

MY MAIN STREET

APPENDIX

1. MARKET ANALYSIS

MY
MAIN
STREET

**DOWNTOWN PARKER
MARKET STUDY
FINAL REPORT**



The Economics of Land Use



Final Report

Downtown Parker Market Study

Prepared for:



Prepared by:
Economic & Planning Systems, Inc.

*Economic & Planning Systems, Inc.
730 17th Street, Suite 630
Denver, CO 80202-3511
303 623 3557 tel
303 623 9049 fax*

*Denver
Los Angeles
Oakland
Sacramento*

www.epsys.com

May 24, 2018
EPS #183009



Table of Contents

1.	INTRODUCTION	1
	Project Overview	1
	Methodology	2
	Report Structure.....	2
2.	MARKET AREA OVERVIEW	3
	Parker Trade Area.....	3
	Downtown Parker Study Area	4
3.	DEMOGRAPHIC AND EMPLOYMENT TRENDS	5
	Demographic Trends	5
	Housing Trends	9
	Employment Trends	13
4.	RESIDENTIAL DEVELOPMENT	19
	National Market Trends.....	19
	Local and Regional Market Trends	22
	Current Conditions.....	29
	Future Conditions	31
	Catalyst/Precedent Projects.....	33
	Key Findings	36
5.	OFFICE AND BUSINESS DEVELOPMENT	37
	National Trends	37
	Local and Regional Market Trends	37
	Current Conditions.....	45
	Future Conditions	47
	Catalyst/Precedent Projects.....	49
	Key Findings	50

Table of Contents (continued)

6.	RETAIL DEVELOPMENT	51
	National Market Trends.....	51
	Local and Regional Market Trends	53
	Current Conditions.....	59
	Future Conditions	62
	Catalyst/Precedent Projects.....	65
	Key Findings	71
7.	HOSPITALITY DEVELOPMENT MARKET	73
	Downtown Hospitality Market	73
	Local and Regional Trends	74
	Current and Future Conditions	79
	Catalyst/Precedent Project	81
	Key Findings	81
8.	PRELIMINARY DEVELOPMENT RECOMMENDATIONS.....	82
	APPENDIX – DEMAND ASSUMPTIONS AND FORECASTS	86



List of Tables

Table 1	Population and Household Trends, 2000-2017.....	5
Table 2	Median Household and Per Capita Income Trends, 2000-2017	8
Table 3	Housing Occupancy, 2000-2017	9
Table 4	Parker Housing Types by Tenure, 2000-2016	12
Table 5	Total Employment Trends, 2002-2015	13
Table 6	Employment Growth in Parker, 2002-2015	14
Table 7	Destinations of Parker Residents and Workers, 2015.....	16
Table 8	Parker Housing Inventory, 2010-2017	22
Table 9	Parker Building Permit Activity, 2008-2017	24
Table 10	Multifamily Average Rental Rate Trends, 2010-2017	26
Table 11	Multifamily Vacancy Rate Trends, 2010-2017	27
Table 12	Multifamily Rental Unit Absorption Trends, 2010-2017	28
Table 13	Downtown Parker Residential Inventory	29
Table 14	Multifamily Rental Projects in Parker, CO.....	30
Table 15	Household Demand Estimates, 2018-2028.....	31
Table 16	Residential Multifamily Unit Pipeline.....	32
Table 17	Office Development Inventory Trends, 2010-2017	38
Table 18	Office Development Delivery Trends, 2010-2017	38
Table 19	Office Average Rental Rate Trends, 2010-2017	40
Table 20	Office Vacancy Rate Trends, 2010-2017	42
Table 21	Office Development Absorption Trends, 2010-2017.....	43
Table 22	Office Development Trend Summary, 2000-2017	44
Table 23	Downtown Parker Office Inventory	45
Table 24	Office Future Demand Estimates	47
Table 25	Parker Office Pipeline.....	48
Table 26	Retail Inventory Trends, 2010-2017	53
Table 27	Retail Delivery Trends, 2010-2017	53
Table 28	Retail Average Rental Rate Trends, 2010-2017	55
Table 29	Retail Vacancy Rate Trends, 2010-2017	56
Table 30	Retail Absorption Trends, 2010-2017	57



List of Tables (continued)

Table 31	Retail Development Trend Summary, 2006-2017.....	58
Table 32	Downtown Parker Retail Inventory	59
Table 33	Downtown Retail Demand Estimates	62
Table 34	Grocery Store Formats.....	63
Table 35	Parker Retail Project Pipeline	64
Table 36	Hospitality Demand Segments	73
Table 37	Overnight Trip and Average Spending Per Night to Colorado, 2000-2016	75
Table 38	Accommodation and Food Employment (NAICS 72), 2002-2015	77
Table 39	Preliminary Use Recommendations	85
Table 40	Parker Household Demand Projections, 2018-2028	86
Table 41	Parker Office Demand Projections, 2018-2028	86



List of Figures

Figure 1	Project Sites.....	1
Figure 2	Parker Trade Area.....	3
Figure 3	Downtown Parker Study Area.....	4
Figure 4	Parker Age Distribution, 2010-2017.....	6
Figure 5	Parker Growth by Age Group Cohort, 2010-2017.....	7
Figure 6	Educational Attainment, 2017.....	7
Figure 7	Housing Tenure in Parker, 2000-2017.....	10
Figure 8	Housing Unit Distribution, 2017.....	10
Figure 9	Parker Growth in Occupied Units by Income, 2010-2016.....	11
Figure 10	Owner and Renter Occupied Housing Type, 2016.....	12
Figure 11	Parker Industrial Sector Growth, 2002-2015.....	15
Figure 12	Where Residents Work, 2015.....	17
Figure 13	Where Parker Employees Live, 2015.....	18
Figure 14	City and Suburban Growth Trends, 2000-2015.....	19
Figure 15	Parker Housing Inventory Distribution, 2010-2017.....	22
Figure 16	Parker Multifamily Rental Unit Deliveries, 2000-2018.....	23
Figure 17	Parker Building Permit Activity, 2008-2017.....	24
Figure 18	Multifamily Rental Unit Deliveries, 2000-2017.....	25
Figure 19	Multifamily Average Rental Rates, 2000-2017.....	26
Figure 20	Multifamily Vacancy Rates, 2000-2017.....	27
Figure 21	Multifamily Rental Unit Absorption, 2000-2017.....	28
Figure 22	Downtown Residential Locations.....	29
Figure 23	Multifamily Rental Project Pipeline.....	32
Figure 26	New Condo Project in the.....	35
Figure 25	Office Development Deliveries, 2000-2017.....	39
Figure 26	Office Deliveries by Size, 2000-2018.....	39
Figure 27	Office Average Rental Rates, 2000-2017.....	40
Figure 30	Office Rents in Castle Rock Compared to Denver Tech Center.....	41
Figure 31	Office Vacancy Rates in Castle Rock Compared to Denver Tech Center.....	41
Figure 30	Office Vacancy Rates, 2000-2017.....	42

List of Figures (continued)

Figure 31	Office Development Absorption, 2000-2017	43
Figure 32	Downtown Office Locations.....	46
Figure 33	Parker Office Pipeline.....	48
Figure 34	US E-Commerce Sales, 2001-2015	51
Figure 35	Retail Deliveries, 2006-2017.....	54
Figure 36	Retail Deliveries by Size, 2006-2018.....	54
Figure 37	Retail Average Rental Rates, 2006-2017	55
Figure 38	Retail Average Vacancy Rates, 2006-2017.....	56
Figure 39	Retail Absorption, 2006-2017	57
Figure 40	Downtown Parker Retail Inventory	60
Figure 41	Map of Existing Grocery Stores	61
Figure 42	Retail Project Pipeline Locations	64
Figure 43	Site Plan of Retail Establishments in Eastbridge Town Center	65
Figure 44	Civic Center, Broomfield Site Map.....	69
Figure 45	Site Map of Boulevard One, Lowry.....	70
Figure 46	Population Level Index, 2000-2016	74
Figure 47	Employment Level Index, 2002-2015.....	75
Figure 48	Overnight Trips to Colorado Index, 2000-2016.....	76
Figure 49	Average Overnight Spending per Leisure Trip, 2000-2016	76
Figure 50	Accommodation and Food Employment Index (NAICS 72), 2002-2015	77
Figure 51	Parker Hotel Locations	80
Figure 52	Downtown Parker Cultural and Civic Uses	82

1. INTRODUCTION

Project Overview

Partnering for Parker's Progress (P3) is planning for the development and redevelopment of four underutilized parcels in Downtown Parker owned by the Town and P3, and shown in Figure 1. The four properties total over 30 acres of land within the Mainstreet District and their development can potentially strengthen the character and market position of the Downtown by adding a mix of uses and densities.

In past efforts, the positioning and disposition of these properties has met with community resistance to the potential uses and densities identified. As a result, P3 has engaged a consulting team, led by the Trestle Strategy Group, to work with the community on identifying compatible uses that are economically viable, catalyze nearby properties, and contribute to the market position of the Downtown area. To assist in this effort, Economic & Planning Systems (EPS) has completed this Downtown Market Study to identify what market driven uses would be viable for each of the sites within a range of timeframes, including short (2-3 years), mid (3-5 years) and long term (5-10 years) as well as to identify potential catalyst projects for the sites.

Figure 1
Project Sites



Methodology

To inform site development, EPS used both quantitative market research, including demographic, economic, and development data and qualitative interviews with local area developers and brokers. The qualitative research is particularly important in ground-truthing economic data and translating it to site specific opportunities within a downtown setting. EPS used both approaches to inform its feasibility estimates and modeling and to begin to create development strategies, including identifying potential catalyst projects for different sites.

Overall, the economic analysis portion of the project is split into two phases:

- **Phase I Market Study:** This report includes an analysis of market trends and current conditions in Parker's Downtown. The study also includes high-level demand estimates for different land use types over a 10 year forecast period. These demand estimates provide *top-down* view of what and how much development is potentially feasible in Downtown. However, the demand estimates do not inform whether or not something is feasible from a supply or construction standpoint. The estimates also rely on historic trends. While this helps to calibrate reasonable levels of development, they do not predict the future, which partially depends on Town disposition and investment decisions for the sites. Finally, the market study identifies potential precedent or catalyst projects for the four sites.

The market study was completed in collaboration with P3 and other Town of Parker staff, including providing market information and development inventory data. EPS also solicited input from P3 and the Town on key local area developers and brokers to better understand current development conditions and challenges.

- **Phase II Development Feasibility:** This analysis uses financial modeling to determine what specific projects identified in the engagement are financially feasible and whether or not these projects would need gap financing. It is based on a *bottom-up* view of what is feasible. This phase also focuses on creating site and area specific strategies for more comprehensively developing the four sites in the context of Downtown as well as development in Parker.

Report Structure

The report begins with a description of the study areas used in the analysis and an overview of the demographic and economic trends of Parker, Douglas County, and the 7-County Denver Metropolitan Region (Denver Metro Area). The report then reviews different development types and their potential for Downtown, including: residential; office; retail; and hospitality uses.

Analysis of each of the development types are summarized in separate chapters of the report. Each of these chapters contains a market overview, a summary of current conditions, a projection of future conditions—including an estimate of demand in the 10 year forecast period, and example precedent projects. The end of each chapter summarizes key findings.

The report ends with preliminary recommendation for development strategies and feasible land uses on each site. These preliminary findings are subject to more detailed feasibility analysis of catalyst development prototypes in Phase II of the project.

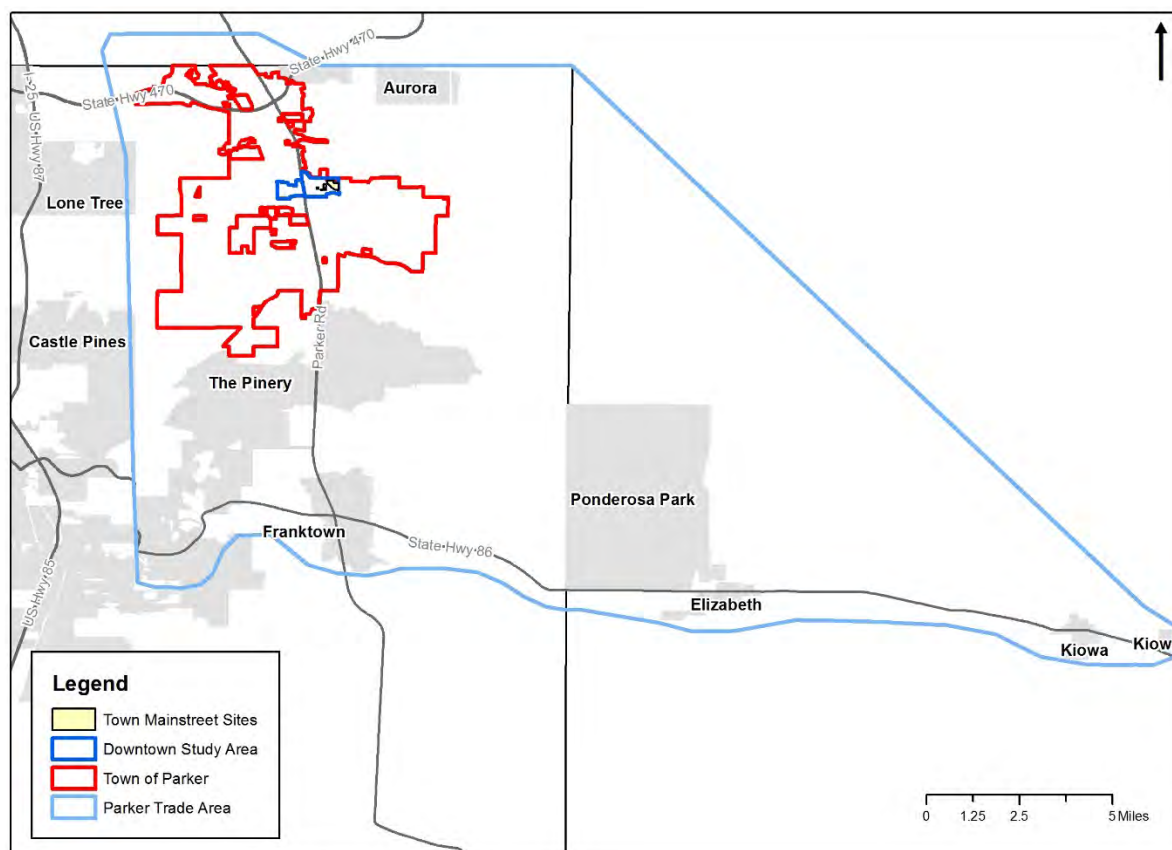
2. MARKET AREA OVERVIEW

This chapter reviews the geographies used as the basis of analysis for the report. The Town of Parker defined these geographies, and it established boundaries for determining economic and demographic trends and estimating capture potential.

Parker Trade Area

Town staff defined the Parker Trade Area. The trade area is used in the retail analysis and represents the geography of where shoppers of Parker's retail stores live. The western boundary extends along Colorado Highway 86 and includes Franktown, Elizabeth, and Kiowa; these small towns have few local retail options, and residents likely travel longer distance to purchase goods. The western boundary is defined by the eastern borders of Lone Tree and Castle Pines. Residents of communities west of the trade area boundary have more local retail options, and primarily use I-25 to service regional needs. The northern boundary is defined in relation to Parker's northern boundary and County Line Road.

Figure 2
Parker Trade Area

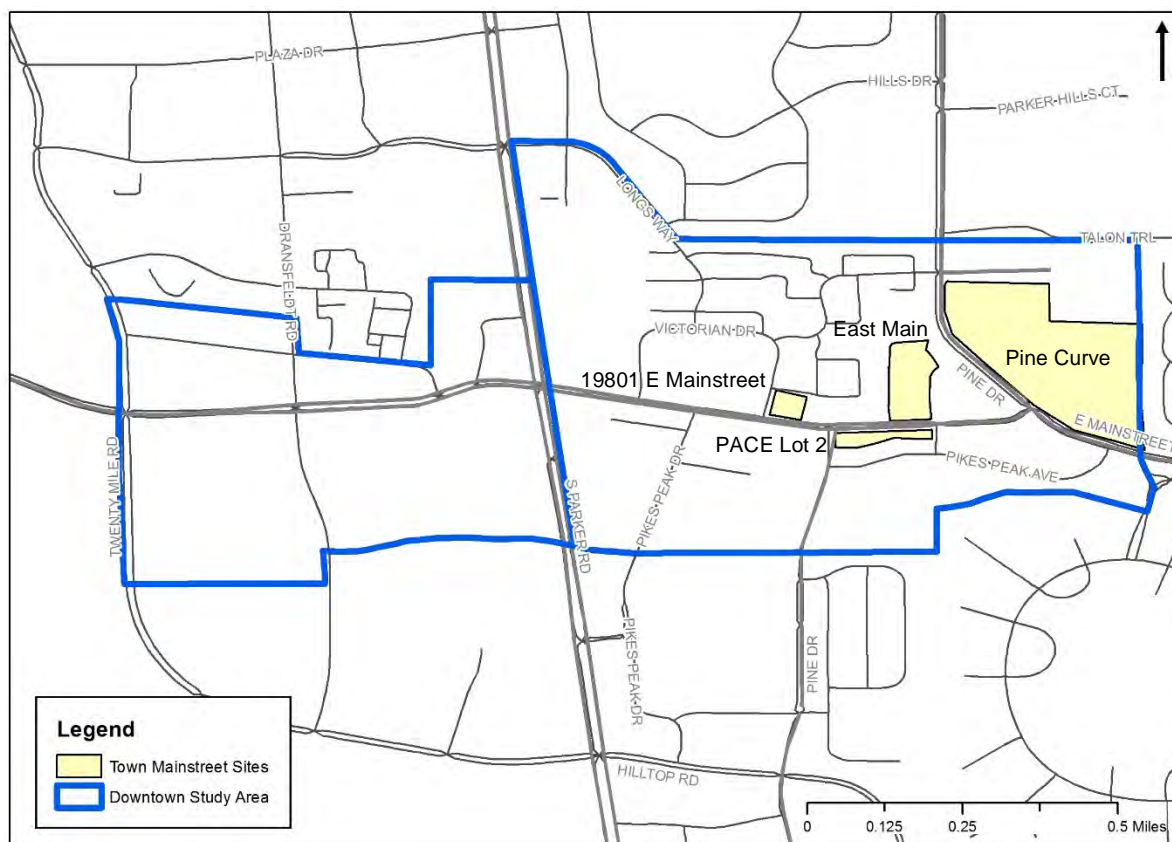


Downtown Parker Study Area

The Downtown Parker Study Area corresponds with the planning area in Parker’s Mainstreet Master Plan. As a result, the economic and development trends in this study help to build on and inform the recommendations in the Mainstreet Master Plan.

EPS evaluated the Downtown Study Area as a submarket of Parker. Overall local and regional trends occurring in or impacting Parker will have an effect on the level of demand in Downtown. However, the Downtown Study Area also offers the potential to have a denser, mixed-use and less suburban environment as compared to the rest of the Town. As a result, there is a distinct market opportunity in the Downtown Study Area compared to the rest of Parker that will also allow the Town to introduce more competitive products that respond to changing regional and generational preferences. As a result, findings and recommendations in this report, while sometimes speaking to Parker as a whole, relate specifically to Downtown.

Figure 3
Downtown Parker Study Area



3. DEMOGRAPHIC AND EMPLOYMENT TRENDS

This chapter summarizes the demographic and employment trends for the Downtown Study Area, Parker, Douglas County, and the Denver Metro Area. The trends and historical growth rates are used to inform demand forecasts for each land use category and provide an overall backdrop to shifts in population and preferences.

Demographic Trends

Population and Households

From 2000 to 2010, Parker grew rapidly at an average of 2,163 residents per year or an average annual rate of 6.7 percent. This rate of growth was faster than Douglas County and the Denver Metro Area, which grew at average annual rates of 5.0 percent and 1.6 percent respectively. In terms of households, Parker grew by an average of 796 households per year or at an average annual rate of 7.2 percent—faster than Douglas County and the Denver Metro Area, which grew by 5.3 percent and 1.7 percent respectively, as shown in Table 1.

Table 1
Population and Household Trends, 2000-2017

Description	2000	2010	2017	2000-2010			2010-2017		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Population									
Downtown	1,567	2,089	2,231	522	52	2.9%	142	20	0.9%
Parker	23,667	45,297	52,017	21,630	2,163	6.7%	6,720	960	2.0%
Douglas County	175,789	285,465	335,339	109,676	10,968	5.0%	49,874	7,125	2.3%
Denver Metro	2,179,469	2,543,482	2,877,694	364,013	36,401	1.6%	334,212	47,745	1.8%
Households									
Downtown	691	939	1,005	248	25	3.1%	66	9	1.0%
Parker	7,953	15,917	18,042	7,964	796	7.2%	2,125	304	1.8%
Douglas County	60,936	102,018	118,774	41,082	4,108	5.3%	16,756	2,394	2.2%
Denver Metro	852,252	1,004,696	1,128,022	152,444	15,244	1.7%	123,326	17,618	1.7%

Source: Esri, Economic & Planning Systems

Since 2010, growth has slowed in Parker and Douglas County while increasing in the Denver Metro. Over this time period, Parker grew by 960 people or 2.0 percent annually and by 304 household or 1.8 percent annually. Douglas County grew at a faster rate, with its population increasing by 2.3 percent per year and number of households increasing by 2.2 percent per year. In contrast, the Denver Metro Area growth rate increased from an average of 36,401 people and 15,244 households per year from 2000 to 2010 to 47,745 people and 17,618 households per year since 2010. This shift in growth may reflect national shifts in preferences from more suburban areas to more urban and mixed-use centers, and results from the rapid growth in Denver since 2010.

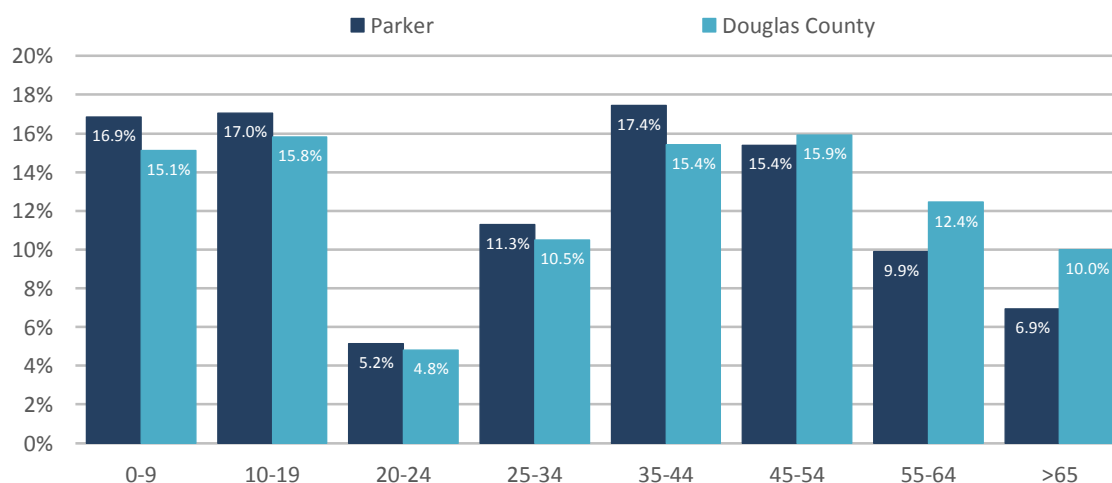
Downtown Parker's growth has generally followed the Town's overall trend, with growth decreasing since 2010. From 2000 to 2010, Downtown grew by a total of 522 people or 248

households, an average of 52 residents and 25 households per year. Since 2010, Downtown Parker has grown by an average of 20 residents and nine households per year.

Population by Age

The Town of Parker is primarily made up of family-aged households—with middle-aged adults from 35 to 54 and children aged 0 to 19 comprising 70 percent of the population in 2010 and 67 percent of the population in 2017, as shown in Figure 4. These data highlight one of its key strengths—its attractiveness to families with children. Since 2010, Parker’s population distribution has generally shifted older, with both older families and a higher percentage of adults 55 years or older.

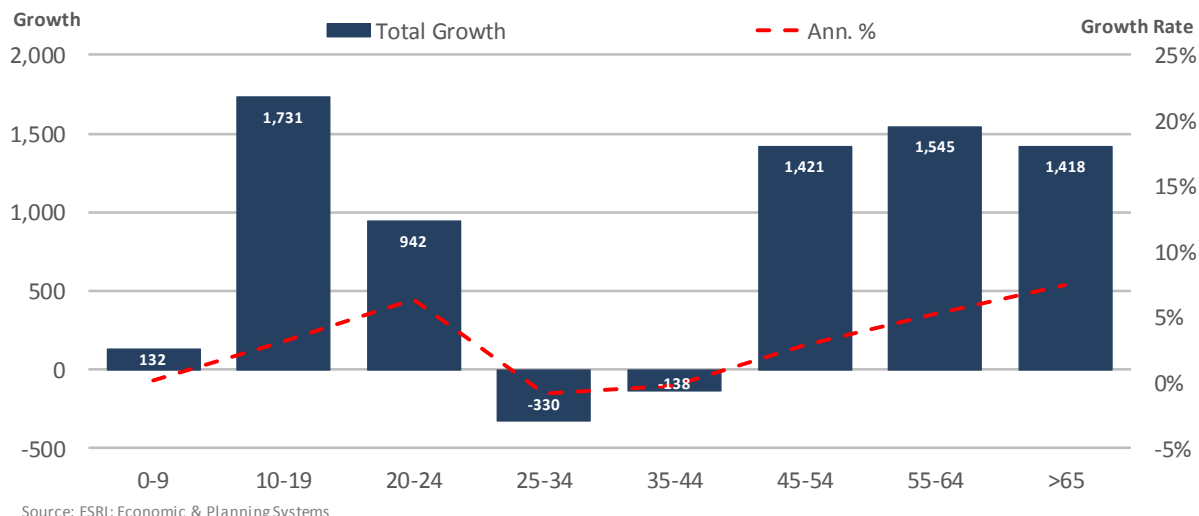
Figure 4
Parker Age Distribution, 2010-2017



Source: ESRI; Economic & Planning Systems

Total growth from 2010 to 2017 and the annual percent growth by age cohort are shown in Figure 5. The Town increased the most in the 10 to 19 year old age cohort, adding a total of 1,731 residents. This total is followed by the 45 to 54 (1,421 residents), 55 to 64 (1,545 residents), and greater than 65 age cohorts (1,418 residents). The Town lost population in the 25 to 34 (330 residents) and 35 to 44 (138 residents) year old age cohorts.

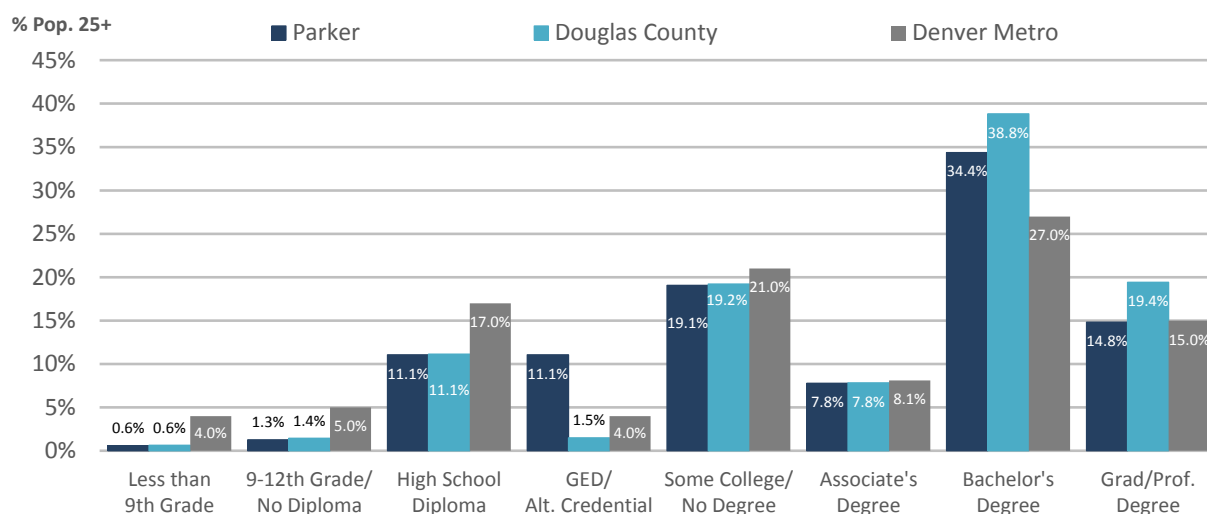
Figure 5
Parker Growth by Age Group Cohort, 2010-2017



Education

Parker is highly educated with 49 percent of residents over 25 years old receiving a bachelor's degree or higher. While this percent is lower than Douglas County, where 58 percent of residents over 25 year old have at least a bachelor's degree, it is higher than the metro area as a whole at 42 percent. These data also speak to the talent of the labor force in Parker, which can be tapped by potential employers looking to locate in the area.

Figure 6
Educational Attainment, 2017



Income

Since 2000, the median household income (MHI) in Parker has grown from \$74,116 to \$101,481 in 2017, as shown in Table 2. Today, the Town's MHI is slightly below Douglas County at \$109,183, but significantly above the MHI of the Denver Metro Area at \$70,077. From 2000 to



2010 the MHI grew by an average of 1.8 percent per year in Parker, and, from 2010 to 2017 the MHI grew by an average of 2.0 percent per year.

Table 2
Median Household and Per Capita Income Trends, 2000-2017

Description	2000	2010	2017	2000-2010			2010-2017		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Median Household Income									
Parker	\$74,116	\$88,644	\$101,481	\$14,528	\$1,453	1.8%	\$12,837	\$1,834	2.0%
Douglas County	\$82,929	\$99,198	\$109,183	\$16,269	\$1,627	1.8%	\$9,985	\$1,426	1.4%
Denver Metro	---	\$60,137	\$70,077	---	---	---	\$9,940	\$1,420	2.2%
Per Capita Income									
Parker	\$27,479	\$34,734	\$40,702	\$7,255	\$726	2.4%	\$5,968	\$853	2.3%
Douglas County	\$34,848	\$42,418	\$49,003	\$7,570	\$757	2.0%	\$6,585	\$941	2.1%
Denver Metro	---	\$32,173	\$37,857	---	---	---	\$5,684	\$812	2.4%

Source: ESRI, Census, DOLA, Economic & Planning Systems

Housing Trends

Household Tenure

Since 2000, renter occupied housing has grown at a faster rate than owner occupied housing, as shown in Table 3. In Douglas County, much of this growth took place from 2000 to 2010. During this time period, renter occupied units in Parker grew at an average of 299 units per year or an annual rate of 16.7 percent. At the same time, owner occupied units in Parker grew by 5.4 percent per years. In Douglas County, renter occupied housing grew by an average annual rate of 10.3 percent and owner occupied housing growing at an average annual rate of 4.4 percent.

From 2010 to 2017, the rate of renter occupied growth slowed in Douglas County, but still outpaced owner occupied housing. In Parker, the rate of growth in renter occupied units dropped to 1.9 percent, compared to 1.8 percent for owner occupied units. However, much of this growth has taken place since 2014, and in recent years, multifamily units accounted for over half of the units permitted, as shown in Figure 17 in Chapter 4.

In contrast to Douglas County, the rate of growth of renter occupied housing in the Denver Metro Area increased from an average of 7,635 per year or an annual rate 2.4 percent in the 2000 to 2010 time period to 11,433 per year or an annual rate 2.9 percent in the 2010 to 2017 time period. This follows national trends coming out of the Great Recession of more renters.

Table 3
Housing Occupancy, 2000-2017

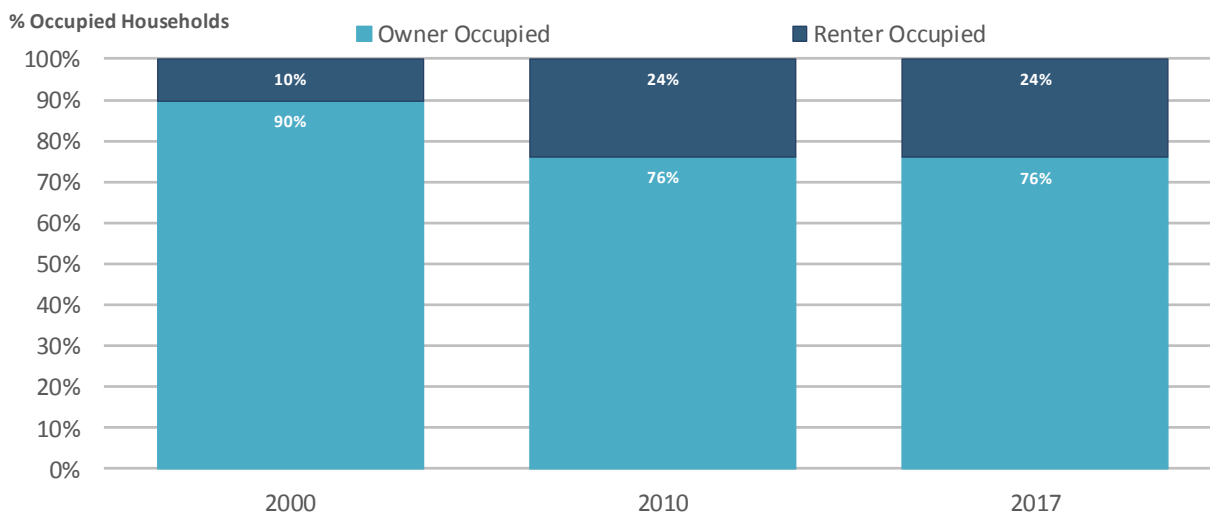
Description	2000	2010	2017	2000-2010			2010-2017			2000-2017		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Parker												
Owner Occupied	7,144	12,118	13,713	4,974	497	5.4%	1,595	228	1.8%	6,569	386	3.9%
Renter Occupied	809	3,799	4,328	2,990	299	16.7%	529	76	1.9%	3,519	207	10.4%
Vacant	418	617	564	199	20	4.0%	-53	-8	-1.3%	146	9	1.8%
Total	8,371	16,534	18,605	8,163	816	7.0%	2,071	296	1.7%	10,234	602	4.8%
Douglas County												
Owner Occupied	53,542	82,230	93,145	28,688	2,869	4.4%	10,915	1,559	1.8%	39,603	2,330	3.3%
Renter Occupied	7,394	19,788	25,629	12,394	1,239	10.3%	5,841	834	3.8%	18,235	1,073	7.6%
Vacant	2,410	4,841	5,081	2,431	243	7.2%	240	34	0.7%	2,671	157	4.5%
Total	63,346	106,859	123,855	43,513	4,351	5.4%	16,996	2,428	2.1%	60,509	3,559	4.0%
Denver Metro												
Owner Occupied	570,434	646,530	689,828	76,096	7,610	1.3%	43,298	6,185	0.9%	119,394	7,023	1.1%
Renter Occupied	281,818	358,166	438,194	76,348	7,635	2.4%	80,028	11,433	2.9%	156,376	9,199	2.6%
Vacant	38,868	74,141	56,146	35,273	3,527	6.7%	-17,995	-2,571	-3.9%	17,278	1,016	2.2%
Total	891,120	1,078,837	1,184,168	187,717	18,772	1.9%	105,331	15,047	1.3%	293,048	17,238	1.7%

Source: ESRI, Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-ESRI Data.xlsx\T-Tenure

This faster rate of growth has shifted the distribution of occupied units. For example, Figure 7 shows how the percentage of renter occupied housing in Parker increased from 10 percent in 2000 to 24 percent in 2017.

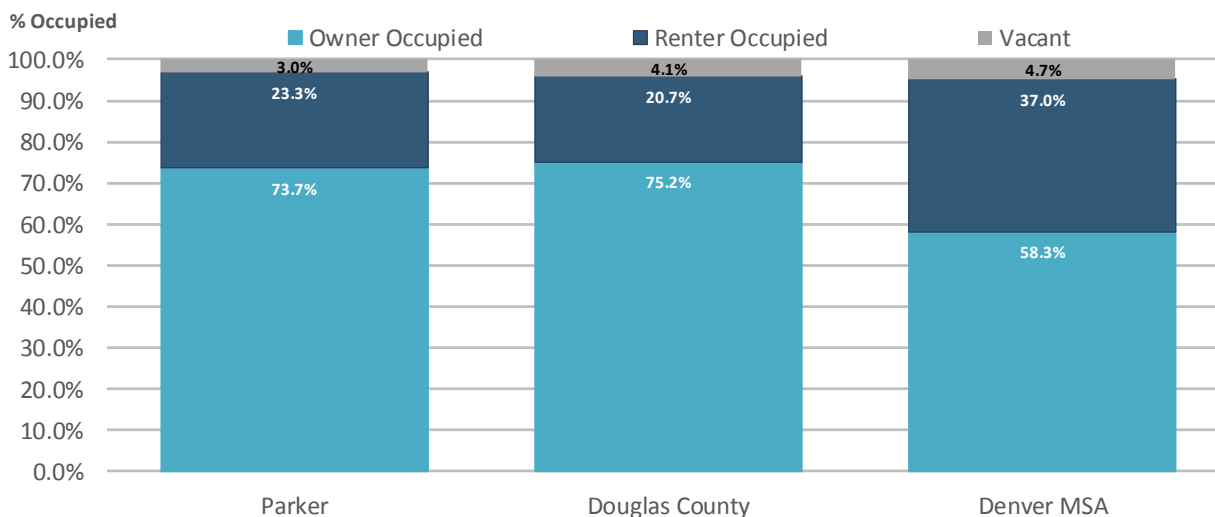
Figure 7
Housing Tenure in Parker, 2000-2017



Source: ESRI, Economic & Planning Systems

In 2017, the majority of housing in Douglas County and the Denver Metro Area was owner occupied, as shown in Table 3 and Figure 8. In Parker, 74 percent of housing was owner occupied, and, in Douglas County, this percentage was higher at 75 percent. The Denver Metro Area has more diversity in terms of housing tenure, and the percentage of owner occupied housing was 58 percent. For all geographies, vacant units made up between 3 and 5 percent of total housing units.

Figure 8
Housing Unit Distribution, 2017

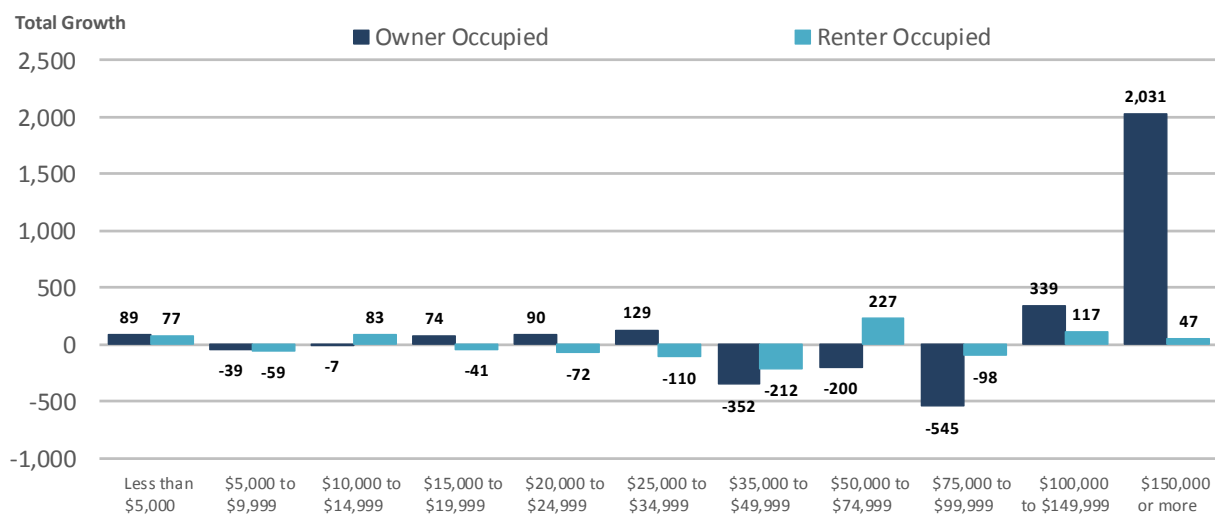


Source: ESRI, Economic & Planning Systems

Household Tenure by Income

Since 2010, by far the largest amount of household growth in Parker was for owner occupied households earning \$150,000 or more in income, as shown in Figure 9. The next highest growth took place for households earning between \$100,000 and \$149,999 in income. For renter occupied households, the largest amount of growth occurred for households earning between \$50,000 and \$74,999. These numbers can help establish income targets for new multifamily development in Parker and Downtown.

Figure 9
Parker Growth in Occupied Units by Income, 2010-2016



Source: US Census; Economic & Planning Systems

Housing Types

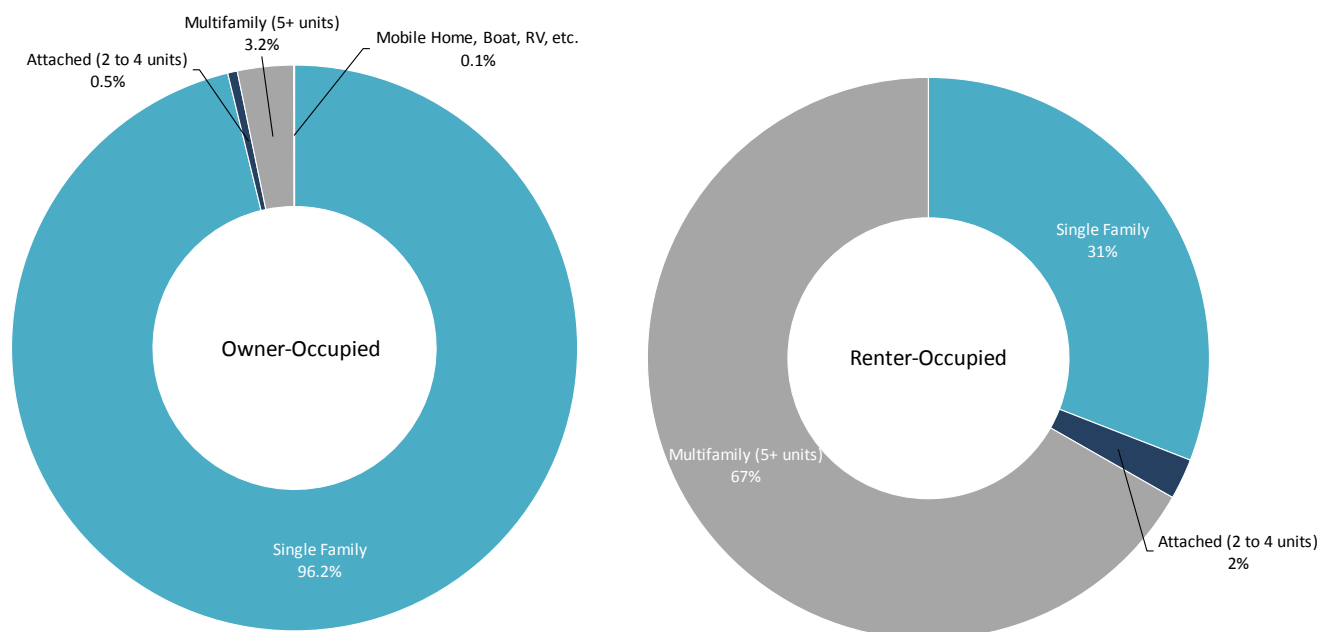
The majority of housing units in Parker are single family homes. In 2016, there were 13, 926 single family homes, which represented 82.1 percent of all units, as shown in Table 4 and Figure 10. The number of multifamily units out of the total of all housing units increased from 5.7 percent in 2000 to 16.9 percent in 2016. This shift in distribution resulted from an average annual growth rate for multifamily units of 12.3 percent from 2000 to 2016, compared to 4.0 percent for single family homes over this same time period.

Table 4
Parker Housing Types by Tenure, 2000-2016

Housing Type	2000		2016		2000-2016		
	Amount	% Total	Amount	% Total	Total	Ann. #	Ann. %
Single Family	7,392	93.3%	13,926	82.1%	6,534	408	4.0%
Attached (2 to 4 units)	59	0.7%	159	0.9%	100	6	6.4%
Multifamily (5+ units)	448	5.7%	2,872	16.9%	2,424	152	12.3%
Mobile Home, Boat, RV, etc.	24	0.3%	7	0.0%	-17	-1	-7.4%
Total	7,923	100%	16,964	100%	9,041	565	4.9%

Source: US Census; Economic & Planning Systems

Figure 10
Owner and Renter Occupied Housing Type, 2016



Source: US Census; Economic & Planning Systems



Employment Trends

This section summarizes the employment trends, first looking at total employment and sector growth and then focusing on commuting patterns.

Total Employment

Employment in Downtown and Parker as a whole has grown faster than both Douglas County and the Denver Metro Area. From 2002 to 2015, Downtown Parker added a total of 1,634 jobs at an average annual rate of 6.7 percent, and Parker grew by a total of 8,013 jobs at an average annual rate 5.8 percent. Over this same time period, Douglas County grew by 3.8 percent per year, and the Denver Metro Area grew by 1.4 percent per year.

Table 5
Total Employment Trends, 2002-2015

Geography	2002	2010	2015	Total	Ann. #	Ann. %
Downtown	1,224	1,276	2,858	1,634	126	6.7%
Parker	7,477	11,140	15,490	8,013	616	5.8%
Douglas County	69,008	95,722	111,533	42,525	3,271	3.8%
Denver Metro	1,171,534	1,212,884	1,404,819	233,285	17,945	1.4%

Source: LEHD; Economic & Planning Systems

Employment by Industry

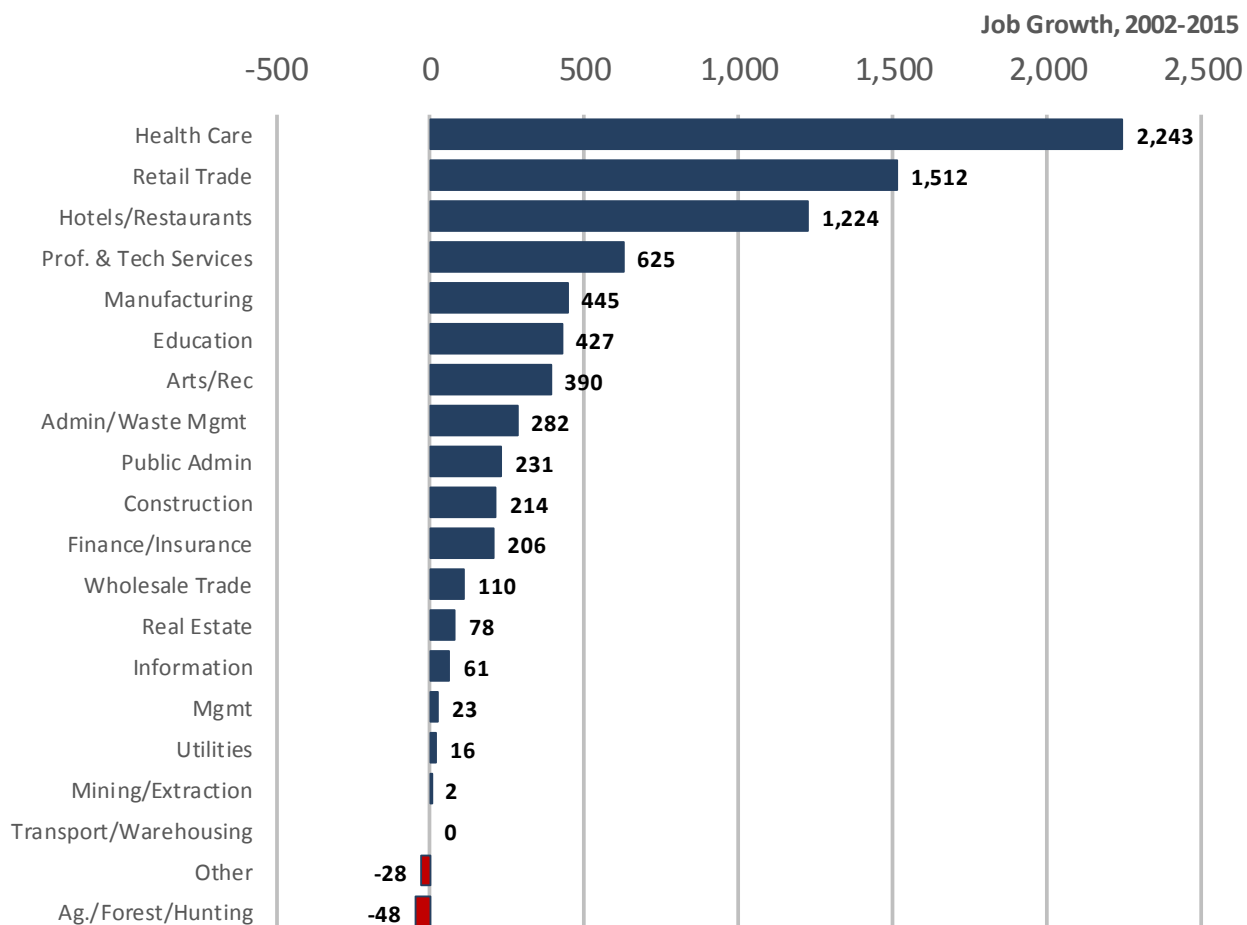
As of 2015, there were a total of 15,490 jobs in the Town of Parker. Employment has grown at a robust rate of nearly 6 percent per year since 2002 as shown in Table 6. Health Care, Retail Trade, and Hotels/Restaurants are the top three sectors in terms of total employment growth. These three sectors are secondary industries, driven by and supporting population growth; together, they account for approximately 60 percent of job growth since 2002, as shown in Figure 11. In addition to the top three growth sectors, professional and technical services grew by a total of 625 jobs. Growth in this sector contributes to office demand in Parker. Manufacturing also grew by 445 jobs since 2002, contributing to demand for industrial and flex space.

Table 6
Employment Growth in Parker, 2002-2015

Employment	2002	2010	2015	2002-2015		
				Total	Ann. #	Ann. %
Health Care	600	2,067	2,843	2,243	173	12.7%
Retail Trade	1,591	2,635	3,103	1,512	116	5.3%
Hotels/Restaurants	994	1,777	2,218	1,224	94	6.4%
Prof. & Tech Services	375	631	1,000	625	48	7.8%
Manufacturing	247	543	692	445	34	8.2%
Education	157	207	584	427	33	10.6%
Arts/Rec	88	481	478	390	30	13.9%
Admin/Waste Mgmt	593	339	875	282	22	3.0%
Public Admin	509	40	740	231	18	2.9%
Construction	633	500	847	214	16	2.3%
Finance/Insurance	232	364	438	206	16	5.0%
Wholesale Trade	286	325	396	110	8	2.5%
Real Estate	163	128	241	78	6	3.1%
Information	29	89	90	61	5	9.1%
Mgmt	9	19	32	23	2	10.2%
Utilities	51	80	67	16	1	2.1%
Mining/Extraction	9	4	11	2	0	1.6%
Transport/Warehousing	79	66	79	0	0	0.0%
Other	783	835	755	-28	-2	-0.3%
Ag./Forest/Hunting	49	10	1	-48	-4	-25.9%
Total	7,477	11,140	15,490	8,013	616	5.8%

Source: LEHD; Economic & Planning Systems

Figure 11
Parker Industrial Sector Growth, 2002-2015



Source: LEHD; Economic & Planning Systems



Commuting Patterns

This section describes commuting patterns in and out of Parker. The Town is primarily a residential community, with the majority of residents commuting outside of Parker for work. Further, the majority of workers employed in Parker, live elsewhere, and commute into Parker for work. In total, 2,237 people both live and work in town, which represents 9 percent of the residential labor force, and 15 percent of Parker employment. Table 7 lists where Parker residents were employed, and where Parker workers lived in 2015. The largest number of residents commuted to Denver for work (21 percent), followed by Centennial (9 percent) and Aurora (9 percent). The largest number of Parker employees lived in Aurora (15 percent), followed by Parker (14 percent), and Denver (10 percent).

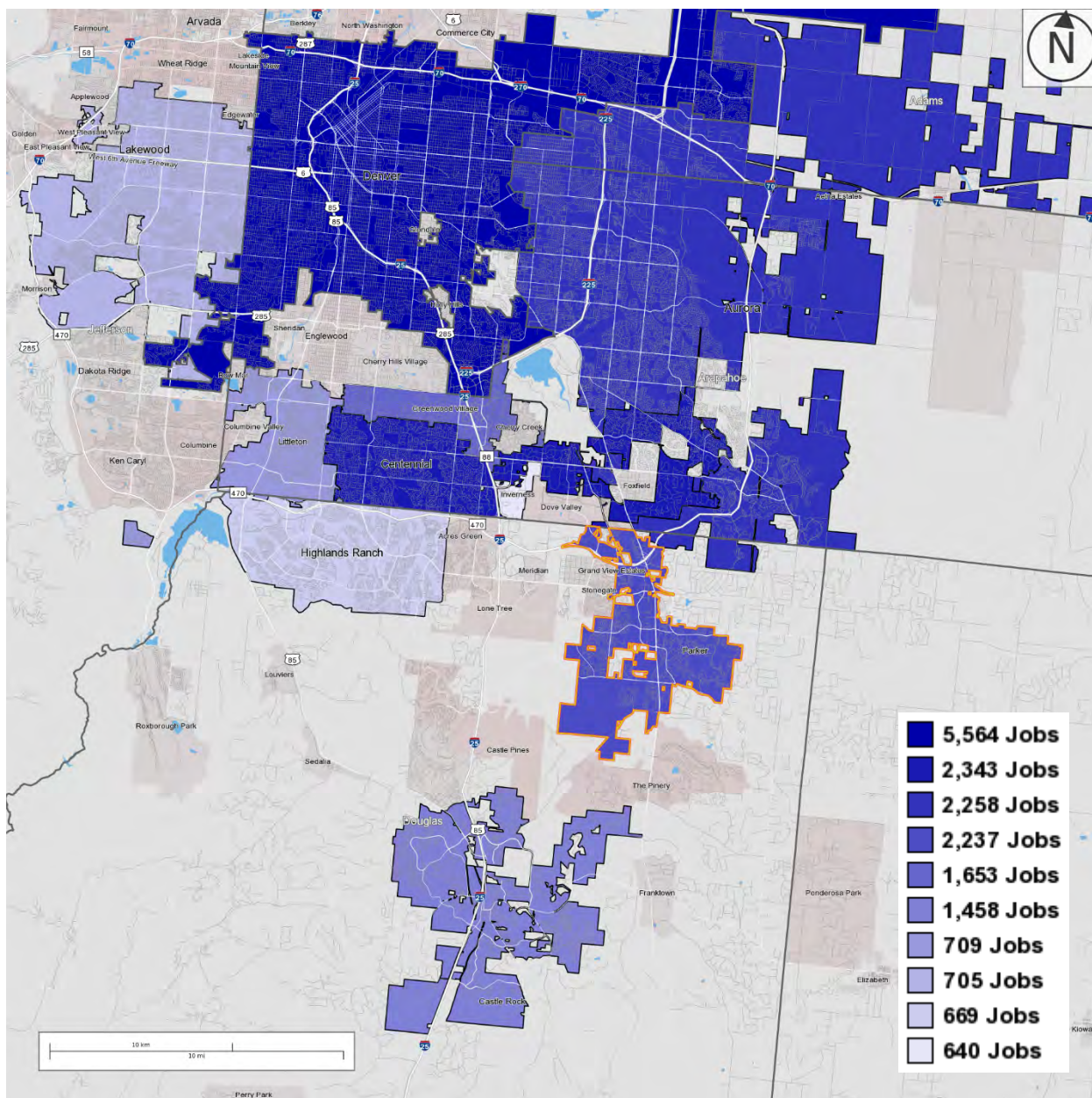
Table 7
Destinations of Parker Residents and Workers, 2015

Where Parker Residents are Employed			Where Parker Workers Live		
Work Destination	Amount	Percent	Home Destination	Amount	Percent
Denver	5,564	21%	Aurora	2,367	15%
Centennial	2,343	9%	Parker	2,237	14%
Aurora	2,258	9%	Denver	1,494	10%
Parker	2,237	9%	Centennial	691	4%
Greenwood Village	1,653	6%	Castle Rock	653	4%
Castle Rock	1,458	6%	Highlands Ranch	603	4%
Littleton	709	3%	Colorado Springs	421	3%
Lakewood	705	3%	The Pinery	380	2%
Highlands Ranch	669	3%	Stonegate	289	2%
Inverness	640	2%	Lakewood	235	2%
Other	<u>7,650</u>	<u>30%</u>	Other	<u>6,120</u>	<u>40%</u>
Total	25,886	100%	Total	15,490	100%

Source: LEHD; Economic & Planning Systems

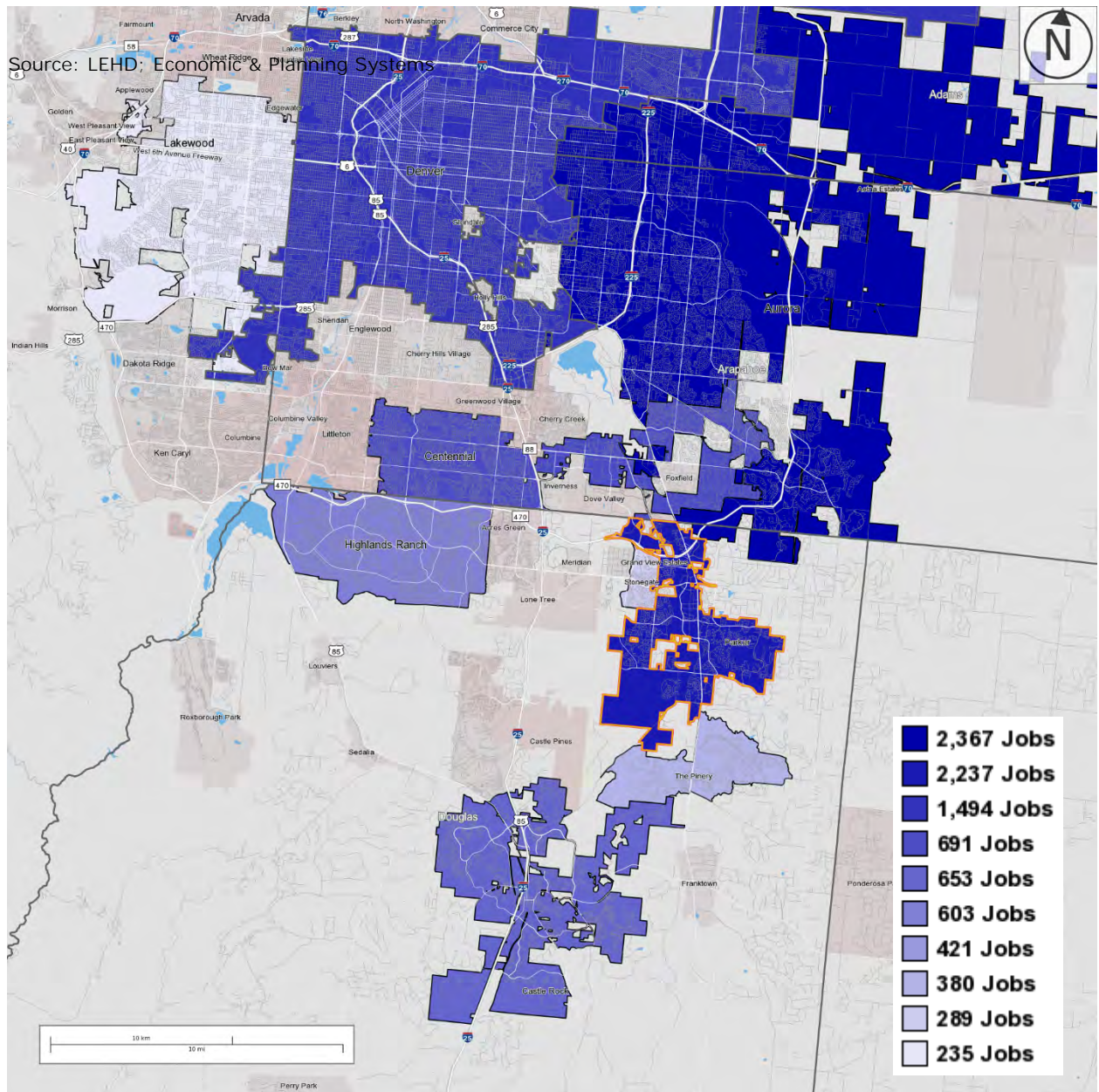
H:\183009-Parker URA Market Study\Data\183009- LEHD Data.xlsx\T-Destinations

Figure 12
Where Residents Work, 2015



Source: LEHD; Economic & Planning Systems

Figure 13
Where Parker Employees Live, 2015



4. RESIDENTIAL DEVELOPMENT

This chapter reviews trends in residential demand, first looking at national trends and then focusing on local and regional trends. The chapter goes on to characterize the current residential conditions and estimates future residential conditions as well as presents precedent/catalyst projects.

National Market Trends

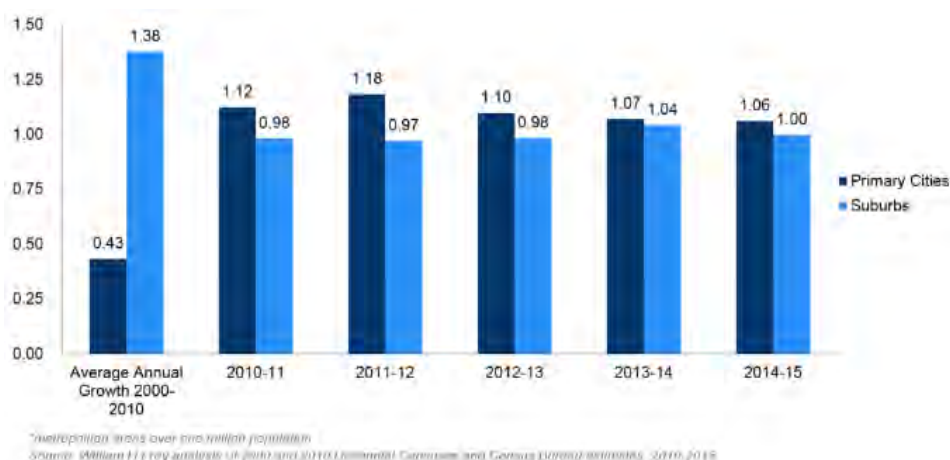
Housing Preferences

Housing preferences are changing as broad demographic shifts occur at the national and local levels, increasing demand for compact walkable communities close to services and shopping. Two major shifts have occurred recently—cities grew faster than suburbs, and household growth was fastest for the Baby Boom and Millennial generations who have distinct preferences for walkable, urban locations.

Prior to 2010, suburbs in the United States grew faster than core cities. From 2010 to 2015, however, this trend reversed and cities outpaced suburbs in growth, as shown in Figure 14. Primary cities have also been growing faster than previous decades. Between 2010 and 2015, the annual growth rates of cities with over 1 million people were double the average annual rate between 2000 and 2010. In this analysis, primary cities are defined as the largest city in a metropolitan area over 1 million people. Examples include Denver, Colorado; Oklahoma City, Oklahoma; Salt Lake City, Utah; and Tucson, Arizona.

This trend is now shifting again—according to the latest Census estimates, between 2015 and 2016 suburbs grew faster than cities for the first time since 2010. While both cities and suburbs experienced slower growth rates over this time, this shift reflects a larger decline in the growth rate of cities than suburbs. While this is only a one-year data point and does not necessarily reflect long-term trends, it may indicate a shift in preferences, ability to move, or potentially a natural shift as cities become more expensive, which will impact both urban and suburban areas.

Figure 14
City and Suburban Growth Trends, 2000-2015



Recent trends in housing preferences are also affecting the type of development that is occurring. The Urban Land Institute's national survey of views on housing, transportation, and community, "America in 2013," found that demand will continue to rise for infill residential development that is less car-dependent. Among the findings:

- 61 percent of respondents prefer a smaller home with a shorter commute over a larger home with a longer commute;
- 53 percent want to live close to shopping;
- 52 percent prefer to live in mixed-income housing; and
- 51 percent prefer access to public transportation.

A second survey, "America in 2015," found that just over half of all Americans, and 63 percent of Millennials, would like to live in a place where they do not need to use a car very often. The survey results also indicate a likely shift in demand toward denser single family housing types, such as townhomes and row houses.

In addition, the National Association of Realtors reports that:

- Cost is a major factor in housing choice, as 59 percent of buyers will make tradeoffs to stay in budget;
- Sense of place is also an increasingly important factor, with a majority of buyers preferring neighborhoods that have a mix of houses, shops, and businesses;
- Only 12 percent of buyers prefer traditional subdivisions with houses only.

Walkability and convenience are also critical factors; 59 percent of buyers prefer walkable neighborhoods over conventional suburban areas, and 59 percent would downsize for a commute time under 20 minutes.

Great Recession Impacts

The Great Recession had a lasting impact on the housing market. First, there was a 40 percent reduction in middle class net worth, primarily due to significant decreases in home values.¹ Second, lending tightened, which eliminated many first time home buyers. Following these trends, builders built less entry-level priced housing, which shrank or eliminated their move-up market. These impacts are still being felt. The most visible effect was the increase in apartment and other rental housing construction across the U.S.

One major characteristic of many housing markets is the "Missing Middle"—a decline in both middle density and middle priced homes. As builders focus on more profitable move-up and luxury price points, this piece of the housing market has received less attention from builders and developers.

Demographic Shifts

Two groups that are affecting, and will continue to affect, the housing market are Millennials (those born between approximately 1980 and 2000) and Baby Boomers (born between 1946 and

¹ *The Lost Decade of the Middle Class*. Pew Research Center, 2012.

1964). For the retiring Baby Boom generation, lifestyle is an important factor in housing choice. This group seeks convenience, locations conducive to health and activity, low-maintenance housing, and communities where they can stay engaged. Younger Millennials, when making housing choices, seek convenience, a sense of community, diversity, opportunity for work-life balance, and proximity to work. This shift in preferences changes where they want to live, what they want to live in, and what they are willing to pay. For example:

- Two-thirds say living in a walkable community is very important to their location decision, and
- One-half say they would trade lot size for proximity to shopping or to work.
- One-third of this group will pay more for housing that is walkable to shops, work, and entertainment

The preferences of Baby Boomers and Millennials, as the two largest demographic groups in the country, are shifting the housing market. There is greater demand for centrally located neighborhoods, as well as for rental housing. Convenience and access to amenities are key drivers of choice, and walkability commands a premium. The housing market is becoming increasingly segmented; while demand for detached single family homes remains strong, there is growing interest in smaller homes and attached housing, particularly if these models provide the ability to live in the "right place." More frequently people are willing to make trade-offs to find the best fit, and location and amenities are playing an increasing role in these choices.

Local and Regional Market Trends

Inventory

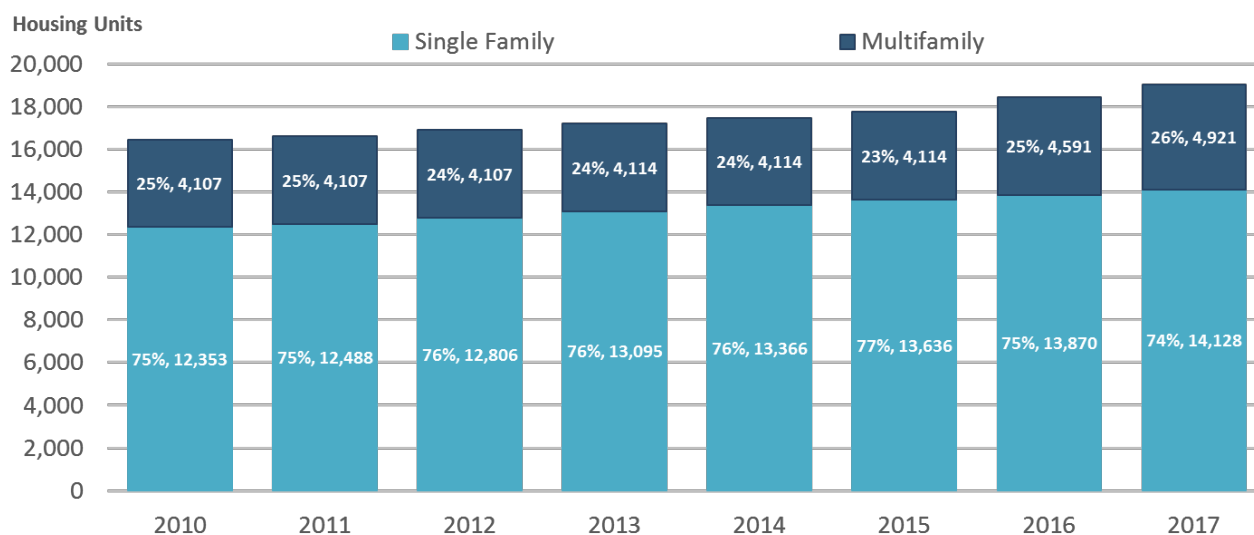
From 2010 through 2015, there was little growth in multifamily units in Parker. However, in 2016 and 2017, the Town added 807 units over two years as shown in Table 8. As of 2017, single family units represented 74 percent of Parker's housing inventory, and multifamily units represented 26 percent of the Town's inventory, as shown in Figure 15. Additionally, permit activity in 2018 shows continued momentum in multifamily activity as shown below.

Table 8
Parker Housing Inventory, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017		
									Total	Ann. #	Ann. %
Single Family	12,353	12,488	12,806	13,095	13,366	13,636	13,870	14,128	1,775	254	1.9%
Multifamily	<u>4,107</u>	<u>4,107</u>	<u>4,107</u>	<u>4,114</u>	<u>4,114</u>	<u>4,114</u>	<u>4,591</u>	<u>4,921</u>	<u>814</u>	<u>116</u>	<u>2.6%</u>
Total	16,460	16,595	16,913	17,209	17,480	17,750	18,461	19,049	2,589	370	2.1%

Source: Town of Parker; Economic & Planning Systems

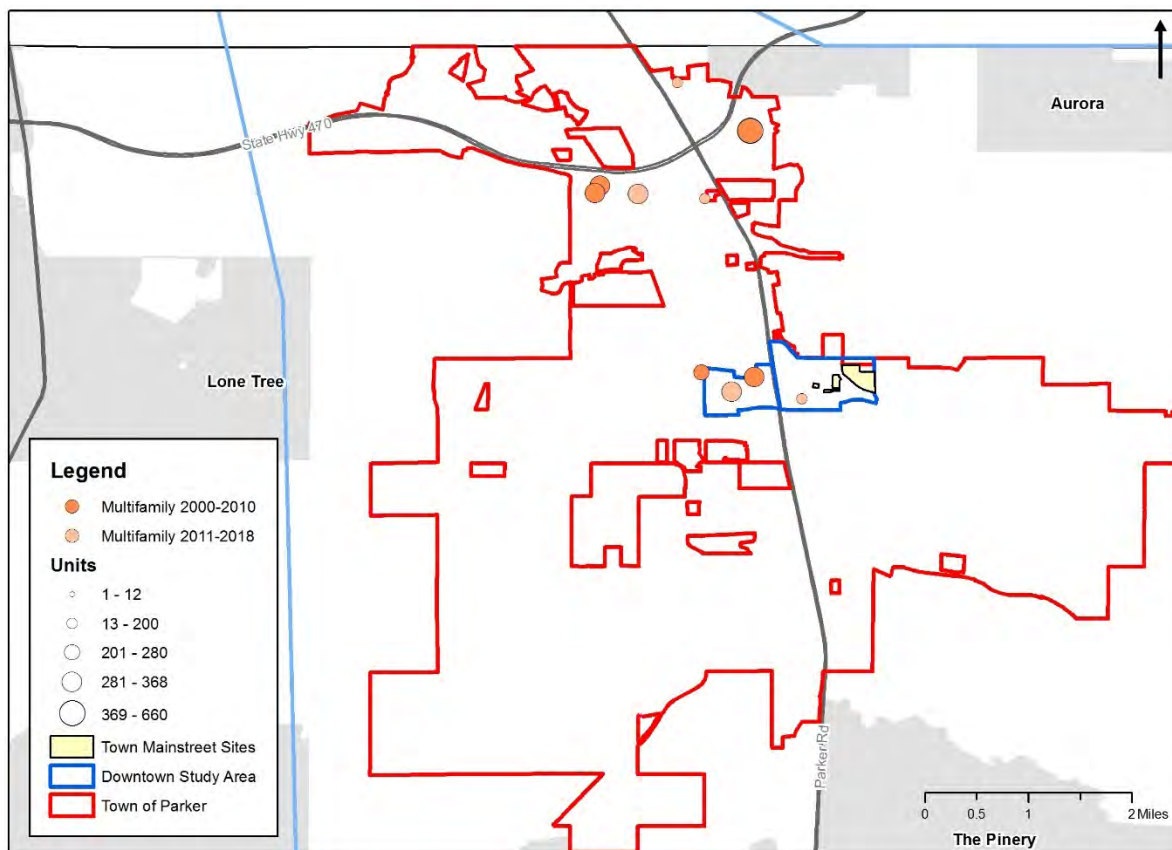
Figure 15
Parker Housing Inventory Distribution, 2010-2017



Source: Town of Parker; Economic & Planning Systems

Error! Not a valid bookmark self-reference. maps the location of multifamily rental developments in Parker. The developments tend to be located off of major roadways, including Parker Road and E-470. However, there are a number of development locations on Mainstreet in Downtown.

Figure 16
Parker Multifamily Rental Unit Deliveries, 2000-2018



Permit Activity and Multifamily Deliveries

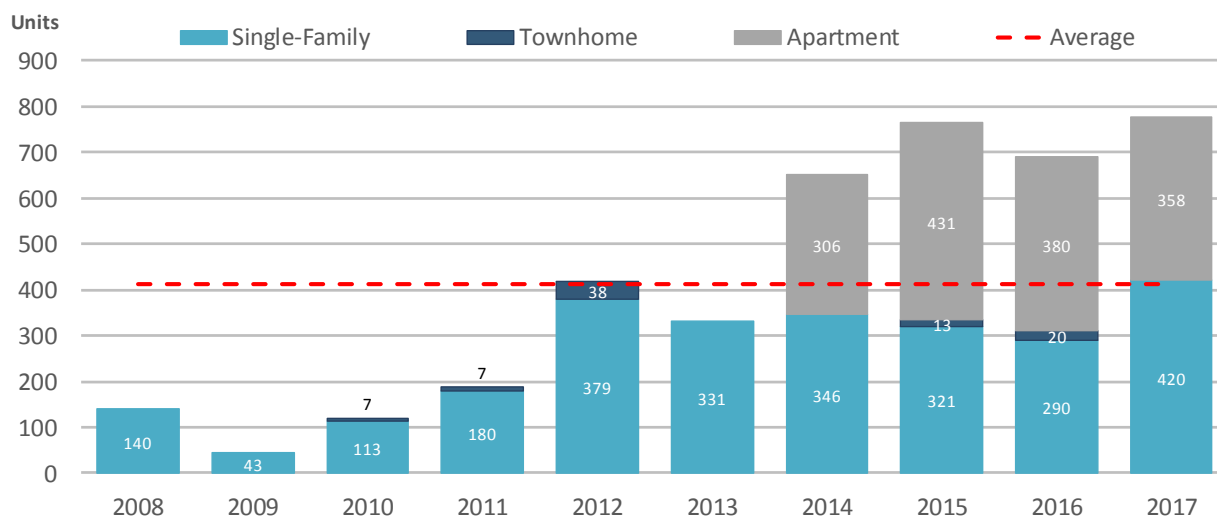
Since 2014, the Town has permitted 1,475 multifamily units, which represents approximately 50 percent of the units permitted over this time period, as shown in Table 9 and Figure 17. This comes after no units being permitted from 2008 to 2013. The increase in multifamily permits follows national trends coming out of the Great Recession.

Table 9
Parker Building Permit Activity, 2008-2017

Housing Type	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2017	
											Total	Avg.
Units												
Single Family	140	43	113	180	379	331	346	321	290	420	2,563	256
Townhome	0	0	7	7	38	0	0	13	20	0	85	9
Apartment	0	0	0	0	0	0	306	431	380	358	1,475	148
Total	140	43	120	187	417	331	652	765	690	778	4,123	412
% Total												
Single Family	100%	100%	94%	96%	91%	100%	53%	42%	42%	54%	62%	
Townhome	0%	0%	6%	4%	9%	0%	0%	2%	3%	0%	2%	
Apartment	0%	0%	0%	0%	0%	0%	47%	56%	55%	46%	36%	
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	

Source: Parker, CO; Economic & Planning Systems

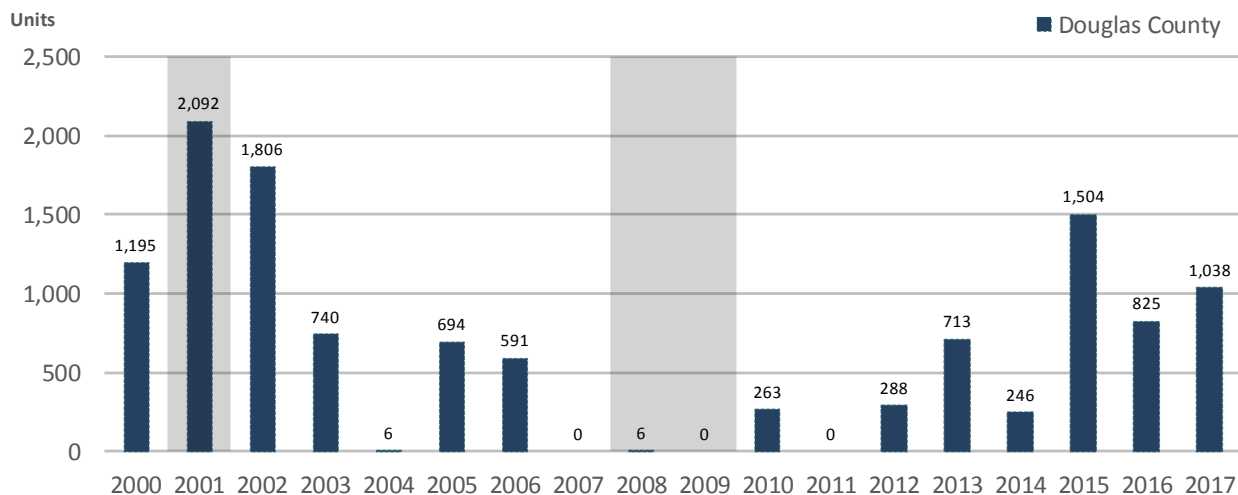
Figure 17
Parker Building Permit Activity, 2008-2017



Source: Parker, CO; Economic & Planning Systems

Figure 18 shows the trend of multifamily rental unit deliveries in Parker from 2000 to 2017. The figure illustrates that multifamily deliveries peaked in the early 2000s, but then dropped off from 2003 to 2014. However, since 2015, the number of multifamily rental units delivered in the County has increased.

Figure 18
Multifamily Rental Unit Deliveries, 2000-2017



Source: CoStar; Economic & Planning Systems

Rental Rates

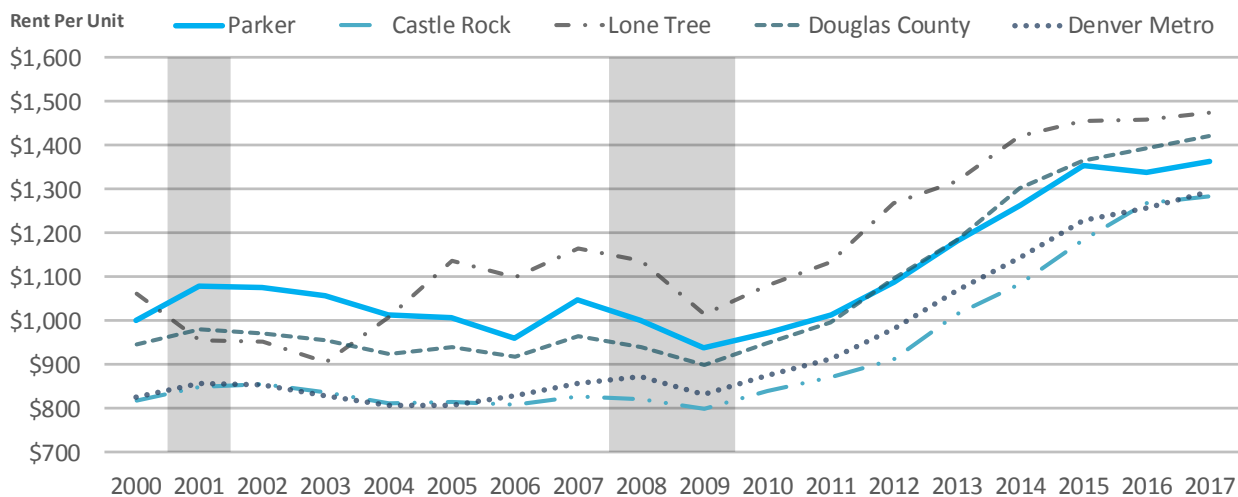
Since 2010, rental rates per unit in Parker have increased by nearly 400 per month or by 5 percent per year, as shown in Table 10. This rate of growth is slightly below Douglas County, where rental rates grew an average of 6.0 percent over the same time period, and the Denver Metro Area, which grew by 5.8 percent. However, Parker achieves higher rents than the Denver Metro Area average. Downtown Parker also achieves a rent premium compared to the town, and the current average rent per month of \$1,405.

Table 10
Multifamily Average Rental Rate Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017			
									Total	Ann. #	Ann. %	
Rent Per Unit												
Downtown	\$1,251	\$1,254	\$1,360	\$1,423	\$1,503	\$1,465	\$1,381	\$1,405		\$154	\$22	1.7%
Parker	\$971	\$1,012	\$1,087	\$1,182	\$1,265	\$1,354	\$1,340	\$1,365		\$394	\$56	5.0%
Castle Rock	\$838	\$872	\$911	\$1,015	\$1,083	\$1,183	\$1,267	\$1,284		\$446	\$64	6.3%
Lone Tree	\$1,081	\$1,133	\$1,267	\$1,319	\$1,423	\$1,457	\$1,460	\$1,474		\$393	\$56	4.5%
Douglas County	\$949	\$995	\$1,097	\$1,184	\$1,303	\$1,365	\$1,394	\$1,423		\$474	\$68	6.0%
Denver Metro	\$875	\$913	\$982	\$1,070	\$1,146	\$1,229	\$1,257	\$1,295		\$420	\$60	5.8%
Rent Per Sq. Ft.												
Downtown	\$1.19	\$1.20	\$1.30	\$1.36	\$1.44	\$1.47	\$1.50	\$1.53		\$0.34	\$0.05	6.0%
Parker	\$1.02	\$1.06	\$1.14	\$1.24	\$1.33	\$1.42	\$1.44	\$1.46		\$0.44	\$0.06	5.3%
Castle Rock	\$0.90	\$0.94	\$0.98	\$1.10	\$1.18	\$1.27	\$1.34	\$1.36		\$0.46	\$0.07	6.1%
Lone Tree	\$1.07	\$1.12	\$1.29	\$1.34	\$1.50	\$1.55	\$1.55	\$1.57		\$0.50	\$0.07	5.6%
Douglas County	\$0.99	\$1.04	\$1.15	\$1.25	\$1.38	\$1.44	\$1.48	\$1.50		\$0.51	\$0.07	6.1%
Denver Metro	\$1.06	\$1.11	\$1.19	\$1.29	\$1.38	\$1.48	\$1.51	\$1.55		\$0.49	\$0.07	5.6%

Source: CoStar; Economic & Planning Systems

Figure 19
Multifamily Average Rental Rates, 2000-2017



Source: CoStar; Economic & Planning Systems

Vacancy Rates

The apartment vacancy rate in Parker was 9.4 percent in 2017, higher than Douglas County at 8.8 percent and the Denver Metro Area at 7.3 percent, as shown in Table 11. Downtown Parker had a higher vacancy rate than the Town at 11.8 percent. All of the geographies shown in the table below have vacancy rates higher than 5 percent – what many economists and housing experts consider the equilibrium vacancy rate, and the point at which new construction is often triggered.

Since 2014, vacancy rates have spiked in Parker as well as elsewhere in the County. The increase in vacancy rate is likely attributable to the recent increase in deliveries in Douglas County. Vacancy rates in Parker, however, have decreased from their recent peak in 2016.

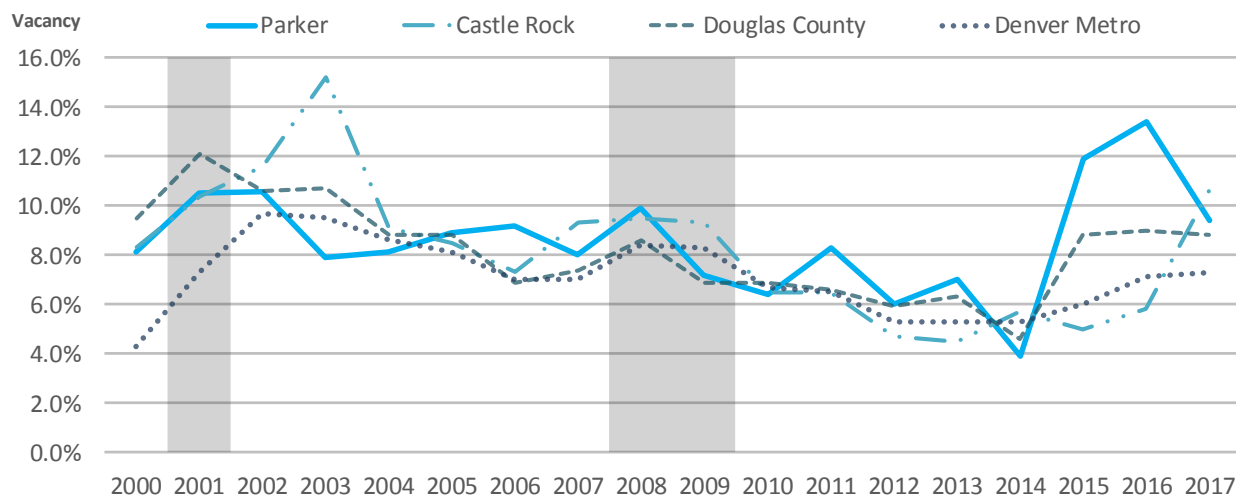
Table 11
Multifamily Vacancy Rate Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017		
									Total	Ann. #	Ann. %
Vacancy											
Downtown Parker	6.0%	10.0%	7.3%	3.3%	4.5%	41.1%	6.5%	11.8%	5.80%	0.83%	10.1%
Parker	6.4%	8.3%	6.0%	7.0%	3.9%	11.9%	13.4%	9.4%	3.00%	0.43%	5.6%
Castle Rock	6.5%	6.5%	4.7%	4.5%	5.7%	5.0%	5.8%	10.6%	4.10%	0.59%	7.2%
Lone Tree	15.9%	6.9%	5.8%	10.6%	4.6%	14.5%	12.1%	9.6%	-6.30%	-0.90%	-7.0%
Douglas County	6.9%	6.6%	5.9%	6.3%	4.6%	8.8%	9.0%	8.8%	1.90%	0.27%	3.5%
Denver Metro	6.7%	6.5%	5.3%	5.3%	5.3%	6.0%	7.1%	7.3%	0.60%	0.09%	1.2%

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Multifamily.xlsx|T-Vacancy

Figure 20
Multifamily Vacancy Rates, 2000-2017



Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Multifamily.xlsx|T-Summary Table

Absorption

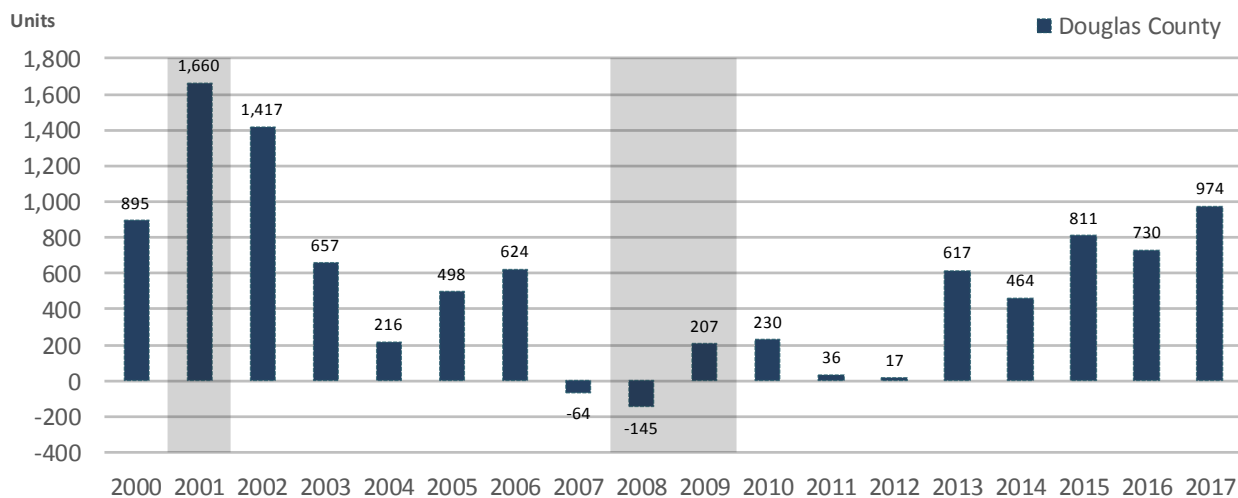
After dropping during and after the Great Recession, absorption of apartments in Parker and Douglas County has trended upward, especially since after 2013, as shown in Table 12 and Figure 21. However, absorption in recent years is still below early 2000 levels, which is partly just a reflection of the high building rate of multifamily in the early 2000s.

Table 12
Multifamily Rental Unit Absorption Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017	
									Total	Average
Absorption (units)										
Downtown	8	-13	8	13	-3	61	218	96	388	49
Parker	23	-55	-272	-24	77	71	204	255	279	35
Castle Rock	75	1	50	6	52	19	58	174	435	54
Lone Tree	114	118	13	375	109	105	453	66	1,353	169
Douglas County	230	36	17	617	464	811	730	974	3,879	485
Denver Metro	4,548	1,068	4,358	4,229	8,876	7,889	3,147	8,662	42,777	5,347

Source: CoStar; Economic & Planning Systems

Figure 21
Multifamily Rental Unit Absorption, 2000-2017



Source: CoStar; Economic & Planning Systems

Current Conditions

There are four existing multifamily apartment projects in or just outside of the Downtown Study Area. The project ranges from 146 to 325 units, with Parker Flats being the most recent project completed in 2017. All of these projects are more suburban style apartment complexes, with surface parking. However, Parker Flats represents a shift toward smaller and more affordable apartments with fewer on-site amenities, but closer to the center of Downtown.

Table 13
Downtown Parker Residential Inventory

ID	Description	Address	Class	Year	Units
1	Briargate on Main	18931 E Briargate Ln	A	2005	325
2	Trailside Apartments	18139 E Main St	B	2001	280
3	Waterford on Mainstreet	18588 E Mainstreet	B	2015	306
4	Parker Flats	19766 E Pikes Peak Ave	B	2017	146
5	Parker Hilltop	19600 Clubhouse Dr	B	1998	464

Source: CoStar, Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009_Downtown_Inventory_Tables.xlsx|T-MF

Figure 22
Downtown Residential Locations

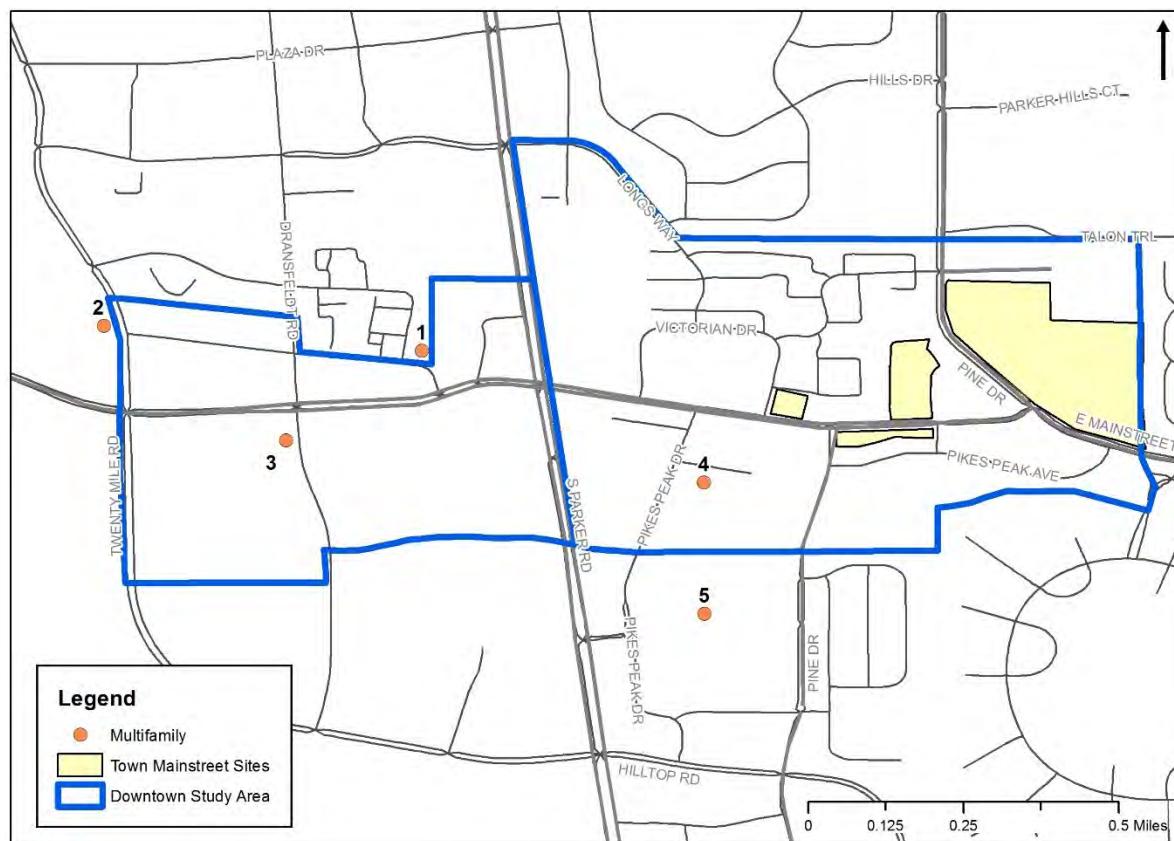






Table 14
Multifamily Rental Projects in Parker, CO

Apartment Projects in or near Downtown Parker	
<p>Parker Hilltop (1998)</p> 	<p><u>Description</u></p> <ul style="list-style-type: none"> • <u>Beds:</u> 1 – 3 • <u>Bath:</u> 1 – 2 • <u>Sq. Ft:</u> 750 – 1278 • <u>Rent:</u> \$1,259 - \$1,889 • <u>Amenities:</u> Clubhouse; Fitness Center; Dog Park; Outdoor Grilling Lounge
<p>Trailside (2001)</p> 	<p><u>Description</u></p> <ul style="list-style-type: none"> • <u>Beds:</u> 1 – 3 • <u>Bath:</u> 1 – 2 • <u>Sq. Ft.:</u> 700 – 1,400 • <u>Rent:</u> \$1,200 – \$2,000 • <u>Amenities:</u> Pool and Spa; Resident Clubhouse; Billiards Table; BBQ Grill Stations
<p>Briargate on Main (2005)</p> 	<p><u>Description</u></p> <ul style="list-style-type: none"> • <u>Beds:</u> 1 – 3 • <u>Bath:</u> 1 – 2 • <u>Sq. Ft.:</u> 750 – 1,700 • <u>Rent:</u> \$1,185 – \$2,435 • <u>Amenities:</u> Pool; Fire Pit; Fitness Center; Billiards Table; Movie Theater; Children’s Play Area; Bark Park; Clubhouse
<p>Parker Flats (2017)</p> 	<p><u>Description</u></p> <ul style="list-style-type: none"> • <u>Beds:</u> 1 – 2 • <u>Bath:</u> 1 – 2 • <u>Sq. Ft.:</u> 484 – 804 • <u>Rent:</u> \$1,200 - \$1,600 • <u>Amenities:</u> Resident Clubhouse; Fire Pits; Fitness Center

Future Conditions

Demand Estimate

EPS estimates that over the next 10 years Downtown Study Area can capture 65 townhomes/ duplexes and approximately 300 apartment units. These estimates are based on historic trends for growth rates, housing product distribution, and Downtown capture rates.

It is important to note that while these demand estimates are based on historical trends, investments by the Town and the selection of specific development projects may lead to a greater rate of development than the past. For example, multiple brokers and developers suggested that an investment in a restaurant cluster would both serve as an amenity and attract additional housing development downtown.

Table 15
Household Demand Estimates, 2018-2028

Description	Short Term	Medium Term	Long Term	Total
	2018-2019	2020-2022	2023-2028	
Household Growth	762	1,134	2,318	4,214
Housing Product				
Single Family	45%	55%	60%	
Townhome/Duplex	5%	5%	10%	
Multifamily	50%	40%	30%	
Downtown Capture				
Single Family	0%	0%	0%	
Townhome/Duplex	20%	20%	20%	
Multifamily	20%	20%	20%	
Downton Housing Demand				
Single Family	0	0	0	0
Townhome/Duplex	8	11	46	65
Multifamily	<u>76</u>	<u>91</u>	<u>139</u>	<u>306</u>
Total	84	102	185	371

Source: Economic & Planning Systems

Project Pipeline

There are six projects currently in the residential multifamily rental projects in the pipeline—four under construction and a proposed project—for a total of 1,083 units. Two of the projects—Park 64 and Watermark on Twenty Mile—are in the Downtown Study Area for a total of 328 units.

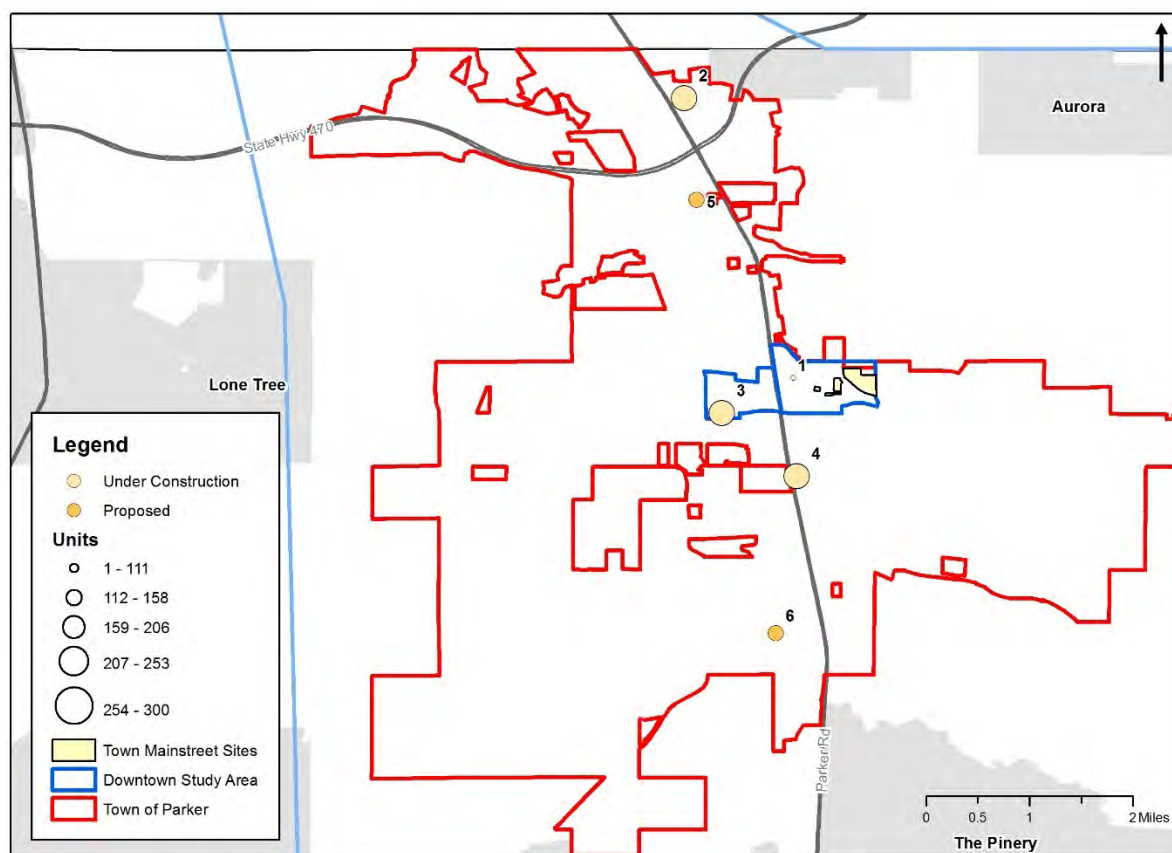
Table 16
Residential Multifamily Unit Pipeline

ID	Description	Address	Status	Class Proposed	Size <i>sq. ft.</i>	Units
1	Park 64	10725 Victorian Dr	Under Construction		---	64
2	Broadstone Montane	17825 Cottonwood Dr	Under Construction		340,000	300
3	Watermark on Twenty Mile	11010 Twenty Mile Rd	Under Construction	B	20,000	264
4	PDG Parker	S Pine Dr @ S Parker Rd	Under Construction	A	300,000	255
5	Westcreek	Pine Ln	Proposed	B	350,000	200
6	Dominium	Stroh Ranch	Proposed	B	229,255	<u>204</u>
Total						1,287

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Multifamily.xlsx\T-Proposed Projects

Figure 23
Multifamily Rental Project Pipeline



Catalyst/Precedent Projects

The Riverwalk | Castle Rock, CO

The Riverwalk is a mixed-used multifamily residential project currently under construction by Confluence Companies on Wilcox and 1st Street in Downtown Castle Rock. When completed the project will include:

- 228 apartments
- 10,000 square feet of retail
- 30,000 square feet of office

The project is an example of the types of denser residential housing products possible in a suburban downtown setting. The project is also an example of how mixed-use developments can help to add both ground-level pedestrian-oriented retail space as well as an increment of professional office space to a downtown setting. The mix of uses is not only complementary to each other, but help to diversify absorption risks of the project over multiple product types.

To make the project feasible, the Castle Rock Downtown Development Authority (DDA) invested a portion of the tax increment financing (TIF) generated by the project as well as rebates on development fees. Incentives in these types of project generally help to support structured parking on the site, which, in turn, helps to support density in a downtown.

Exhibit 1
Rendering of Riverwalk Project



Vita | Littleton, CO

Vita is a 55+ age-restricted apartment complex in downtown Littleton, CO on Littleton Boulevard and South Bemis Street. The project is currently nearing completion, and will include a total of 159 units. In addition to the multifamily units, there is 11,000 square feet of commercial space in a corner retail building with three tenants: Bacon Social Restaurant, Fierce45 Fitness, and Windermere Family Dentistry. Community amenities include a saltwater pool, year-round spa, community garden, fitness and yoga studio, outdoor amphitheater, community kitchens, and programmed events. The project is also one block away from an RTD Light Rail station.

The development is a good example of a project oriented to for Baby Boomers looking to downsize and move into more “urban” and mixed-used environments in downtown settings. Before completion, the project was 30 percent pre-leased, which is extremely high for multifamily projects, and may be suggestive of untapped demand for these types of senior projects in suburban communities with an aging household profile in the Denver Metro Area.

The project is being built by Zocalo Development (Developer) out of Denver, who had proposed a similar project on the East Main Site in Parker. The proposed Parker project included 146 units of higher-end senior housing and approximately 8,000 square feet of retail. Ultimately, the Developer decided not to go through with the project out of concerns that the rents needed to make project costs supportable were not achievable in Downtown Parker at this point in time. The Developer noted that more retail and restaurant amenities would have made them more comfortable with building the project and more confident in being able to achieve high rents.

Exhibit 2
Rendering of Vita Senior Housing Project



Condominium Projects in the Denver Metro Area

Condos offer a more affordable ownership options, and can appeal both to young professionals looking for entry-level homes as well as seniors looking to downsize. Downtown living tends to appeal to both groups. Overall, condo projects help to increase the housing diversity in a town, which can attract new residents or retain existing ones.

There are early signs that the condominium development market is returning to Colorado; this market had essentially dried up post-recession due to litigation concerns related to construction defects. In the past year, legislative and judicial actions have given the development community more confidence to build condominium projects as well as to obtain insurance to address litigation concerns. For example, there were 0 project in 2012 and only 6 projects for a total of 424 units in 2016. In 2017, the number of planned condo projects increased to 11 and planned units increased to 1,114, as shown in the graph below.

Currently, all of the new actively selling projects are in the City and County of Denver. However, there have been a number of condo projects built in the downtowns of more suburban communities in the past. These include: Clocktower Condominiums in Highlands Ranch (224 units built and sold in phases from 2011 to 2016); Gateway Station (35 units built in 2007) and Millstone at Clear Creek Square (78 units built in phases from 2006 to 2008) in Golden; and Plaza Residences at Belmar (62 units built in 2008) in Lakewood. There are also currently two proposed condo projects in downtown Castle Rock.

Figure 24
New Condo Project in the



Key Findings

Findings in this section are based on market research and quantitative analysis. They also incorporate information from broker and developer interviews and, more generally, the perspective of the development community.

- **Strong Market for Multifamily Housing:** There is presently strong market for multifamily housing in Parker. Since 2014, multifamily unit production has represented just over 50 percent of the units permitted. Rental rates in Parker have grown, and absorption is increasing in Douglas County. The strong multifamily market matches trends coming out of the Great Recession of increased demand for rental units as well as millennials and seniors looking to live in walkable, mixed-use environments. Multifamily housing products fit the scale and density of Mainstreet. Downtown also presents a key opportunity for Parker to create housing options in a more walkable and mixed-use setting.

EPS estimates that Downtown Parker can capture 65 townhomes and approximately 300 multifamily units over the next three years. These estimates are based on historical trends. Investments in downtown and the unlocking of the market study development sites could result in increased capture rates.

- **Mixed-Use Multifamily Housing Can Help Support Commercial Development:** Mixed-use projects can help add both ground-level pedestrian-oriented retail space as well as increments of professional office space to a downtown setting. The mix of uses is not only complementary to each other, but help to diversify absorption risks of a project over multiple use types. Moreover, a mix of uses will help create a more vibrant experience Downtown and make it feel like a more “lived-in” place. As a result, it will be important for the development concepts on the My Mainstreet sites to include both residential and non-commercial uses.
- **Retail/Restaurant Cluster as Catalyst:** Multiple brokers and developers interviewed suggested that adding a restaurant cluster to downtown would not only create an amenity for current residents, but also help catalyze additional multifamily housing. The housing would be complementary to the retail development, creating a “built-in” customer base.
- **Incentives for High Quality, Denser Housing:** The multifamily units built in Parker to date, including ones built in the Downtown Study Area, have all been more suburban style apartments with surface parking. Denser infill housing and mixed-use projects may require structured parking, which may not be feasible at current rental rates. If the Town would like to support density and a mix of uses, incentives may necessary to make projects feasible.
- **Importance of Housing Diversity:** Housing diversity is important in a community as it helps attract new residents as well as retain existing residents looking to downsize. Companies moving to a community also look to house a range of employees from young professionals and junior staff to executives. More attainable multifamily housing can also provide housing for local retail and restaurant workers and be supportive of commercial development. As a result, housing diversity becomes key in supporting economic development.
- **Potential for Condo Projects:** Condominiums are a missing multifamily housing option that would create a more affordable ownership product attractive to both for young professionals and for seniors looking to downsize. Condominium development is on the rise in the Denver Metro Area and has received a boost from state legislative and judicial action, reducing the impacts associated with construction defects litigation. Recent activity includes two proposed condo projects in downtown Castle Rock.

5. OFFICE AND BUSINESS DEVELOPMENT

This chapter reviews the office market in Parker, focusing first on national and regional market trends and then narrowing in on Downtown Parker—analyzing current conditions, estimating future demand, and providing precedent projects for future development.

National Trends

Nationally, there are trends in office development moving away from the suburban office park or corporate campus to more mixed use, centrally located, and often transit-accessible locations (in major urban areas). Much of this trend is in response to the housing and neighborhood preferences of Generation X and Millennial-aged workers who wish to have more access to amenities near work such as shopping, services, and dining. This mix of land uses allows workers to combine errands and work trips to save time. It also provides a more interesting and pleasant environment—especially for people who wish to spend less time in their cars. Some firms also see value in being close (walking, bicycling, or a short car or transit trip) to customers and other business partners as it allows for convenient frequent contact as well as spontaneous interactions on the street or in restaurants and coffee shops.

Local and Regional Market Trends

Inventory

Since 2010, Parker's office inventory has grown by a total of 28,745 square feet, an average of 4,106 square feet per year at an annual rate of growth of 0.4 percent, as shown Table 17. Downtown Parker's inventory did not increase during this time period. As a whole, Parker's rate of growth was lower than Douglas County, which grew by 1.8 percent per year, as well as the Denver Metro Area, which grew by 0.8 percent per year. Parker's rate of growth was also lower than Castle Rock, a peer community in a similar exurban location in Douglas County (albeit the County Seat which does contribute to office demand). In contrast to Parker, Castle Rock added a total of 294,749 square feet to its inventory, an average of 42,107 per year at an annual rate of 4.2 percent.



Table 17
Office Development Inventory Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017			
									Total	Ann. #	Ann. %	
Inventory (sq. ft.)												
Downtown	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	0	0	0.0%
Parker	976,562	991,937	991,937	991,937	991,937	991,937	1,005,305	1,005,305		28,743	4,106	0.4%
Castle Rock	884,791	884,791	884,791	970,691	1,010,218	1,020,389	1,098,189	1,179,540		294,749	42,107	4.2%
Lone Tree	1,815,755	1,815,755	1,815,755	2,090,755	2,470,755	2,779,260	2,779,260	2,804,260		988,505	141,215	6.4%
Douglas County	11,399,148	11,414,523	11,414,523	11,955,423	12,374,950	12,693,626	12,790,419	12,896,770		1,497,622	213,946	1.8%
Denver Metro	72,525,434	72,637,901	72,969,446	73,047,480	73,348,101	74,514,230	74,930,536	76,446,597		3,921,163	560,166	0.8%

Source: CoStar; Economic & Planning Systems

Deliveries

Since 2010, Parker has added 54,642 square feet of office space. None of this office construction occurred in Downtown, as shown in Table 18. Prior to 2010, there were a number of deliveries Downtown, most notably Parker Station. Unsurprisingly, much of the office development in Parker has located near E-470 and Parker Rd. Castle Rock has grown more quickly, adding approximately 295,000 square feet of office—an average of approximately 37,000 square feet per year over the same time period.

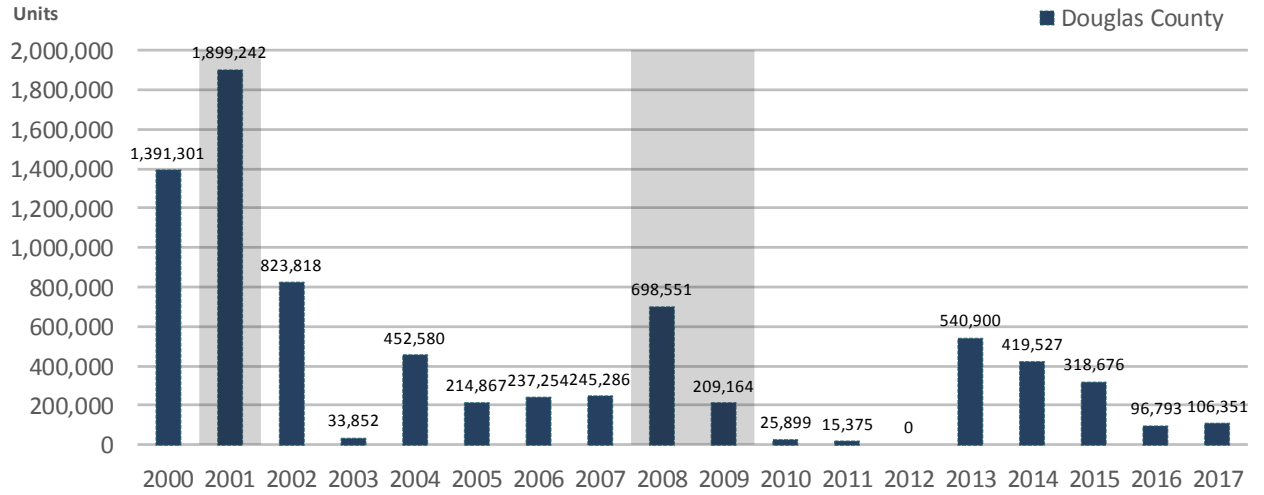
Table 18
Office Development Delivery Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017	
									Total	Average
Deliveries (sq. ft.)										
Downtown	0	0	0	0	0	0	0	0	0	0
Parker	25,899	15,375	0	0	0	0	13,368	0	54,642	6,830
Castle Rock	0	0	0	85,900	39,527	10,171	77,800	81,351	294,749	36,844
Lone Tree	0	0	0	275,000	380,000	308,505	0	25,000	988,505	123,563
Douglas County	25,899	15,375	0	540,900	419,527	318,676	96,793	106,351	1,523,521	190,440
Denver Metro	756,346	166,024	348,777	158,992	500,118	1,318,898	570,693	1,554,201	5,374,049	671,756

Source: CoStar; Economic & Planning Systems

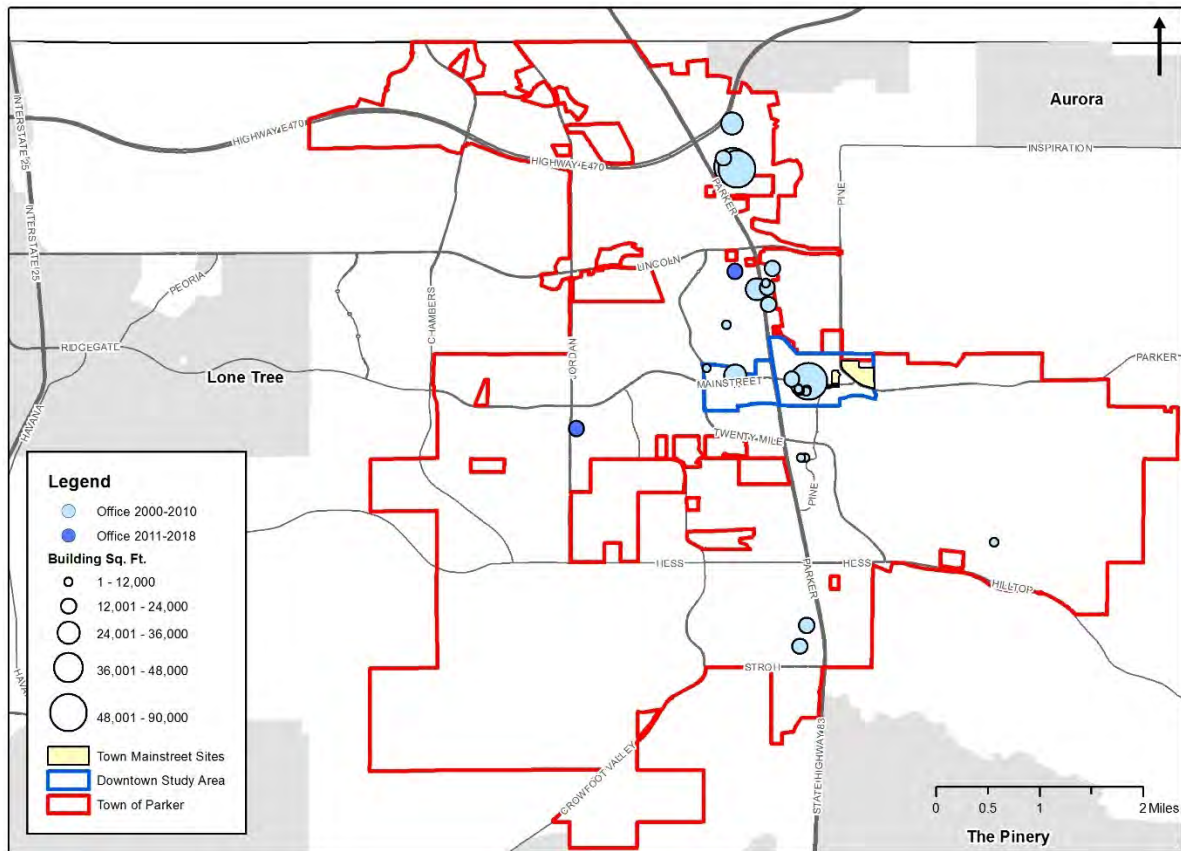
In general, the office market has been slow to recover since the Great Recession, with significant deliveries not occurring in Douglas County until 2013. Figure 25 shows the office deliveries in Douglas County since 2000. The figure reveals the lumpy nature of office development in the county, with large amounts of office being developed in discrete years. The figure also suggests that the size of deliveries has decreased since 2000—with 2000 through 2002 representing the top three years in terms of square footage.

Figure 25
Office Development Deliveries, 2000-2017



Source: CoStar; Economic & Planning Systems

Figure 26
Office Deliveries by Size, 2000-2018



Rental Rates

Rental rates in the Denver Metro Area have increased by 3.6 percent since 2010, and were at an average of \$24.95 per square foot in 2017, as shown in Table 19. As a whole, Douglas County office rents have grown at a slightly slower rate over the past eight years than the metro area, increasing at an average of 2.8 percent each year. In 2017, rents averaged \$20.80 per square foot.

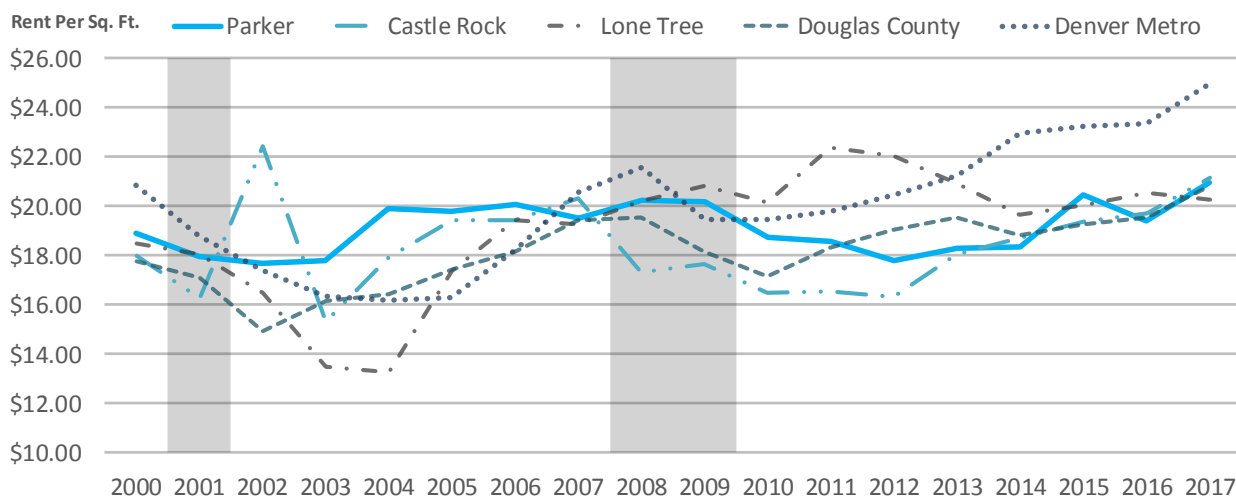
In Parker, average rental rates were comparable to Douglas County in 2017 at \$20.72 per square foot. However, rents have grown at a slower overall rate, increasing by an average of 1.4 percent per year. Downtown rental rates are slightly below Parker as a whole at \$20.49 per square foot, but have grown by 2.8 percent per year, the same rate as the County. Figure 27 illustrates that Parker's office rental rates have largely recovered from the Great Recession, but that office rents trade at a discount compared to the metro area, partially as a result of the lack of new inventory commanding top rents, owner diversity, and tenant turnover.

Table 19
Office Average Rental Rate Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017		
									Total	Ann. #	Ann. %
Rent Per Sq. Ft.											
Downtown	\$16.87	\$19.26	\$18.78	\$18.76	\$18.40	\$19.07	\$21.59	\$20.49	\$3.62	\$0.52	2.8%
Parker	\$18.74	\$18.55	\$17.79	\$17.98	\$17.99	\$19.98	\$18.55	\$20.72	\$1.98	\$0.28	1.4%
Castle Rock	\$16.48	\$16.52	\$16.33	\$18.06	\$18.70	\$19.39	\$19.69	\$21.13	\$4.65	\$0.66	3.6%
Lone Tree	\$20.13	\$22.38	\$22.04	\$20.96	\$19.63	\$20.04	\$20.53	\$20.28	\$0.15	\$0.02	0.1%
Douglas County	\$17.15	\$18.32	\$19.02	\$19.54	\$18.81	\$19.26	\$19.56	\$20.80	\$3.65	\$0.52	2.8%
Denver Metro	\$19.44	\$19.79	\$20.45	\$21.25	\$22.97	\$23.25	\$23.36	\$24.95	\$5.51	\$0.79	3.6%

Source: CoStar; Economic & Planning Systems

Figure 27
Office Average Rental Rates, 2000-2017



Source: CoStar; Economic & Planning Systems

Competition with the Denver Tech Center

Brokers interviewed highlighted that one of the difficulties of developing new office space outside of the E-470 Beltway is that it competes with more centrally located, existing office inventory in places like the Denver Tech Center (DTC). (For this analysis, references to the DTC are all-encompassing and represent multiple submarkets on I-25 from County Line up to I-225.) For example, brokers quoted new construction office rents at \$22.00 per square foot in Douglas County compared to \$18.00 per square foot in the DTC. This lower rent space in the DTC is often lower quality and a lower class of office. However, in addition to being in a better market location, the DTC also has more available inventory to meet the timing needs of companies looking for new space.

To gain insight onto the broker interviews, EPS pulled commercial rental data for both Parker and the Denver Tech Center, as shown in Figure 28. While average rent in DTC is higher than Parker, Class B and C space in the DTC can rent for between \$18 and \$20 per square foot. Thus, Class B and C space in the DTC rents for lower than Class A space in Parker and lower than the \$22 per square foot quoted by brokers as rents needed for new construction. As part of the analysis, EPS also pulled vacancy rates for Parker and the DTC, as shown in Figure 29. Higher vacancy rates in the Tech Center likely result from its larger inventory, but also suggest that office space is more readily available when firms need it. The analysis emphasizes a more nuanced office demand story, where future tenants must balance location decisions with price points and availability.

Figure 28
Office Rents in Castle Rock Compared to Denver Tech Center

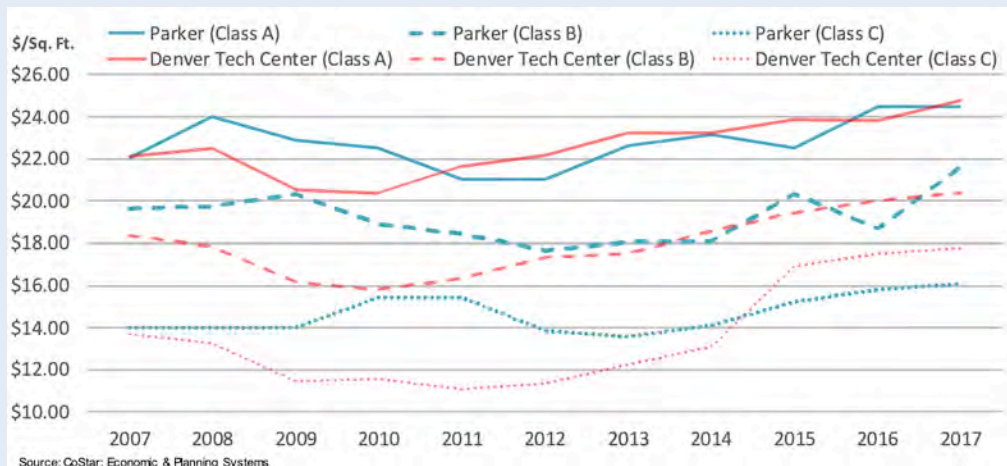
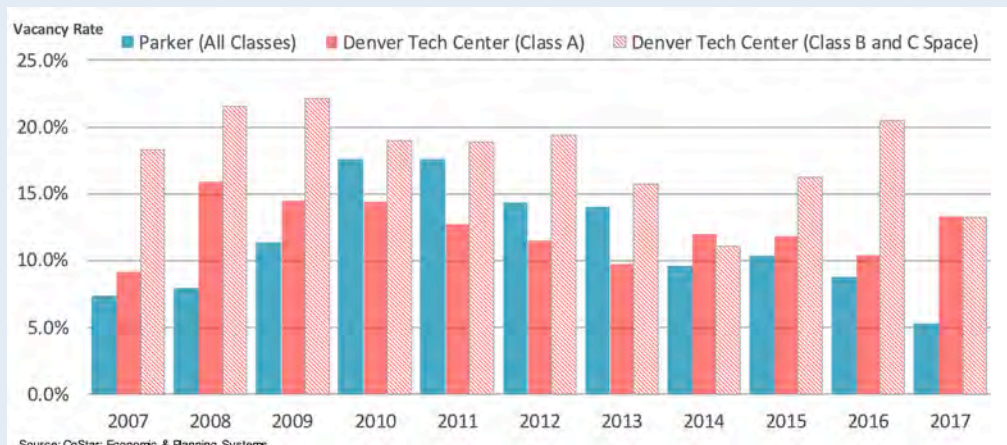


Figure 29
Office Vacancy Rates in Castle Rock Compared to Denver Tech Center



Vacancy Rates

Vacancy rates in Parker have dropped from a high of 17.5 percent following the Great Recession to 5.2 percent in 2017, as shown in Table 20 and Figure 30. Vacancy rates in Downtown Parker are even lower than the Town as a whole at 3.3 percent. In comparison, Douglas County had a vacancy rate of 10.1 percent in 2017, and the Denver Metro Area as a whole had a vacancy rate of 11.2 percent. In general, vacancy rates below approximately 10 percent for commercial buildings suggest that an opportunity for more construction may exist.

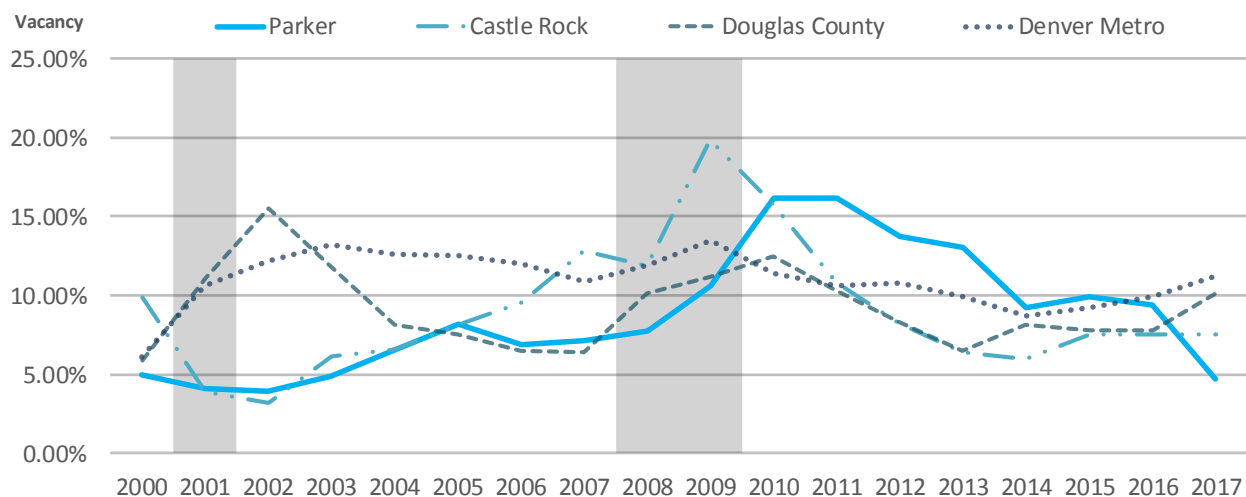
Table 20
Office Vacancy Rate Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017		
									Total	Ann. #	Ann. %
Vacancy											
Downtown Parker	8.1%	13.8%	10.0%	6.0%	3.5%	3.9%	3.0%	3.3%	-4.80%	-0.69%	-12.0%
Parker	17.5%	17.5%	14.3%	13.9%	9.5%	10.3%	8.7%	5.2%	-12.30%	-1.76%	-15.9%
Castle Rock	15.8%	10.8%	8.2%	6.4%	6.0%	7.5%	7.5%	7.5%	-8.30%	-1.19%	-10.1%
Lone Tree	17.3%	15.3%	10.3%	9.2%	7.7%	9.2%	8.0%	5.4%	-11.90%	-1.70%	-15.3%
Douglas County	12.5%	10.3%	8.3%	6.5%	8.1%	7.8%	7.8%	10.1%	-2.40%	-0.34%	-3.0%
Denver Metro	11.4%	10.6%	10.8%	9.9%	8.7%	9.2%	9.9%	11.2%	-0.20%	-0.03%	-0.3%

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Office.xlsx|T-Vacancy

Figure 30
Office Vacancy Rates, 2000-2017



Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Office.xlsx|T-Summary Table

Absorption

Parker absorbed approximately 600,000 square feet of office since 2010—180,000 square feet of which was in Downtown, as shown in Table 21. Parker’s absorption rate is below Castle Rock, at approximately 773,000 square feet. However, the difference between absorption in Parker and Castle Rock is a much smaller percentage than the difference in inventory growth during the same time period. The decrease in vacancy rate, which is lower in Parker than Castle Rock, partially explains the higher relative absorption compared to inventory growth.

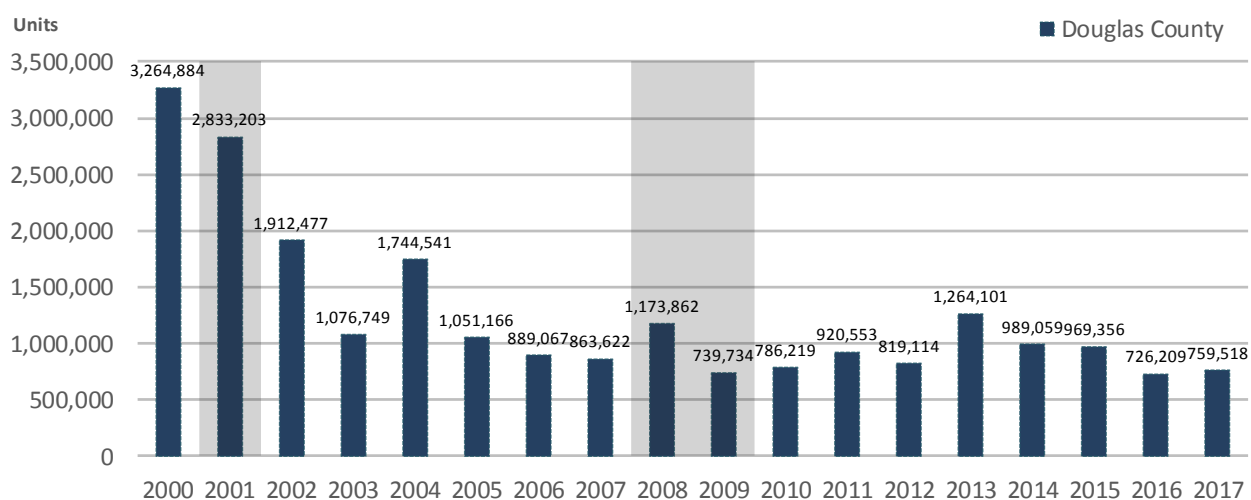
As an overall trend, absorption in Douglas County has steadily decreased since 2000, as shown in Figure 31. This may reflect national trends of office developments moving away from suburban office parks toward more mixed-use, walkable settings. This further highlights the importance of supporting office development in Downtown Parker.

Table 21
Office Development Absorption Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017	
									Total	Average
Absorption (sq. ft.)										
Downtown	45,486	15,157	26,636	39,222	19,244	5,483	12,140	16,188	179,556	22,445
Parker	73,086	94,522	69,605	72,563	75,700	33,781	73,899	103,645	596,801	74,600
Castle Rock	81,804	110,016	61,146	148,786	60,431	53,684	135,558	121,360	772,785	96,598
Lone Tree	232,623	99,910	120,901	330,684	514,766	502,053	96,462	158,475	2,055,874	256,984
Douglas County	786,219	920,553	819,114	1,264,101	989,059	969,356	726,209	759,518	7,234,129	904,266
Denver Metro	6,082,261	5,489,875	5,303,566	5,630,629	5,409,339	5,263,524	4,861,896	6,397,364	44,438,454	5,554,807

Source: CoStar; Economic & Planning Systems

Figure 31
Office Development Absorption, 2000-2017



Source: CoStar; Economic & Planning Systems



Table 22
Office Development Trend Summary, 2000-2017

Description	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2000-2017			
														Total	Ann. #	Ann. %	
Inventory - Sq. Ft.																	
Downtown	307,349	307,349	312,949	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	319,355	36,239	2,132	0.7%
Parker	774,214	813,567	832,639	875,572	950,663	976,562	991,937	991,937	991,937	991,937	991,937	1,005,305	1,005,305	399,759	23,515	3.0%	
Castle Rock	693,175	734,175	805,027	862,191	884,791	884,791	884,791	884,791	970,691	1,010,218	1,020,389	1,098,189	1,179,540	566,906	33,347	3.9%	
Lone Tree	1,385,882	1,425,999	1,435,079	1,723,790	1,815,755	1,815,755	1,815,755	1,815,755	2,090,755	2,470,755	2,779,260	2,779,260	2,804,260	2,251,998	132,470	10.0%	
Douglas County	9,982,994	10,220,248	10,465,534	11,164,085	11,373,249	11,399,148	11,414,523	11,414,523	11,955,423	12,374,950	12,693,626	12,790,419	12,896,770	6,297,935	370,467	4.0%	
Denver Metro	69,117,084	70,051,669	70,515,358	71,083,900	71,775,181	72,525,434	72,637,901	72,969,446	73,047,480	73,348,101	74,514,230	74,930,536	76,446,597	9,240,911	543,583	0.8%	
Rent Per Sq. Ft. (Base)																	
Downtown	\$18.90	\$19.69	\$17.11	\$18.22	\$18.99	\$16.87	\$19.26	\$18.78	\$18.76	\$18.40	\$19.07	\$21.59	\$20.49	\$2.10	\$0.12	0.6%	
Parker	\$19.72	\$20.00	\$19.42	\$19.78	\$20.19	\$18.74	\$18.55	\$17.79	\$17.98	\$17.99	\$19.98	\$18.55	\$20.72	\$1.82	\$0.11	0.5%	
Castle Rock	\$19.44	\$19.43	\$20.31	\$17.32	\$17.67	\$16.48	\$16.52	\$16.33	\$18.06	\$18.70	\$19.39	\$19.69	\$21.13	\$3.13	\$0.18	0.9%	
Lone Tree	\$17.36	\$19.41	\$19.29	\$20.19	\$20.81	\$20.13	\$22.38	\$22.04	\$20.96	\$19.63	\$20.04	\$20.53	\$20.28	\$1.78	\$0.10	0.5%	
Douglas County	\$17.41	\$18.15	\$19.46	\$19.57	\$18.14	\$17.15	\$18.32	\$19.02	\$19.54	\$18.81	\$19.26	\$19.56	\$20.80	\$3.01	\$0.18	0.9%	
Denver Metro	\$16.29	\$18.26	\$20.58	\$21.56	\$19.46	\$19.44	\$19.79	\$20.45	\$21.25	\$22.97	\$23.25	\$23.36	\$24.95	\$4.09	\$0.24	1.1%	
Vacancy																	
Downtown	5.2%	3.8%	5.0%	5.1%	10.1%	8.1%	13.8%	10.0%	6.0%	3.5%	3.9%	3.0%	3.3%	-3.20%	-0.19%	-3.91%	
Parker	7.0%	6.3%	7.3%	7.9%	11.3%	17.5%	17.5%	14.3%	13.9%	9.5%	10.3%	8.7%	5.2%	0.20%	0.01%	0.23%	
Castle Rock	8.1%	9.5%	12.8%	11.9%	19.9%	15.8%	10.8%	8.2%	6.4%	6.0%	7.5%	7.5%	7.5%	-2.40%	-0.14%	-1.62%	
Lone Tree	2.8%	3.8%	5.1%	15.2%	17.2%	17.3%	15.3%	10.3%	9.2%	7.7%	9.2%	8.0%	5.4%	-0.40%	-0.02%	-0.42%	
Douglas County	7.5%	6.5%	6.4%	10.1%	11.2%	12.5%	10.3%	8.3%	6.5%	8.1%	7.8%	7.8%	10.1%	4.20%	0.25%	3.21%	
Denver Metro	12.5%	12.0%	10.9%	11.9%	13.5%	11.4%	10.6%	10.8%	9.9%	8.7%	9.2%	9.9%	11.2%	5.10%	0.30%	3.64%	
Deliveries - Sq. Ft.																	
Downtown	19,978	0	5,600	6,406	0	0	0	0	0	0	0	0	0	Total	Avg.		
Parker	19,978	39,353	19,072	42,933	75,091	25,899	15,375	0	0	0	0	13,368	0	139,493	7,750		
Castle Rock	54,179	41,000	70,852	57,164	22,600	0	0	0	85,900	39,527	10,171	77,800	81,351	513,768	28,543		
Lone Tree	0	40,117	9,080	288,711	91,965	0	0	0	275,000	380,000	308,505	0	25,000	651,788	36,210		
Douglas County	214,867	237,254	245,286	698,551	209,164	25,899	15,375	0	540,900	419,527	318,676	96,793	106,351	2,500,415	138,912		
Denver Metro	360,908	1,066,703	536,060	655,690	740,889	756,346	166,024	348,777	158,992	500,118	1,318,898	570,693	1,554,201	7,729,436	429,413		
Absorption - Sq. Ft.																	
Downtown	32,600	17,309	18,976	23,585	15,705	45,486	15,157	26,636	39,222	19,244	5,483	12,140	16,188	Total	Avg.		
Parker	53,536	62,772	69,257	102,457	119,765	73,086	94,522	69,605	72,563	75,700	33,781	73,899	103,645	484,783	26,932		
Castle Rock	130,109	100,940	96,521	102,164	63,878	81,804	110,016	61,146	148,786	60,431	53,684	135,558	121,360	1,558,832	86,602		
Lone Tree	181,053	49,450	54,991	242,356	131,012	232,623	99,910	120,901	330,684	514,766	502,053	96,462	158,475	1,582,779	87,932		
Douglas County	1,051,166	889,067	863,622	1,173,862	739,734	786,219	920,553	819,114	1,264,101	989,059	969,356	726,209	759,518	4,457,192	247,622		
Denver Metro	6,078,424	6,627,520	6,085,509	5,127,457	4,120,347	6,082,261	5,489,875	5,303,566	5,630,629	5,409,339	5,263,524	4,861,896	6,397,364	22,783,434	1,265,746		
															108,114,872	6,006,382	

Source: CoStar; Economic & Planning Systems

Current Conditions

The office buildings in Downtown Parker are compiled and described in Table 23, with each building given an identification number (ID). Overall, office in Downtown is primarily made up of smaller office spaces, either in converted single family houses or multi-tenant office buildings typically over ground floor retail. These offices primarily consist of professional services or medical office tenants, including certified public accountants (CPAs); financial services; law offices; counseling; and medical and dental practices. Downtown Parker currently has two Class A office buildings—Town Hall (ID #6) and Parker Station (ID #11). Town Hall is a 34,456 square foot office building that houses Parker’s government services. Parker Station is a 74,600 square foot multi-tenant office building that includes retail on the ground floor and office on the first and second stories. The office building is divided primarily into smaller tenants, which include certified public accountants (CPAs), law offices, and, financial service companies. The building also includes some consulting companies, which do not necessarily primarily serve the residential population of Parker.

Downtown also includes the Headquarters of ET Investments (ID #15), which is an insurance agency in a 20,285 square foot office building. Besides Town Hall, this appears to be the largest single tenant office building in Downtown. Locations for the different office buildings are identified in Figure 32.

The smaller tenants sizes that primarily make up demand for office in Downtown can make office development more difficult. Since the Great Recession, fewer office buildings are built totally on spec. Instead, developers tend to wait until there is larger tenant pre-leased before construction starts. In Parker, a larger tenant is more unlikely. As a result, the developer must try and pre-lease to multiple smaller tenants, which is more difficult, can take more time, and depends on the timing of different tenants.

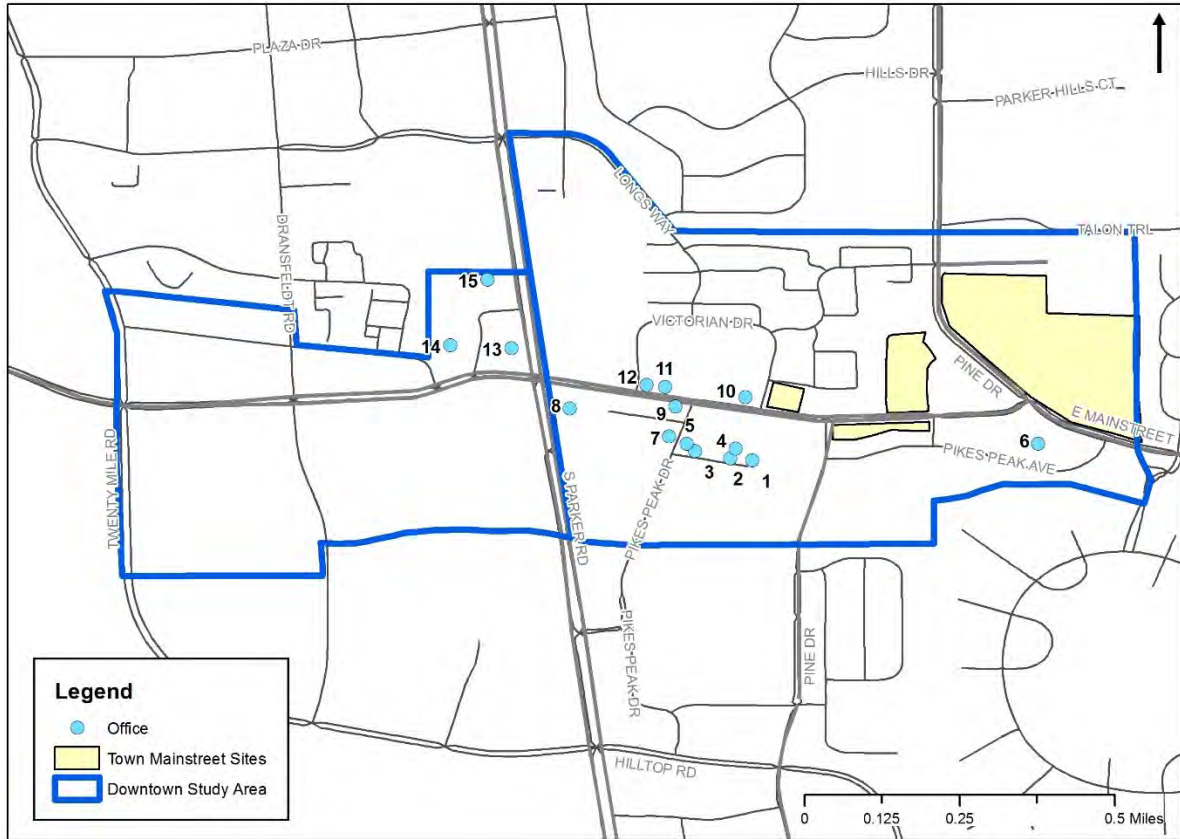
Table 23
Downtown Parker Office Inventory

ID	Description	Address	Class	Year	Size sq. ft.	Example Tenants
1	Parker Med Spa	19767 E Pikes Peak Ct	C	N/A	3,940	Spa
2	Belmont House	19753 E Pikes Peak Ct	B	2005	4,978	Conseling; Chiropractor; Massage
3	Center for Spritual Living	19731 E Pikes Peak Ct	B	2002	3,804	Religious Organization
4	Rose Chateau	19755 E Pikes Peak Ct	B	2007	5,600	CPA; Pyschologist; Insurance
5	Multi-Tenant Office	10964 S Pikes Peak Dr	B	2001	3,651	CPA; Law Office; Portrait Studio; Wellness Center
6	Parker Town Hall	20120 E Mainstreet	A	2002	34,456	Town Government
7	Homestake Engineering	10965 S Pikes Peak Dr	B	1912	2,007	Engineering
8	First National Bank	10900 S Parker Rd	B	1986	14,490	Bank
9	Exchange Bldg	19590 E Main St	B	1986	17,500	Law Office; Title Company; Chamber of Commerce
10	Parker Station	19751 E Mainstreet	A	2000	74,600	Finance; Consulting; Law Offices; Medical Office
11	Twenty Mile Center	19555-19569 E Main St	C	N/A	26,000	Insurance; Travel
12	Parker Central	19501 E Main St	B	2005	15,000	CPA; Insurance; Law Office
13	Colorado State Bank & Trust	19201 E Mainstreet	B	1985	22,919	Bank
14	ET Investments	10851 S Crossroads Dr	C	1984	20,285	Insurance Agency Headquarters
15	Parker Crossroads Office	10831 S Crossroads Dr	B	1984	16,498	Church Office

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009_Downtown_Inventory_Tables.xlsx\T-Office

Figure 32
Downtown Office Locations



Future Conditions

This section estimates future office demand based on historic growth and capture rates for Parker and Downtown. It is important to note, given the lack of recent activity, that historic growth patterns do not necessarily predict future growth.

Demand Estimate

EPS estimates, based on historic growth rates and capture percentages, that Downtown can capture approximately 100,000 square feet of office over the next 10 years, as shown in Table 24.

Much of the historic growth Downtown has occurred in single tenant and small multitenant office buildings, which primarily house smaller, local service tenants. To capture more office space in the future, Downtown Parker will likely have to capture more regionally serving tenants or grow local businesses. As national trends suggest, office tenants are increasingly looking for more walkable and less suburban office locations. Adding retail amenities as well as more infill/urban style infill housing will help create this walkable feel and allow Downtown to capture more regionally focused office.

Rents will also have an impact on office demand and development feasibility. Based on interviews with developers and brokers, there are many local tenants who are looking to rent space at rates too low to support new construction. To ensure that office development is feasible and rents are affordable, the Town may need to provide subsidies to reduce development costs.

Table 24
Office Future Demand Estimates

Description	Short Term	Medium Term	Long Term	Total
	2018-2019	2020-2022	2023-2028	
Parker Office Growth	49,413	81,781	195,471	326,664
Downtown Capture	30%	30%	30%	
Downtown Office Demand	14,824	24,534	58,641	97,999

Source: Economic & Planning Systems

H:\183009-Parker URA Market Study\Models\183009-Office Demand Forecast-04-16-2018.xlsx\M-Downtown Capture

Project Pipeline

There are five office development projects in Parker’s development pipeline for a total of approximately 110,000 square feet of development. Parker Center is the only project located in Downtown, and would represent approximately 50,000 square feet of office or approximately half of the estimated future demand over the next 10 years, as shown in Table 25.

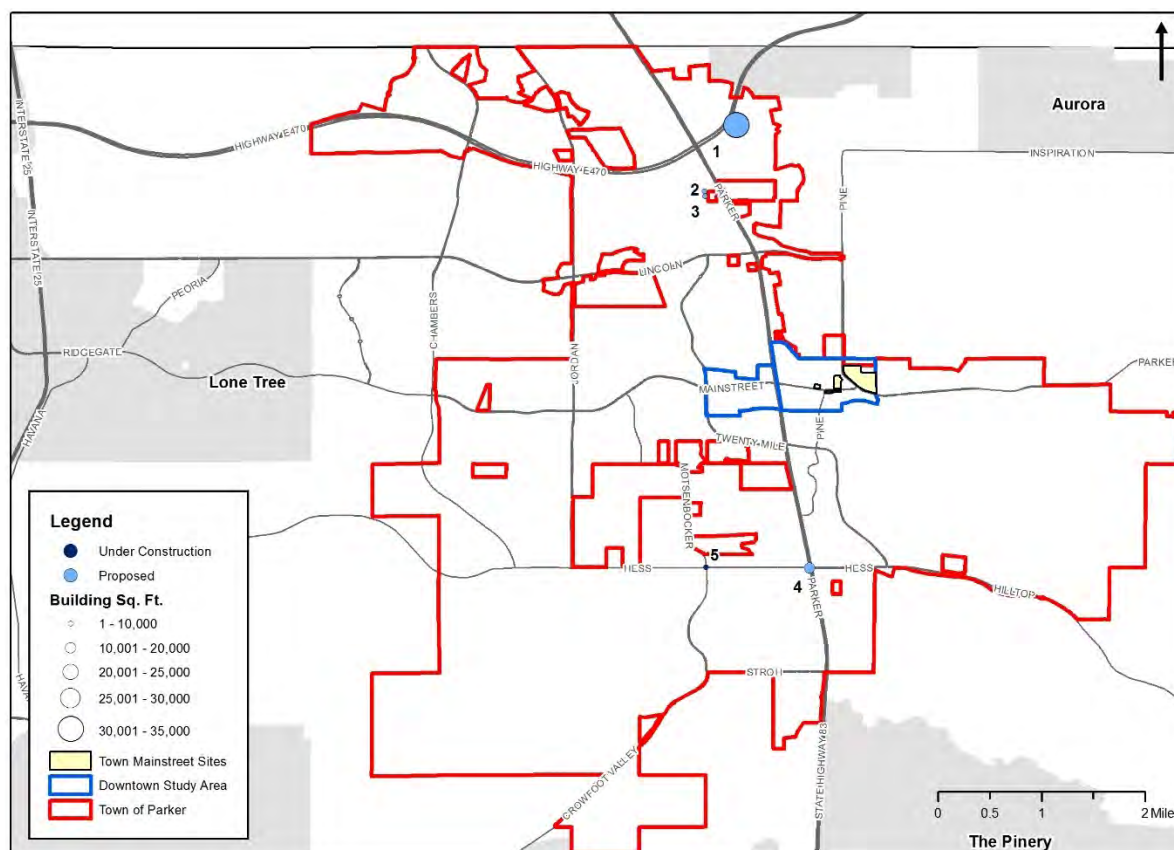
Table 25
Parker Office Pipeline

ID	Description	Address	Status	Class	Proposed	Size sq. ft.
1	Crown Point II	19222 E Cottonwood Dr	Proposed	B	2018	30,314
2	Building 1	9450 Twenty Mile Rd	Proposed	B		8,400
3	Building 2	9450 Twenty Mile Rd	Proposed	B		8,400
4	Medical Office Bldg	Parker Rd @ Hess Rd	Proposed	B	2018	13,000
5	Dental Office	9551 Hess Road	Under Construction	B	2018	6,000
	Total					66,114

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Office.xlsx\T-Proposed Projects

Figure 33
Parker Office Pipeline



Catalyst/Precedent Projects

The Move | Castle Rock, CO

Castle Rock, Colorado faces many similar challenges for office development as Parker. Both towns are located outside of the E-470 Beltway, although Castle Rock has direct access to I-25, and both are primarily home to more locally serving office tenants. These types of office tenants generally lease smaller spaces. For example, in Castle Rock, over 85 percent of leases are 2,500 square feet or less. These tenants also typically look to pay lower rental rates than larger national tenants inside the beltway. The nature of this demand makes new office construction more difficult for a couple reasons. First, it is harder to prelease a proposed office building with smaller tenants and few large tenants. In today's market, almost no office buildings are built totally on spec. Second, the rents generally needed to support new construction can be higher than the rents more local tenants want to pay.

The Move, a 50,000 square foot office building in Downtown Castle Rock, is an example of a creative public private partnership that addresses the specific challenges of development in Douglas County, while also helping local businesses grow. The project first overcame preleasing challenges by identifying three local and growing businesses looking to expand. The developer of the building owns a construction company that became an owner tenant of 10,000 square feet. Two other growing Castle Rock businesses also became owners of about 10,000 square feet each (ownership actually resides with separate LLCs comprised of the company leadership). This partnership created the amount of preleasing needed to finance the building. The Castle Rock EDC also provided a \$1.0 million seven-year low interest loan that provided about 50 percent of the equity for the \$10 million project. Finally, the developer built a loft style building with concrete floors and unfinished ceilings, that while also popular with tenants, kept project costs to a level where space for lease could be initially provided at \$20 per square foot NNN.

Exhibit 3
The Move, Castle Rock, CO



Key Findings

Findings in this section are based on market research and quantitative analysis. They also incorporate information from broker and developer interviews and, more generally, the perspective of the development community.

- **Importance of Downtown for Office Development:** Nationally, there has been a movement away from more suburban office parks toward office space in walkable and mixed-use settings. This trend has corresponded with relatively little office development in Parker over the past decade. Moreover, office deliveries and absorption have trended downward since the 2000s for Douglas County as a whole. In this context, Downtown offers an important opportunity in Parker to create office development in a more mixed-use setting.
- **Demand for Office in Parker:** Despite changes to the national office market, there is still demand for office space in Parker. Vacancy rates are at 5.2 percent in Parker, lower than Douglas County and the Denver Metro Area. Such low vacancy rates are typically suggestive of a need for additional office space in a community. Town officials have also noted much interest and inquiries for available office space in Town. Finally, as the Town's population continues to grow, so too will the demand for professional service space that is supportive of residential populations.

Based on historical trends, EPS estimates that Downtown Parker can capture approximately 100,000 square feet of office space over the next 10 years. As always, it is important to recognize that historic trends don't necessarily predict the future – in particular for Downtown, where much of the available land for development has been held by the Town.

- **Parker Demand May Not Be Supportive of New Construction:** Much of the demand in Downtown Parker is for local services. These tenants tend to look for lower rents and smaller office spaces. Based on broker and developer interviews, these lower rent spaces may not be supportive of new construction. In addition, since the Great Recession, developers have been reluctant to build new space totally based on spec, and it is more difficult to prelease space with smaller tenants.
- **Need for Competitive Rents and Available Space:** New office development in Parker must be competitive in terms of rents. In addition, new office tenants are looking for available space that fits their needs and timeframe. To build this new inventory, however, developers want strong demand and higher rents. This results in a chicken-and-the-egg situation where office tenants do not move to a community without office inventory, and office inventory isn't built without office tenants. Complicating Parker's market position is the fact that it must compete with lower quality, Class B and C space in the DTC/South I-25 corridor. These spaces have competitive rents with Parker, more available space, and generally are in a more central and advantageous location in the Denver market.
- **Mixed-Use Project to Increase Office Inventory:** Mixed-use projects are one potential strategy for increasing office inventory in Downtown. The mix of uses helps to diversify absorption risks, and a smaller amount of unleased office space can be financed based on the strength of the residential component of the project.
- **Incentives and Catalyst Projects:** In the short term, Parker may need to offer incentives to build new office space. The incentives could both make development more feasible and allow for more competitive rents. The Town should also look at example projects like The Move in Castle Rock as a way to expand local businesses and create office space with competitive rents, which overcome pre-leasing barriers.

6. RETAIL DEVELOPMENT

This chapter reviews the retail market in Parker, focusing first on market trends and then narrowing in on Downtown Parker—analyzing current conditions, estimating future demand, and providing precedent projects for future development.

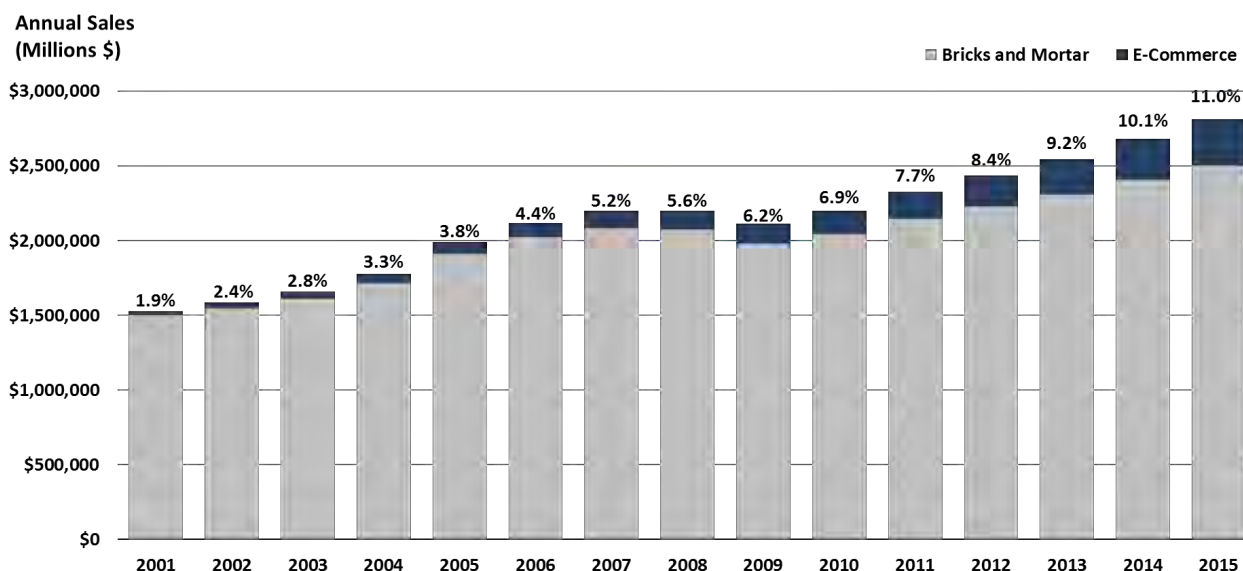
National Market Trends

The retail industry has shifted greatly over the last 15 years, impacted by the growth of internet sales, declining brick and mortar store sales, retail chain consolidations, and demographic shifts and preferences. Collectively, these trends are impacting store sizes and reducing the overall demand for new retail space locally and nationally.

The Rise of E-Commerce

Between 2001 and 2015, total online retail purchases (excluding auto related) grew from approximately \$29 billion to \$310 billion, a 21.8 percent annual growth rate. Online sales accounted for 22 percent of total retail sales growth, as shown in Figure 34. During the same period, brick and mortar stores grew at a 3.7 percent annual growth rate, decreasing their share of the total retail market from 98 percent to 89 percent. Despite still accounting for only 11 percent of overall spending, the growth in online shopping is impacting the demand for traditional brick and mortar stores. This also affects the way retailers are doing business, pushing them to alter store formats and incorporate online sales and marketing into their business concepts. The list of top online retailers reinforces this point as many have a significant brick and mortar presence as well. This group includes such major retailers as Walmart, Target, Home Depot, Best Buy, and Bed Bath & Beyond.

Figure 34
US E-Commerce Sales, 2001-2015



Several national trends impacting the existing inventory of retail stores as well as new development are highlighted below:

- **Social Media and “Showrooming”** - According to the National Retail Federation, 86 percent of American consumers at least occasionally research items online before buying in a store; of this, 22 percent conduct this research primarily on blogs and 32 percent primarily on Facebook. Electronics is most researched, followed by apparel, appliances, and then shoes. Many consumers will also look at or try on an item in a store and then price shop and purchase it online.
- **Spending Patterns** - Changes in spending patterns are also affecting the amount and mix of retail space. Millennials, who are highly mobile, are less likely to accumulate furniture and home furnishings and other large, high cost items. They are also more interested in experiences, emphasizing travel and entertainment over material goods. Their spending patterns are similar to the boomer generation who has already purchased much of the goods they need and are downsizing their homes and accumulated items. Boomers are also spending more of their income on travel, leisure, entertainment, and dining out.
- **Changing Retail Mix** - These changes in spending patterns are impacting the mix of retail space in aggregate and in downtowns in particular. The restaurant, bar, and microbrewery segment has grown rapidly and new food and beverage formats have been introduced (e.g. food halls and market halls, farm to table restaurants, and food trucks). By contrast, the growth of shoppers goods store space (general merchandise, apparel, furniture, and other shopper’s goods) is flat or declining as exhibited by numerous closures by Macy’s, JCPenney, Sears, and Kmart among many others.
- **Store and Chain Closures** - Over the past five years, there have been nearly 200 retail chain bankruptcies. In 2017, CNN Money reported that there were 5,300 store closing announcements through June 20 compared to 6,200 in 2008 during the Great Recession—the worst year so far for store closings. There are fewer stores in the market now, making it more difficult to find tenants for new retail developments or for re-tenanting existing space. Vacancies are increasing nationally as large blocks of space are vacated by store brands that no longer exist.

Local and Regional Market Trends

Inventory

Since 2010, retail inventory in Douglas County has grown by an average of approximately 192,000 square feet per year or an annual rate 1.1 percent, as shown in Table 26. This is faster than the retail growth rate of the Denver Metro Area, which grew by 0.4 percent per year. Parker's retail inventory grew by approximately 40,000 square feet per year or an average rate of 1.0 percent per year – similar to Douglas County and faster than the Denver Metro Area. Downtown Parker, however, has lost retail inventory since 2010. Lost inventory can result from building demolition or conversion to another use/product types.

Table 26
Retail Inventory Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017			
									Total	Ann. #	Ann. %	
Inventory (sq. ft.)												
Downtown	552,050	552,050	552,050	552,050	549,556	549,556	549,556	549,556	-2,494	-356	-0.1%	
Parker	3,914,266	3,917,276	3,936,117	3,936,117	3,933,623	4,087,496	4,168,661	4,192,565	278,299	39,757	1.0%	
Castle Rock	3,513,472	3,541,716	3,559,048	3,601,415	3,606,360	3,617,030	3,824,764	4,195,582	682,110	97,444	2.6%	
Lone Tree	3,511,106	3,511,106	3,511,106	3,627,135	3,627,135	3,627,135	3,639,750	3,648,195	137,089	19,584	0.5%	
Douglas County	16,299,516	16,244,623	16,312,529	16,510,925	16,546,389	16,737,640	17,211,826	17,644,043	1,344,527	192,075	1.1%	
Denver Metro	38,533,274	38,666,374	38,726,760	38,905,035	38,935,504	39,090,172	39,232,607	39,690,186	1,156,912	165,273	0.4%	

Source: CoStar; Economic & Planning Systems

Deliveries

Since 2010, there have been 325,520 square feet of retail space delivered to Parker – an average of 40,690 square feet per year, as shown in Table 27. Over that same time period, there have been 7,562 square feet of retail delivered to Downtown Parker, an average of 945 square feet per year. (A reduction of inventory but growth in deliveries can result from demolitions or conversions to another retail type.)

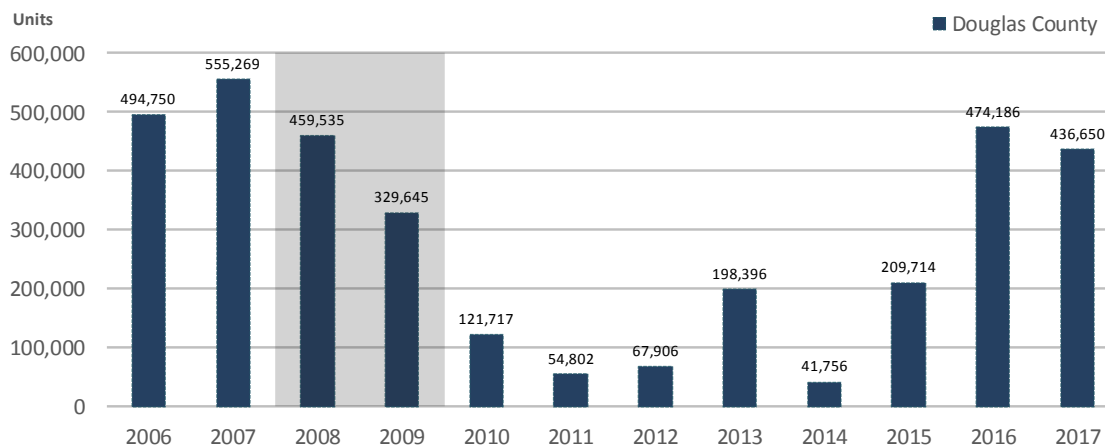
Table 27
Retail Delivery Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017	
									Total	Average
Deliveries (sq. ft.)										
Downtown	3,764	0	0	0	3,798	0	0	0	7,562	945
Parker	22,466	3,010	18,841	0	3,798	172,336	81,165	23,904	325,520	40,690
Castle Rock	4,318	28,244	17,332	42,367	4,945	10,670	207,734	370,818	686,428	85,804
Lone Tree	49,433	0	0	116,029	0	0	12,615	8,445	186,522	23,315
Douglas County	121,717	54,802	67,906	198,396	41,756	209,714	474,186	436,650	1,605,127	200,641
Denver Metro	26,291	160,070	211,135	292,184	110,965	252,546	228,462	562,797	1,844,450	230,556

Source: CoStar; Economic & Planning Systems

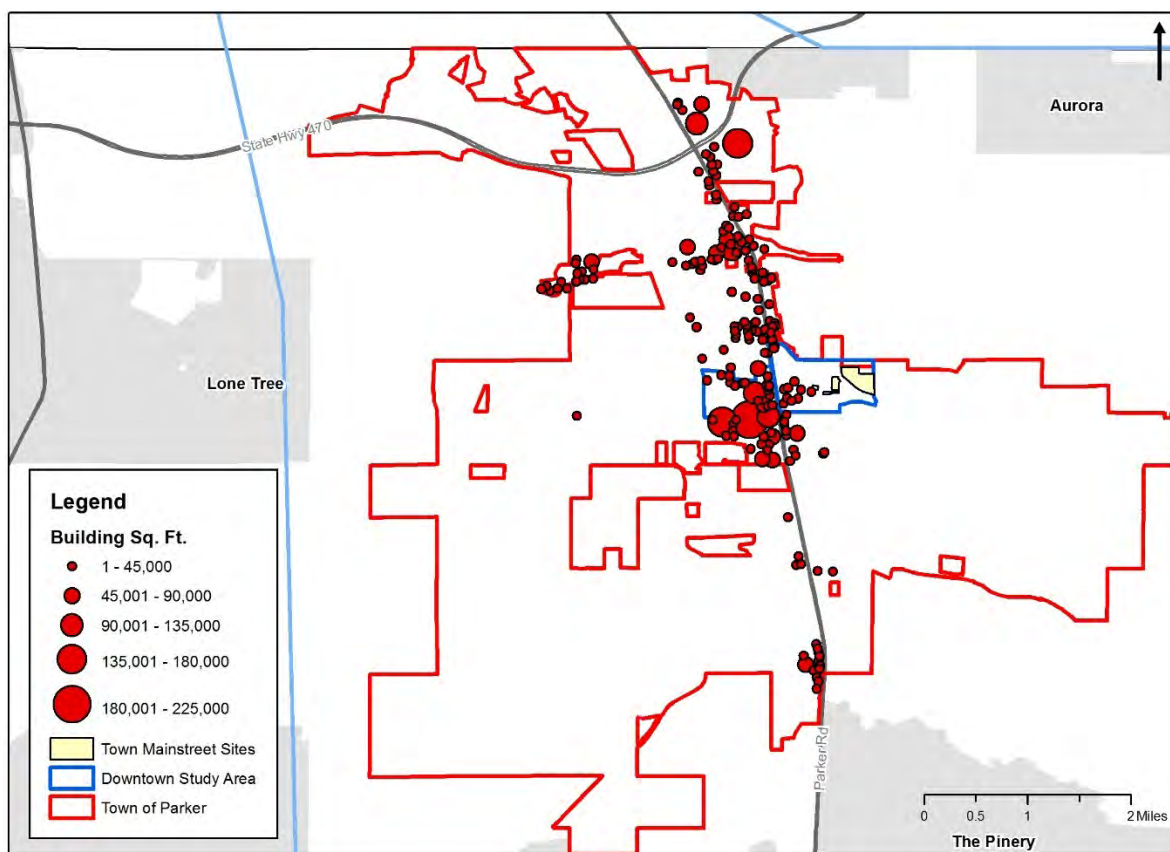
Figure 35 shows the retail deliveries in Douglas County since 2000. The figure reveals that drop off retail development after the Great Recession in 2008/2009. However, the retail market in Douglas County has largely recovered, with retail deliveries returning to pre-recession levels.

Figure 35
Retail Deliveries, 2006-2017



Source: CoStar; Economic & Planning Systems

Figure 36
Retail Deliveries by Size, 2006-2018



Rental Rates

Retail rental rates in the Denver Metro Area have grown from approximately \$15.00 in 2010 to \$21.50 in 2017, a rate of increase of 5.3 percent per year, as shown in Table 28. Average rental rates in Douglas County are slightly higher than those in the Denver Metro Area; however, rates in Douglas County have grown at a slower rate at 3.5 percent per year.

In 2017, rental rates in Parker averaged \$20.83 – below those of Douglas County and the Denver Metro Area. The Town has, however, seen similar growth rates to that of the Denver Metro Area with rents increase an average of 5.2 percent a year. Downtown Parker rents, however, are significantly below those of the rest of Parker and Douglas County at \$15.82. This may be due to the fact that similar to office smaller, more local tenants typically look for lower rent rates.

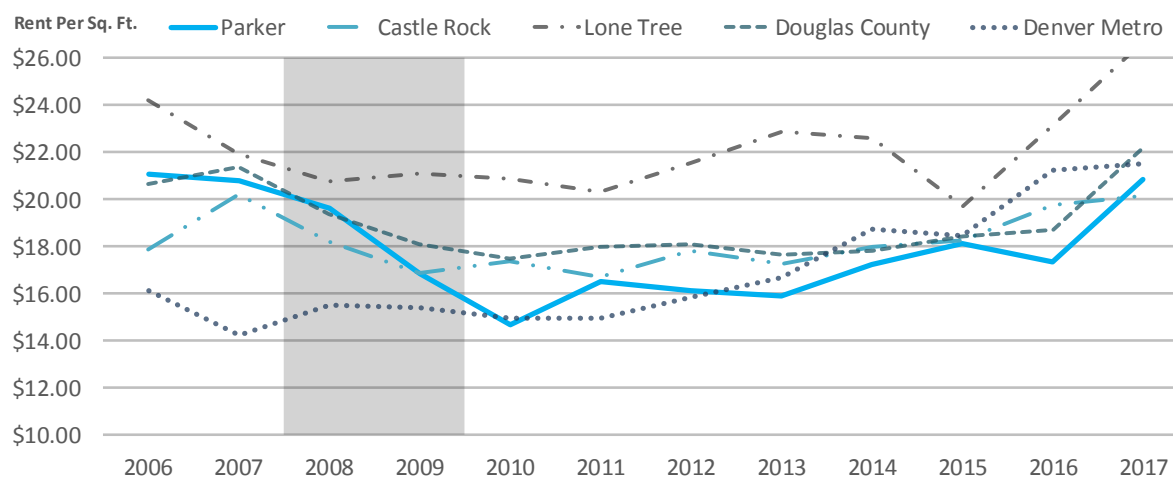
Table 28
Retail Average Rental Rate Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017			
									Total	Ann. #	Ann. %	
Rent Per Sq. Ft.												
Downtown	\$11.50	\$17.60	\$16.85	\$14.59	\$14.83	\$15.47	\$15.65	\$15.82	\$4.32	\$0.62	4.7%	
Parker	\$14.65	\$16.53	\$16.12	\$15.91	\$17.26	\$18.15	\$17.33	\$20.83	\$6.18	\$0.88	5.2%	
Castle Rock	\$17.35	\$16.70	\$17.83	\$17.28	\$17.99	\$18.26	\$19.79	\$20.18	\$2.83	\$0.40	2.2%	
Lone Tree	\$20.89	\$20.34	\$21.53	\$22.89	\$22.60	\$19.72	\$23.15	\$26.71	\$5.82	\$0.83	3.6%	
Douglas County	\$17.49	\$17.96	\$18.10	\$17.67	\$17.81	\$18.44	\$18.73	\$22.23	\$4.74	\$0.68	3.5%	
Denver Metro	\$14.98	\$14.97	\$15.85	\$16.67	\$18.72	\$18.46	\$21.22	\$21.54	\$6.56	\$0.94	5.3%	

Source: CoStar; Economic & Planning Systems

Rental rates in communities in Douglas County have largely just returned to their pre-Great Recession rental rates, whereas the Denver Metro Area has surpassed it pre-recession rates, as shown in Figure 37.

Figure 37
Retail Average Rental Rates, 2006-2017



Source: CoStar; Economic & Planning Systems

Vacancy

Vacancy rates in Parker have dropped from 12.2 percent in 2010 to 4.7 percent in 2017. Rates are slightly higher in Downtown Parker, dropping from 10.3 percent to 6.4 percent over that same time period. In comparison to Parker, Douglas County has retail vacancy of 3.1 percent and the Denver Metro Area has a vacancy rate of 3.3 percent. Retail vacancy rates between 5 to 10 percent are generally suggestive of a healthy market—with vacancy rates below 5 percent suggesting that additional space may be supportable.

Table 29
Retail Vacancy Rate Trends, 2010-2017

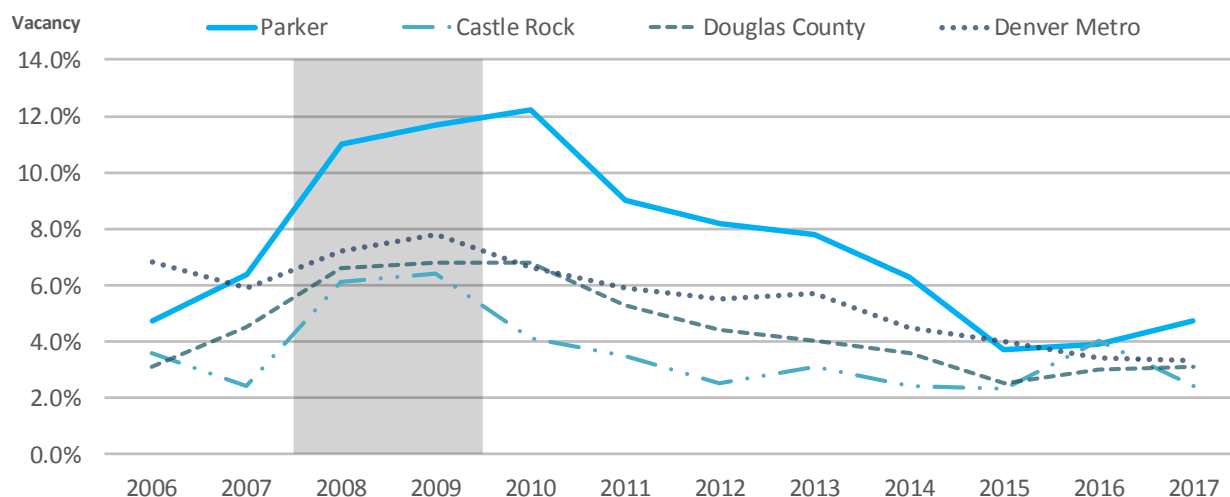
Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017		
									Total	Ann. #	Ann. %
Vacancy											
Downtown	10.3%	8.9%	9.8%	12.6%	12.7%	11.4%	10.1%	6.4%	-3.9%	-0.6%	-6.6%
Parker	12.2%	9.0%	8.2%	7.8%	6.3%	3.7%	3.9%	4.7%	-7.5%	-1.1%	-12.7%
Castle Rock	4.1%	3.5%	2.5%	3.1%	2.4%	2.3%	4.0%	2.4%	-1.7%	-0.2%	-7.4%
Lone Tree	3.3%	3.5%	3.0%	2.4%	2.7%	1.4%	2.1%	3.0%	-0.3%	0.0%	-1.4%
Douglas County	6.8%	5.3%	4.4%	4.0%	3.6%	2.5%	3.0%	3.1%	-3.7%	-0.5%	-10.6%
Denver Metro	6.6%	5.9%	5.5%	5.7%	4.5%	4.0%	3.4%	3.3%	-3.3%	-0.5%	-9.4%

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009-CoStar Retail.xlsx|T-Vacancy

Figure 38 illustrates the change of vacancy rates since 2006. Vacancy rates in Parker increased during the Great Recession, reaching a high of over 12 percent. This peak vacancy rate was over 4 percent higher than the peak of the Denver Metro Area. Over the last eight years, vacancy rates in Parker have returned to pre-recession levels. While still slightly higher than the other geographies included in this analysis, rates in Parker are below 5 percent, which is suggestive of a healthy if not slightly constrained market.

Figure 38
Retail Average Vacancy Rates, 2006-2017



Source: CoStar; Economic & Planning Systems

Absorption

Since 2010, Parker has averaged 194,000 of absorbed square feet per year, as shown in Table 30. The absorption in Parker over the last eight years is comparable to Castle Rock, even though Castle Rock has delivered more than double the square footage of retail over this time period. The comparable absorption rate reflects the drop in vacancy rate in Parker. Downtown Parker has averaged 31,500 square of absorption since 2010.

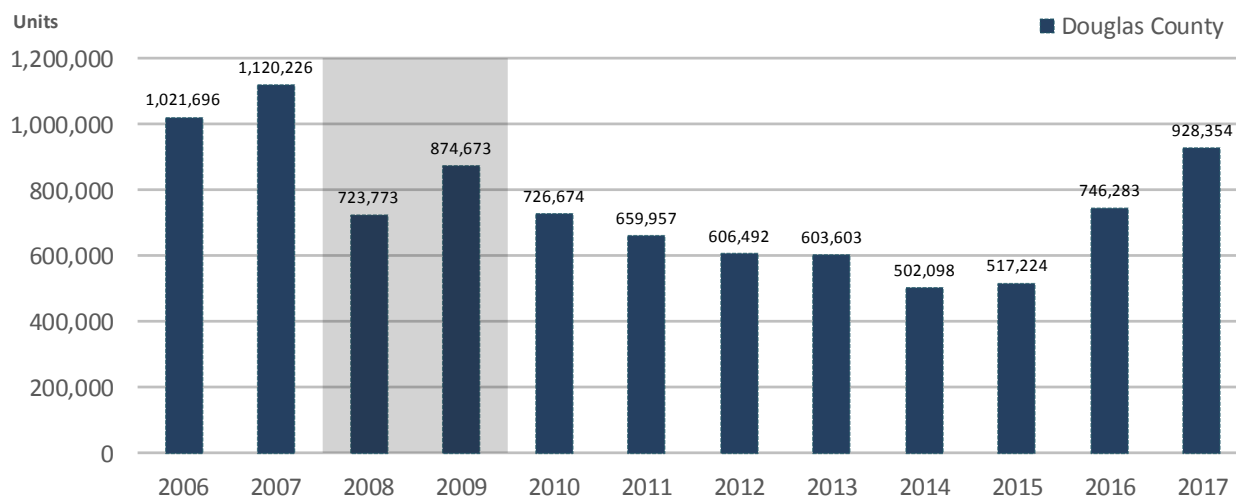
Table 30
Retail Absorption Trends, 2010-2017

Description	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017	
									Total	Average
Absorption (sq. ft.)										
Downtown	64,973	27,363	19,196	17,024	34,906	26,352	16,660	45,718	252,192	31,524
Parker	166,303	268,334	181,966	122,488	192,308	254,369	203,908	163,584	1,553,260	194,158
Castle Rock	181,850	153,440	129,873	153,628	162,440	78,413	194,098	573,759	1,627,501	203,438
Lone Tree	166,826	111,297	69,186	171,514	15,510	80,481	74,480	33,603	722,897	90,362
Douglas County	726,674	659,957	606,492	603,603	502,098	517,224	746,283	928,354	5,290,685	661,336
Denver Metro	1,576,588	1,599,092	1,478,712	1,624,084	1,478,912	1,164,321	1,693,011	1,857,348	12,472,068	1,559,009

Source: CoStar; Economic & Planning Systems

Figure 39 illustrates the absorption in Douglas County since 2006. After dipping in and after the great recession, retail absorption in Douglas County has increased steadily since 2014. It has not, however, returned to its pre-recession high in 2007.

Figure 39
Retail Absorption, 2006-2017



Source: CoStar; Economic & Planning Systems



Table 31
Retail Development Trend Summary, 2006-2017

Description	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2006-2017			
													Total	Ann. #	Ann. %	
Inventory - Sq. Ft.																
Downtown	511,673	511,673	551,708	551,708	552,050	552,050	552,050	552,050	549,556	549,556	549,556	549,556		37,883	3,444	0.7%
Parker	3,266,647	3,541,453	3,873,782	3,895,222	3,914,266	3,917,276	3,936,117	3,936,117	3,933,623	4,087,496	4,168,661	4,192,565		925,918	459	2.3%
Castle Rock	3,220,842	3,465,761	3,495,932	3,509,154	3,513,472	3,541,716	3,559,048	3,601,415	3,606,360	3,617,030	3,824,764	4,195,582		974,740	483	2.4%
Lone Tree	3,389,339	3,400,429	3,405,985	3,461,673	3,511,106	3,511,106	3,511,106	3,627,135	3,627,135	3,627,135	3,639,750	3,648,195		258,856	128	0.7%
Douglas County	14,836,772	15,392,041	15,851,576	16,181,221	16,299,516	16,244,623	16,312,529	16,510,925	16,546,389	16,737,640	17,211,826	17,644,043		2,807,271	1,392	1.6%
Denver Metro	37,897,595	38,133,651	38,405,368	38,506,983	38,533,274	38,666,374	38,726,760	38,905,035	38,935,504	39,090,172	39,232,607	39,690,186		1,792,591	889	0.4%
Rent Per Sq. Ft. (NNN)																
Downtown	\$20.28	\$20.11	\$23.35	\$14.02	\$11.50	\$17.60	\$16.85	\$14.59	\$14.83	\$15.47	\$15.65	\$15.82		-4	0	-2.2%
Parker	\$21.10	\$20.82	\$19.61	\$16.87	\$14.65	\$16.53	\$16.12	\$15.91	\$17.26	\$18.15	\$17.33	\$20.83		-\$0.27	\$0.00	-0.1%
Castle Rock	\$17.86	\$20.19	\$18.20	\$16.90	\$17.35	\$16.70	\$17.83	\$17.28	\$17.99	\$18.26	\$19.79	\$20.18		\$2.32	\$0.00	1.1%
Lone Tree	\$24.24	\$21.95	\$20.78	\$21.08	\$20.89	\$20.34	\$21.53	\$22.89	\$22.60	\$19.72	\$23.15	\$26.71		\$2.47	\$0.00	0.9%
Douglas County	\$20.67	\$21.40	\$19.37	\$18.07	\$17.49	\$17.96	\$18.10	\$17.67	\$17.81	\$18.44	\$18.73	\$22.23		\$1.56	\$0.00	0.7%
Denver Metro	\$16.10	\$14.23	\$15.52	\$15.41	\$14.98	\$14.97	\$15.85	\$16.67	\$18.72	\$18.46	\$21.22	\$21.54		\$5.44	\$0.00	2.7%
Vacancy																
Downtown	4.3%	2.9%	7.9%	11.8%	10.3%	8.9%	9.8%	12.6%	12.7%	11.4%	10.1%	6.4%		\$0.02	\$0.00	3.7%
Parker	4.7%	6.4%	11.0%	11.7%	12.2%	9.0%	8.2%	7.8%	6.3%	3.7%	3.9%	4.7%		0.0%	0.0%	0.0%
Castle Rock	3.6%	2.4%	6.1%	6.4%	4.1%	3.5%	2.5%	3.1%	2.4%	2.3%	4.0%	2.4%		-1.2%	0.0%	-3.6%
Lone Tree	0.9%	7.0%	4.6%	4.7%	3.3%	3.5%	3.0%	2.4%	2.7%	1.4%	2.1%	3.0%		2.1%	0.0%	11.6%
Douglas County	3.1%	4.5%	6.6%	6.8%	6.8%	5.3%	4.4%	4.0%	3.6%	2.5%	3.0%	3.1%		0.0%	0.0%	0.0%
Denver Metro	6.8%	5.9%	7.2%	7.8%	6.6%	5.9%	5.5%	5.7%	4.5%	4.0%	3.4%	3.3%		-3.5%	0.0%	-6.4%
Deliveries														Total	Avg.	
Downtown	0	0	40,035	0	3,764	0	0	0	3,798	0	0	0		47,597	3,966	
Parker	212,921	274,806	332,329	21,440	22,466	3,010	18,841	0	3,798	172,336	81,165	23,904		1,167,016	97,251	
Castle Rock	76,807	244,919	30,171	13,222	4,318	28,244	17,332	42,367	4,945	10,670	207,734	370,818		1,051,547	87,629	
Lone Tree	85,031	11,090	5,556	55,688	49,433	0	0	116,029	0	0	12,615	8,445		343,887	28,657	
Douglas County	494,750	555,269	459,535	329,645	121,717	54,802	67,906	198,396	41,756	209,714	474,186	436,650		3,444,326	287,027	
Denver Metro	950,441	318,637	312,632	120,877	26,291	160,070	211,135	292,184	110,965	252,546	228,462	562,797		3,547,037	295,586	
Absorption - Sq. Ft.																
Downtown	2,700	30,269	36,572	14,510	64,973	27,363	19,196	17,024	34,906	26,352	16,660	45,718		336,243	28,020	
Parker	324,399	404,118	363,725	99,541	166,303	268,334	181,966	122,488	192,308	254,369	203,908	163,584		2,745,043	228,754	
Castle Rock	366,315	391,525	123,260	184,806	181,850	153,440	129,873	153,628	162,440	78,413	194,098	573,759		2,693,407	224,451	
Lone Tree	93,836	69,728	53,872	109,494	166,826	111,297	69,186	171,514	15,510	80,481	74,480	33,603		1,049,827	87,486	
Douglas County	1,021,696	1,120,226	723,773	874,673	726,674	659,957	606,492	603,603	502,098	517,224	746,283	928,354		9,031,053	752,588	
Denver Metro	2,154,113	2,047,775	1,465,499	1,246,860	1,576,588	1,599,092	1,478,712	1,624,084	1,478,912	1,164,321	1,693,011	1,857,348		19,386,315	1,615,526	

Source: CoStar; Economic & Planning Systems

H:\383009-Parker URA Market Study\Data\383009-CoStar Retail.xlsx\T-Summary Table

Current Conditions

Retail Inventory

Descriptions of existing retail Downtown are included in Table 32, and the locations of each retail establishment along with a corresponding identification number are shown in Figure 40. Retail along Mainstreet tends to be service retail like dry cleaners and salons as well as restaurants and other food and eating establishments. Brokers and developers interviewed noted a need and desire for more restaurants and bars.

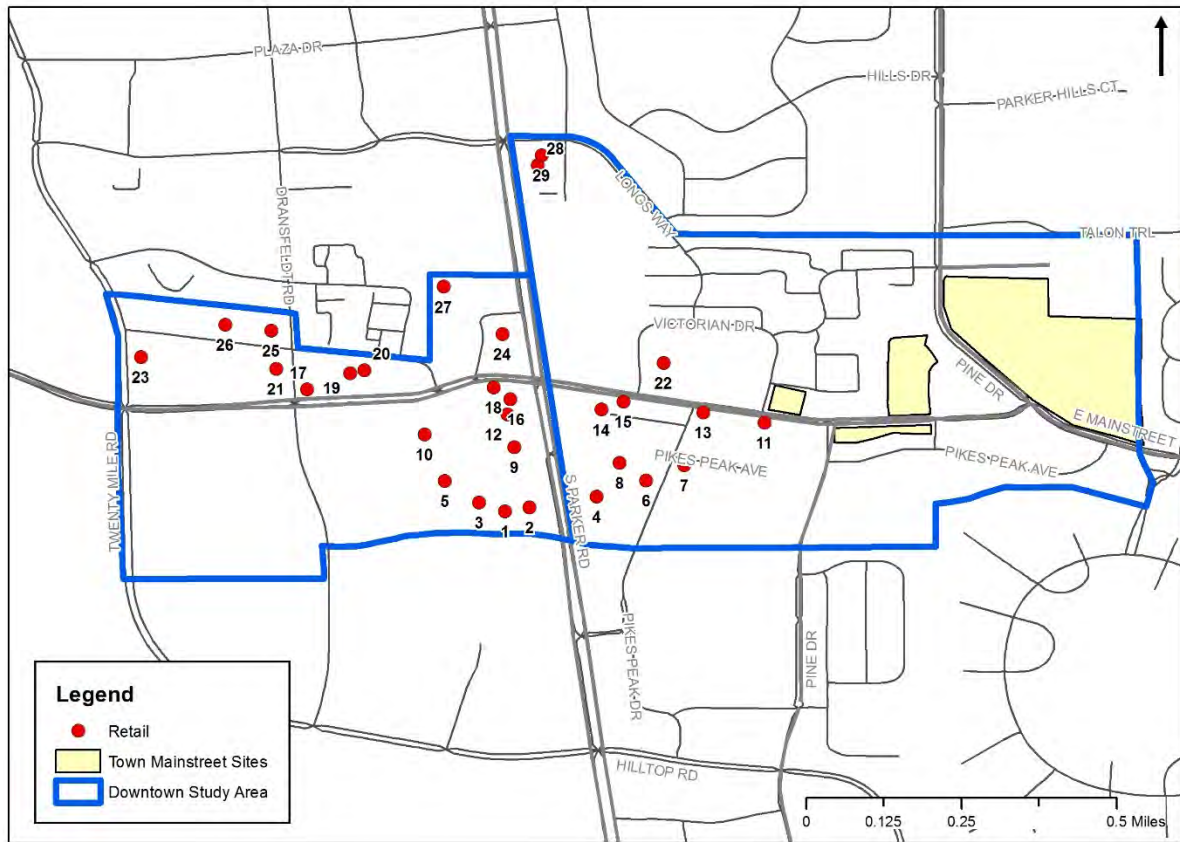
Table 32
Downtown Parker Retail Inventory

ID	Description	Address	Year	Size sq. ft.	Example Tenants
1	Public Service Credit Union	11061 S Parker Rd	1983	6,560	Bank
2	Grease Monkey	11071 S Parker Rd	1995	2,360	Car Service
3	Safeway	11051 S Parker Rd	1994	61,810	Grocery
4	Dollar Tree	11000 S Parker Rd	1984	44,801	Retail Store
5	Parker Safeway Center	10911-10981 S Parker Rd	1995	25,558	Restaurant; Beauty Supplies; Craft Store
6	Parker Depot	11027 S Pikes Peak Dr	1996	7,800	Dentist; Treatment Center; Travel Agency
7	Victorian Peaks	11020 S Pikes Peak Dr	2008	40,035	Restaurant
8	Parker Center-Bldg A	10940-10970 S Parker Rd	1984	22,480	Mailing Services; Liquor Store; Jewelers; Clothing Store
9	1st Bank	10961 S Parker Rd	1998	4,712	Bank
10	Hobby Lobby/Big Lots	10901 S Parker Rd	1994	96,001	Craft Store
11	Mainstreet Style	19690 E Main St	1921	1,439	Beauty Salon; Massage Therapy
12	KeyBank	10951 S Parker Rd	2010	3,764	Bank
13	Music on Main	19600 E Main St	1983	3,156	Music School
14	Parker Center- Bldg B	10920 S Parker Rd	1984	10,000	Ice Cream Shop, Restaurant; Nail Salon; Cruise Agency
15	Parker Garage	19420 E Mainstreet	1977	4,010	Restaurant
16	Gas/Convenience	19220 E Main St	1987	2,666	Gas Station
17	Twenty Mile Station I	18701 E Mainstreet	2000	4,917	Restaurant
18	Kneaders	19190 E Mainstreet	2014	3,798	Bakery; Café
19	Strip Retail	18901 E Mainstreet	1999	14,873	Dry Cleaner; Restaurant; Tanning Salon; Chiropractor
20	Strip Retail	18951 E Mainstreet	2002	14,770	Restaurant; Gym; Tattoo and Piercing Shop
21	Twenty Mile Village	18671 E Main St	2002	9,915	Resaurant; Beauty Salon; Gym
22	Parker Montessori	10750 Victorian Dr	1999	11,446	Day Care
23	Twenty Mile Mercantile	18551 E Mainstreet	2005	24,972	Café
24	Taco Bell	10832 S Crossroads Dr	1985	2,042	Fast Food
25	Medical Office	18695 Stage Run Rd	2003	3,584	Dentist
26	Twenty Mile Stadium Theater	18625 E Stage Run Rd	2002	32,142	Movie Theater
27	Parker Crossroads	10841 S Crossroads Dr	1984	47,637	Restaurant; Salon; Chiropractor; Auto Repair
28	Papa John's Pizza	10641 S Park Glenn Way	1999	1,641	Restaurant
29	Car Dealer	10672 S Parker Rd	1997	2,324	Car and Truck Dealership

Source: CoStar; Economic & Planning Systems

H:\383009-Parker UR A Market Study\Data\383009_Downtown_Inventory_Tables.xlsxJT-Retail

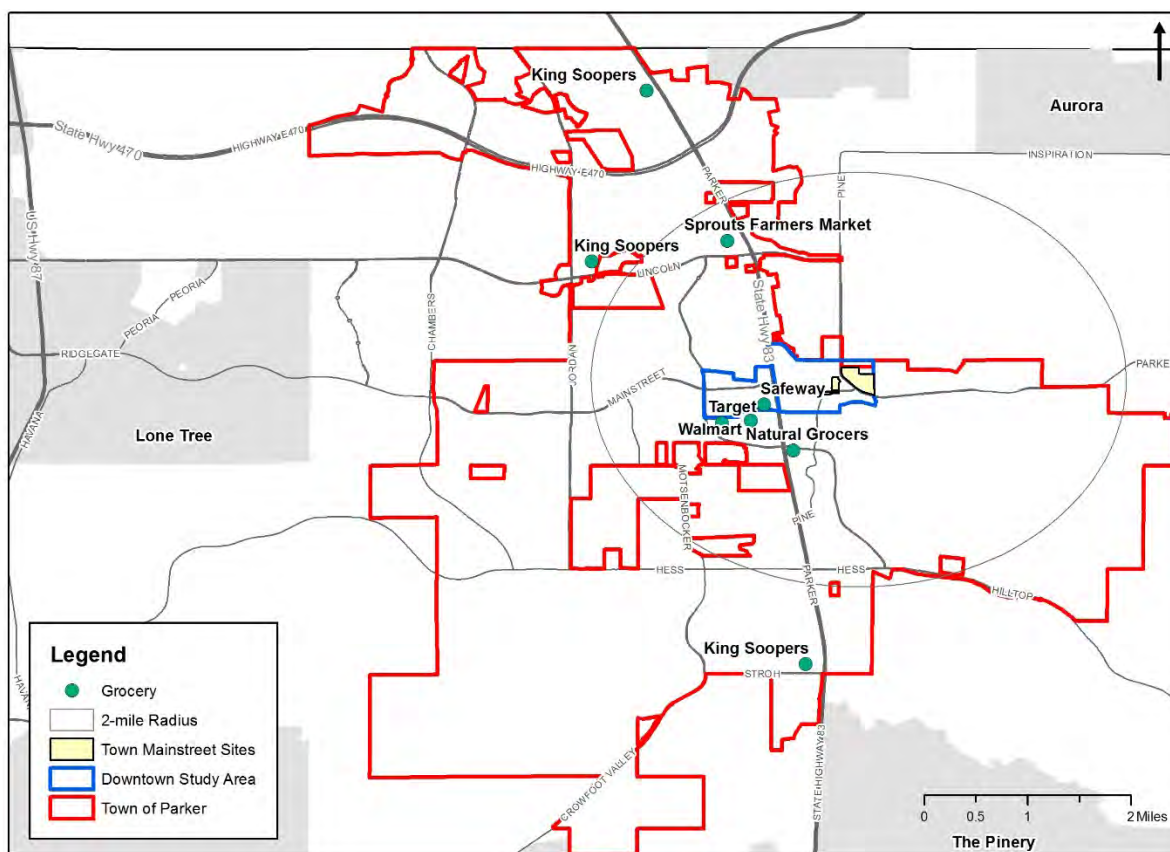
Figure 40
Downtown Parker Retail Inventory



Grocery Stores

There are currently four grocery stores within a two-mile radius of Downtown Parker, as shown in Figure 41. A two-mile radius is generally considered as the primary trade area for a grocery store in a suburban setting. The map illustrates that Downtown is well served by a variety of both medium and large format stores. Medium format stores include two natural grocers (Sprouts and Natural Grocers). The larger format stores include Walmart and Safeway. There are three King Soopers in Parker, located north on Parker Road, west on Lincoln, and south of the Downtown trade area on Stroh. In addition, the grocery stores in Parker tend to be located directly off or are highly visible from Parker Road or another large arterial.

Figure 41
Map of Existing Grocery Stores



Future Conditions

Demand Estimate

EPS developed a high level retail demand estimates for Downtown. These estimates are based on household growth projections for the retail trade area, and then Downtown capture rate assumptions tailored to specific store types. A summary of the demand estimates for Downtown retail are shown in Table 33. EPS estimates that over the next 10 years Downtown will be able to support approximately: 56,000 square feet of convenience goods, including a 40,000 square foot grocery stores; 31,000 square feet of shopper's goods, which includes specialty retail; and 44,000 square feet of eating and drinking.




- **Grocery Stores:** As a frame of reference, a 40,000 square foot grocery store is larger than the medium format stores like Sprouts or Natural Grocers, but smaller than a large format grocer like King Soopers and Safeway, as shown in Table 34. While there may be enough demand for a larger grocery store Downtown, brokers and developers emphasized that in suburban settings, medium grocery stores are looking for high visibility at the corners of more arterial roads. Specific brands of grocers are also looking to avoid cannibalization with their stores in close proximity. There happen to be a number of medium format stores within a two-mile radius, which may make developing more difficult, as shown in Figure 41.
- **Eating and Drinking:** Restaurants range from 2,000 to 3,000 square feet on the smaller end and up to 8,000 square feet on the larger end, depending on the type. Based on these sizes, the 44,000 square feet of estimated supportable square feet over the next ten years is the equivalent to approximately 10 to 15 restaurants, depending on the mix.

Table 33
Downtown Retail Demand Estimates

Description	Downtown Demand (Sq. Ft.)			Total
	2017-2019	2020-2022	2023-2028	
Convenience Goods				
Supermarkets and Specialty Grocery Stores	3,700	17,820	21,520	43,040
Convenience Stores (incl. Gas Stations)	285	1,360	1,645	3,290
Beer, Wine, & Liquor Stores	360	1,730	2,090	4,180
Health and Personal Care	500	2,395	2,890	5,785
Total Convenience Goods	4,845	23,305	28,145	56,295
Shopper's Goods				
Clothing & Accessories	775	3,720	4,490	8,985
Furniture & Home Furnishings	730	3,510	4,240	8,480
Electronics & Appliances	0	0	0	0
Sporting Goods, Hobby, Book, & Music Stores	465	2,235	2,700	5,400
Miscellaneous Retail	660	3,185	3,845	7,690
Subtotal	2,630	12,650	15,275	30,555
Eating and Drinking	3,820	18,370	22,190	44,380
Total	11,295	54,325	65,610	131,230

Source: 2007 Census of Retail Trade, Economic & Planning Systems

Table 34
Grocery Store Formats

Type	Description
<p>Small</p> 	<ul style="list-style-type: none"> • Size: 5,000 – 10,000 sq. ft. • Examples: Tony's Market; Marczyk • Supportable Downtown: Yes • Time Range: Short to Medium • Already in Service Area: No
<p>Medium</p> 	<ul style="list-style-type: none"> • Size: 12,000 – 30,000 sq. ft. • Examples: Sprouts; Lucky's; Natural Grocers; Trader Joe's • Supportable Downtown: Yes • Time Range: Short to Medium • Already in Service Area: Yes
<p>Large</p> 	<ul style="list-style-type: none"> • Size: >50,000 sq. ft. • Examples: King Soopers; Safeway • Downtown Feasibility: No • Time Range: NA • Already in Service Area: Yes • Notes: Need more visible corner and higher traffic flows

Project Pipeline

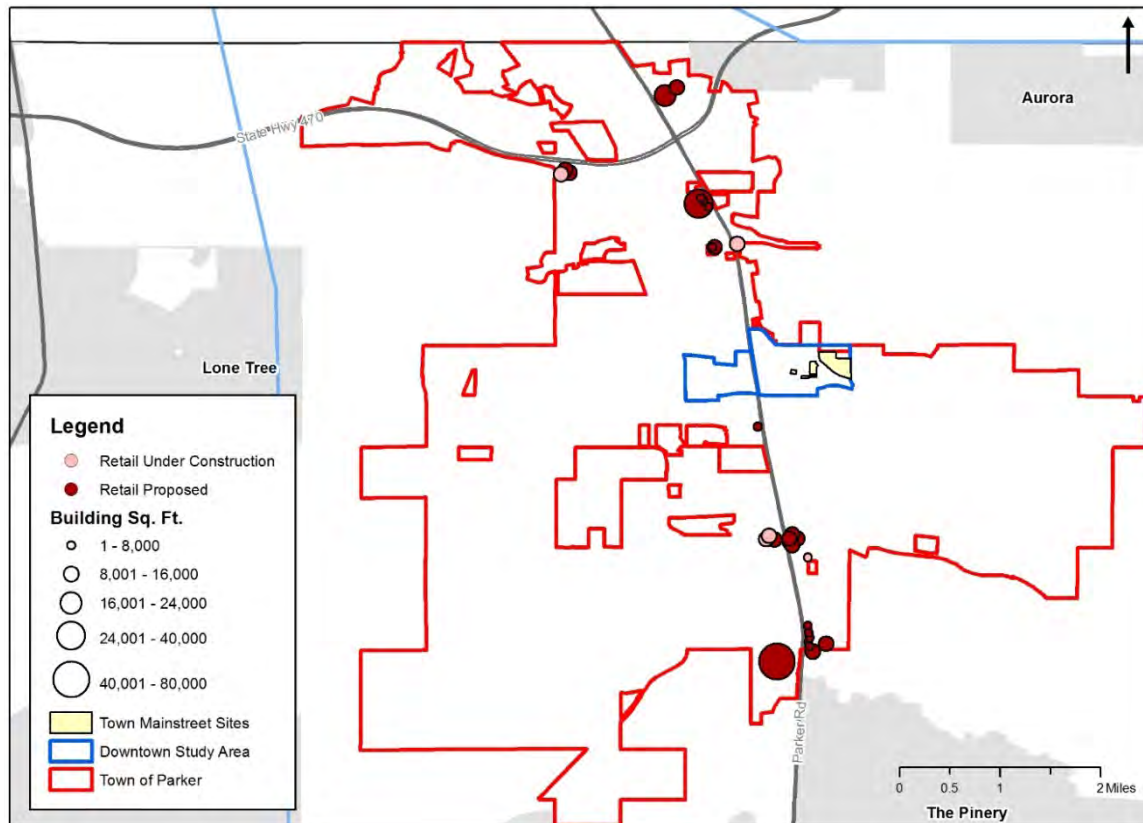
There are five retail projects currently under construction in Parker for a total of 54,637 square feet, and 25 proposed retail projects for a total of 319,266 square feet, as shown in Table 35. None of these projects are in the Downtown, as shown in Figure 42.

Table 35
Parker Retail Project Pipeline

Retail Center	Buildings	Address	Proposed	Size sq. ft.
Under Construction				
Country Meadows Square	2	19523 Hess Rd	2018	24,114
Other Retail	3	NA	NA	30,523
Subtotal	5			54,637
Proposed				
Country Meadows Square	1	19523 Hess Rd	2018	11,414
Jordan Commons	1	SE Jordan Rd	2018	9,287
Parker Hilltop Town Square	1	11265 Pikes Peak Dr	2012	6,500
South Parker Shops	1	Parker Rd & Hess Rd	2019	11,886
Pine Bluffs Plaza	4	Parker & Hess Rd	2019	44,735
Reata West	1	7074 Stroh Rd	2019	80,000
Other Retail	16	NA	NA	155,444
Subtotal	25			319,266
TOTAL				638,532

Source: CoStar; Economic & Planning Systems

Figure 42
Retail Project Pipeline Locations



Catalyst/Precedent Projects

Multiple brokers interviewed suggested retail/restaurant clusters as a way to both attract local and regional customers, create an amenity for current residents, and catalyze further development. This section reviews a number of different retail/restaurant clusters in the Denver Metro Area. In these developments, it is important to have a good “curated” mix of local retail and restaurants. For many of these development, the restaurants were second locations to already successful local restaurants or new locations for a locally unique restaurants with several metro area locations. It is also important to incorporate open space into these clusters.

Eastbridge Town Center | Stapleton Denver, CO

Eastbridge Town Center is 30,000 square foot cluster of boutique restaurants and service businesses built around a central plaza adjacent to the new Eastbridge King Soopers in the eastern portion of Denver’s Stapleton neighborhood. These 100 percent locally owned businesses were selected and recruited to provide unique community-oriented retail opportunities and an alternative to chain retail centers. The current restaurants that are open include:

Figure 43
Site Plan of Retail Establishments in Eastbridge Town Center



- Cattivella Wood Fired Italian – This new restaurant by Denver chef Elise Wiggins serves a wood-fired Italian grill menu. Chef/owner Wiggins, a Stapleton resident, was formerly executive chef at Panzano’s in downtown Denver. The chef’s counter seats 26 along with 74 additional interior seats and 100 seats on the wraparound patio with mountain views. The open kitchen also provides the setting for the successful cooking classes that are offered.
- Concourse Restaurant Moderne - This is the third restaurant opened by Chef/Owner Lon Symensma who previously opened two Southeast Asian concept restaurants, ChoLon in downtown Denver, and Cho77 on South Broadway in Denver. Chef Symensma partnered with Executive Chef Luke Bergman, with whom he worked in New York City, to create a restaurant showcasing seasonally focused American cuisine.
- Next Door American Eatery - The Boulder-based Kitchen Restaurant Group founded in 2004 by Hugo Matheson and Kimbal Musk, has five full service farm-to-table bistros in Boulder, Denver, Chicago, Fort Collins and Memphis. The Kitchen Next Store is a casual

offshoot of The Kitchen with 3,500 square foot restaurants and about 100 seats featuring fresh salads, sandwiches, burgers, and bowls. There are currently five locations for this more casual oriented format including Stapleton and Boulder, Glendale, Union Station Denver, and Memphis, Tennessee.

- HashTag – Hashtag is a 2,500 square foot 85 seat restaurant opened by chef Troy Guard of TAG Restaurant Group. TAG Restaurant in Larimer Square features Asian American fusion fare. The Stapleton breakfast and lunch-oriented menu features unique offerings including lamb neck benedict, ricotta quinoa pancakes, and a variety of unique hashes.
- Los Chingones - Los Chingones is the third location of this upscale Mexican restaurant concept by Chef/Owner Troy Guard of TAG Restaurant Group. The first Los Chingones opened in 2013 in LoDo's Ballpark neighborhood and a second location opened in the Denver Tech Center in 2015.
- The Constellation – A second location by the Little Man Ice Cream Company, The Constellation Ice Cream shop features handmade ice cream, sorbet, vegan ice cream, and other novelty goodies. In an attempt to pay homage to the old Stapleton Airport, the shop itself will be a real-life replica of a Lockheed Constellation commuter jet wing.

Although restaurants account for more than 60 percent of the space, the Town Center also has five retail and service businesses including Wild Flowers (gift and garden), Endorphin (fitness and Yoga), Pilates Evolution, and Polished (a hair and nail studio).

Eastbridge Town Center was developed by a partnership between Evergreen Development, a mainstream retail developer, and City Street Ventures (CSV), a developer of unique infill restaurant dominated projects. CSV met with Forest City Stapleton (FCS), the master developer of Stapleton, who was interested in responding to the community's desire for more locally unique retail and dining options. The triangle parcel across from King Soopers was already under contract to Evergreen. There was another parcel across MLK Boulevard available for additional retail development. Evergreen and CSV decided to partner on the project with Evergreen developing more traditional ancillary retail space leased to national credit retailers on the north rectangular parcel and CSV developing their Town Center project on the triangle plaza site.

The project cost more to build including the extensive plaza space, as well as additional tenant improvements (TIs) and marketing costs. CSV held focus groups to find out what the neighborhood wanted. The development concept was to enhance the neighborhood, provide placemaking, but also build something cool enough to attract others to come. A unique aspect of the project is that all of the restaurateurs either lived in Stapleton or had some other business ties to the community.

FCS provided some additional financial assistance by paying for some of the infrastructure costs including plazas, lights and sidewalks. They also provided the land at below market at about \$10 per square foot. The partnership allowed for some cross subsidy of the national retailers site and the locally oriented plaza development. The retail rents are up to \$35 per square foot. The developer indicated that land values and rents would likely need to be lower in Parker due to the lower density of the trade area.

Exhibit 4
Eastbridge Towncenter



Hangar 2 | Lowry Denver, CO



Hangar 2 is Lowry's Dining District, which was developed by Larimer Associates and Hartman Ely Investments as an urban renewal project. The development was designed by Semple Brown Design and includes a locally sourced indoor and outdoor venue. Hangar 2 was originally built and used for World War II pilot training and was vacant for more than 15 years. The Denver Urban Renewal Authority

approved a \$2 million developer reimbursement through TIF from property taxes. The redevelopment cost about \$21.7 million and includes 90,000 square feet of retail, office space, a storage facility, and a dining district (about 35,000 square feet).

Hangar 2 is a giant 80,000 square foot hangar that the historic preservation community wanted to preserve but it was an albatross with respect to finding a reuse. It was converted into a self-storage facility for the Lowry Community. As a result, there was a large parking lot in front of the hangar that was no longer needed for parking. Larimer Associates (principals from CSV) first built the Lowry Beer Garden as a placemaking project for the site.

Lowry Beer Garden – The outdoor garden area of over 4,500 square feet, including a covered pavilion can accommodate up to 350 guests. The Oktoberfest-style space offers 16 beers on tap and over 40 bottles or cans, all local Colorado craft beers. In addition, locally-made gourmet brats, sausages, pretzels, burgers, fries, and salads are served.



Two commercial buildings with additional restaurant and retail space were built that include the following tenants:

Café Mercato – Italian restaurant owned and managed by Giancarlo Macchiarella of Locanda del Borgo. The Southern Italian inspired restaurant features house-made pastas, sausages, gelato, and desserts. The restaurant sets itself apart through having a large, open kitchen and wine library.

Maui Wowi – One of over 450 retailers across the United States. Maui Wowi serves Hawaiian coffees, all-natural low-fat smoothies, and other Hawaiian products.

North Country – Local Baja Mexican restaurant featuring fresh, healthy seafood, which is flown in daily. Inspired by the coastal area North of San Diego, this Denver restaurant has traditional seafood, salads, fish and street tacos, along with margaritas and handcrafted cocktails. A unique feature is the spiked sodas made and bottled on location.

Rocket Ice Cream – An ice cream shop located underneath the Raygun Gothic Rocketship, which is a life-sized piece of art towering 50 feet high and weighs 20,000 pounds. The shop serves Little Man Ice Cream with 16 different flavors that change daily, including vegan and gluten-free options.

Woodgrain Bagels – The bagel shop will serve hand-rolled Montreal-style bagels and will be opening soon in Hanger 2.

Other Commercial– Base Fitness, Counsel Denver, Endorphin Lowry, Extra Space Storage, Jamie Harris, Laura Saye, Lowry Community Master Association, Modus Architecture, Monarch Property Services, Montessori Casa International, Pivotal Utility Management LLC, Rothschild Downes, and Studio 4D

Civic Center | Broomfield, CO

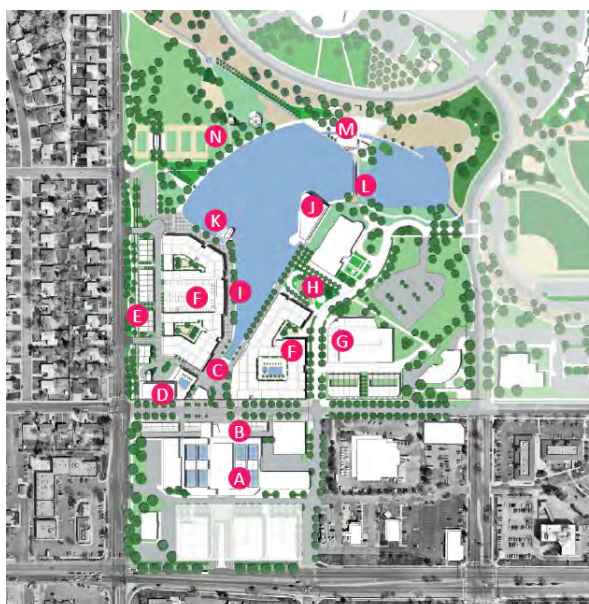


The City and County of Broomfield and the Broomfield Urban Renewal Authority (BURA) have engaged Urban Neighborhoods and City Street Ventures to plan for and implement the development of the Civic Center project. The City has a goal to create a civic and retail focal point that can attract destination specialty retail, dining, and entertainment uses. The development team has held four community focus sessions in 2017

and subsequently hired a design team to develop a concept plan. Financial feasibility analysis and negotiations on public financing will take place prior to completing a development agreement.

The site is 10.4 acres of vacant land plus there is a vacant Safeway on a 5.5-acre parcel. The project proposes a mixed-use development to integrate the City's Civic Center complex on the north with redevelopment of outmoded commercial space on the 120th Avenue corridor on the south. The conceptual plan contains an enlarged Community Park Pond wrapping around the Library and Auditorium towards First Avenue, extensive plaza and walk areas including outdoor dining, entertainment areas and public art, 50,000 square feet of retail and restaurant uses, 100 room boutique hotel, 22 row-houses, 365 housing units, 15,000 square feet of co-working space, and 10,000 square feet of community space. The retail space includes repurposing the former Safeway into a central market. This project will create a central area for community events, gatherings, shopping, and entertainment in Broomfield. A sketch plan is shown below.

Figure 44
Civic Center, Broomfield Site Map



- A** Central Market
- B** Broomfield Steps
- C** The Plaza
- D** Boutique Hotel
- E** Townhomes
- F** Mixed Use Retail / Office / Residential
- G** Artist / Maker / Residential
- H** The Lawn
- I** Lakeside Promenade
- J** Library Expansion
- K** Boathouse
- L** Weir Bridge
- M** New Amphitheatre
- N** North Shore

Item 1 Revision - Page 24

Boulevard One | Lowry Denver, CO

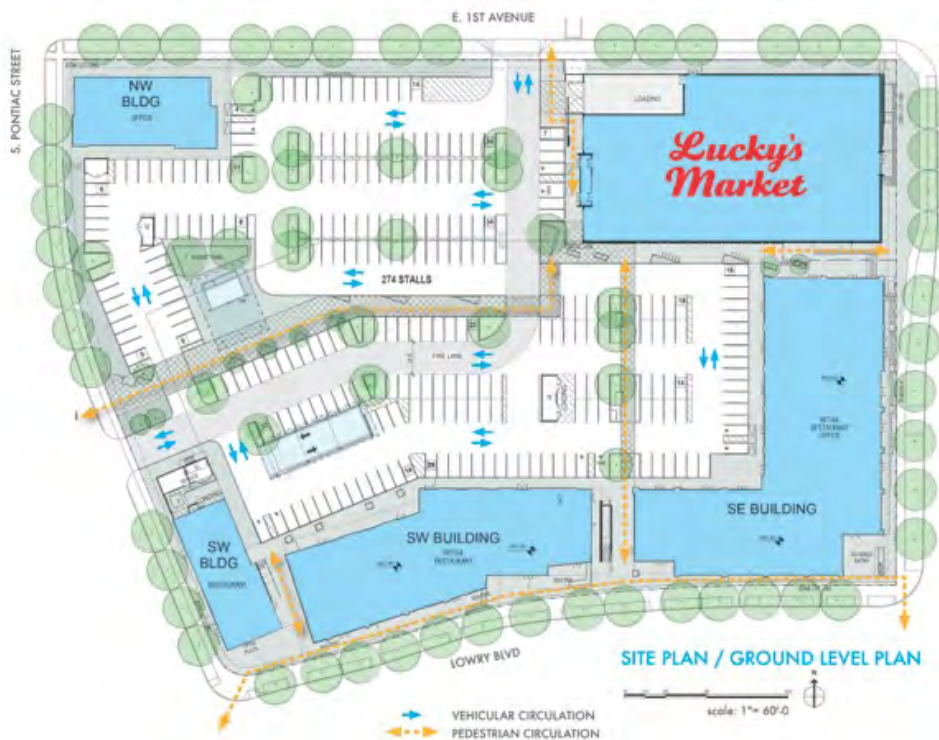


Boulevard One is the redevelopment of a 70-acre site into a mixed-use, walkable neighborhood. There will be a variety of new residential including about 130 single-family homes, 250 rowhomes and attached homes, and 420 apartments. Additionally, there will be retail, offices, parks, and a community plaza within an easy walk. This will be a neighborhood to live, work,

and play in. Kelmore Development and Confluent Development are working together to establish a vibrant retail and office area in the corner of the development. Lucky's Market will be a large, grocery store anchor on the eight-acre site. There will be restaurants, services, entertainment venues, boutique shops, and offices within the 200,000 square feet of commercial space.

Lucky's Market – A local natural grocery store that originated in Boulder, Colorado. The store was established by two chefs to bring natural, high-quality food without a high price tag to the community. This will be the first Lucky's Market to be built outside of Boulder and will be 25,000 square feet. It is anticipated to open in late 2019.

Figure 45
Site Map of Boulevard One, Lowry



Key Findings

Findings in this section are based on market research and quantitative analysis. They also incorporate information from broker and developer interviews and, more generally, the perspective of the development community.

- **Changing Nature of Retail and Importance of a Downtown Experience:** The retail industry has shifted greatly over the last 15 years, impacted by the growth of internet sales, declining brick and mortar store sales, retail chain consolidations, and demographic shifts and preferences. During this time, there has been a shift in spending patterns toward more experiences and experiential retail. This includes entertainment as well as dining out. As a result, there has been a re-emphasis on downtowns, and Parker has an opportunity to invest in specialty retail and restaurants that serves as amenities for the community but also adds to the experience of being in its downtown. This chapter has presented a number of precedent/catalyst project that provide examples of how the Town could invest in a downtown experience.
- **Demand for Retail:** Retail market indicators suggest that Parker has largely recovered from the impacts of the Great Recession, and retail deliveries and rental rates have returned to pre-recession levels. Vacancy rates in the Town are also below 5 percent, indicating a potential need for new retail spaces. Based on historical trends, EPS estimates that the Downtown could capture approximately 130,000 square feet of retail over the next 10 years.
- **Restaurants:** Retail demand estimates include 44,000 square feet of eating and drinking space, which is equivalent to approximately 10 to 15 new restaurants in the Downtown over the next 10 years, depending on size and type of restaurants. The demand estimate confirms information from broker and developer interviews that emphasized a need and desire for more restaurants and bars in Parker. Further, restaurants will be important to adding to the downtown experience.
- **Grocery Stores:** Grocery stores are an important retail type in that they can help anchor neighborhood serving retail centers and catalyze development of ancillary space. EPS estimates that Downtown can capture approximately 43,000 square feet of grocery space over the next 10 years. This would support the attraction of a medium sized grocer or natural foods store like Lucky's, Natural Grocers, or Sprouts. While there may be enough demand for such a store, brokers and developers cautioned that in suburban settings, these grocery chains are looking for high visibility at the corners of more arterial roads. Specific brands of grocers are also look to avoid cannibalization of stores in close proximity.

In the shorter term, a smaller grocery store or market that could be built as part of a mixed-use development may be more feasible. In the medium to long term, the Town should look to attract a medium format grocery, preferably one that is a new entrée into the market. Incorporating this grocery store as part of a larger residential development may make the grocery more feasible.

- **Restaurant Cluster as a Catalyst:** Multiple brokers interviews suggested the development of a retail and restaurant cluster featuring distinct local and regional businesses as a way to attract local and regional customers, create an amenity for current residents, and catalyze further development. This chapter reviews a number of different retail/restaurant clusters in the Denver Metro Area. In these developments, it is important to have a good "curated" mix

of local retail and restaurants. For many of these developments, the restaurants were second locations to already successful local restaurants or new locations for a locally unique restaurant with several metro area locations. It is also important to incorporate open space into these clusters.

7. HOSPITALITY DEVELOPMENT MARKET

This chapter reviews the hospitality market in Parker, focusing first on the potential for hospitality in the Downtown Study Area and the drivers of demand in such a setting. The chapter then reviews specific market trends impacting hotel demand, current and future conditions in Parker, and potential precedent or catalyst projects for the development sites.

Downtown Hospitality Market

A boutique hotel is the most appropriate hotel type for the Downtown Study Area. Most national chain hotels in a more suburban setting will locate with close proximity to and visibility from major road-way such as E-470, Lincoln Avenue, and South Parker Road. Proximity to interstates and larger arterial roads generate strong commercial demand for these types of hotels. The commercial demand segment primarily consists of person traveling for business Sunday/Monday through Thursday. A smaller percentage of this demand segment will choose to stay in a downtown setting; however, the majority will locate close or with easy access to larger employment centers. Demand for this segment will be driven by employment growth in the region. A large employment use locating in Downtown would help better generate this type of demand.

In contrast, a boutique hotel will generate the majority of its room nights from the visitor/leisure segment. Overall demand for this segment will be driven by local and regional attractions as well as by population growth in Parker. A boutique hotel group business from social functions like weddings, banquets, and reunions. Event and meeting space in the Pace Center and the Schoolhouse at Mainstreet could help drive this segment of the market. A boutique hotel on one of the development sites downtown could benefit in its proximity and potential partnerships with these spaces.

Finally, visitors choosing to stay in Downtown are looking for a more distinct experience than staying, for example, in a chain hotel off the interstate. Downtown historic core and its walkability will be advantageous in attracting these types of visitors. Investment in a mix of uses and new retail elements will help improve the Downtown experience and make it more attractive to a boutique hotel developer. A boutique hotel would also better fit into the scale and context of a downtown setting.

Table 36
Hospitality Demand Segments

Commercial	Leisure/Visitors	Meeting/Group
<ul style="list-style-type: none"> • Business traveler • Sunday/Monday to Thursday • Proximity to employers is critical • ~50% of overall demand 	<ul style="list-style-type: none"> • Travelers visiting the area and its attractions • Visiting friends and family • Significant portion prefer "unique" product • ~35% of overall demand 	<ul style="list-style-type: none"> • Corporate meetings and association activity • High level of service, available public space and accessible amenities • ~15% of overall demand

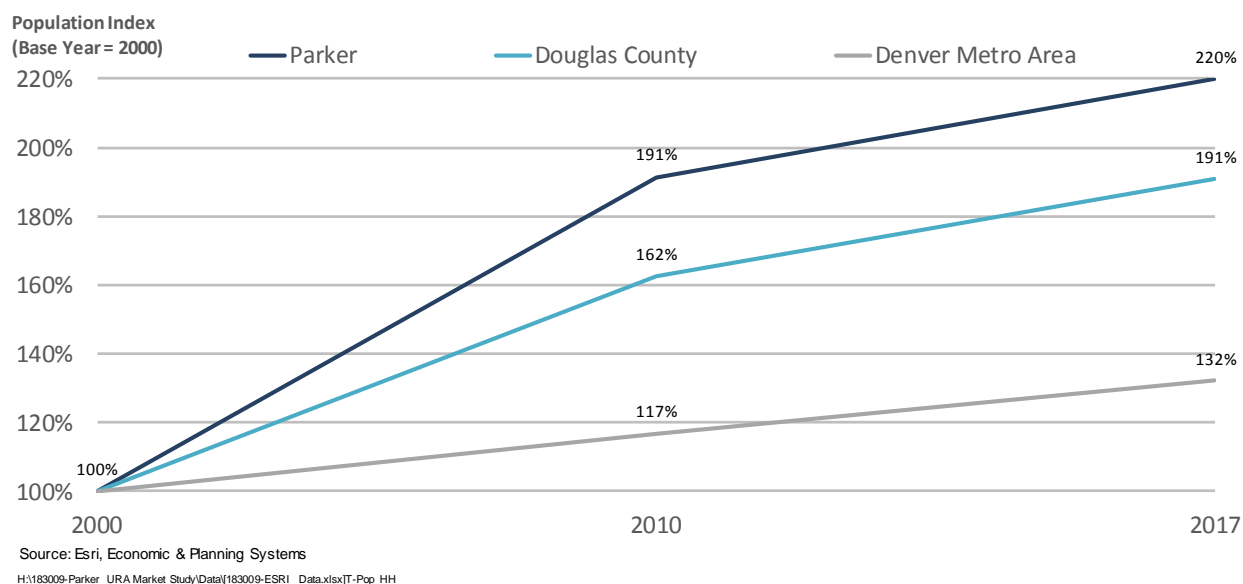
Local and Regional Trends

This section reviews local and regional trends impact demand in different hotel demand segments, including population, employment, visitation, and the visitor economy.

Population

Since 2000, the population of Parker has grown by 120 percent, faster than Douglas County and the Denver Metro Area, as shown in Figure 46. Increased population will help drive all demand segments, but especially the leisure/visitor segments as more friends and relative will look to visit Parker residents.

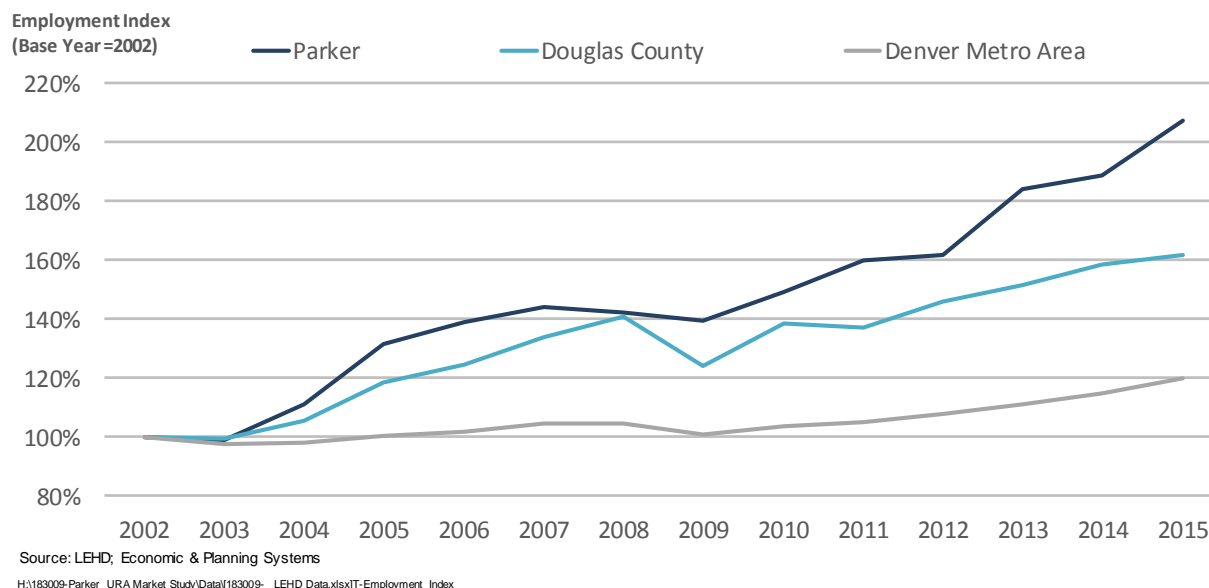
Figure 46
Population Level Index, 2000-2016



Employment

Since 2002, employment in Parker has increased over 100 percent, faster than Douglas County and the Denver Metro Area, as shown in Figure 47. Increase employment will increase commercial demand in Parker as well as the potential to increase meeting and group demand.

Figure 47
Employment Level Index, 2002-2015



Visitors

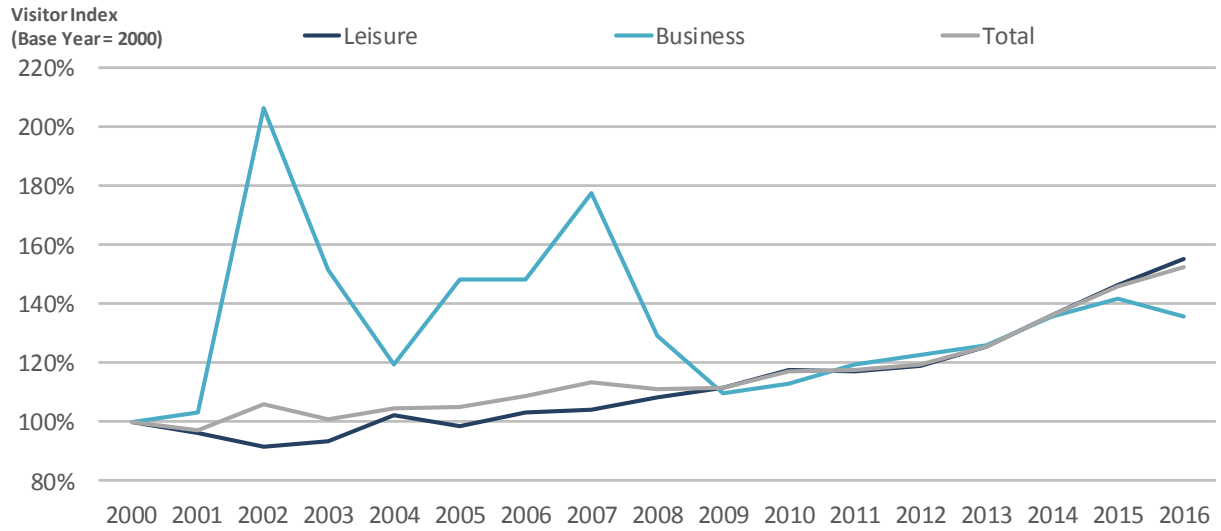
One of the major drivers behind the State of Colorado’s and Parker’s visitor economy comes from the strength and number of overnight trips to the State. Since 2000, the number of total overnight trip has increased by 13 million trips at a rate of 2.7 percent per years, as shown in Table 37. The largest subset of visitation is the leisure group, which is also the fastest growing segment. Since 2000, the leisure group increased by a total of 11.9 million visits or by 55 percent, as shown in Figure 48. Average spending per overnight trip has also increased from \$255 in 2000 to \$385 in 2016, as shown in Figure 49. This represents an annual rate of growth of 2.6 percent per year.

Table 37
Overnight Trip and Average Spending Per Night to Colorado, 2000-2016

Description	2000	2005	2010	2016	2000-2016		
					Total	Ann. #	Ann. %
Overnight Trips							
Leisure	21,600,000	21,300,000	25,400,000	33,500,000	11,900,000	743,750	2.8%
Business	3,100,000	4,600,000	3,500,000	4,200,000	1,100,000	68,750	1.9%
Total	24,700,000	25,900,000	28,900,000	37,700,000	13,000,000	812,500	2.7%
Average Spending Per Night							
Leisure Trips	\$255	\$324	\$303	\$385	\$130	\$8	2.6%

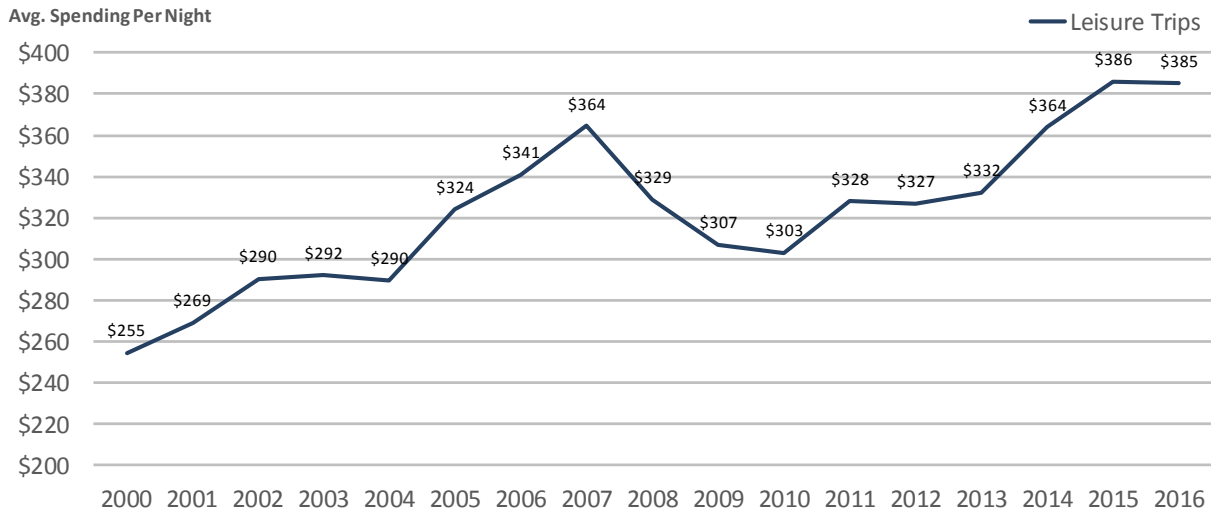
Source: Longwoods International; Economic & Planning Systems
H:\183009-Parker URA Market Study\Data\183009-Longwoods Data.xlsx\T-Visitor Table

Figure 48
Overnight Trips to Colorado Index, 2000-2016



Source: Economic & Planning Systems
[\[link to source\]](#)

Figure 49
Average Overnight Spending per Leisure Trip, 2000-2016



Source: Longwoods International; Economic & Planning Systems

Visitor Economy

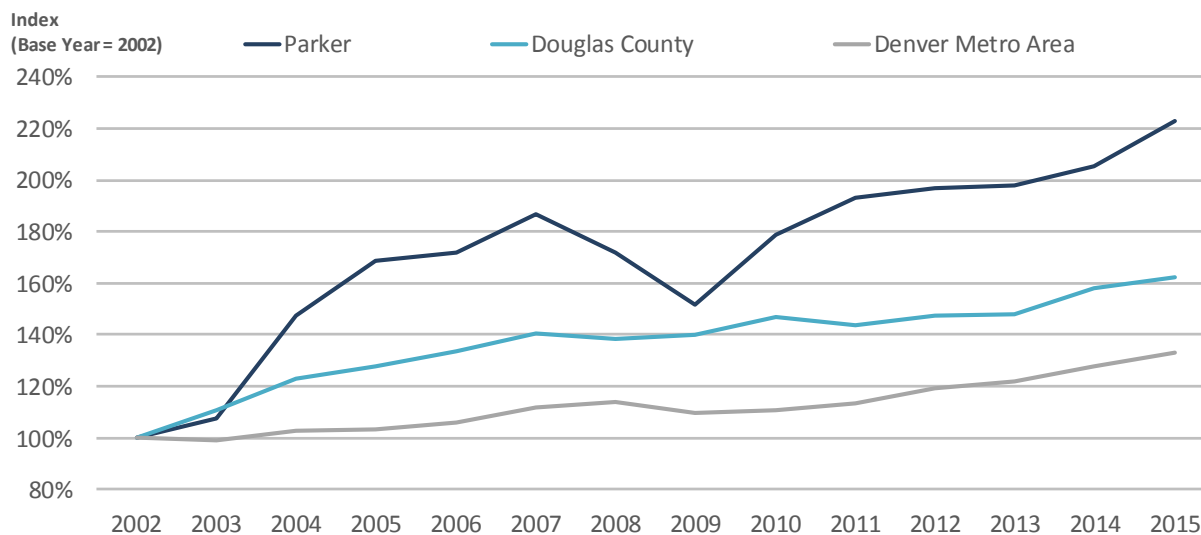
One metric used to measure the growth of the hospitality sector is the change in employment within the visitor economy, defined as the Accommodations and Food Services sector within the North American Industrial Classification System (NAICS). Since 2002, employment in this sector in Parker has increased by a total of 1,224 jobs or by 6.4 percent per year, as shown in Table 38. This rate of growth is faster than both Douglas County and the Denver Metro Area, which grew by 3.8 percent and 2.2 percent per year. Overall, the Accommodations and Food Service sector in Parker has grown by over 120 percent since 2002, as shown Figure 50.

Table 38
Accommodation and Food Employment (NAICS 72), 2002-2015

Employment	2002	2005	2010	2015	2002-2015		
					Total	Ann. #	Ann. %
Parker	994	1,677	1,777	2,218	1,224	94	6.4%
Douglas County	6,701	8,556	9,840	10,863	4,162	320	3.8%
Denver Metro Area	96,838	99,869	107,061	129,049	32,211	2478	2.2%

Source: LEHD; Economic & Planning Systems

Figure 50
Accommodation and Food Employment Index (NAICS 72), 2002-2015



Source: LEHD; Economic & Planning Systems

H:\183009-Parker URA Market Study\Data\183009- LEHD Data.xlsx\T-Hotels and Accommodations

PACE Center and Schoolhouse Event Space

The PACE Center and Schoolhouse at Mainstreet are two public owned event venues in the heart of Downtown that offer meeting and event space. A partnership between a boutique hotel and these two facilities could help drive meeting and group demand to Downtown and expedite the development of a boutique hotel. In turn, a boutique hotel would help drive demand to the PACE center and support events, like weddings, that may require overnight stays. The table below includes a description of the different space offerings.

PACE CENTER	
<p><u>Event Space</u> The large projector screen and connection to the Art Gallery and West Terrace is great for large gatherings.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 3,000 • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 275 ○ Banquet: 200 ○ Classroom: 60
<p><u>Art Gallery</u> Original works of art change throughout the year making this an inviting and inspiring meeting space.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 828 • Maximum Seating <ul style="list-style-type: none"> ○ Banquet: 50 ○ Cocktail: 75
<p><u>Dance Studio</u> Distinguished hardwood floors and mirrored wall can be used for unique training or unforgettable meetings.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 1,646 • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 80 ○ Banquet: 80 ○ Classroom: 30
<p><u>Two Creative Studios (Each Space)</u> Let in the beautiful natural light these spaces provide or close the blinds to use their wall mounted projectors.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 864 • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 50 ○ Banquet: 40 ○ Classroom: 30
<p><u>Two Discovery Labs (Each Space)</u> Large counter tops with full sinks make for two unique spaces to get as creative and messy as your group wants.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 840 • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 50 ○ Banquet: 40 ○ Classroom: 30
<p><u>Conference Space</u> Its 46" monitor combined with professional seating and large table create the perfect meeting environment.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 300 • Maximum Seating <ul style="list-style-type: none"> ○ Conference: 30
<p><u>West Terrace</u> The perfect spot for an outdoor meeting with pergola, water feature, portable bar, gas grill and landscaping.</p>	<ul style="list-style-type: none"> • Total Size (sq. ft.): 2,000 • Maximum Seating <ul style="list-style-type: none"> ○ Banquet: 144 ○ Ceremony: 175
<p><u>Mainstage Theater</u> Beautiful blend of uncompromising materials and perfect acoustics create a modern yet intimate venue.</p>	<ul style="list-style-type: none"> • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 536
The Schoolhouse at Mainstreet	
<p><u>Theater</u> A classic small theater; standard theatrical lighting and sound systems; ideal for plays, recitals, concerts, large classes and workshops, speaking events</p>	<ul style="list-style-type: none"> • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 200
<p><u>Theater</u> Ideal for workshops, meetings, seminars, and a wide variety of classes, including tot classes, martial arts, youth athletics, yoga, senior classes, art, music, theater and dance</p>	<ul style="list-style-type: none"> • Maximum Seating <ul style="list-style-type: none"> ○ Theater: 30

Current and Future Conditions

Parker currently has three existing hotels and two hotels under construction. These five hotels are economy to midscale developments with visibility and easy access to E-470 and Parker Road, as shown in Figure 51. Demand for these hotels is primarily driven by the commercial segment and their relation to traffic and highway access. They are not viable development types for Downtown.

There is currently one proposed hotel development in Downtown. The proposed development is called The Grove, and is a mixed-use boutique hotel with 51 rooms and 10,000 square feet of retail space. The hotel is located on West Mainstreet, and will be part of a larger retail development that will include a public plaza. It is slated to start construction in the spring of 2018.

Demand for boutique hotels is primarily driven by visitors or tourists and potentially smaller meetings and groups. The proposed boutique hotel development is both suggestive that there is demand for this type of more specialized and experiential product within the Parker market. However, the planned hotel may also capture much of this demand during the forecast period. EPS believes that in the longer demand for a boutique hotel will increase as Parker continues to grow. In the short to medium term, a proposed hotel would need to take advantage of proximity to the Pace Center as well as potentially be a part of a complementary mixed use development.

- Short to Medium Term: The development sites are in an advantageous position relative to The Grove in their proximity to the Downtown Core of Parker as well as amenities like the Pace Center. Partnership with the Pace Center, which already hosts wedding and other events, could help drive demand for a boutique hotel and expedite development in a shorter time frame. Investments in retail/restaurants would also help improve the experience of the Downtown Core and make a boutique hotel more attractive for developers and investors.
- Longer Term: EPS believes that demand for another boutique hotel will increase as Parker continues to grow. The level of success of the The Grove will also be a good indicator of the potential for another boutique hotel in the Downtown.

Exhibit 5
Proposed Boutique Hotel in Downtown Parker



Figure 51
Parker Hotel Locations

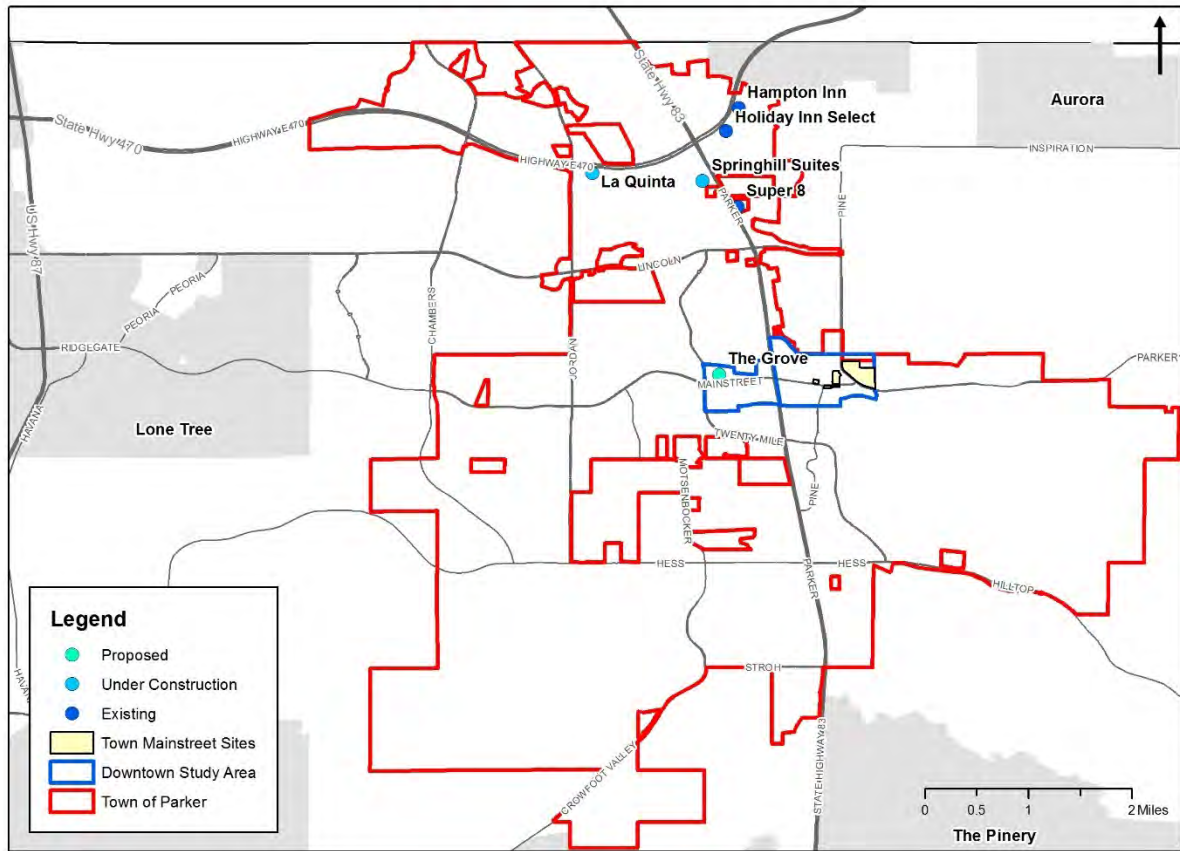


Exhibit 6
PACE Center



Catalyst/Precedent Project

Origin Hotel | Westminster, CO

The Origin Hotel in downtown Westminster is a proposed boutique hotel with 125 rooms. The hotel will also have a 9,000 square foot Marczyk Fine Foods, a Denver based specialty grocer. The hotel is part of a larger downtown development, which includes investment in Westminster Central Square, a large public park space. A specialty grocery store located on the first floor of an independent hotel is a relatively new concept, and the development illustrates how a mix of uses could bring distinct retail and restaurant amenities to Downtown. In addition to the grocer, the hotel will include a chef-driven restaurant and another retailer that will complement Marczyk.

Exhibit 7
Rendering of the Origin Hotel, Westminster, CO



Key Findings

- Boutique hotels are viable development types that would fit into the scale and context of Downtown. The proposed (and soon to be under construction) boutique hotel on West Mainstreet is a good indicator of this demand.
- In the long term, demand for another boutique hotel will increase as Parker continues to grow. However, the development sites for this market study are in an advantageous position in their proximity to the Downtown Core of Parker as well as amenities like the Pace Center. Partnership with the Pace Center, which already hosts wedding and other events, could help drive demand for a boutique hotel and expedite development in a shorter time frame. Investments in retail/restaurants would also help improve the experience of the Downtown Core and make a boutique hotel more attractive for developers and investors.

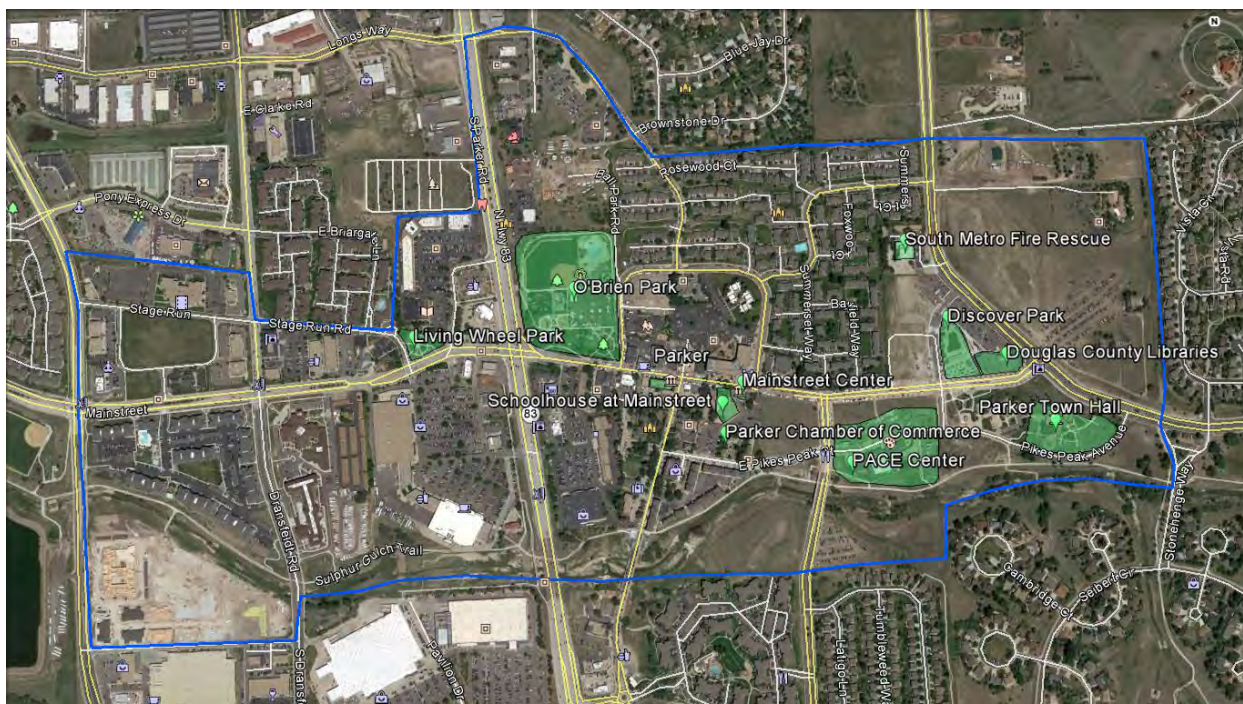
8. PRELIMINARY DEVELOPMENT RECOMMENDATIONS

Based on the market findings, this chapter presents EPS’s preliminary recommendations for planning, development, and disposition of the four Town owned parcels within the Downtown Study Area. These preliminary findings are subject to more detailed feasibility analysis of catalyst development prototypes.

Downtown Parker, particularly East Mainstreet, is the historic core and focal point for the community. It contains a mix of civic, cultural, business, retail, and entertainment uses including the O’Brien Park, Pace Center, Town Hall, The Schoolhouse at Mainstreet, Discovery Park, and Douglas County Library. These facilities are located in close proximity to two strong blocks of pedestrian oriented commercial development including retail, restaurant, and professional office uses.

However, the analysis of existing conditions, the developer interviews conducted, and the initial surveys of resident preferences all point to a need and desire for additional retail and restaurant uses. The existing retail and restaurant uses Downtown are lacking the critical mass to be a cumulative attraction. Instead, each business is surviving on its individual draw. The collective attractiveness of Downtown restaurants will be greatly increased if there were 8 to 10 area restaurants instead of just two. The demand for retail would also be enhanced by the expansion of a daytime population. The addition of more professional office space provides additional daytime business for the retail and restaurant uses in the area.

Figure 52
Downtown Parker Cultural and Civic Uses



The Town's four vacant sites are the "missing teeth" in this mixed-use development context. They are also the best locations for the additional retail, restaurant, and office uses that can strengthen the downtown business mix and contribute to its market attraction. There are a number of strategies the Town can consider in generating and attracting development consistent with the market on its vacant sites as outlined below.

1. *Build a retail and dining complex of local and regional restaurants and specialty retailers as a catalyst investment.*

Parker residents surveyed by Trestle Strategies have expressed their desire to see more unique restaurants, beer gardens, food halls, and microbreweries in downtown Parker—specifically on the Town's vacant land parcels. They are also clear in what they do not want to see as well, which are more chain and fast food restaurants. These interests are consistent with what EPS has documented in surveys of other suburban communities in the metro area. They are also consistent with what the developers of Eastbridge Town Center and Lowry Hangar 2 found before programming those sites. Importantly, multiple brokers and developers interviewed for this project have all suggested that this type of development would help catalyze other development types in Downtown.

These types of retail would offer an alternative to the more tradition retail on the borders of Downtown, including Flatacres Marketplace and Parker Pavilion. The Downtown context is also one of the only places in the Town that currently allows for and supports the mixed-use and experiential/destination retail approach.

The Pace Lot 2 would be an attractive location for a retail restaurant cluster of 20,000 to 30,000 square feet of space with a generous plaza and outdoor dining spaces similar to the above referenced projects. If built on this site, it would need to share parking with the Pace Center to the south. This use would also fit onto the East Main parcel which would have room for adequate surface parking. In the shorter term, the Town could consider using the East Main vacant lots for food truck, farmer's markets, and other activities.

2. *Promote mixed-use concepts that are complementary; create "built-in" demand and diversify risk; enhance Downtown experience; and further economic development.*

Market research and development interviews completed for this report have highlighted the need for mixed-use development concepts on the My Mainstreet Sites. First, a mix of uses can be complementary and help catalyze additional development. Developers suggested that a retail/restaurant cluster would help catalyze residential development. Residential development would, in turn, help create a "built-in" demand for the cluster. Mixed-use buildings will also diversify the land use risk and, in particular, allow for the development of office space. Finally, a mix of uses will help enhance the downtown experience, through the introduction of retail and restaurant amenities, but also by helping to make the setting feel more lived-in – like a live, work, play district.

Further, shifts in preferences mean that not only are millennials and baby-boomers looking to live in mixed-use and walkable places, but so too are office users. Office tenants are seeking locations where their employees can walk to different amenities. In addition, employers want to locate in communities that can house junior and senior level staff. Increased housing diversity in more attainable downtown multifamily products will help house millennial employees as well as employees of retail and restaurant development located in Parker.

Finally, the Downtown Study Area is one of the only locations in currently in Parker with the density, historic fabric, and public uses making it well-suited for mixed use development. As a result, the My Mainstreet Sites represent an important opportunity for the Town.

3. *Establish strong public private partnerships and development incentives for desired uses.*

Public private partnerships will be important for the success of a number of desired uses, including professional office development and denser, multifamily or mixed-use housing products. It also may be necessary to offer incentives for these development types to be feasible. As an example, according to developers interviewed, the primary challenges of building new office space are two-fold. First, it is difficult to pre-lease sufficient space from small users to obtain construction financing. Second, these smaller tenants are often unwilling or unable to pay the lease rates needed to support new construction. It will therefore take a partnership with an owner/developer interested in building additional speculative space. The development partnership and unique financing incentives for The Move Office Building in Castle Rock is an example of the creative approach needed to overcome the market and financial challenges for develop office space in the current market context.

For the retail and restaurant complex, the Town should consider meeting with experienced developers of the comparable projects listed to understand the market and financial requirements needed for this type of project to be built. It will require a public private partnership with an experienced developer who can recruit the unique mix of tenants needed for a successful project.

4. *The Pine Curve site should be planned for development with a grocery store or other type of anchor.*

The Pine Curve site will be the most difficult to develop in the short term as it is the largest site with the least infrastructure and furthest from Downtown. Its adjacency to nearby neighborhoods also create potential for community concerns regarding commercial uses. Because of the size the property, development will need to be phased. EPS recommends that it be included in a larger planning process that plans for infrastructure improvements and breaks development into a number of future phases.

There are a number of different types of anchors that could help support and catalyze a mixed-use development. The most obvious of which is a grocery store. The community survey completed by Trestle Strategies also indicated continued interest in attracting a grocery store to this site to serve the eastern portion of the Town. In the short term, there are no candidate grocery anchors that have been currently identified for the site. However, the retail landscape can change in the next 5 to 10 years and the trade area on the east and south of Parker will continue to grow, and EPS's retail demand study showed that there will be enough demand in the next 10 years to support a medium format grocer.

Other potential anchors include an expanded hospitality concept that includes a larger convention and meeting space. The site is also large enough to support institutional uses like a local branch of a community college. Finally, the site may be able operate as a mixed-use development with a defined or central open space and retail amenities.

5. *Phase development from Downtown toward the Pine Curve site – west to east – focusing first on reinforcing and infilling the Town’s Downtown and as a way to help catalyze Pine Curve.*

In comparison to the Pine Curve site, the smaller Town sites (19801 E. Mainstreet, Pace Lot 2, and East Main) will be easier to develop in the shorter term. The sites are closer to the historic downtown core and do not require a larger planning process. A development or phasing strategy that focuses on developing these infill sites first would help to reinforce and further activate Parker’s Downtown. Investments in mixed-use space on the development sites closer to Downtown would also help to catalyze the Pine Curve site. Overall, it makes sense for the Town to concentrate on infilling the Downtown core first and then develop the Pine Curve site in the medium or long term. This would not preclude the Town from developing the sites out of order if the right opportunity arises.

6. *Preliminary use recommendations for each of the development sites based on the market study and conversations with the development community are shown in the table below.*

Preliminary use recommendations are shown in the Table 39 below. These recommendations are based on the market study and conversations with developers, and not on a detailed site planning process or a financial feasibility analysis. As a result, they represent suggested uses, and should not prevent the Town from looking at additional uses as opportunities arise or as part of complementary planning processes.

Table 39
Preliminary Use Recommendations

Development Site	Feasible Uses
19801 E. Mainstreet	Professional Office; Multifamily Housing; Boutique Hotel; Single-Use Restaurant or Brew
PACE Lot 2	Retail and Restaurant Complex
East Mainstreet	Professional Office; Multifamily Housing; Boutique Hotel; Retail and Restaurant Complex
Pine Curve	Grocery Store Anchored Neighborhood Shopping District; Additional Medium Density Housing

APPENDIX – DEMAND ASSUMPTIONS AND FORECASTS

Residential

Table 40
Parker Household Demand Projections, 2018-2028

Description	2017	Projections			2017-2028		
		2019	2022	2028	Total	Ann. #	Ann. %
Growth Rate Assumptions							
Owner Occupied		1.8%	1.8%	1.8%			
Renter Occupied		3.0%	2.5%	2.0%			
Parker							
Owner Occupied	13,713	14,211	14,992	16,686	2,973	270	1.8%
Renter Occupied	4,328	4,592	4,945	5,568	1,240	113	2.3%
Total	18,041	18,803	19,937	22,255	4,214	383	1.9%

Source: Economic & Planning Systems

H:\183009-Parker URA Market Study\Models\[183009-Household Forecast-04-12-2018.xlsx]F-HH Forecast

Office

Table 41
Parker Office Demand Projections, 2018-2028

Description	2017	2018	2019	2022	2028	2017-2028		
						Total	Ann. #	Ann. %
Growth Assumptions								
Ann. %		4.00%	4.00%	4.00%	4.00%			
Inventory								
Parker	605,546	629,768	654,959	736,739	932,210	326,664	29,697	4.0%

Source: CoStar; Economic & Planning Systems

H:\183009-Parker URA Market Study\Models\[183009-Office Demand Forecast-04-16-2018.xlsx]M-Office Forecast