Business Development Opportunities in Glenwood Springs, CO

Real Estate Opportunities and Market Performance

July 2018

Prepared for:

City of Glenwood Springs, Colorado

Prepared By:

Development Research Partners

Development Research Partners specializes in economic research and analysis for local and state government and private sector businesses. Founded in 1994, Development Research Partners combines extensive experience in real estate economics and economic development to provide clients with insightful and strategic consulting services in four areas of expertise:

- **Economic and Demographic Research**

  Research in support of business and community activities, ranging from community profiles to evaluating and forecasting economic and market conditions.

- **Industry Studies**

  Specialized research projects including industry cluster research, industry trends analysis, and strategic competitive analysis.

- **Fiscal and Economic Impact Analysis**

  Comprehensive custom analysis and analytical tools to evaluate and forecast site-specific real estate and business activities and government cost and benefit impacts.

- **Real Estate and Public Finance Economics**

  Analysis and strategy for infill redevelopment, adaptive reuses, and property development including market and feasibility studies, public investment analysis, and public-private partnering modeling.

Development Research Partners

Jesse Silverstein, Director, Real Estate Economics

10184 West Belleview Avenue, Suite 100

Littleton, Colorado 80127

www.DevelopmentResearch.net

303.991.0070

TABLE OF CONTENTS

PURPOSE

This study has been prepared in collaboration with Garrigan & Associates and is part of the overall Brownfields Area-Wide Plan (AWP) being completed by Garrigan & Associates under a USEPA Brownfields Grant to the City of Glenwood Springs. A high-level market analysis in the overall study area is conducted to evaluate three market sectors: (1) housing; (2) commercial (specifically, retail goods and household services); and (3) lodging for business growth and real estate development opportunities. This analysis is intended to assess real estate demand and absorption for each market sector. Findings are then analyzed to assess opportunities in the AWP boundaries with particular focus on the highest priority site, the "Confluence" site where the Roaring Fork River joins the Colorado River.

METHODOLOGY

Developing this high-level market analysis entailed:

- Researching current baseline market conditions;
- Identifying market drivers;
- Measuring market demand and supply, including current unmet demand; and
- Estimating future market trends and identifying opportunities for retail, commercial, lodging, and residential development.

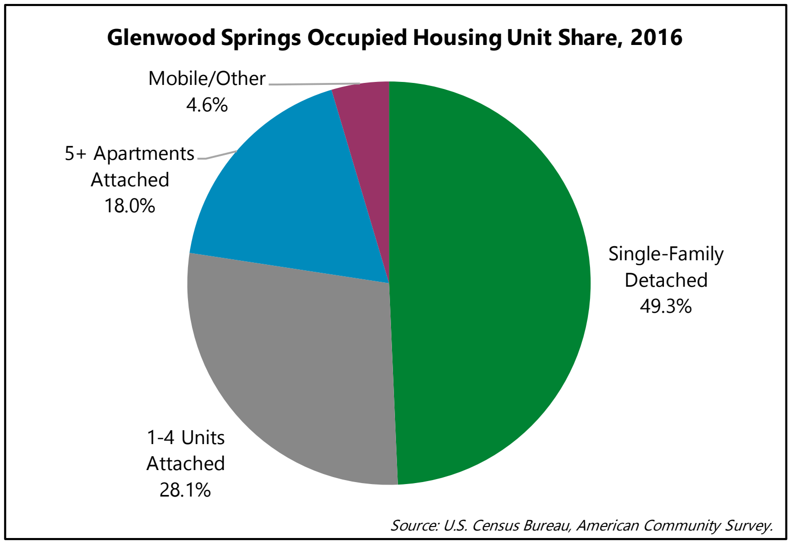
HOUSING MARKET CONTEXT

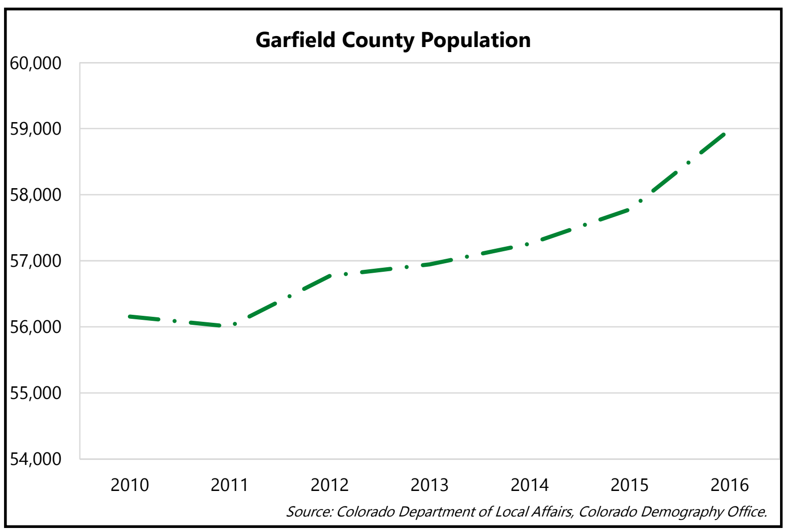
The City of Glenwood Springs is the largest population center in Garfield County and is located at the crossroads of Interstate 70 and CO Highway 82, providing access to Aspen and U.S. Highway 24. Garfield County population is anticipated to grow by about 5% to 6% annually, representing approximately 500 more households and 1,200 additional persons per year. Glenwood Springs is anticipated to capture around 70 to 100 households per year, although pent up demand may drive much more in-migration in the short term. Total population growth in Glenwood Springs is anticipated to be sourced equally by natural increase and net-migration.

Glenwood Springs' housing vacancy has been below 4% since 2014 and below 3% since 2015. Detached single-family housing has seen a steady price increase and virtually zero vacancy. Attached ownership housing has seen steady demand with rising prices and low vacancy. Similarly, multi-family rentals have also been experiencing rising rental rates and low vacancy.

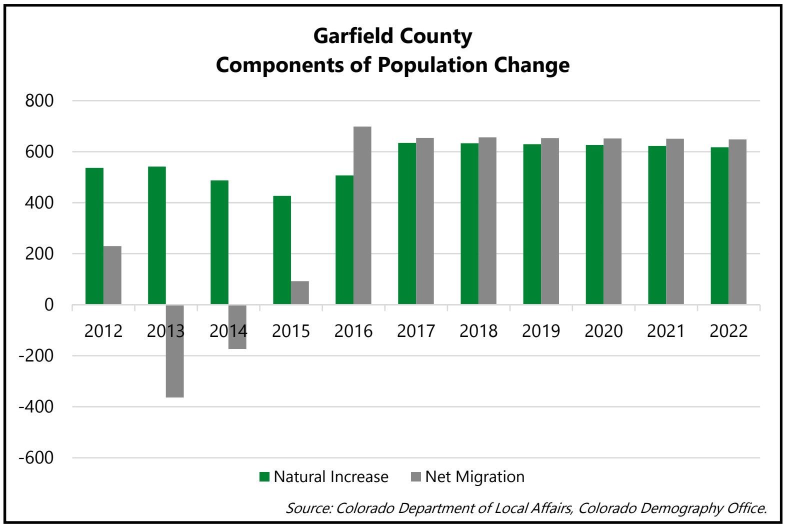
This indicates not only a residential undersupply, but pent up demand for new units. Housing demand by residents is augmented by demand from second-home owners and those seeking vacation rent-by-owner investment opportunities. The Glenwood Springs housing market is experiencing strong demand in all property types and, with continued population growth, is expected to support new resident housing development into the foreseeable future.

Population change is comprised of natural increase (births minus deaths) plus net migration (people moving in less people moving out). From 2010 (post Great Recession) to 2016, Garfield County has grown by almost 3,000 people. That represents an annual growth rate of about 0.8%, or 470 persons per year.

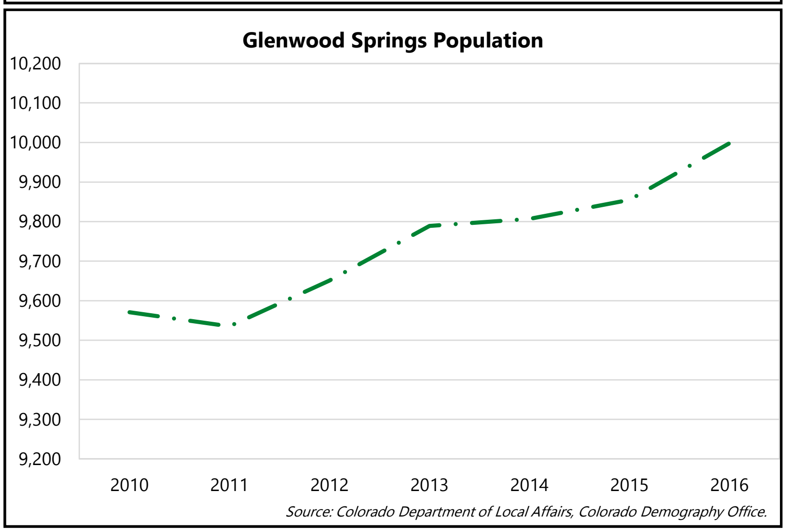




Population growth is anticipated to increase to about 1,200 persons per year into the foreseeable future. As can be seen in the chart, natural increase has remained positive, floating between about 400 and 600 persons annually. Net migration dipped in the 2012 through 2014 period as oil and gas markets become volatile and people followed jobs leaving the County. The oil and gas industry stabilized since, followed by relatively high levels of in-migration, which exceeded natural growth in 2016. According to State Demography projections, in-migration and natural increase are expected to continue at about the same levels into the future.



Glenwood Springs is the largest municipality in Garfield County with 17% of the County's population. Assuming that Glenwood Springs continues to capture about 17% of the County's population, it can be estimated that Glenwood Springs will grow by about 200 to 250 persons annually.



However, Glenwood Springs' housing inventory is greatly constrained with extremely low vacancy and waiting lists of tenants and buyers. The projected growth rate is at risk due to a lack of housing units to accommodate new households. The tight housing market puts upward pressure on rental rates and leads housing developers to focus on higher profit and more expensive housing units and less on affordable work force housing. Housing market conditions in 2016 persisted throughout 2017.

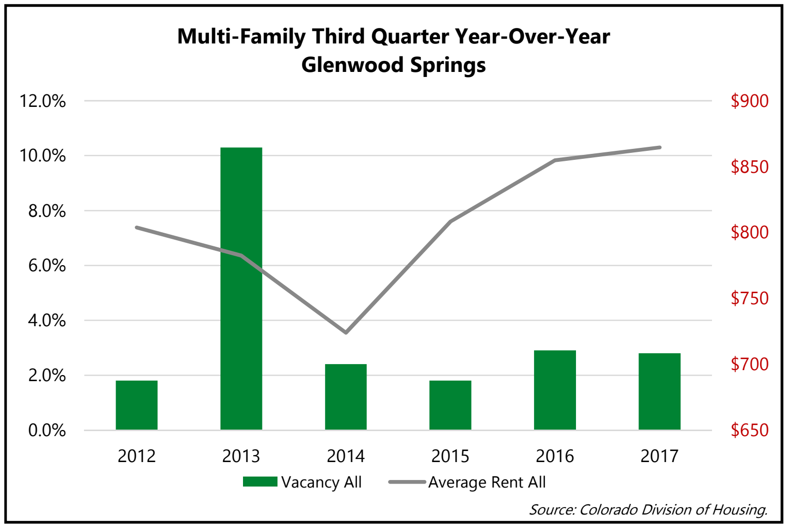
Glenwood Springs Housing Market, 2016

Total Housing Units	4,171
Persons Per Household	2.5
Homeowner Vacancy Rate	0.0%
Rental Vacancy Rate	2.3%

Sources: U.S. Census Bureau, American Community Survey; Colorado Department of Local Affairs, Colorado Demography Office.

MULTI-FAMILY RENTAL MARKET

Glenwood Springs' multi-family rental housing market is experiencing low vacancy and rising rental rates and is considered a landlord's market where renters have little room to negotiate lower rates. There is an undersupply particularly of studio, 1-bedroom, and two-bedroom units that would meet the demands of singles, couples, young families, and roommates. The higher vacancy rate noted for 2-bed/2-bath units is an anomaly and can reflect an important price point change and/or a temporary condition at this particular point in time.



Source: Colorado Division of Housing.

A vacancy of 4%-5% is considered full occupancy and at equilibrium, considering normal tenant churn. The below equilibrium average vacancy indicates a tight rental market with rental rates being bid up without a matching increase in construction.

Multi-Family Rental Rates Glenwood Springs, 3Q17

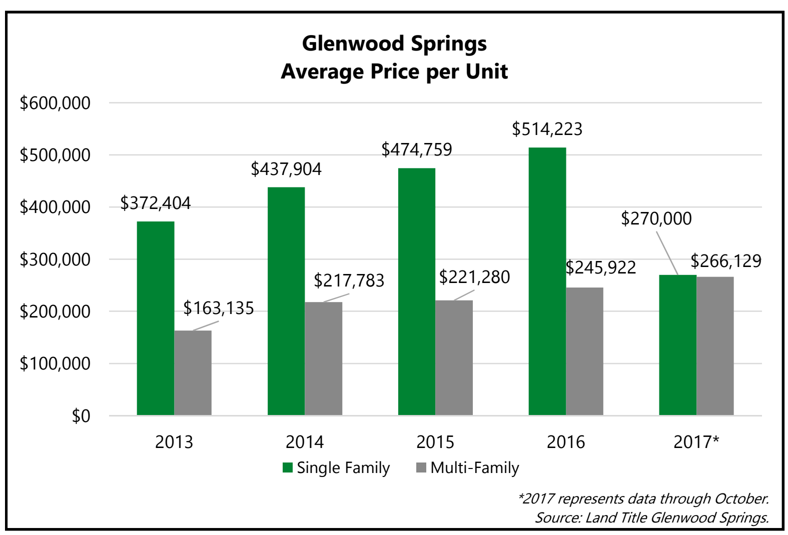
Type	Average Rent	Avg Rent/SF	Vacancy Rate
Efficiency	$675	$1.23	0.0%
1-bed	$783	$1.26	0.0%
2-bed 1-bath	$807	$0.84	0.0%
2-bed 2-bath	$857	$0.93	6.1%
3-bed	$935	$0.91	2.0%
All	**$864**	**$0.95**	**2.8%**

Source: Colorado Division of Housing

HOME OWNERSHIP MARKET

The ownership market is similarly tight and increasingly becoming unaffordable for many would-be Glenwood Springs residents. Condominium and townhome prices (collectively referred to as multi-family) are edging upward at a steady pace. The local economy softened in 2014, began stabilizing in 2015, with recovery in 2016. The most recent trends between 2016 and 2017 illustrate the most likely scenario for attached multi-family housing prices. Prices rose over 20% between 2015 and 2017, and over 8% from 2016 to 2017. A price increase between 5% and 10% annually is anticipated for multi-family units in Glenwood Springs in the near term.

The single-family home market has little available inventory. Relatively low inventory on the market along with few sales causes this market statistic to reflect particular units sold rather than overall market pricing. However, the fact that there is little inventory along with an expected increase in population supports the assumption that single-family home prices will continue to increase without a notable increase in construction.



**2017 represents data through October.*
Source: Land Title Glenwood Springs.

HOUSING UNIT DEMAND

As previously noted, Garfield County is expected to grow by more than 1,200 persons annually. Assuming that Glenwood Springs continues to capture about 17% of the County's population, it can be assumed that Glenwood Springs will grow by about 200 to 250 persons annually. Assuming a continued 2.5 persons per household, including related and unrelated household members, this translates into demand for 80 to 100 units annually. Pent up demand is expected to bring absorption 25% to 50% higher than the average demand in a normalized market. Glenwood Springs could absorb an estimated 120 residential units annually for the next five years, and then settle into about 80 units annually in the long-term.

It is difficult to project where new households will actually locate, except to note that they can only go wherever there are units available. Currently, housing choices are very limited and it can be assumed that new households equal demand for new units. Generally, the market expects a 12-month lease-up for a 50-unit phase; 12 to 24 months lease up for a 100-unit phase. There are at least 100 units currently under development in the Meadows targeted to higher-income households; however, there is notable demand for mid-price and workforce-affordable units.

Since this study began in late 2017, 395 units have been entitled, in planning review, and under construction, which will meet some of the pent up and new demand during this period. The Confluence project will be a very desirable location to live and will capture a strong share of absorption when it comes on line.

Projected Residential Absorption in Glenwood Springs (units)

Time Period	Years 1 to 5	Years 6+ (annually)
Phase	Housing demand from natural increase, in-migration, and pent up demand.	Expected pace for housing demand due to annual population demand growth.
Total Housing Demand	600 Total Units 120 Units Annually	80 Units Annually

COMMERCIAL MARKET CONTEXT

The City of Glenwood Springs serves as a commercial and retail hub for Garfield and Eagle Counties. As such, the City commands market power in identity and regional location and has opportunities to grow:

- businesses and add square feet for business categories where consumer dollars are leaving the region,
- the entire market through population growth and increased destination tourism, and
- businesses through diversifying goods and services available.

Glenwood Springs is a lifestyle and tourist destination for experience seekers. Businesses that provide shopping, recreational, and entertainment experiences will complement Glenwood Springs' character. Identifying opportunities for retail and commercial services desirable to both residents and visitors is evaluated herein.

Glenwood Springs has various commercial and retail submarkets that are generally located as indicated on the image below:

1. 6th Street Corridor
2. Meadows
3. West 6th Street
4. Downtown
5. South Glenwood
6. Confluence

The Confluence site is strategically located between the Downtown and Meadows submarkets, with easy access to/from the 6th Street Corridor. Lease rates and property sales prices vary widely depending on location and quality. A survey was conducted to better ascertain assumptions regarding lease rates in Glenwood Springs.

Commercial Lease Rates

Asking rents can often be higher than signed leases and data was collected on both asking lease rates as well as recently signed leases, where available. Rent quotes varied by condition and space configuration but there appears to be no distinction in rental rates for office versus retail spaces. The exception is in the Meadows, which is home to national retailers and a "power center." Based on this high-level survey, it is estimated that the Confluence can achieve a $20 to $25 gross rental rate for commercial space. The rental rate is likely to be at the lower end during the early lease-up as a pioneering location. The summary results are illustrated below:

Commercial Lease Rate Summary*

Submarket	Asking Rental Rates	Actual Rental Rates
Downtown	$20 to $26	$20 to $25
Meadows	--	$27
South Glenwood	$16 to $20	$14

* reported on a "gross" rent basis which includes property expenses; total occupancy cost to tenant

Sources: Development Research Partners, Inc.; LoopNet, local brokerage listings.

Commercial Property Values

A survey of commercial property sales was conducted. There were several properties asking less than $150 per square foot. However, these properties were under seller duress (i.e. bankruptcy) and priced for quick liquidation or were special purpose buildings with limited buyers. Asking prices for commercial property in the South Glenwood submarket ranged from about $105 to $400 per square foot; rather ambiguous, and very location and property condition dependent. Generally, Downtown building sales ranged from about $205 to $315 per square foot.

Commercial property prices for the Confluence area are estimated at $225 to $275 per square feet.

Commercial Land Values

A high-level land price analysis was conducted using a combination of actual sales and Garfield County Assessor's actual value estimates for Downtown parcels. The data shows an expected premium for smaller sites per square foot with prices ranging from about $4.50 for a 10-acre parcel to $94 for a 0.09-acre city lot. The predominant value range for land in the vicinity of the Confluence ranged from about $20 per square foot to $50 per square foot depending on location.

It is estimated that vacant land at the Confluence would be priced around $30 per square foot.

BUSINESS GROWTH DEMAND

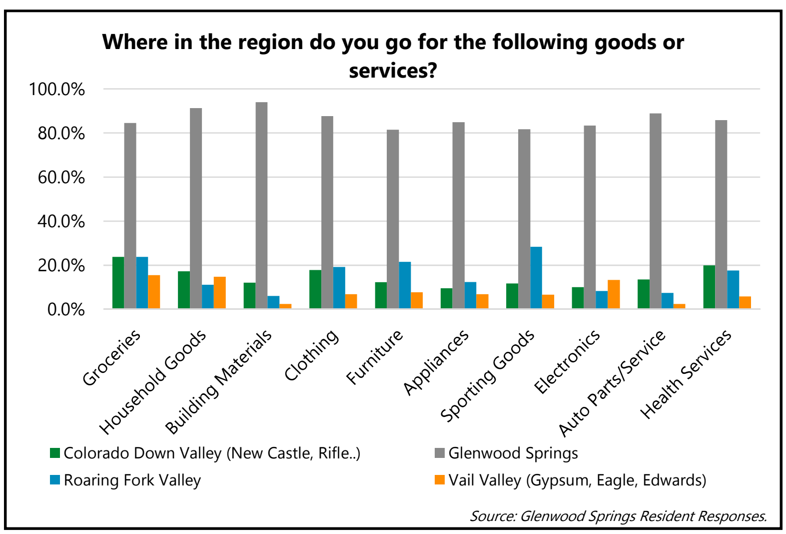
In this section, sources for retail and household services demand are evaluated and business development opportunities are translated into demand for real estate space. Real estate types evaluated include storefront retail and office businesses.

Retail Market Opportunities

Data related to retail market opportunities was gathered in several ways ranging from anecdotal to quantitative, which are reported and integrated in the following sections.

Glenwood Springs Local Market Community Survey

A community survey was conducted by the AWP team. Glenwood Springs' residents were asked where in the region they shop for certain goods. The chart below highlights the results. Categories sum to more than 100% because residents shop in multiple places. The responses indicate Glenwood Springs' residents will tend to shop local as availability allows. However, these responses also reflect that retail dollars leave Glenwood Springs. After Glenwood Springs, local consumers tend to shop in the Roaring Fork Valley and Down Valley, with some spending also occurring in Vail Valley.



Another, contrasting survey question asked residents about how well served Glenwood Springs is in retail categories. This question invited open-ended responses, which intuitively frames the City's retail market.

Community Survey Responses: Needed Goods & Services

From Specific ...

"Sporting Goods, electronics..."

"Fabric, sewing supplies..."

"Movie theater"

"Movies, Bowling"

"Pottery classes for kids..."

"Clothing, household items, health services..."

"Sporting goods (baseball, basketball, golf, etc.)"

" ... there are no clothing, electronics in GWS!"

" ... more craft supplies"

To Universal ...

"We have all of this but not enough variety and price point"

"More restaurants and coffee shops Downtown and on the 6th Street Corridor, more open spaces used for community events like farmers markets"

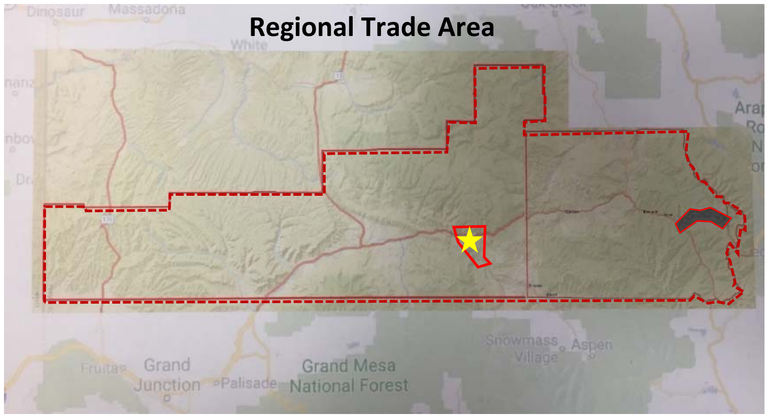
"Movie theatre, co-working space, art/creative classes, upscale bars, dance clubs"

The survey responses point to some very specific goods, services, and experiences that anecdotally are absent. Perhaps the most significant response is *"We have all of this but not enough variety and price point."* With population expected to increase in the coming years, there is an opportunity to grow new businesses offering more diversified and competing products and experiential offerings.

Retail Capture – Leakage Analysis

Consumer demand in Glenwood Springs arises from sources including local residents, regional residents, and visitors. For this analysis, a market Regional Trade Area was identified based primarily on mutually shared retail markets, where resident consumers freely travel back and forth between towns or other shopping destinations. Towns within the market area that primarily generate one directional consumer traffic are considered outside of the Regional Trade Area with their purchases representing part of overall visitor spending. The market is defined:

- Regional Trade Area is Garfield County plus Eagle County, less Aspen and Vail
- Local Market is Glenwood Springs only
- Visitors are consumers from outside the Local Market and Regional Trade Area that spend money in the Local Market and Regional Trade Area



Local residents and regional shoppers seek both necessities and lifestyle-oriented discretionary purchases. Visitors spending can arise from overnight tourists, pass-by convenience stops, emergency stops, or destination shoppers from outside the region or from resort communities. For each demand source this study has conducted a capture-leakage analysis which entailed estimating household demand for goods and services using ESRI data and comparing potential household demand to sales of goods and services by the following four-digit North American Industrial Classification System (NAICS) code business categories:

Special Food Services
General Merchandise Stores
Florists
Specialty Food Stores
Lawn & Garden Equip & Supply Stores
Electronics & Appliance Stores
Drinking Places - Alcoholic Beverages
Miscellaneous Store Retailers
Office Supplies, Stationery & Gift Stores
Clothing Stores
Used Merchandise Stores
Furniture Stores
Health & Personal Care Stores

Building Material & Supplies Dealers
Beer, Wine & Liquor Stores
Sporting Goods/Hobby/Music Instrument Stores
Book, Periodical & Music Stores
Restaurants/Other Eating Places
Gasoline Stations
Auto Parts, Accessories & Tire Stores
Grocery Stores
Department Stores
Shoe Stores
Jewelry, Luggage & Leather Goods Stores
Automobile Dealers
Home Furnishings Stores

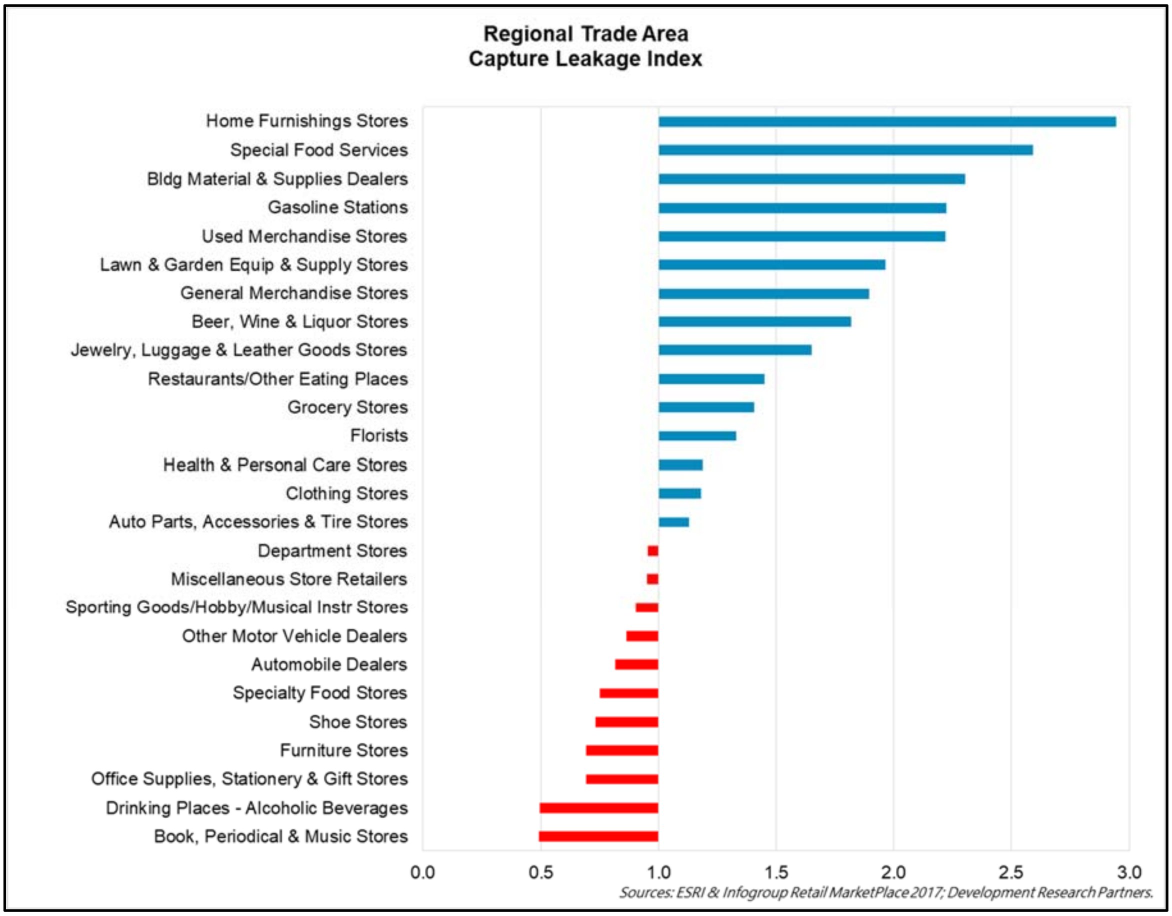
If area sales are less than local demand, it is assumed that resident purchases are made outside of the area and retail "leakage" is occurring wherein dollars are leaving the market. If area sales are more than local demand, it is assumed that outside consumers are making purchases in the local market and retail dollar "capture" is occurring. Leakage further represents market segments that are under-served and are immediate opportunities for business growth.

An index has been developed from local market data wherein local sales are divided by local demand: if the index is less than one the market is in a leakage position for that consumer good and local dollars are being spent outside the local market. If the index is greater than one it indicates the market is capturing a net amount of outside dollars for that consumer good.

Regional Trade Area Capture - Leakage

A Capture-Leakage analysis simply compares estimated local demand for a product compared to local sales of that product. It is a methodology to organize and report data; however, there are several ways the results can be interpreted. The community meetings and anecdotal data captured in the community survey create a perspective with which to interpret the data.

In the diagram below the red bars indicate retail categories where residents are buying more goods from outside the Regional Trade Area. These represent opportunities to grow businesses or add diversity to serve unmet local demand by growing local businesses and jobs. Because these are unmet consumer demands, they represent immediate opportunities.



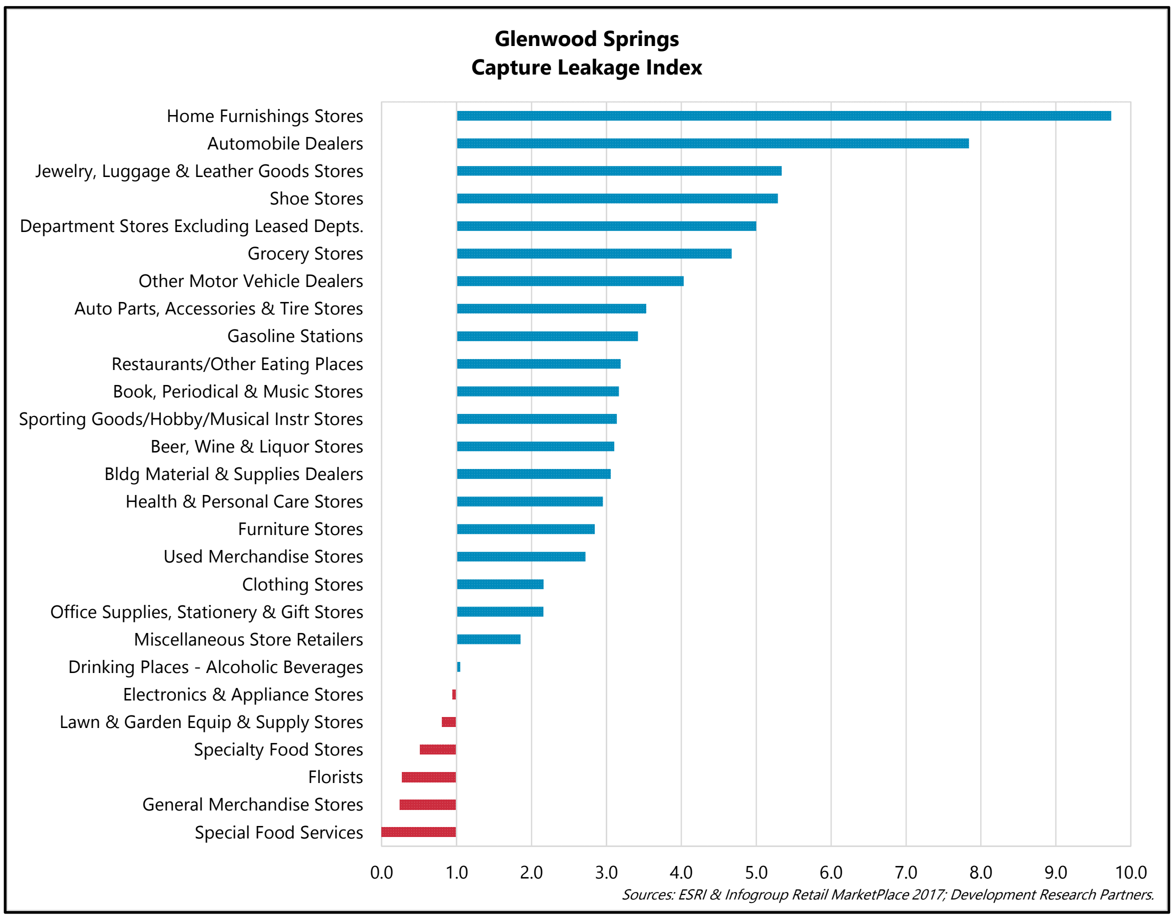
The blue bars represent retail categories where sales exceed the estimated needs of the local community indicating visitors (Aspen, Vail, tourists, travelers, and others) are making these types of purchases, and hence the Regional Trade Area is capturing consumer dollars. While it is easy to make the statement that the Regional Trade Area is over-served in these categories, this data also represents an opportunity to diversify products and price points, thus pulling additional consumer dollars into the local economy. Categories with a Capture-Leakage Index of 1.5 or less represent a next opportunity for business expansion after unmet demand categories.

Overall, Regional Trade Area business opportunities for growth encompass the following retail categories:

- Book, Periodical & Music Stores
- Drinking Places - Alcoholic Beverages
- Office Supplies, Stationery & Gift Stores
- Furniture Stores
- Shoe Stores
- Specialty Food Stores
- Automobile Dealers
- Other Motor Vehicle Dealers
- Sporting Goods/Hobby/Musical Instr Stores
- Miscellaneous Store Retailers
- Auto Parts, Accessories & Tire Stores
- Clothing Stores
- Health & Personal Care Stores
- Florists
- Grocery Stores
- Restaurants/Other Eating Places

Local Market Area Capture-Leakage

Capture-Leakage data was also indexed for the Local Market, which consists of just the City of Glenwood Springs, and is illustrated below. Overall, the City appears to serve its residents' needs relatively well. As expected with its tourism-based economy, its retailers also capture a significant level of consumer dollars from the rest of the Regional Trade Area and from visitors, as shown by the blue bars.



Underserved retail categories, the red bars, include:

- Drinking Places – Alcoholic Beverages
- Electronics and appliance stores
- Lawn and garden equipment
- Specialty food stores and services
- General merchandise stores
- Florists

Needed goods and services stated by various residents in the Community Survey match closely with what the Capture-Leakage analysis shows to be under-served in the City, validating both methodologies. It should be noted that diversity and healthy market competition can be also be achieved by bringing in new businesses to offer a selection to local consumers.

Glenwood Springs is well suited for experiential retailers such as:

Food & Beverage	**Destinations**	**Entertainment**
Specialty Food	Books	Sports & Crafts
Butcher Shops	Music	Performing Arts
Bakeries	Culinary Arts	Evenings Out
Fish and Seafood	Attractions	
Spice Shops		
Craft Food and Beverages		

Potential Retail Concepts

European Style Indoor Market

An Evening Out

Independent Storefronts, open patio seating

Estimated Retail Space Needed

Retail demand and market need should open opportunities to expand the retail market in Glenwood Springs. This section summarizes analysis to estimate the additional square feet needed to accommodate these opportunities and the timeframe over which this expansion is expected to happen.

The analysis examines absorption from three different drivers:

- Current unmet (latent) local demand
- Capture from all visitors from outside the City
- Local population growth

Assumptions behind this analysis include:

- Glenwood Springs comprises about 16% of all retail sales in the overall Regional Trade Area;
- Local Glenwood Springs households spend an estimated $28,000 each in the City annually;
- $100 in retail spending in Glenwood Springs supports about 4.1 square feet of retail space;
- Visitor spending from all sources supports about 54,000 square feet of retail in the City;
- Visitor spending is estimated to grow by 4% annually.

The demand for retail space is currently estimated at about 85,000 square feet with an estimated annual growth of about 19,000 square feet.

Local Household Services Opportunities

In this section, sources for household services demand are evaluated and business development opportunities are inferred and translated into demand for real estate types. Local household-serving business categories are evaluated based on U.S. Economic Census data. Real estate types used by these service providers include storefront offices and traditional office space. Business types considered are limited to:

Nursing and Residential Care Facilities
Computer Systems Design
Consulting
Seniors'/Disabled Day Care and Services
Chiropractors
Dentists
Optometrists
Therapists - physical, occupational, speech, other
Lawyers
Doctors
Personal Household Services
Credit Intermediation - banks
Day Care

Assumptions behind this analysis include:

- Glenwood Springs is home to around 23% of household service providers in the Regional Trade Area;
- Each household supports approximately 17.5 square feet of household services space.

Based on anticipated population growth, demand for commercial space for household services is expected to grow by about 15,000 square feet annually;

COMMERCIAL REAL ESTATE ABSORPTION

The amount of property square footage that will be leased up (absorbed) by new and growing businesses is estimated in this section. The absorption analysis considers demand for both retail goods and household services previously identified.

Household counts will grow throughout Garfield County at an estimated rate of 2% annually with Glenwood Springs capturing an estimated 17% of that growth. Glenwood Springs captures an estimated 16% of regional household consumption spent within the region. This capture is used to estimate retail sales share and associated demand for retail square feet.

Visitor spending is estimated to increase 4% annually using lodging tax collection trends as an indicator of overall visitor activity; a conservative estimate of this indicator is used to account for visitors that may be from Aspen, Basalt, Vail, and other destination shoppers, in addition to overnight stays or pass-through travelers.

The table on the following page summarizes estimated retail demand and absorption, estimated household services demand and absorption, and total projected commercial absorption.

Projected Commercial Absorption in Glenwood Springs (SF)

Time Period	Years 1 to 5	Years 6+ (annually)
Phase:	Absorption of existing yet unserved (latent) local demand; and meeting demand of additional households to Glenwood Springs.	Established market equilibrium meeting local demands and keeping pace with annual demand growth.
Description:	Latent (under-served) demand from existing City of Glenwood Springs residents and regional residents that shop in the City. This incorporates destination shopping from Vail, Aspen area, and visitors.	Annual household growth estimated at 2% annually for the region; Glenwood Springs assumed to capture 16% of all regional household spending, and visitor spending estimated to increase 4% annually.
Regional Retail Demand in Glenwood Springs **Real Estate Product Type: Retail Storefront**		
Estimated Absorption (sf):	Over 5 years	Annually starting year 6
Latent Local Demand:	57,000 sf	na
Household Growth:	84,000 sf	8,000 sf
Visitors:	54,000 sf	11,000 sf
Total Retail Absorption:	**195,000 sf**	**19,000 sf**
Business Examples:	Motor Vehicle & Parts Dealers, Furniture & Home Furnishings Stores, Electronics & Appliance Stores, Bldg Materials, Garden Equip. & Supply Stores, Food & Beverage Stores, Health & Personal Care Stores, Gasoline Stations, Clothing & Clothing Accessories Stores, Sporting Goods, Hobby, Book & Music Stores, Sporting Goods/Hobby/Musical Instrument Stores, General Merchandise Stores, Food Services & Drinking Places, Restaurants/Other Eating Places	
Regional Household Services Demand in Glenwood Springs **Real Estate Product Type: Office Space and/or Office-Storefront**		
Estimated Absorption (sf):	Over 5 years	Annually starting year 6
Latent Local Demand:	61,000 sf	na
Household Growth:	28,000 sf	6,000 sf
Visitors:	na	na
Total Household Services Absorption:	**89,000 sf**	**6,000 sf**
Business Examples:	Nursing and Residential Care Facilities, Computer Systems Design, Household Consultants, Seniors'/Disabled Day Care and Services, Chiropractors, Dentists, Optometrists	
Total Projected Commercial Absorption in Glenwood Springs (SF)		
Absorption (SF):	**284,000 sf**	**25,000 sf**

Some of this absorption may occur in existing buildings in Glenwood Springs, such as in Downtown or outlying commercial areas. The current amount of vacant square footage is unknown but is likely to be offset by possibly greater than projected visitor driven demand for household services, stronger than anticipated housing development and population growth, stronger than projected visitor demand as projects strengthen Glenwood Springs' image as a tourist destination.

With regard to the location for retail and growth to occur, the nature of demand is evaluated as to the primary markets served. Based on a subjective analysis, the distribution of new business growth is anticipated to be concentrated as indicated:

5-Year Development Horizon

District	Projected Absorption
6th Street Corridor	41,000 sf
Meadows	91,000 sf
West 6th Street	7,000 sf
Downtown	64,000 sf
South Glenwood	45,000 sf
Confluence	36,000 sf

LODGING MARKET CONTEXT

The following steps were undertaken to evaluate Glenwood Springs' lodging market and opportunities:

- Research existing accommodations for amenities and market segmentation
- Identify recent lodging market performance regarding occupancy, rates, and seasonality
- Identify hotel overnight visitor categories to Glenwood Springs
- Evaluate the role that lodging properties play in Glenwood Springs
- Explore ways that lodging properties may better integrate with the community's vision

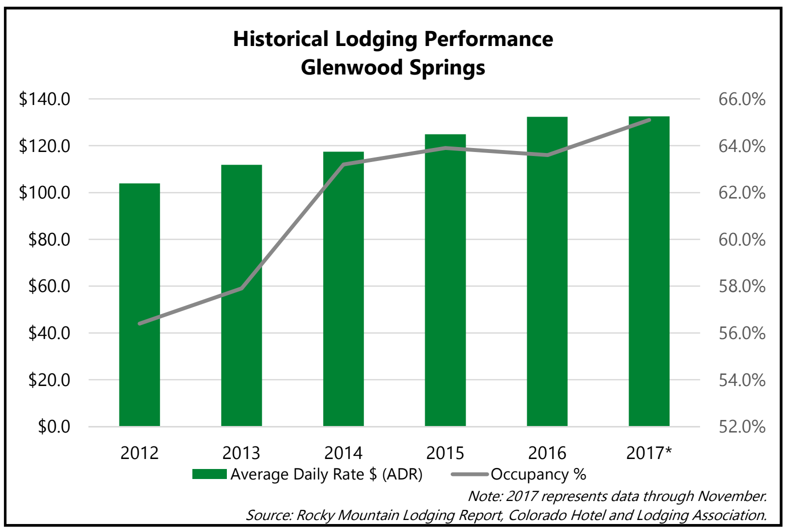
A survey of hotel and motel properties in Glenwood Springs was conducted for this analysis. Without consideration for quality or condition, the survey revealed the following:

Glenwood Springs Lodging Market Profile

- 22 Properties
- 1,659 Rooms
- 5 with Bars and/or Restaurants
- 10 with meeting space
- 2 with banquet space
- 7 with a "fitness center"
- Most with pools and/or hot tubs

Source: Development Research Partners.

The lodging market has been slowly gaining strength over the past five years with both rental rates and occupancy trending higher each year. Overall occupancy is around 65%, similar to the national average, but still leaving notable capacity to fill rooms. Average daily rates are now hovering around $112 per room night, which is also in line with the national average.



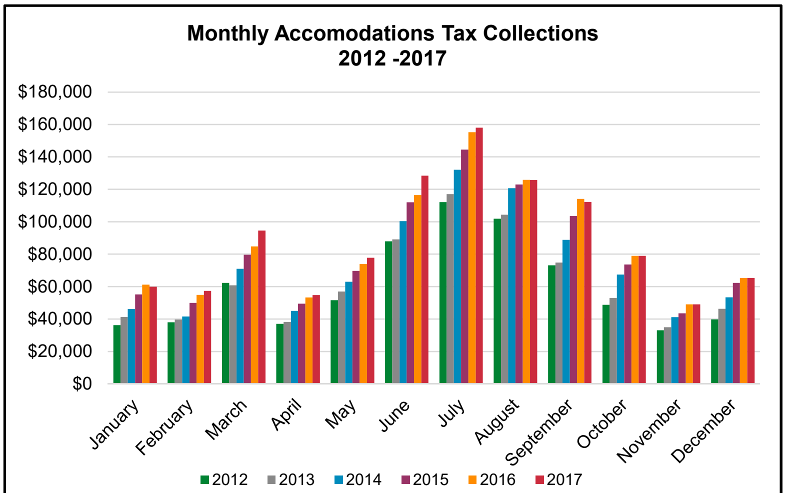
Glenwood Springs has established itself as a rest stop and destination serving travelers, outdoor recreation enthusiasts, and wilderness explorers. Key lodging clients include:

Key Lodging Clients

- Destination business travelers seeking a home-base
- Budget vacation travelers seeking outdoor recreation and area attractions
- Spontaneous pass-through travelers seeking shelter
- Pass-through travelers with pre-determined stops for recreation, dining, and/or entertainment
- Tourists seeking historic towns and accommodations

LODGING MARKET OPPORTUNITIES

Given Aspen Mountain and Snowmass Ski areas' proximity, and short distance to Vail, Glenwood Springs is often associated with winter sports destinations. Reviewing monthly accommodations tax receipts highlights the City's position as more of a summer and fall destination, similar to many other Colorado mountain town destinations lacking a ski resort. The high season months are March, June, July, August, and September. The low season months are January, February, April, November, and December. There is an opportunity to grow winter non-skiing outdoor recreation businesses to fill vacancies during the low and shoulder seasons.



Sources: City of Glenwood Springs, Finance Department; Development Research Partners.

Glenwood Springs has accommodations for business, historical-stay, and budget travelers. As Glenwood Springs' population grows, so will demand for friends and family hotel nights. These established markets should continue to be served. However, while the occupancy rates indicate surplus capacity, the research survey shows many aging low-budget motels and expensive historic hotels. There are limited service business-style hotels in the Meadows area; however, they are not walkable to the commercial core. There are several aging limited-service hotels on the 6th Street Corridor, but these are aging and missing the curb appeal of a modern mid-priced hotel. This notion is supported by hotel review services such as Trip Advisor that describes Glenwood Springs as having an aging hotel inventory. Providing grant or loan funding for existing hotel and motel upgrades and/or upgraded grounds and facilities may enable independent operators and others the ability to improve the traveler experience.

There is a lack of lodging diversity that easily integrates with Downtown and 6th Street attractions. Glenwood Springs should retain its independent and historic hotels and budget-minded accommodations. However, adding modern mid-priced lodging options, walkable from Downtown and 6th Street, would fill a market niche missing in the market. Perhaps even diversifying this market niche would support multiple properties over time. The City may be more attractive for a wider variety of visitors and would bring visitor dollars right to the core commercial district. National reservation systems, which complement existing hotels, will provide additional exposure for Glenwood Springs to more travel market segments.

There is opportunity to develop mixed-use hotel projects that may include an experiential business on a first floor with a mid-level service hotel on upper floors. Priced to a mid-priced market, and perhaps located in Downtown or the 6th Street Corridor, would provide a new type and location to the lodging market and perhaps attract a different visitor type. Adding more conference or banquet space my also attract small business conferences and destination wedding business to the City.

A collaboration with arts and entertainment industries may yield a new "Glenwood Springs Experience." This is especially true with the expansion of local attractions. Lodging is a component of the larger "Leisure and Hospitality" economic sector that includes arts, entertainment, recreation, and food services, all retail categories noted as under-served in the market. The expansion of arts and entertainment businesses will further bolster the attraction of destination travelers and bring additional lifestyle components to the City.

More focused market analysis is required to estimate an exact number of new lodging rooms that are feasible. Based on accessibility to the City's destinations, it seems likely that a mid-priced boutique hotel could be supported in the 6th Street Corridor, and that new development in the Confluence would support a boutique hotel as part of that project.

LODGING MARKET OPPORTUNITIES

This study presented a high-level market analysis to evaluate three business opportunity market sectors: (1) housing; (2) commercial (specifically, retail goods and household services); and (3) lodging for business growth and real estate development opportunities in Glenwood Springs, CO. The analysis assessed real estate demand and absorption for each market sector.

Housing Market

The City of Glenwood Springs is the largest population center in Garfield County and is located at the crossroads of Interstate 70 and CO Highway 82.

- Garfield County population is anticipated to grow by about 5% to 6% annually, representing approximately 500 more households and 1,200 additional persons per year. Glenwood Springs is anticipated to capture about 17% of the growth in the County, about 85 households annually.
- Glenwood Springs' overall housing vacancy has been below 4% since 2014 and below 3% since 2015.
- Detached single-family housing has seen a steady price increase and virtually zero vacancy.
- Attached ownership housing has seen steady demand with rising prices and low vacancy.
- Multi-family rentals have also been experiencing rising rental rates and low vacancy.

This indicates not only a residential undersupply, but pent up demand for new units. Housing demand by residents is augmented by demand from second-home owners and those seeking vacation rent-by-owner investment opportunities.

- This translates into demand for 80 to 100 units annually.
- Pent up demand is expected to bring absorption 25% to 50% higher than the average demand in a normalized market.
- Glenwood Springs could absorb an estimated 120 residential units annually for the next five years, and then settle into about 80 units annually in the long-term.
- Since this study began in late 2017, 395 units have been entitled, in planning review, and under construction, which will meet some of the pent up and new demand during this period.
- A well designed Confluence project will be a very desirable location to live and will capture a strong share of absorption when it comes on line.

Commercial Market

Glenwood Springs serves as a commercial and retail hub for Garfield and Eagle Counties, and is a lifestyle and tourist destination for experience seekers. Businesses that provide shopping, recreational, and entertainment experiences will complement Glenwood Springs' character.

Data related to retail market opportunities was gathered in several ways, ranging from anecdotal to quantitative. Needed goods and services stated by various residents in the Community Survey match closely with what the Capture-Leakage analysis showed to be under-served in the City, validating both methodologies.

- Glenwood Springs is well suited for experiential retailers such as:

Food & Beverage	**Destinations**	**Entertainment**
Specialty Food	Books	Sports & Crafts
Butcher Shops	Music	Performing Arts
Bakeries	Culinary Arts	Evenings Out
Fish and Seafood	Attractions	
Spice Shops		
Craft food and Beverages		

  Opportunities for retailers were evaluated and translated into potential demand for real estate space.

- The demand for household services including doctors, dentists, optometrists, lawyers, banks, and computer systems design were also evaluated and translated into demand for office or office-style space.
- The analysis concluded that Glenwood Springs could absorb 284,000 square feet of commercial space during the next five years, and then an additional 25,000 square feet per year in year 6 and beyond, as indicated in the following table.

Projected Commercial Absorption in Glenwood Springs (SF)

Time Period	**Years 1 to 5**	**Years 6+ (annually)**
Regional Retail Demand in Glenwood Springs **Real Estate Product Type: Retail Storefront**		
Estimated Absorption (sf):	Over 5 years	Annually starting year 6
Latent Local Demand:	57,000 sf	na
Household Growth:	84,000 sf	8,000 sf
Visitors:	54,000 sf	11,000 sf
Total Retail Absorption:	**195,000 sf**	**19,000 sf**
Regional Household Services Demand in Glenwood Springs **Real Estate Product Type: Office Space and/or Office-Storefront**		
Estimated Absorption (sf):	Over 5 years	Annually starting year 6
Latent Local Demand:	61,000 sf	na
Household Growth:	28,000 sf	6,000 sf
Visitors:	na	na
Total Household Services Absorption:	**89,000 sf**	**6,000 sf**
Total Projected Commercial Absorption in Glenwood Springs (SF)		
Absorption (SF):	**284,000 sf**	**25,000 sf**

Lodging Market

Glenwood Springs has accommodations for business, historical-stay, and budget travelers. The lodging market has been slowly gaining strength over the past five years with both room rates and occupancy trending higher each year.

- Overall occupancy is around 65%, similar to the national average, but still leaving notable capacity to fill rooms.
- Average daily rates are now hovering around $112 per room night, which is also in line with the national average.
- While the occupancy rates indicate surplus capacity, the research survey conducted herein shows a barbell shaped supply with many aging low-budget motels, several, expensive historic hotels, but a lack of mid-priced accommodations.
- There is a notable lack of lodging choices that directly services Downtown and 6th Street attractions.
- Glenwood Springs should retain its independent and historic hotels and budget-minded accommodations. However, adding modern mid-priced lodging options, walkable from Downtown and 6th Street, would fill a niche missing in the market.
- With more choice and well located lodging the City may attractive a wider variety of visitors and would bring visitor dollars right to the core commercial district.

More focused market analysis is required to estimate an exact number of new lodging rooms that are feasible. Based on accessibility to the City's destinations, it seems likely that a mid-priced boutique hotel could be supported in the 6th Street Corridor, and that new development in the Confluence would support a boutique hotel as part of that project.

Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

10184 West Belleview Avenue

Suite 100

Littleton, Colorado 80127

www.DevelopmentResearch.net

303.991.0070

Development Research Partners