondent 3

Upper-middle class for this building. There are a lot of couples. Summer seems to attract many more senior citizens than during the winter months, but during the winter you get the really active segment of that population. A lot of affluent baby boomers, but not the extreme high end.

Respondent 5

There are several different types of lodges in the community that range across many types. Obviously high-end stuff is doing well, but there are other categories. In our units the major types of people that we get are corporate employees, conference attendees, Given Institute attendees, private pilots, and institutional business people. We have a smaller percentage of tourists than the majority of other lodges. Our clients are generally consumer savvy and use the internet to find where they want to stay.

Respondent 6

There is still a mix. We have small, more traditional, lodges, hotels, short-term condos and luxury homes. Deluxe category rents best. Luxury is also good, but you better be at least at the luxury level these days. People want exclusive vacation packages. They don’t want a cheap place with old rooms and furnishings. Renovation and remodeling are a critical component.....45% of our units have been renovated in the last 3-4 years. “Funky” is not what you go to Aspen for anymore. It is a much different crowd than in the ‘70s.

Respondent 7

There is a very good supply of luxury accommodations and they rent well. However, in Aspen there is a very short supply of accommodations that are not luxury such as Westin, Hyatt, etc. Aspen is

solid on the upper-end accommodations, but really need to work to bring in some of these types of chains that can serve another segment of the market.

Respondent 8

There seem to be several markets in Aspen: very high-end, time shares, nice older lodges that have been well maintained (that seem to cater to the middle to lower-end of the Aspen market), and condos. There does seem to be a strong market for smaller units that have quality amenities such as a kitchen. Moderately priced units with some of these benefits are really important.

Respondent 9

What is the local and regional impact of events like the X-Games/World Cup/Jazz Fest?

It is very significant and has effects all the way down the valley.

Respondent 1

The X-Games have a significant impact. Rates are pushed down by the X-Games so it doesn't translate to a lot of extra revenue, but it is exceptional publicity for the resort. Kids who watch X-Games on TV are often excited to get their families to come here for a vacation. Kids have a lot of influence over where families chose to vacation.

Generally it's positive, but can also be mixed. Sometimes there are complaints about the noise made by the bands, for example. But it really depends on how we market it. If we make those rooms that face the park really desirable because they have a direct view, it could actually be beneficial to our business.

Respondent 2

Special events are important to our business, particularly during the low seasons.

Respondent 3

Summer events are also important. It is crucial for the City to help support vitality of the community and special events that happen here.

Respondent 5

Special events are crucial to driving business. During the X-Games we were half full with the production crew alone. As a city, we need to maintain and grow special events.

Respondent 6

Special events are important for us, but it is important to realize that they don't always affect occupancy and lodging. We (our lodge) get a lot business from the X-Games and Food and Wine. Those two events are huge for us.

We think that the City has done some very positive things with the events and we appreciate the vibe that they have brought. Things in Aspen were getting very dull. Apres ski isn't what it used to be with many places to dance, etc. The City has done many positive events to generate energy that has been lacking.

Respondent 7

They are good for the City, but make very little difference for us. (high-end, luxury lodge)

Respondent 8

These events are really great! Having these things in town gets a lot of new visitors here and causes a lot of people to talk about Aspen that wouldn't be otherwise. This is a good thing to continue over time.

Respondent 9

Are these events filling our lodge rooms? What about rooms down-valley?

Absolutely. Everything was sold out during the X-Games and it does spill down valley?

Respondent 1

There is definitely a strong regional impact. During those really big events plenty of people stay down valley and come up here for the events. I would like to know how many weeks out of each year all the beds are taken in Aspen. It happens occasionally, but there are probably plenty of beds already.

Respondent 2

They help to fill up our units and I know that it does spill down valley.

Respondent 3

There are few times when the entire town is filled to 100% capacity, but it does happen on occasion (such as when certain special events are scheduled). When things get busy here, there is definitely a spill-over effect down valley.

Respondent 5

For some events our rooms are full. It isn't just stuff in the winter; sometimes during summer weekends of special events we have overflow. People definitely are staying down valley during these events.

Respondent 6

We get full for some of the events, but not all. It certainly spills down-valley when everyone is pretty full.

Respondent 7

Probably for a lot of lodges, but they don't do much for us.

Respondent 8

The off-season is slow while the months of June, July, August, December, January and February are really good. Events during the rest of the months are especially important for us.

Respondent 9

Are your units multi-generational (passed from parents to children)? If your development is newer, do you envision that in the future?

Absolutely. We have a lot of people that bring their kids and then they return as adults.

Respondent 2

We have great ties with our clients and definitely have those multi-generational relationships.

Respondent 3

We have a lot of families stay with us and a lot of repeat customers. I'm sure that many people return when adults.

Respondent 5

We probably don't get a lot of multi-generational clients because we serve a different category. It seems that people really go for the places with extensive facilities such as condos or high-end lodges.

Respondent 6

We are absolutely multi-generational, in that small children return when adults, and entire families of two or three generations will come at once. Brazilians come with very large families and are always searching for large units at the best deal.

Respondent 7

We haven't been in existence long enough to really see any multi-generational usage.

Respondent 8

There are a lot of guests who come back and stay with us again and again, but I'm not really sure about the type of multi-generational use that you mention.

Respondent 9

What are the spending habits of your clientele based on size of unit?

I'm not really sure, but I don't think that the size of unit directly correlates to spending within the community.

Respondent 2

Not sure.

Respondent 3

I would imagine that people that stay in the larger, more expensive, rooms have more disposable income and consequently spend more money in town.

Respondent 5

I don't know, but would assume that people in larger rooms spend more money.

Respondent 6

I would bet that those staying in the really big units are probably spending more, but you see everyone spending a lot.

Respondent 7

Our rooms are mostly all about the same size. Most all of our guests spend a lot on shopping around town.

Respondent 8

I would say that most all of our guests go out about the same amount, but likely spend different amounts when they're out. Those who spend more to spend in larger rooms may spend more around town.

Respondent 9

What percentage of your clients arrives by auto? Aircraft?

We have 33 parking spaces in the basement and about a dozen public spaces around the lodge. We only fill all those spots 5 or 6 times throughout the year and those are almost always for special events such as the volleyball and hockey tournaments and music fest.

Respondent 2

During the winter most guests arrive by plane while during the summer months, the vast majority drive. Sometimes, during very busy times in the summer, there can actually be some parking problems.

Respondent 5

During the winter we probably get around 85% of our guests via airplane. In summer it reverses and probably around 85% arrive by car. We have a lot of in-state and Given Institute people during the summer. The City Council really needs to concentrate on entry into Aspen. The bridge and traffic elements are really bad at creating delays for drivers. The traffic layout is terrible and certainly has an impact on our guests. This issue has to be resolved.

Respondent 6

35%-40% by car and 50% by plane.

Respondent 7

As I mentioned previously, during the winter most arrive by plane whereas during the summer most arrive by car.

Respondent 8

I would say that during the winter almost all arrive by airplane. During the summer, the vast majority come by car.

Respondent 9

Are your rooms in the rental pool through SAS? What percentage? Others? Do you handle it yourself?

Yes they are all in SAS. The Gems have also developed a system when one of us is full, we direct people to other lodges that are part of the Gems.

Respondent 2

They're in SAS.

Respondent 3

All rooms are in the SAS rental pool.

Respondent 5

Yes they are all in SAS.

Respondent 6

Not all of our rooms are in SAS.

Respondent 8

Why do you think that fractionals are currently so popular? Why do larger units seem to be the most sought after?

Lifestyle assets. People with discretionary income can visit many different locales.

Time shares are a big thing. I feel that it is a good thing because it is a better situation when guests actually own the place they stay. Standards are much higher as far as care of the units, loyalty, etc.

Feels that there are two major ways to get cheaper beds in the City: Open the flood gates (overbuild) and encourage even more timeshares. People who can't use their share will rent...often times at a very reasonable price. Owners prefer to get some money out of it rather than nothing. The owner can often times set the price. It works a lot better to be part of a "flag" organization such as Hyatt because they have a nationwide network that makes renting much easier. Opening the flood gates isn't the answer; it should be done with timeshares and subsidies/reducing barriers.

Respondent 1

Fractionals are hot right now in this economy. They offer great location and convenience. I don't think that the resale market will be anywhere near as strong.

Respondent 2

Fractionals are the thing right now because they are less expensive than actually buying a full property, but provide so many amenities.

However, they could be very dangerous because it changes the taxes from a nightly sales tax to property tax. How much will be lost through those tax changes? If there is a shortfall taxes will likely be raised on standard commercial businesses. To maintain city infrastructure it will be necessary to raise other taxes.

Respondent 3

They are doing so well because you only have to make a short-term commitment to be here. The majority of people can't pay for a place of their own that would cost millions, but they can still enjoy the Aspen experience, while only paying a fraction of that amount. It opens up the market to many more people.

Today the fractional market is high-end and the sleazy image has generally fallen away from time shares. People expect, and the units deliver, reasonable cost, broader market, high-end top quality design and first-rate service.

The positives of time shares include: high occupancy rates, higher-end guests (more money spent in town). The negatives include: No sales tax (this is a huge issue!), once sales period has ended, the properties aren't out there promoting Aspen anymore (unlike lodges that do it continually).

Respondent 5

Fractionals are a great financing tool. Developers spend money where they know they will get returns and this is a great way to do it. It is very difficult to know what the ramifications will be for the city because the trend is so new.

Respondent 6

Fractionals are doing so well because consumers want something that is brand new, large, slopeside, has all the latest amenities and that they can actually own.

Respondent 7

The simple answer is that timeshares are coming on strong because developers are building them. Underneath that however, it comes down to the desire to own a small piece of Aspen, the convenience that they offer and the high-end amenities offered in so many of them.

Respondent 8

I'm concerned about those that aren't available to be rented by the public nightly. A private club isn't the right way to go as far as fractionals are concerned. If that is the formula, we'll probably see a lot of dark rooms. Those fractionals that someone can walk into and rent on the spot are much better than those with a club mentality. We think that there are people who want to own a small piece of Aspen (around 500 square feet) and rent out the rest of the year. That seems like a good formula.

Respondent 9

What should we expect for the resale market (fractionals)?

The timeshare verdict is still out. It may be very good, but we really don't know. They are very hot, however and are seen as a very strong "lifestyle asset". Purchasers are generally high-end with plenty of discretionary income.

Respondent 1

I don't really know, but I would guess that the resale market will be bad.

Respondent 5

The resale market will be slow.

Respondent 7

The resell market will likely be strong because there will always be a demand for a high-end luxury product. We still have to turn away a lot of guests because of being completely booked – particularly during the winter.

Respondent 8

I'm not sure. It really depends on several factors. Most fractionals don't ever even sell out in the first place. A resale isn't easy for some, but it seems to be rather property specific.

Respondent 9

Are sales rates of timeshares higher than expected?

They are selling very well. Better than projected, but I can't mention the exact rates.

Respondent 1

What are your expectations about the future of lodging in Aspen? What do think the demand will be in 10 or 20 years?

We've lost a lot of short-term accommodations. One major reason is because of the Land Use Code. A lot of players have been squeezed out with heavy regulations of Affordable Housing mitigation and requiring too much parking. Everything has been established so that smaller players are forced out. You have to build big and luxurious to recoup losses. Everything is now set up so that new development is catered to rich people.

They also made a lot of small lodges less desirable by moving lift 1A. It would be a good idea to move the lift back for those lodges. It would become more of a "funky" area that attracts people that aren't super rich.

Respondent 1

You have to be careful because there are all sorts of different types of lodging in Aspen. Small, more traditional lodges face a lot of obstacles. Many of them are "tired" and need to spend the money for renovations and/or expansions. It is practically impossible to bring them "up to speed" without raising rates. Incentives and flexibility are crucial if they are going to stay as lodges. Some positive ideas would be to allow for extra FAR, free-market units, allowing kitchen spaces, etc.

You can allow kitchen spaces in lodges and you would have few people that would take advantage of it by living there on a long-term basis. You could regulate it by seeing whose rental rates go down and/or monitoring tax receipts.

The proposed definition of lodges with the statement about stays of less than 30 days doesn't work for anyone. For example, what about Music School people that stay here for longer than a month?

Respondent 2

Without changes all the small lodges will bail and run. Renewed vigor is crucial...not tons of new rooms, but we need to get back to what the pillow counts were a few years back. Regeneration of older properties is very important.

Right now for small lodge owners there are basically two options: 1. Take the money and bail (sell out for some other use), or 2. Be innovative (make your units competitive in the world market by renovating them to be more efficient, attractive, and have necessary amenities).

It is difficult to be innovative in our community because the restrictions are too onerous and the mitigation is too expensive. Costs are simply too high.

The problem for City Council is to come up with an ordinance that is truly flexible. How truly serious is the City government about encouraging small lodges. Do they want small lodges or are they happy to follow the high-end trends until we're all wiped out? Zoning changes have to occur that increase density and building size for small lodges. New rooms are a benefit and shouldn't have to be mitigated. Mitigation costs have to be reduced! Staff employee housing mitigation should go down. Even with an expansion we wouldn't create that many more staff members because our efficiency would improve through the new design.

Our guests are starting to complain about needed renovations, but they can't be done without changes to Growth Management. Growth Management requirements will kill the small lodge owners without certain allowances or changes.

Respondent 3

Hotels simply can't be built now because of the high costs to do so. Price points are too high for hotels to build. People are building condos and/or time shares because of the high costs of building a hotel with a low return on investment.

In the future, I see everything being condominiumized with lots of high-end development. I'm thrilled with the Limelight plans because it isn't oriented toward that extreme high-end model. The Christmas Inn is another good example.

Respondent 5

I think that Aspen will continue to evolve into more of a premium, high-end market. Things definitely seem to be moving in that direction.

Respondent 6

I'm not sure, but things seem to be trending more toward luxury development. We need more lodging in Aspen and it shouldn't all be high-end. We need to develop more lodging and particularly help development that isn't in the luxury category.

Respondent 8

Lodging here will probably continue to get more and more expensive. It will likely be impossible to keep room rates down in the central core. I wish that the City would allow chains such as the Hampton Inn, etc. out near the ABC. Being a national chain, those types of lodges can keep rates cheaper and we should have that kind of lodging near the airport. That kind of base lodging that caters to the lower-end clients should be allowed to be developed on the edges of town to house potential visitors that can't afford Aspen now.

Respondent 9