



MOUNTAIN RESORTS

Fundamentals of the Steamboat Vacation Rental Market



Steamboat Market Overview

The primary destination marketing for Steamboat's winter season is funded and administered by the Steamboat Ski Resort, while summer marketing is driven largely by the Steamboat Springs Chamber Resort Association using public tax dollars. While other entities, including Mountain Resorts, do their part to promote Steamboat year-round, the ski area spends more on destination marketing than most other local interests combined. All of the Steamboat Ski Resort marketing directs visitors to their travel department, Steamboat Central Reservations.

Steamboat's vacation rental marketplace is challenged by the imbalance of supply and the volatility of seasonal demand. Steamboat has more than 4,000 total units of lodging inventory available to visitors on any given night, ranging from hotel rooms to condominiums to single family homes. With limited availability of commercial airline service to the Hayden (HDN) airport, Steamboat's vacation rental market relies on Denver International Airport (DEN) and regional drive markets to occupy our total bed base. The winter season produces over 70% of our market's total annual revenue, and the amount and timing of snowfall can significantly influence overall winter booking patterns.



The rental market's total supply, or available room nights to rent, fluctuates due to varying levels of unpaid owner occupancy. Lodging is also a perishable product, and the general goal is to generate bookings for the highest rates and longest stays possible before our inventory "expires on the shelf". Our team manages over 6,000 paid reservations and hosts more than 30,000 guests each year. We are proven experts in this market.

Residential real estate values are based on recent sales activity and the motivation of buyers and sellers around you. The vacation rental marketplace is just the same. Most homeowners rely on our team of experts to manage their pricing to remain competitive in changing market conditions, while some owners may prefer strategies to be priced above or below the competition.

The majority of Steamboat's lodging inventory is available to book at Steamboat Central Reservations, and more than half of Steamboat's total lodging supply is listed on popular travel sites such as Expedia, TripAdvisor, Booking.com, Airbnb, and VRBO. Online travel distribution is an important component of our comprehensive sales and marketing efforts.

Our local marketing team builds and maintains an array of websites that provide the most user-friendly shopping experience in the vacation rental industry. We administer a significant search engine marketing campaign to ensure high rankings and consistent visibility for all of our sites and properties. Our proprietary online booking technology enables us to leverage dynamic pricing and variable booking rules, enabling us to maximize rental rates, length of stay, and total results for our partners. We adjust rates and discounts in real-time throughout the booking cycle, and we welcome ongoing collaboration with our homeowner partners to ensure their long-term success.

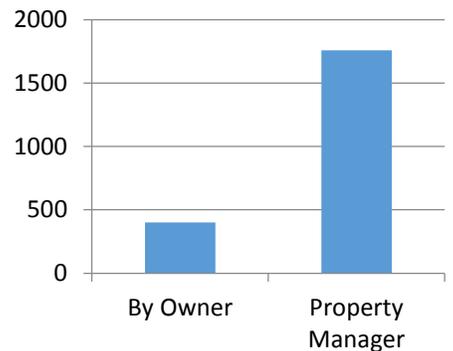
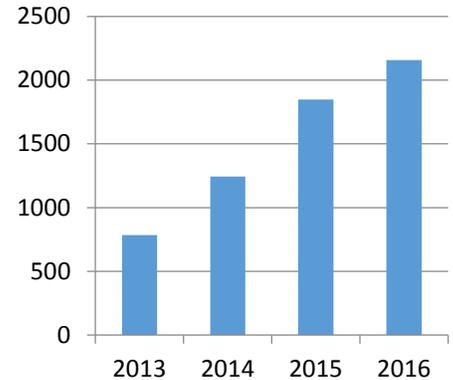


Websites such as VRBO, HomeAway, and Airbnb have emerged as powerful global marketplaces for vacation rentals. Customers can access unit-specific inventory, transact business in a more personal way, and the total inventory listed on these sites has grown significantly in recent years.

Mountain Resorts' properties are featured on VRBO, HomeAway, and Airbnb at no up-front expense to our homeowners. Every listing provides detailed descriptions and locations, professional photography, and guest reviews. Current published rates, availability calendars, and online bookings are seamlessly integrated with our reservations system. We have been managing VRBO listings since 2007, and our booking conversion rate is more than four times their national average.

In addition to Mountain Resorts' own high-traffic websites, our booking interface with Steamboat Central Reservations, and the hundreds of individual property listings we manage on popular vacation rental marketplaces such as VRBO, Mountain Resorts' properties are also available to book through established mountain travel agencies and other trusted online lodging websites.

VRBO Listings in Steamboat

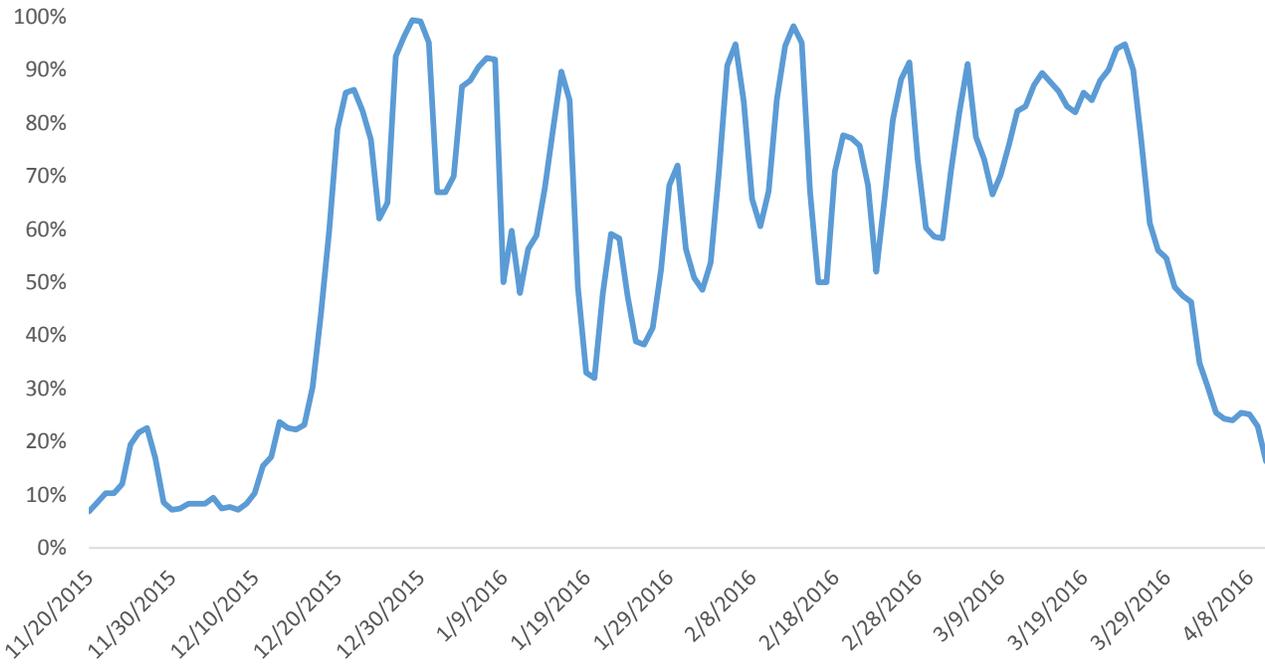


Harnessing the power of global online distribution helps attract new customers every day, and our ongoing retention programs turn new renters into lifelong Mountain Resorts clients. Our personalized guest experience includes pre-arrival vacation planning, the convenience of our smartphone Mobile app during their stay, and post-departure follow-up to ensure every guest leaves with the intent to return.

Anticipating Demand

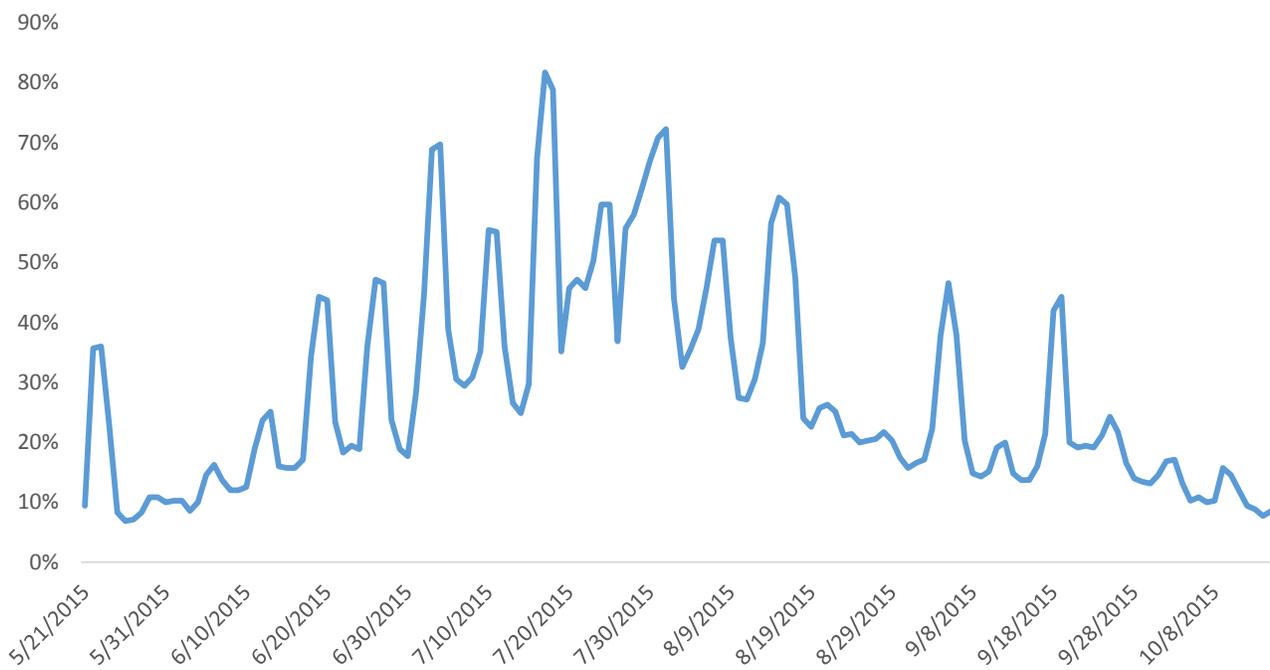
For the winter season, high demand is predictable over Christmas / New Years, Presidents Weekend, and Spring Break. We analyze guest booking data regularly to identify demographic and geographic trends, and we even track school vacation schedules in key markets to anticipate demand patterns and target our marketing efforts accordingly.

Typical Winter Occupancy Patterns



Weekends always bring the highest levels of occupancy, and this trend is even more pronounced during the summer months. Nightly rates and length of stay tend to decline during the summer season, and overall summer demand is heavily influenced by holidays, special events, and youth sports tournaments.

Typical Summer Occupancy Patterns



Building and Managing Nightly Rates

We use historical winter and summer patterns to anticipate future travel demand, looking for dates that present opportunities for yielding higher rates, and to identify potential challenges for maximizing overall occupancy.

With this information, we create “Rate Seasons” as a foundation for building nightly retail rates, promotional discounts, and booking rules for minimum night stays.

Although exact start and end dates will vary from year to year, Rate Seasons follow a similar pattern:

| <u>WINTER</u> | | <u>SUMMER</u> | |
|---------------|-----------------------------|---------------|---------------------------|
| LOW | Opening Day – Christmas | LOW | Mid-April to June |
| HIGH | Christmas & New Year’s | MEDIUM | June |
| LOW | January to Mid-February | HIGH | Late June to Early August |
| MEDIUM | Presidents Day Holiday | MEDIUM | August |
| LOW | Late-February & Early-March | LOW | Labor Day to November |
| MEDIUM | Spring Break | | |
| LOW | Late-March to Closing Day | | |

** Summer High Season Rates are most similar to Winter Low Season Rates*

Throughout the year, we gather seasonal rate data from across our marketplace to track the pricing of our competitors. We compare this data with our own booking trends and average daily rate performance to make ongoing adjustments to available inventory. Rental rates are dynamic, and adjust with the market and booking cycle.

At the conclusion of each season, we compile data regarding occupancy and Average Daily Rate (ADR) performance, segmenting each Unit Type during every Rate Season to identify exactly how the market performed that season. We use the historical data compiled over the years as a benchmark for building future rates and strategies for our properties.

We also recognize that Promotional Discounts are prevalent in the travel marketplace. We always factor a “Discount Range” in all of our “Retail (Rack) Rates”, which allows us to participate in an array of travel promotions throughout the Booking Cycle, including the Steamboat VIP program offered by the Steamboat Ski Resort.

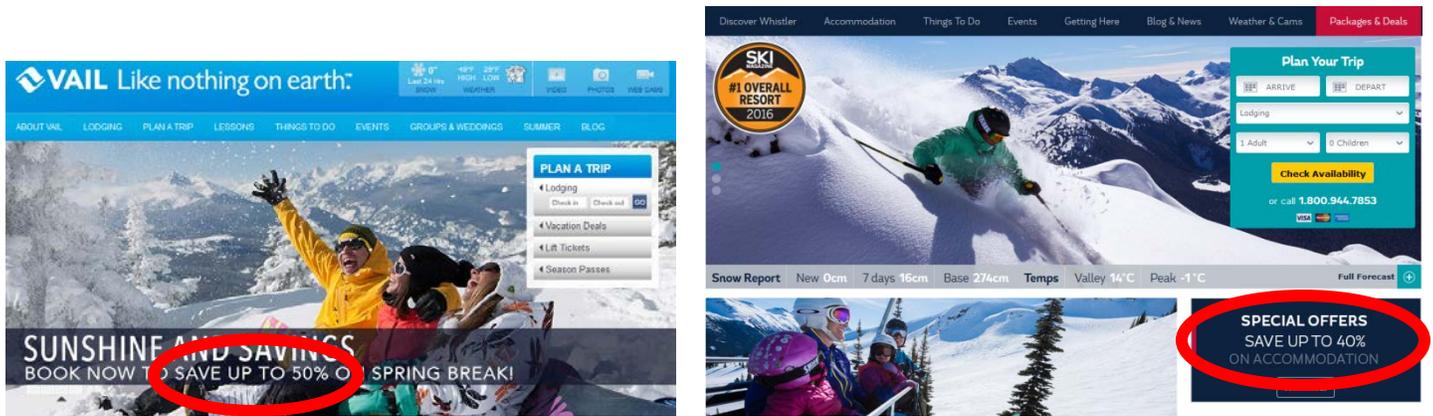
| Prior Year Retail (Rack) Rate | 2-Year Actual ADR | Discount Range | New Retail (Rack) Rate |
|----------------------------------|----------------------|-------------------|---------------------------|
| \$375 | \$272 | 35% | \$420 |

Once a Retail Rate is built, it can be easily adjusted up or down at any point during the Booking Cycle, but any change made to the Retail Rate must always factor the Discount Range so as to not compromise participation in ongoing travel promotions. We adjust Retail Rates within a given Rate Season to capitalize on market conditions, and adjustments can be made by Unit Type or at the Key-Level.

Growing average daily rate is always our top priority during high demand seasons. Given the nature of our partnership, your success is what creates Mountain Resorts’ success. For owners seeking maximum rental income, this is generally achieved by maximizing total rental nights, rather than by always yielding the highest average daily rate. A few incremental nights of revenue will generate more total revenue than a few incremental dollars in ADR.

Strategic Discount Planning

Virtually every mountain destination in North America offers skiers the opportunity to save money when visiting *their* resort. Steamboat is no different. Consumers generally prefer the feeling of “getting a deal” rather than “paying full price”. As a result, leisure travel is heavily marketed through sales and promotions.



Homeowners often wonder why discounts are so prevalent. In a dynamic marketplace with an abundance of inventory and an array of booking sources, discounts provide increased exposure from ongoing promotions, and booking deadlines have proven effective at converting browsers to buyers.

We have also conducted tests with our websites to identify how guests generally prefer to view prices. Properties that appear to be “on sale” consistently receive a disproportionate number of online bookings as compared to those that appear to be “full price”, even when the final price is exactly same.

Which presentation feels like a better value?

BT305 is available from Jul 1, 2016 to Jul 6, 2016. **BOOK THIS NOW!**

5 nights = \$1320.00 plus tax & fees. You'll save \$330.00!

| Fri (7/1) | Sat (7/2) | Sun (7/3) | Mon (7/4) | Tue (7/5) | TOTAL |
|-----------|-----------|-----------|-----------|-----------|----------------------------------|
| \$330.00 | \$330.00 | \$330.00 | \$330.00 | \$330.00 | \$1650.00 plus tax & fees |
| \$264.00 | \$264.00 | \$264.00 | \$264.00 | \$264.00 | \$1320.00 plus tax & fees |

20% off 3 or more nights!

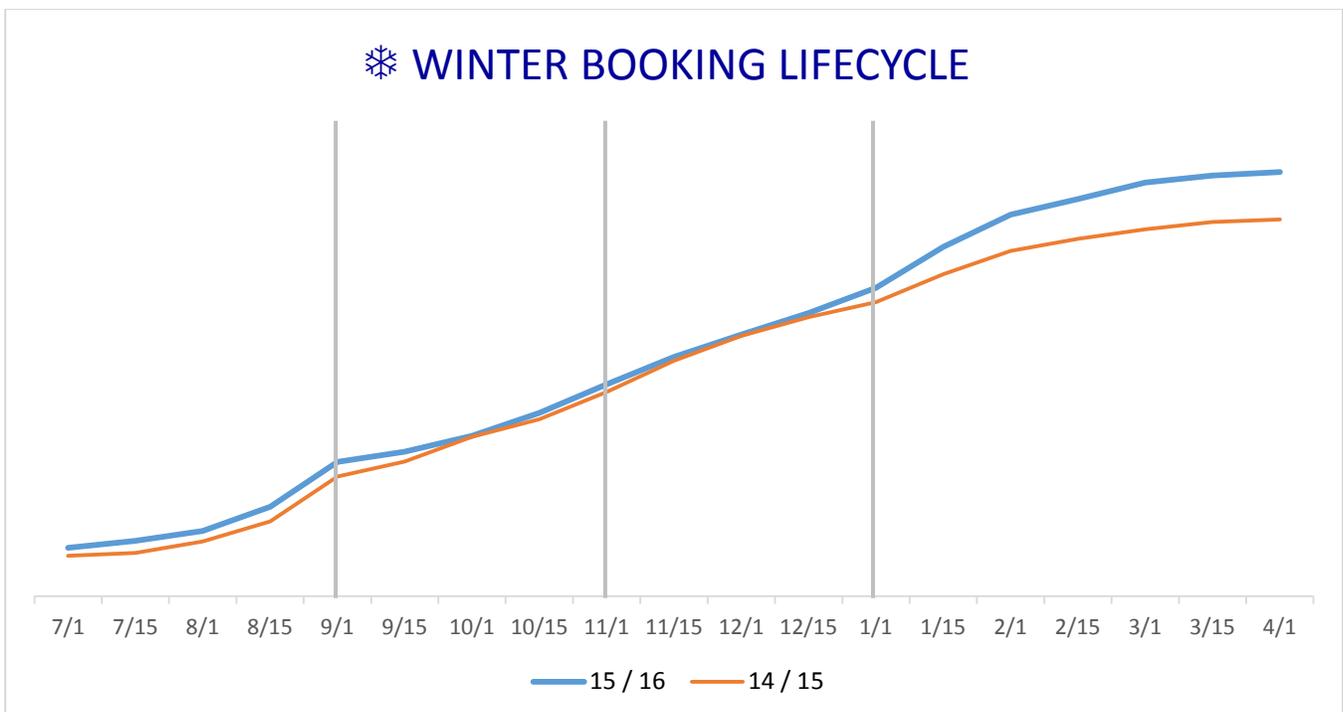
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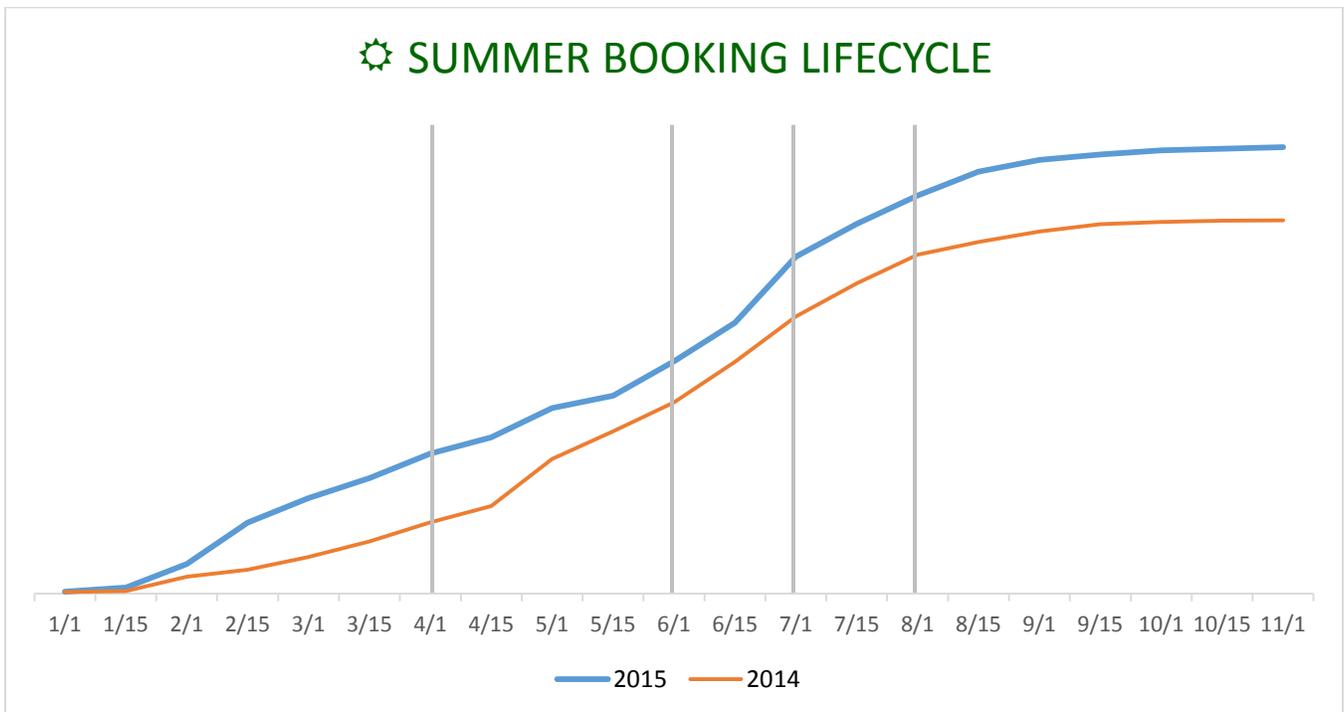
At the center of the winter season’s marketing, the Steamboat Ski Resort promotes attractive Steamboat VIP (SVIP) packages, offering Discounts and Added Value to Steamboat’s winter visitors. We understand the parameters of their promotion before publishing our retail rates, and the Discount Range means these discount amounts are always factored in our ongoing rate management. Participation with Steamboat Central Reservations promotions ensures the highest level of opportunity for our homeowner partners.

| | Winter Tier 1 | Winter Tier 2 | Winter Tier 3 | Winter Tier 4 |
|-------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Booking Date | <p>Before September 1st</p> <p><i>Most Group Bookings are confirmed before September 1</i></p> | <p>September & October</p> <p><i>Highest Demand for Peak Seasons and Longer Stays</i></p> | <p>November & December</p> <p><i>Close-in holiday bookings; Begin filling gaps with shorter stays</i></p> | <p>After January 1st</p> <p><i>More than half of all March Reservations book after January 1</i></p> |
| Typical Promotion | <p>Up to 30% off</p> <p><i>Up to 15% off Holiday</i></p> | <p>Up to 25% off</p> <p><i>Up to 10% off Holiday</i></p> | <p>Up to 20% off</p> <p><i>Up to 10% off Holiday</i></p> | <p>10% - 30% off</p> <p><i>Based on booking patterns & current market conditions</i></p> |
| Bookings | 20% | 20% | 25% | 35% |
| Revenue | 25% | 20% | 25% | 30% |



More than half of Steamboat’s summer rental market is fueled by local events and youth sports. Our summer discount strategies are tailored to the ongoing promotions of these special events. Summer booking trends result in more close-in reservations throughout June and July, our discounts are structured to drive early bookings and longer stays.

| | Summer Tier 1 | Summer Tier 2 | Summer Tier 3 | Summer Tier 4 |
|-------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Booking Date | Before June 1st <i>Groups, Special Events, Youth Sports, and Longest Stays</i> | June <i>Highest Demand July and Weekends</i> | July <i>Strong Demand Fill available gaps</i> | After August 1st <i>Lowest Demand Weekend Stays</i> |
| Typical Promotion | 10% - 25% off <i>Lower Discounts for Peak Dates & Short Stays</i> | 10% - 20% off <i>Lower Discounts for Peak Dates & Short Stays</i> | 10% - 25% off <i>Lower Discounts for Peak Dates & Short Stays</i> | 10% - 30% off <i>Based on booking patterns & current market conditions</i> |
| Bookings | 40% <i>20% Before April 20% April & May</i> | 25% | 20% | 15% |
| Revenue | 50% <i>25% Before April 25% April & May</i> | 25% | 15% | 10% |



Maximizing Length of Stays

Minimum night stay (MNS) booking rules are another powerful tool in yield management strategy. Maximizing total rental nights is generally the path to maximum rental income, and accepting short stays too early in the Booking Cycle can create an opportunity cost down the road. Conversely, requiring a stay longer than the market desires can result in a missed opportunity, even when the property is priced correctly.

Our proprietary online booking system enables us to configure MNS booking rules that automatically adjust as we approach a given arrival date. If your property is unrented, this is your “expiration date”.

Sample MNS Booking Rule:

| | | | |
|-----------------|--------------------|-------------------|----------------|
| + 45 Days Prior | 44 – 22 Days Prior | 21 – 8 Days Prior | 7 Days or Less |
| 5 Nights | 4 Nights | 3 Nights | 2 Nights |

Similar with Rate Adjustments, we can adjust MNS requirements by Unit Type or at the Key-Level, for an entire Rate Season, or for any given night. As occupancy patterns evolve during the Booking Cycle, gaps in availability are created between booked reservations. Another valuable feature of Mountain Resorts’ proprietary booking system identifies these gaps as soon as they are created, and we can then adjust date-specific MNS booking rule at the Key-Level in order to rent these incremental nights.

The Mountain Resorts booking system also enables us to apply different discounts based on length of stay. This feature enables us to yield rates up as we offer flexibility on required length of stay.

X2782 is available from Aug 19, 2016 to Aug 21, 2016.

2 nights = \$688.50 plus tax & fees. You'll save \$121.50!

[BOOK THIS NOW!](#)

| Fri (8/19) | Sat (8/20) | TOTAL |
|---------------------|---------------------|-------------------------------------|
| \$405.00 | \$405.00 | \$810.00 plus tax & fees |
| \$344.25 | \$344.25 | \$688.50 plus tax & fees |
| 15% off 2 nights! | | |

X2782 is available from Aug 18, 2016 to Aug 21, 2016.

3 nights = \$972.00 plus tax & fees. You'll save \$243.00!

[BOOK THIS NOW!](#)

| Thu (8/18) | Fri (8/19) | Sat (8/20) | TOTAL |
|---------------------------|---------------------|---------------------|--------------------------------------|
| \$405.00 | \$405.00 | \$405.00 | \$1215.00 plus tax & fees |
| \$324.00 | \$324.00 | \$324.00 | \$972.00 plus tax & fees |
| 20% off 3 or more nights! | | | |

Glossary of Terms

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Average Daily Rate (ADR) | A statistical unit frequently used in the lodging industry. This number represents the average rental income per paid night of occupancy in a given time period. ADR, along with the property's occupancy, are the foundations for the property's financial performance. |
| Average Length of Stay | The average number of nights reserved during a particular period of time. Number of room nights divided by the number of bookings. |
| Booking Cycle | The range of time when advanced rental reservations are made for a given season of visitation. Steamboat has two unique booking cycles for Summer and Winter seasons. |
| Discount Range | A critical component of strategic pricing and revenue management, this planned markup of rates enables ongoing participation in a variety of sales and booking promotions presented in the marketplace throughout the Booking Cycle. |
| Global Distribution System (GDS) | A network that enables automated transactions between travel service providers and travel resellers, linking products, services, rates and booking capabilities across all three travel sectors: airline, lodging, and car rentals. |
| Key Level Inventory | Unit-specific information and availability for a specific residence. Today's guest generally prefers to book Key-Level reservations. Example: <i>Highmark Unit #5B</i> |
| Minimum Night Stay (MNS) | A essential revenue management tool used by hoteliers when a period of higher demand is followed by a period of lower demand, preventing shorter stays too early in the Booking Cycle for high demand dates. |
| Occupancy | A measurement of how many units are occupied on a given night as compared to total available units on that same night. |
| Rate Season | A range of dates that have been designated for applying the same Retail Rate and / or Booking Rule. Example: <i>Holiday Rate Season will be December 23, 2016 – January 3, 2017</i> |
| Retail Rate (Rack Rate) | The published rate of a hotel room, on which a discount is usually negotiable. Also known as the "maximum a property charges for a room" that may be displayed on the hotel room door. The only people likely to pay the rack rate are those who are unaware they can obtain a discount. (<i>ie: AAA, AARP, Corporate Rates, etc.</i>) |
| Unit (Room) Type Inventory | Common-rating similar lodging units according to the number and type of beds, number of occupants, decor, or other specific features in order to represent and manage a larger block of similar inventory. |