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## The probability of future events affects current market

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Here in northern New England winter fitfully turned to Vermont's fifth season, mud season. Hand written signs suggesting, "pick a good rut, you may be in it for a while," sprouted like mushrooms after a rain. Old exhaust systems, torn from rusted mounts, littered the deeper sections. Vermont is where appraisers and UPS drivers are glad every country home seems to have a large piece of green or yellow farm equipment on their back forty. The local farmer dragging you out of the morass still costs the same as when I was young; free with green tags, \$20 for white tags; thus confirming that 'flat landers' do indeed pay a colloquial white tag tax.

Killington ended ski operations for the season in May, though several feet of snow still remain on Superstar, and is resetting the mountain for summer operations that include new and improved mountain bike trails catering to beginners and intermediate riders, a high-ropes course, Segway and ATV tours and an all-season roller coaster. This investment, geared to attract visitors to our region year-round, is a common and typical theme at all the major ski centers following the success of similar development at Jay Peak. The second-home market with good linkage to slopes has finally rebounded from dramatic oversupply starting in 2007 to near balance, with 10-12 months of active inventory. Despite the remaining presence of external (economic) obsolescence in new single-unit housing catering to a second-home buyer, analysis suggests that now is the time to start planning and permitting for new residential inventory. However, a 'black swan' event hangs over this market creating complex market conditions for both commercial and residential real estate.

In October 2013 SP Land, who hold the land lease to the Killington Ski Area received an Act 250 permit for \$130 million Phase 1 redevelopment of their existing Snowshed and Ramshead base lodges. This phase of the project includes a 1,270 space underground parking facility, a 77,000 s/f base lodge with 31,000 s/f of retail space, 193 new lodge style residential units and a 32-site single-unit subdivision with ski on / ski off access to the slopes. In total, the three-phase project would add 2,107 new housing units and 169,000 s/f of new retail space to the Killington resort. However, to date there is no announced timing for Phase 2 or Phase 3 of the master plan.

The Phase I permit was immediately appealed by several abutting land owners and is now in the hands of the Vermont Environmental Court; expected to make a ruling after a new, de novo, hearing. Most observers expect the permit to be reissued with a few small concessions appeasing the concerns of abutters. However, uncertainty over the future of the permit and SP Land's commitment to capitalize Phase I has hung over the Killington real estate market like a wet blanket. Few private developers are willing to commit their time and capital to new investment in the neighborhood without knowing Killington's exact plans and timeline. There is limited evidence of speculators and developers accumulating raw land and functionally obsolete properties along Killington Road in anticipation of investment by the resort, but to date there are no new plans in permitting.

Due to the relative size of just Phase I of the proposal, which represents two years of residential inventory at the existing sales pace, if the project is permitted and capitalized through construction it will immediately impact the building trades in the region, changing the cost and timeline of local construction literally overnight. While many observers project this type of redevelopment will bring additional visitors and second home owners to the region those existing commercial and residential properties at the low end of the quality and condition range are in jeopardy. New construction on this scale will pull up the expectations of users, who always want 'new' and result in increased commercial and residential vacancy rates around the resort until the new inventory is adsorbed or the existing inventory is renovated to the expectations of the market.

Appraisers in this market must understand how the probability of future events affects the current market, reflect the actions of current buyers and sellers in response to this well-publicized project, and most importantly explain to their client how this black swan event, the possibility of new construction on a locally massive scale, is reflected in their analysis and opinion of value.

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