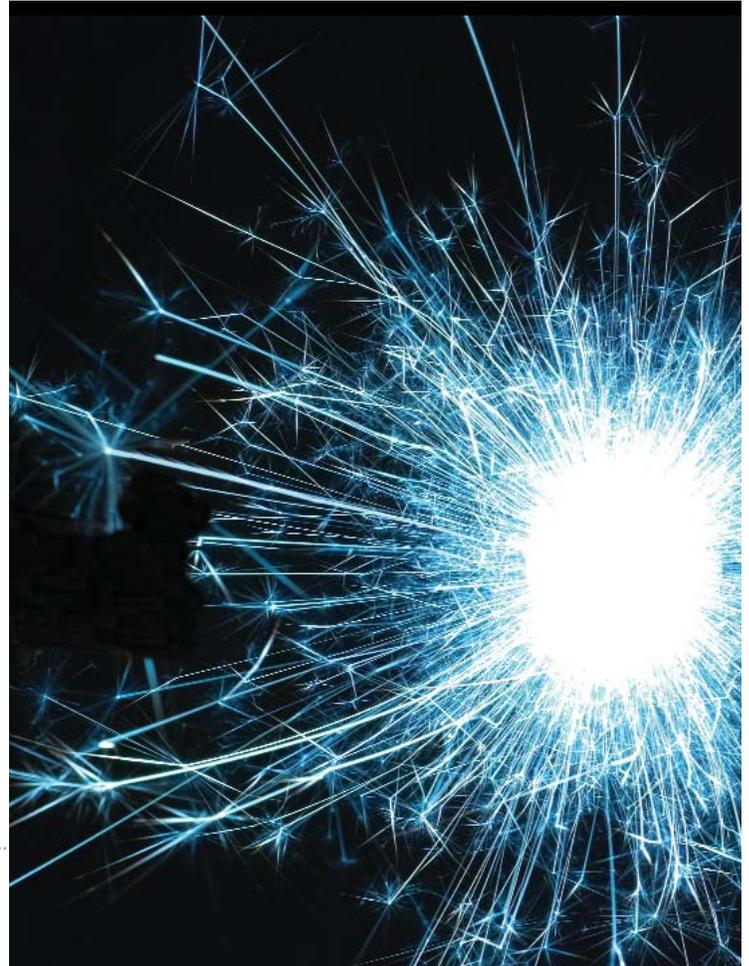


Confidence Is A Strategy

The need to restore buyer belief

Greg Ashley, Chief Strategy Officer, Replay



At Replay we are often asked for our insights on how best to initiate, accelerate or reignite real estate sales at resort properties. The discussions revolve around designing and building new amenities, developing ever-more-engaging guest experiences, repositioning or rebranding the existing property, inventing marketing strategies more appropriate to 2013 buyer expectations, using sales incentives, forming new kinds of relationships with local brokers - the list goes on and on. And while some or all of these tactics are likely to find their way into an integrated program, it's our collective responsibility as developers to take a step back and focus on the most fundamental and important strategy of all - rebuilding and then stabilizing consumer confidence in resort real estate.

Our industry has many examples of resorts that have had to deal with pre-2007-2008 visions presented and promises made to resort real estate purchasers that were never fulfilled. As we begin to see slowly increasing market optimism, it behooves us, as the conscientious and committed developers left standing, to deal with buyer skepticism. **Demand from the "earnest users" of vacation homes is still there - the segment of the market that historically has derived deep enjoyment from actual use of their cottage, chalet or villa, uses it frequently and may even have plans to pass the keys along to children and grandchildren.** But we're finding that many of even the most earnest among them continue to believe that buying a second-home is still fraught with risk. It's critical that we find ways of alleviating their concerns because these potential buyers have the means and the propensity to buy at the front end of this recovery. **They're the bellwether market that's going to send the signal to the broader marketplace that it's OK to consider resort real estate again.**

The current crop of potential buyers is better educated and more informed than any wave of prospects we have ever seen. But, as well-connected persons, there's a strong likelihood that they know someone, a friend or an associate, who has had to deal with the lingering repercussions of having bought a vacation property, sometimes for the wrong

reasons, at the top of a scorching hot market. Nonetheless, as earnest users and intelligent buyers, we are seeing this segment re-entering the market in select locations like Waikiki, Maui, parts of Florida and other pieces of "rare earth.". So what does it take to overcome cautions and concerns - some legitimate and some imagined - and restore confidence to the marketplace?



We have found that there are four critical components that work in sync to build potential buyer confidence for resorts in today's market.



1. Developer Leadership - before 2012 real estate buyers commit they need to see the commitment of the developer. We find that most buyers head to the developer's website the moment they leave the project. They're interested in the developer's values. They want to know who the leaders of the company are and the history (staying power) of the firm. They want to know the developer is innovating new products that are in step with their vacationing needs, which have changed drastically in the past five years. That includes most but not all condo-hotels. The Internet allows them to go through their own due diligence process. Where in the early 2000's, it was all about vision today it's about reality. We have moved from pre-selling to pre-building (model homes) and from nice-to-have resort amenities to the design and construction integrity of the actual product. Having confidence in the developer is critical to restoring buyer confidence.



2. Market Evidence - in the past, the mind-set of most buyers was to "be first" to buy in a resort, on the assumption that prices would continue to escalate and they would be the biggest financial benefactors. That thought-process has changed dramatically and a more cautious approach has emerged, with today's potential buyers wanting to know they are "not first". They want to see evidence of others buying to give them confidence to buy. They want to know they are making a wise decision so they will be much more focused on statistics, market comparables and other forms of quantitative and qualitative data to help them be confident in that decision.



3

3. Financial Assurance - for buyers to commit they need to understand and have confidence in the financing of the resort they are buying into. And this extends beyond construction financing. Today's buyers need to understand the developer's own financial covenants so they know vision will become reality. They need to know that there is mortgage financing available to them even if they don't need it - meaning, "if a credible mortgage lender believes in the project maybe I can too." And finally they are allergic to costly annuities in the form of club dues, tenants' fees or resort association charges. Even a remote possibility that additional operating costs of the resort or project could at some time in the future be transferred to them is frightening.



4

4. Peer Feedback - Twitter, Facebook, blogs, and the Internet in general may be leveraged by developers for marketing purposes, like engaging prospective buyers in the resort design process, using it as an online focus group, or making buyers aware of the progress being made or of legitimately exciting additions to the project. And new search engine optimization and data mining techniques can provide the developer with information that can prove to be beneficial to both the seller and the buyer. If your story is a good one, social media can instantly grab the attention of untold numbers of prospective buyers and the candid on-line advocacy of existing residents (our Resort Loyalist) will rapidly expand your market. When was the last time you made a major purchase without doing research online? Confidence can be made or lost online, so developers need to be both proactive and skillful in managing this information channel because news both good and bad spreads like wildfire. So the story of your project must be beyond reproach and it must avoid the use of the kind of hyperbole that characterized pre-2007 resort real estate marketing.

These four components form the basis of what we call a "Confidence Strategy" for a resort. Think of it as a truth-or-consequences guidebook. Defining that strategy should go hand in hand with the master planning and design of the project. Every development decision - from the pros and cons of value engineering to choosing a spokesperson for a project - should adhere to that strategy.

To move potential buyers from skepticism to optimism, we as developers must remove the biggest impediment to resort real estate success today. Confidence - or lack of it.

If you'd like to know more about the strategies we're using to rebuild consumer confidence, call my direct line, (604) 648-6626, or e-mail me at gashley@replayresorts.com.