The Economics of Land Use

Aurora Fan Fare Market Study

Prepared for:

Aurora Urban Renewal Authority

Prepared by:

Economic & Planning Systems, Inc.

March 17, 2016

EPS #153072

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

Table of Contents

List of Tables

List of Figures

1. INTRODUCTION

The Aurora Urban Renewal Authority (AURA) has the opportunity to redevelop the Fan Fare site into a catalytic destination on a currently underutilized portion of the Havana corridor. In this report, Economic & Planning Systems (EPS) integrates trend analysis with findings from comparable property evaluation and provides the City with a thorough understanding of market conditions for retail and residential uses, separate and combined. Characteristics and assets of the immediate market area are compared to the greater market area and those of the region as a whole to discern value proposition for the optimal mix of uses on the site. This report is organized into the following four sections:

Introduction – This section defines the study areas and the rationale for using the roads, landmarks, and other perceptions within the market as parameters for the primary and secondary study areas. It also presents the Summary of Findings, which serves as a guide to understanding the direction for the rest of the report.

Economic and Demographic Framework – This section lays out the fundamental drivers for the market area and what makes it unique relative to the city and the region.

Market Conditions – This section presents the commercial and residential market conditions of the study areas and how a successful redevelopment of the site that can leverage these attributes and contribute to a successful development program.

Infill Opportunities – This section concludes the report, highlighting the key takeaways of why and how Fan Fare can best attract beneficial development and create significant economic and community returns for AURA.

Study Area Definition

The Fan Fare project site is a 10.5-acre assemblage of parcels located on the west side of Havana Street between 3rd and 5th Avenues in the City of Aurora.

The site was originally home to Fan Fair Discount City, an 118,000 square foot indoor shopping mall built in 1961. The shopping center closed in 1965, and Western Electric occupied the building until 1983. The site has been vacant since. While ideas have previously been raised for redevelopment, the cost of asbestos abatement made them infeasible.

The Aurora Urban Renewal Authority (AURA) purchased the site in April 2014 for $4 million, with the provision that the building would be demolished, asbestos mitigated, and storm drainage completed. The building was demolished in late 2013, and the AURA is looking to break ground on a new development within three to five years of its purchase date.

Figure 1
Immediate Site Context

The site's location is a major factor in the degree of success of the development. This stretch of Havana Street is primarily occupied by auto-oriented strip commercial and automobile dealerships. Nearby residential units are primarily ranch-style single family homes from the 1950s and aged mid-rise apartment buildings built between the 1950s and 1970s. With that said, several new and highly regarded master-planned developments are located within a short driving distance of the site (e.g. Stapleton and Lowry). In order to understand these diverse land use dynamics and position the Fan Fare site appropriately within the market context, this market analysis considers two site area geographies, shown in **Figure 2**. The Primary Site Area is bounded by 11th Avenue and Alameda Avenue to the north and south, and Yosemite Street and Peoria Street to the west and east. The Secondary Market Area is bounded by US-36 and Mississippi Avenue to the north and south, and Quebec Street and I-225 to the west and east. The Broader Market Area captures patterns attributed to the newer master-planned developments. Note that for the retail analysis, this area is expanded to include new developments just south of Mississippi Avenue (see Figure 10). The market is located within Aurora's Opportunity Triangle, anchored by Fitzsimons, Lowry, and Stapleton. This triangle, shown in **Figure 3**, provides opportunities given that each of these major developments generates potential demand and market momentum that can be tapped at the Fan Fare site.

Figure 2
Context Map

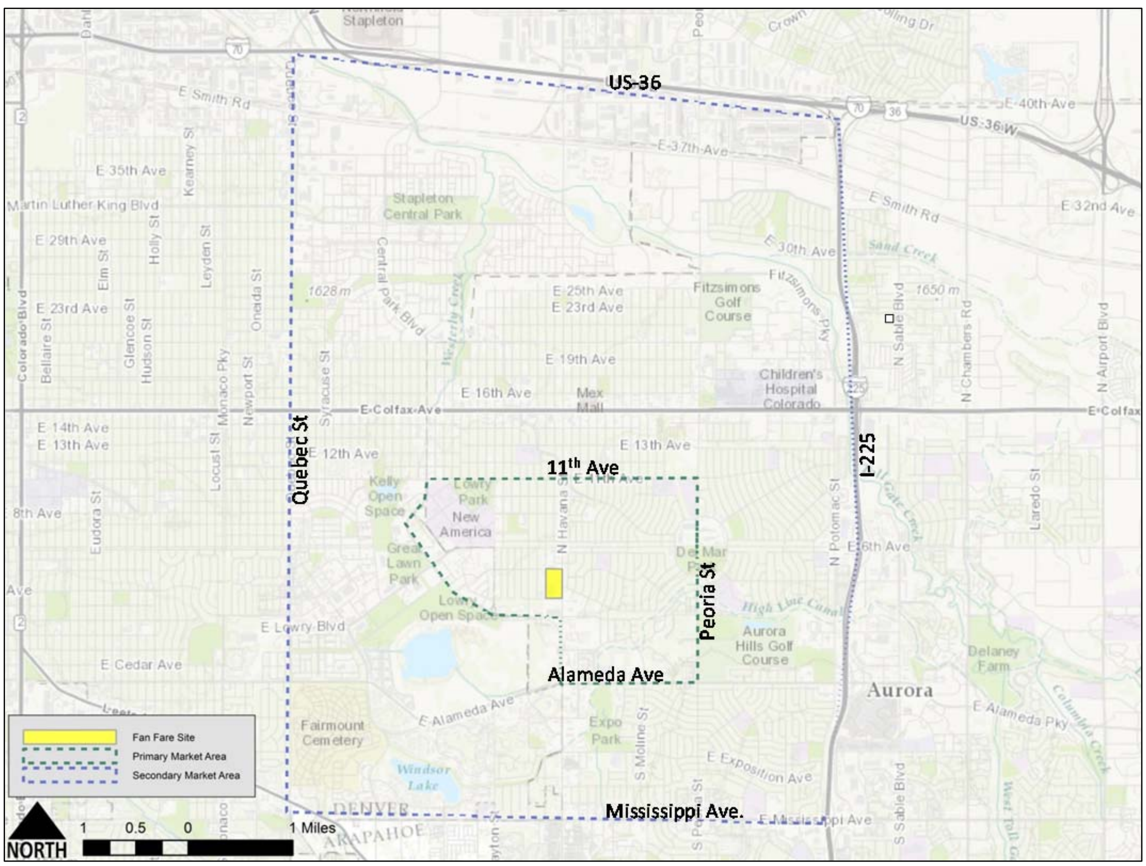
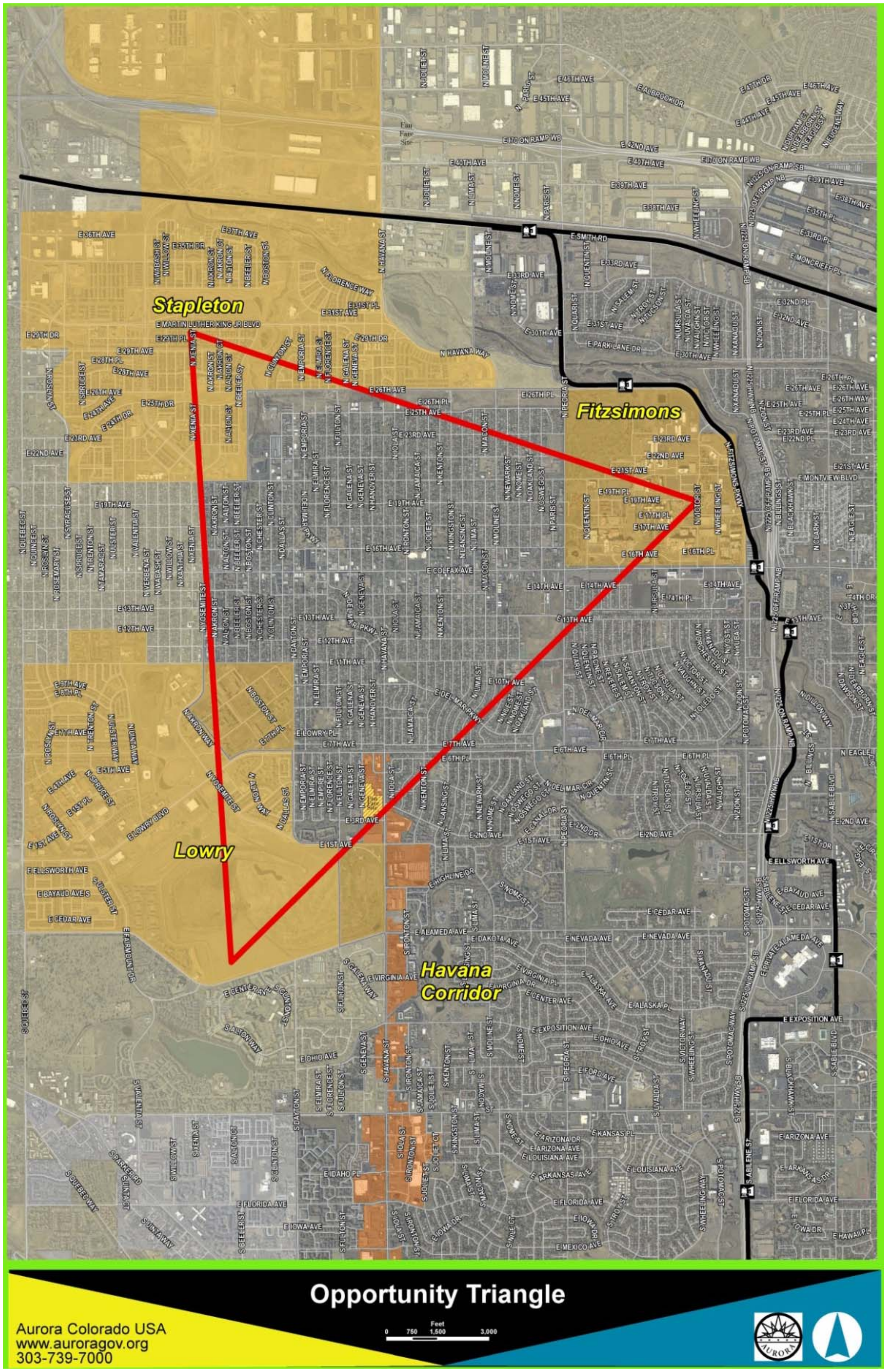


Figure 3
Opportunity Triangle



Summary of Findings

1. ***The site is located within an aging market area, with little development activity in the recent past.***

   Much of the residential stock in the market area includes single-story single family homes constructed in the 1950's. Apartment buildings date back to the 1970's. Commercial conditions include disconnected, auto-oriented centers that draw from high traffic volumes on Havana.

2. ***Notwithstanding the immediate conditions, the site benefits from proximity to the fast-paced development of Fitzsimons, Lowry, and Stapleton.***

   Employment centers in the area, of which includes Fitzsimons (one of the fastest growing employment center in the metro area), will collectively generate residential demand. The close proximity to Lowry and the lack of development opportunities there will create residential opportunities immediately below the current price points. Stapleton is nearly built out of its lands both north and south of I-70, shifting its focus to a limited number of remaining filings, including the location in Aurora. More importantly, the remaining filings may reach buildout approximately when this site will be ready for marketing, enabling it to tap into the established market demand from buyers who will seek new housing in this submarket of the metro area.

3. ***Ownership product is expected to do well at this location.***

   Home builders and their buyers seek infill locations close to employment. Greenfield opportunities are increasingly removed from locations with reasonable drive times and buyers are increasingly seeking locations that offer short commutes. As part of their decision making process, they are willing to accept tradeoffs (such as smaller lots and smaller homes) to live within established parts of the metro area. This site offers similar attributes to others that received strong market support in the west, northwest, and northern areas of Denver metro. Walkability is an increasingly significant factor, and while the Havana corridor is not immediately walkable, a gridded site plan with connections to the established neighborhoods is likely to improve the quality of life for future (as well as current) residents in the area.

4. ***Rental developers will find good opportunity on this site.***

   Rents and occupancies are reasonably strong in the market area. Average apartment rents range from $1.40 to $2.00 per square foot. Unit mixes are focused heavily on one- and two-bedrooms with larger floor plans than are available in competitive areas of Denver. Although the metro-area rental market has a very large set of prospective projects in the planning and entitlement stages at this time and appears to be outpacing population growth, the market fundamentals of the Front Range and Denver Metro region indicate that long term employment growth will continue to generate demand for rental product. While there may be some attenuation in the production of rental housing for multiple quarters in the future, factors listed below indicate that the site will enjoy reasonably strong market support over time. These factors include: the location of the site as an infill opportunity, the limited potential for competitive new supply, the generally strong rent and occupancy trends for the market area, and proximity to employment that includes the Fitzsimons node as well as a reasonably high level of dispersed employment to the east, north, and west of the site. Finally, the EPS research included interviews with multifamily developers and commercial brokers that expressed interest at this location.

5. ***Services for households are prevalent, with questions about schools.***

The corridor offers a full range of commercial services for conventional retail stores as well as a thriving set of ethnic stores and restaurants. While it does not offer these within a walkable setting, they are nevertheless easily available and offer convenience to future residents. Schools were noted in interviews with builders, developers, and brokers. The site does not offer access to the Denver Public Schools located in Stapleton (which have benefited from the immediate demographics and presence of charter and choice schools). Nor does it offer Cherry Creek schools (which have a long-standing reputation for quality). Builders active in the remaining phases of Stapleton (located in Aurora) are planning to target their product to starter households and, more significantly, retirees. Both cohorts are expected to seek smaller homes on smaller lots. Fewer children are anticipated. The product types and specific absorption records of these filings should be tracked closely to see how deep the market is for these niches. Timing the start of Fan Fare with the completion of Stapleton should enable much of the momentum to be transferred to this site. A key market niche is current renter households in Lowry who desire the general location but cannot afford to purchase a home in Lowry. Given the strong rents and price points within Lowry, it is likely that these households can afford a reasonably strong mortgage and will consider this location if it includes compelling home designs. Thus, AURA should expect reasonably strong interest from residential builders for ownership product, given the ability to tap the success and established demand of Lowry and Stapleton, the overall metro area dearth of infill sites, and the trend toward established city locations.

6. ***Both Lowry and Stapleton's success can be attributed to a diverse segmentation strategy. A range of product types is critical. Lot sizes should be small. Prices should range from $250,000 to $450,000.***

The site is expected to benefit from stronger absorption with a range of tenure and ownership product types. It is expected that very small lot single family (3,000 to 3,200 sq. ft.) should be offered in conjunction with townhome, duplex, and larger-lot single family homes. Nearly all of the lots in the most comparable option (Stapleton, Aurora) will be approximately 3,100 square feet. A limited number of larger sized single-family lots (4,500 to 5,000 square feet) should be included to offer a diversity of price point and a corresponding mix of residents that will make the site that much more compelling to future residents.

Home sizes should fall into three general segments, ideally with more than one builder active in each. On the lower end, the development should include townhomes ranging from 1,100 to 1,500 square feet. In the middle, single family homes should be offered at sizes ranging from 1,400 to 2,100 square feet. The upper end product calls for single family homes from 2,000 up to 2,400 square feet.

For the initial market positioning, townhomes should start at $250,000 to $300,000. Smaller single family homes should be from $325,000 to $385,000. The larger homes should be priced between $400,000 to $450,000. As the Fan Fare site develops its own momentum and as project amenities can be provided, AURA and its development partner should anticipate moving prices upward.

It is strongly recommended that Aurora Urban Renewal Authority staff begin conversations with all of the builders that will be active in the final filings of Stapleton in Aurora in the upcoming months. Because they have an established product, with experienced sales agents, and understand the challenges of selling upscale homes in an urban setting, they will have expertise to lend to the Fan Fare site. Ideally, they would be able to transfer the momentum from their sales and development site at approximately 25th and Havana and bring that south to the Fan Fare site at 10th and Havana. The transition from northern Stapleton to southern Stapleton is greater in terms of geographic distance and represents a greater change in terms of market context; yet the builders are confident their buyers will follow. The potential to tap this momentum for the Fan Fare site is substantial and the opportunity should not be lost.

7. ***Commercial conditions are reasonably strong and additional retail development can be supported in the trade area; however, this site is not expected to capture a substantial amount of the development activity.***

   Opportunities for commercial anchors, particularly grocery stores, are limited. Two existing grocery stores are located to the east and west of the site. Two new grocery stores are slated for new construction to the north and south of the site. Existing centers on South Havana and upcoming developments over the next few years are expected to capture most mid-box retailers that would otherwise serve as an anchor for this location. A collection of ancillary retail can perform well, particularly if positioned to capture the anticipated growth in expenditure potential from the future rooftops on this site (as well as modest growth in the larger trade area). Based on a detailed evaluation of future expenditure potential by story type and from interviews with commercial brokers active on the Havana corridor, it is recommended to plan for 12,000 to 20,000 square feet of commercial space. For space configuration and tenancy, particular emphasis should be placed on unique, neighborhood-oriented retail.

8. ***The next steps for AURA should focus on City, AURA, developer, and builder roles for this site.***

   Over the course of research for this project, there was a reasonable amount of interest expressed by developers and brokers regarding future opportunities at this location. AURA is well positioned to create a competitive process that should increase the creativity, quality, and livability for future residents and retail customers. The focus should be on outreach to prospective partners (without any commitments) to understand ways to define expectations for the developer of the horizontal infrastructure, and the entities responsible for the vertical construction (for ownership, rental, and commercial components). AURA should develop preliminary elements for its term sheet based on the parameters it identifies in this next step.

9. ***AURA should anticipate funding site amenities, parking solutions, and place making elements, given that market rents are not sufficient to cover these costs in a pro forma.***

   To achieve the quality of space anticipated for this project, there will be financing gaps to be closed. Structured parking cannot be achieved based on the current commercial or residential rents in the market area. Higher densities, such as the target of 40 dwelling units per acre, are achievable only with direct project subsidies. A site planning solution to consider is to design the multifamily above the commercial, enabling AURA to achieve a higher yield from the site, generate more overall revenue from the land, and provide additional gap closure funds that can be used to offset the more complicated design.

10. ***Among 'Next Steps' for AURA, it should construct a land based feasibility pro forma and develop a preliminary set of Sources and Uses of finds to estimate the magnitude of funding available to cross subsidize specific elements.***

The project will enjoy a steady stream of demand from prospective renters and buyers seeking new homes. With effective marketing, the commercial tenants will come. Accordingly, there is value in the land that can be monetized by the Urban Renewal Authority. Prior to negotiating with future developers, it is recommended that AURA construct a feasibility pro forma to document land value as a percentage of finished home value/apartment value. It should also include factors for commercial land, and the configuration of an integrated commercial-multifamily design. AURA should estimate an optimistic and conservative scenario for land value prior to discussions with developers to enable the organization to maximize the revenues and cross subsidize high priority elements of the project.

2. *Economic and Demographic Framework*

The economy in the City of Aurora is experiencing the same major growth patterns as that of the larger Denver metro. Population and employment are increasing year after year following the recession, particularly along the I-225 corridor. Commercial and residential inventories have also increased and are in good economic health. Demographic characteristics of residents and workers are shifting along with these trends; however, the area around the Fan Fare site has not yet experienced the same beneficial changes.

Job Growth

The Fan Fare site sits between two major employment centers, the I-225 Corridor and Central Denver. The major employment node on the I-225 Corridor is the Fitzsimons medical campus, which includes several major hospitals, the University of Colorado Health Sciences Center, and a large array of related medical employers, including an emerging research park. It is the fastest growing employment area, in part due to the relocations of hospitals from elsewhere in the metro area. While the data that follows identifies the merits of the 225 Corridor, most of the growth reflects the activity within and immediately around the Fitzsimons campus.

Between Central Denver and the I-225 Corridor, the areas had nearly 294,000 jobs in 2013, as shown in **Table 1**. This is an increase of nearly 30,000 jobs since 2005. The I-225 Corridor has grown at an average rate of 3.7 percent, or approximately 3,200 jobs, per year, compared to only 0.3 percent, or close to 500 jobs per year in Central Denver. These two areas accounted for nearly 21 percent of the Denver Metropolitan Area employment in 2013, and the I-225 Corridor grew at the fastest rate of any employment area from 2005 to 2013. The site's relative proximity to I-225, and specifically Fitzsimons, provides reasonable access to a major employment node that is expected to generate demand for residential uses on this site.

Table 1
Denver Metro Wage and Salary Employment Growth, 2005-2013

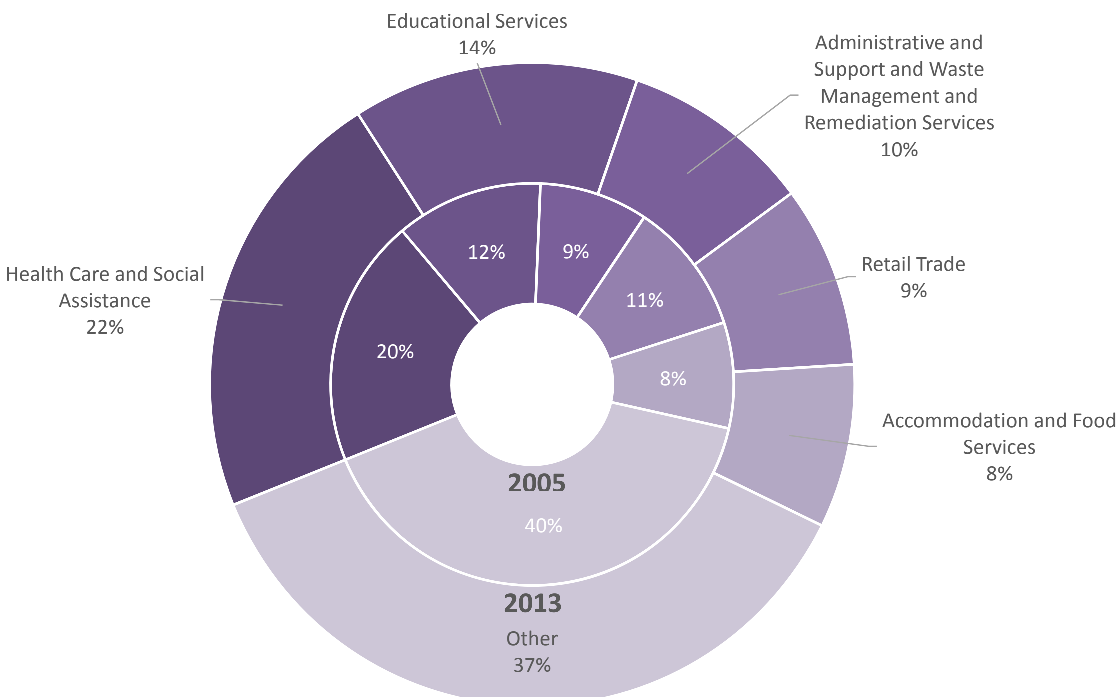
	Wage & Salary Employment		2005-2013		
	2005	2013	Total	Ann. #	Ann. %
Total Wage & Salary Employment					
Northwest US-36 Corridor	89,153	100,653	11,500	1,438	1.5%
Boulder	84,797	91,182	6,385	798	0.9%
North I-25 Corridor	66,689	70,720	4,030	504	0.7%
Northeast I-70	29,166	34,406	5,240	655	2.1%
Denver International Airport	15,449	19,986	4,538	567	3.3%
East US-36 Corridor	95,669	103,733	8,064	1,008	1.0%
Downtown Denver	82,284	93,086	10,802	1,350	1.6%
I-225 Corridor	77,767	103,696	25,929	3,241	3.7%
South I-25 Corridor	139,583	158,485	18,902	2,363	1.6%
Southeast E-470 Corridor	30,162	35,519	5,356	670	2.1%
Southwest C-470 Corridor	111,452	116,302	4,850	606	0.5%
Central Denver	186,232	190,045	3,812	477	0.3%
West Denver	109,222	107,358	-1,864	-233	-0.2%
West I-70 Corridor	101,552	103,614	2,062	258	0.3%
Longmont-Lyons	33,484	36,626	3,142	393	1.1%
South Weld County	16,957	21,296	4,339	542	2.9%
Denver Foothills (Genesee, Evergreen, etc.	8,805	9,266	461	58	0.6%
South Denver (Castle Rock)	20,635	24,445	3,810	476	2.1%
Total	**1,299,056**	**1,420,416**	**121,360**	**15,170**	**1.1%**

Source: QCEW, Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072-Jobs.xlsm]TABLE-Metro Denver Jobs

The largest industry in this combined employment area is Health Care and Social Assistance with 22 percent of jobs, as shown in **Figure 4**. This is followed by Educational Services, with 14 percent of area jobs. Both industries have grown by two percent of total employment since 2005. Over this same time period, Administrative and Support and Waste Management and Remediation Services increased from 9 to 10 percent of total jobs, Retail Trade decreased from 11 to 9 percent, and Accommodation and Food Services remained at 8 percent of total employment in the area. All other industries accounted for 40 percent of jobs in 2005 and 37 percent of jobs in 2013.

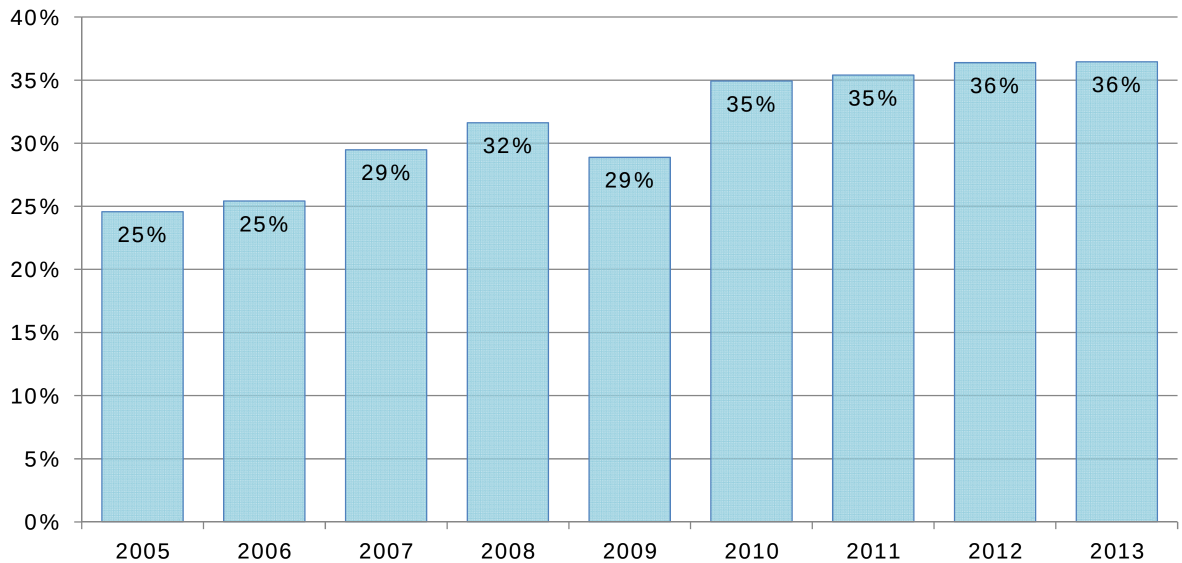
Figure 4
Employment Area Jobs, 2015



Source: Denver Metro QCEW 2013, Economic & Planning Systems

Wage distribution for the primary and secondary study areas increased from 2005 to 2010, but has remained consistent since, as shown in **Figure 5**. In 2005, 25 percent of workers in the area earned over $40,000 per year; by 2010, 35 percent of workers were earning at least that much. From 2010 to 2013, however, that percentage had only risen to 36 percent. The flat nature of the chart below reflects wage stagnation, which is prevalent nationwide. It is one factor that developers cite for the market emphasis that has shifted from ownership to rental properties.

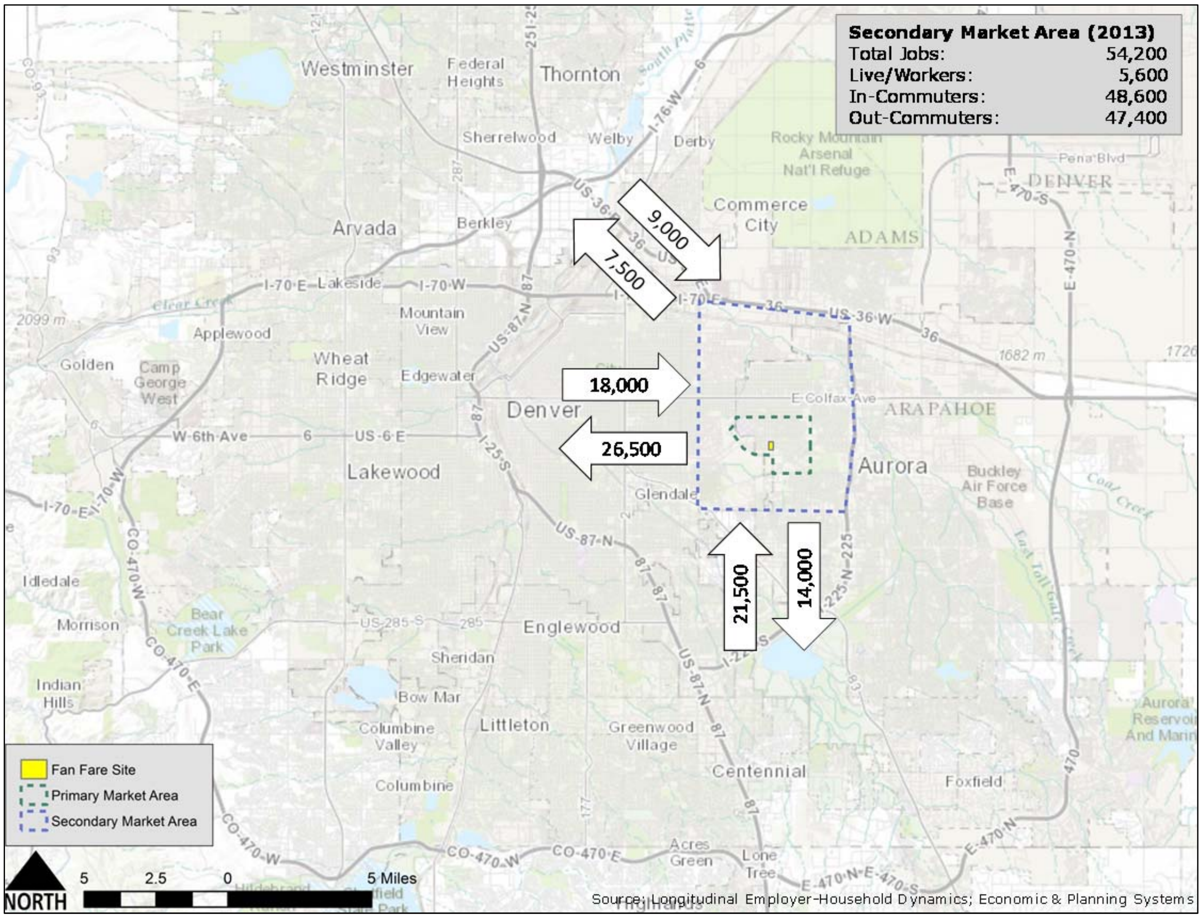
Figure 5
Workers in Area with Earnings of More than $40,000 per year



[1]“Earnings” are the sum of wage and salary income and self-employment income. Earnings are often the largest part of overall income. The 2007 ACS showed that 81 percent of aggregate household income came from earnings. Equivalent annual income is approximately $49,300.
[2] Includes in-commuters and residents living and working in area
Source: Denver Metro QCEW 2013, Economic & Planning Systems

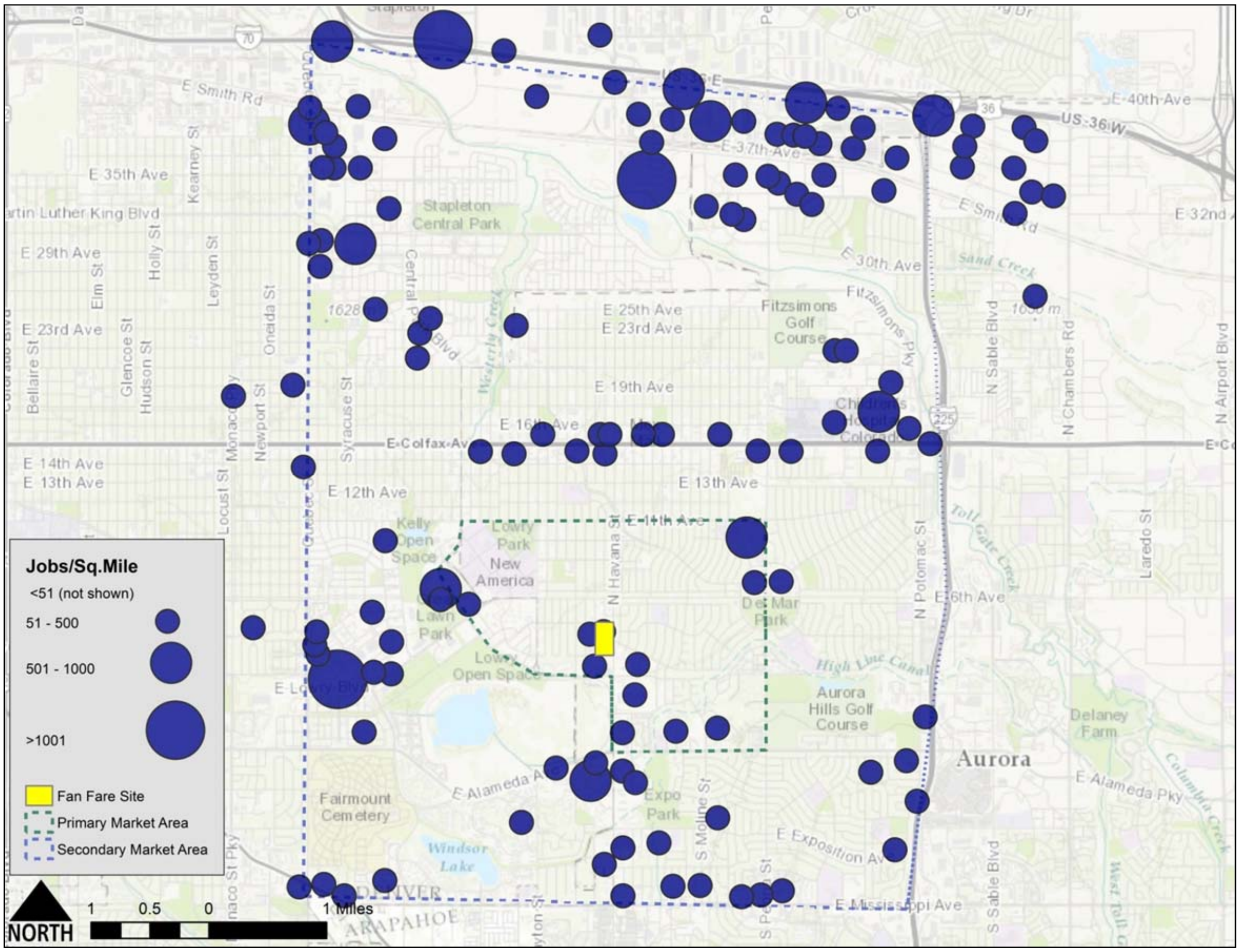
Very few people who live in the area around the Fan Fare site also work there. The secondary market area has approximately 54,000 jobs, however nearly 49,000 are held by people who do not live in the area, as shown in **Figure 6**. There are 53,000 workers living in the secondary market area, and most of them commute to other areas for work. Nearly all commuting – both in and out of the area – takes place to and from the south, west, and northwest. Employment in and around the area is generally concentrated along the market area boundaries and Colfax Avenue.

Figure 6
Commuting, 2015



As shown below in **Figure 7**, the site is well situated for access to employment. While the burgeoning Fitzsimons redevelopment is an asset, in terms of generating market demand, the map below shows jobs per square mile, reflecting the scale of Fitzsimons relative to other employment centers. In fact, when interviewed about market potentials, one developer cited the strong, dispersed employment opportunities in the area as a positive driver of future market support.

Figure 7
Jobs per Square Mile, 2015



Population Growth

The population in the Primary Market Area was close to 29,000 in 2015. This number has only increased by approximately 2,700 people since 2000, or 0.7 percent per year, as shown in **Table 2**. The Secondary Market Area, with a population of approximately 132,000, has grown at 1.4 percent per year, a similar rate to the City of Aurora, which has a population of approximately 347,600 and a growth rate of 1.5 percent. The City of Denver, by comparison, grew by almost 95,000 people over the past 15 years, an annual growth rate of 1.1 percent.

The number of households in each of these areas has grown at similar rates to population. The number of households in the Primary Market Area increased by 680 from approximately 9,500 in 2000 to 10,200 in 2015 – a growth rate of 0.5 percent. The Secondary Market Area grew by over 9,000 households to nearly 50,000 – a growth rate of 1.4 percent. Aurora households increased 1.4 percent annually over this time, and households in Denver increased 1.2 percent per year.

The primary market grew not only by the least amount of households (reflective of the small geography relative to the other areas), but also by the smallest growth rate. The lack of available development sites is one factor. Given the low development activity, the area is 'not on the radar' of consumers and represents a challenge (albeit manageable) for future developers of the site. Scale, density, critical mass are important factors that will raise awareness and contribute to the long-term success of the site.

Table 2
Population and Household Growth, 2000-2015

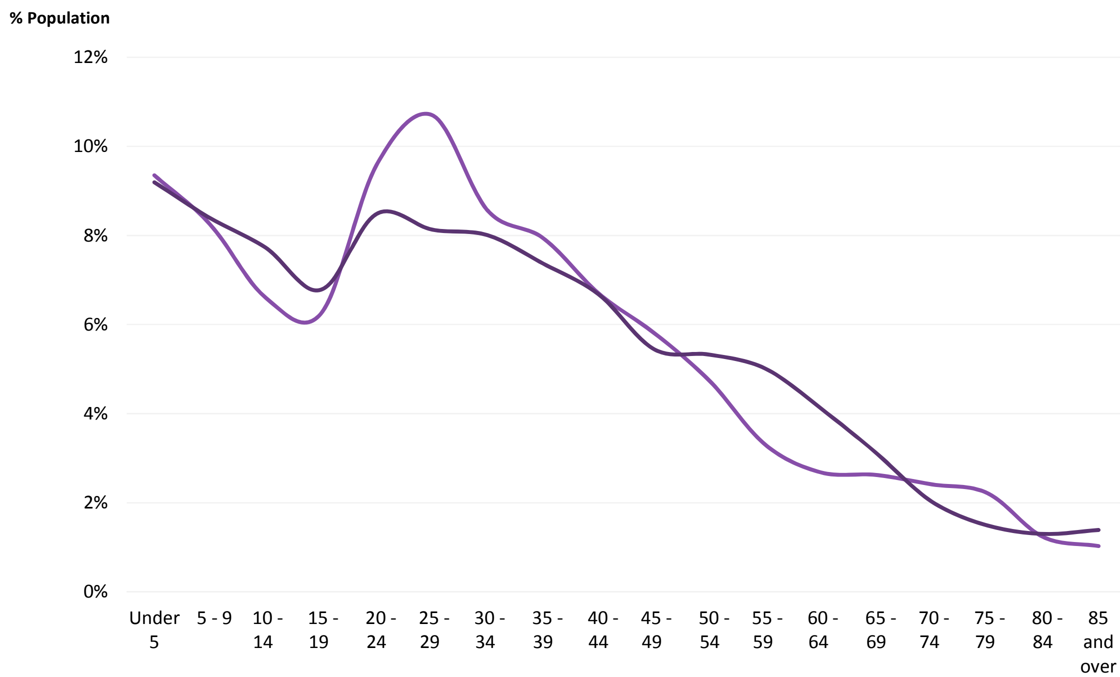
				2000-2015		
	2000	**2010**	**2015**	**Total**	**Avg. #**	**Avg. %**
Population						
Primary Market Area	26,058	27,144	28,774	2,716	181	0.7%
Secondary Market Area	106,825	120,354	132,465	25,640	1,709	1.4%
Aurora	276,393	325,078	347,654	71,261	4,751	1.5%
Denver	554,636	600,158	649,214	94,578	6,305	1.1%
Households						
Primary Market Area	9,544	9,595	10,224	680	45	0.5%
Secondary Market Area	40,223	45,259	49,617	9,394	626	1.4%
Aurora	105,625	121,901	129,965	24,340	1,623	1.4%
Denver	239,235	263,107	285,610	46,375	3,092	1.2%

Source: ESRI; US Census; Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072- Demographics.xlsx]Table- Pop + HH

The age distribution of the population in this area has changed since 2000, as shown in **Figure 8**. When the most relevant census tracts are bundled to approximate the Primary Market Area, the proportion of the population aged 20 to 34 decreased from 29 percent to 25 percent from 2000 to 2015. At the same time, the proportion of population aged 50 and older increased from 20 percent to 24 percent. The aging population reflects the dormant nature of the area.

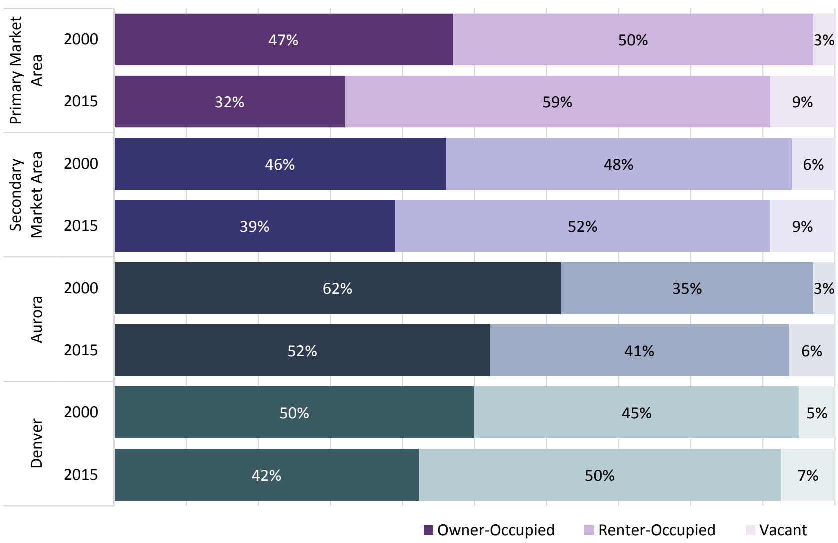
Figure 8
Change in Population Age Distribution, 2000-2015



Source: US Census; ESRI; Economic & Planning Systems

When looking at the larger context, one can see that all areas have experienced a shift towards rental housing, as shown in **Figure 9**. Since 2000 there has been a trend towards renter-occupied housing alongside an increase in vacancy rates. The Primary Market Area has seen the largest shift – from 2000 to 2015, as owner-occupied housing units decreased from 47 percent to 32 percent of total units and renter-occupied units increased from 50 percent to 59 percent. Data show that vacant units increased from 3 percent to 9 percent. The Secondary Market Area saw owner-occupied units drop from 46 percent to 39 percent of total units, while renter-occupied units increased from 48 to 52 percent.

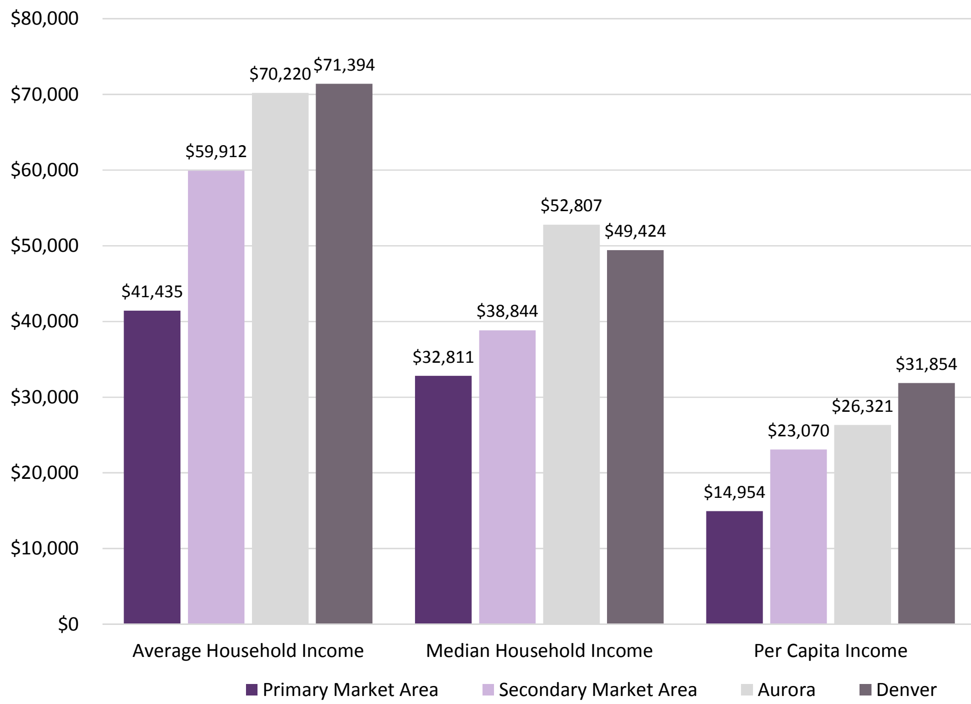
Figure 9
Change in Housing Tenure, 2000-2015



Source: Esri; US Census; Economic & Planning Systems

The market area, located in the City of Aurora, is less affluent than the city overall, as shown in **Figure 10**. In 2015, median household income in the Primary Market Area was close to $33,000, compared to approximately $39,000 in the Secondary Market Area, $53,000 in Aurora, and $49,000 in Denver. Per capita income in the Primary Market area is almost $15,000 – just over half of per capita income for the entire City of Aurora. The Secondary Market Area is better off than the Primary, but still less affluent than the City of Aurora overall.

Figure 10
Income Summary, 2015



Source: Esri, Economic & Planning Systems

3. *Market Conditions*

Retail

Retail on the Havana Corridor consists of two subsets: new and old. As might be expected, the older product leases for less than the new. In this market analysis, both elements have been captured.

In terms of the broader retail trends since 2006, the market has improved overall in most of Aurora. The average retail rental rate within the primary market area has increased from $11.67/triple-net square feet (NNN) in 2006 to $13.27/NNN, but remains lower than the Metro Area average of $15/NNN. The secondary market area for the retail portion of the market study captures the newly constructed Gardens on Havana. The relatively new and successful center is indicative of the potential performance for new retail at Fan Fare. A more thorough comparison of older and newer centers (and their corresponding rents) is provided in the pages below.

Over the past few years occupancy rates have stabilized in the high 90's for the Primary Market Area and Secondary Market Area, and they are more competitive than the Metro Area average of 91 percent. At these rates, the data suggest that occupancies are above the point of equilibrium for the industry. Occupancy rates that fall in the range of 95 to 98 percent suggest that demand is sufficient to construct additional floor area.

Table 3
Retail Stats, 2006-2015

			2006-2015		
	2006	**2015 [1]**	**Total**	**Ann. #**	**Ann. %**
Inventory (Square Feet)					
Primary Market Area	697,000	584,600	-112,400	-12,489	-1.9%
Secondary Market Area	6,067,600	6,363,500	295,900	32,878	0.5%
Aurora Submarket	16,986,700	16,691,400	-295,300	-32,811	-0.2%
Occupancy Rate					
Primary Market Area	69%	98%	29%	3%	3.9%
Secondary Market Area	89%	95%	5%	1%	0.6%
Aurora Submarket	91%	95%	4%	0%	0.5%
Average NNN Rent					
Primary Market Area	$11.67	$13.27	$1.60	$0.18	1.4%
Secondary Market Area	$11.41	$14.64	$3.23	$0.36	2.8%
Aurora Submarket	$11.98	$13.29	$1.31	$0.15	1.2%

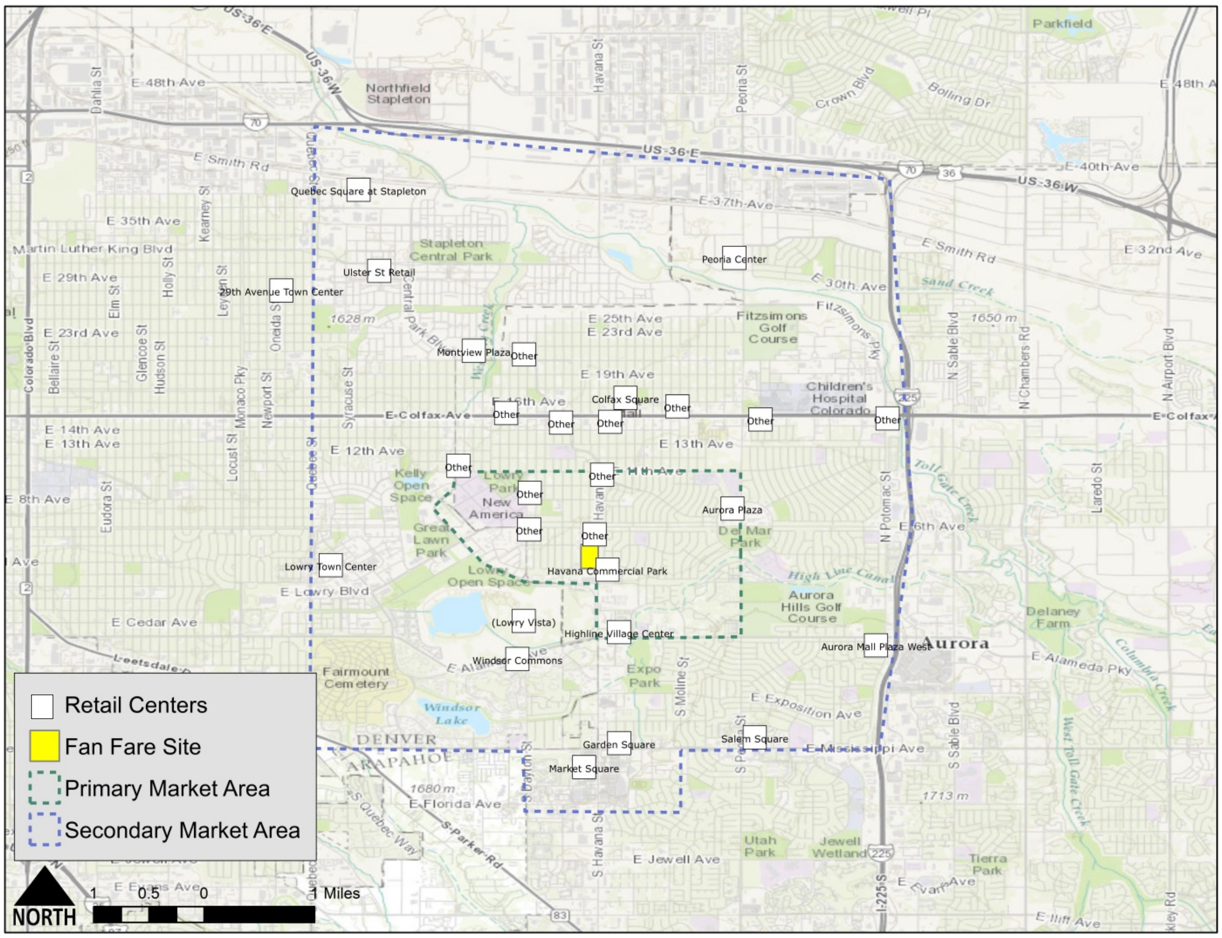
[1] Q1-3 2015

Source: CoStar; Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072-Retail.xlsx]TABLE-Retail History (2)

The Fan Fare site is located along Havana Street, one of the busiest commercial corridors in Aurora. It is also less than one mile from Colfax Avenue, another main commercial corridor. From a retail perspective, the Fan Fare site benefits from proximity to these corridors, but will also need to provide unique retail opportunities to attract customers. **Figure 11** shows the locations of neighborhood and regional retail centers in the Primary and Secondary Market Areas. Anchors, such as supermarkets and mid-box retailers, are already prevalent. A standard development program for a commercial center of this scale would be a grocer-anchored center with 30,000 to 50,000 square feet of ancillary commercial. Because of the existing presence of anchors, this is not realistic.

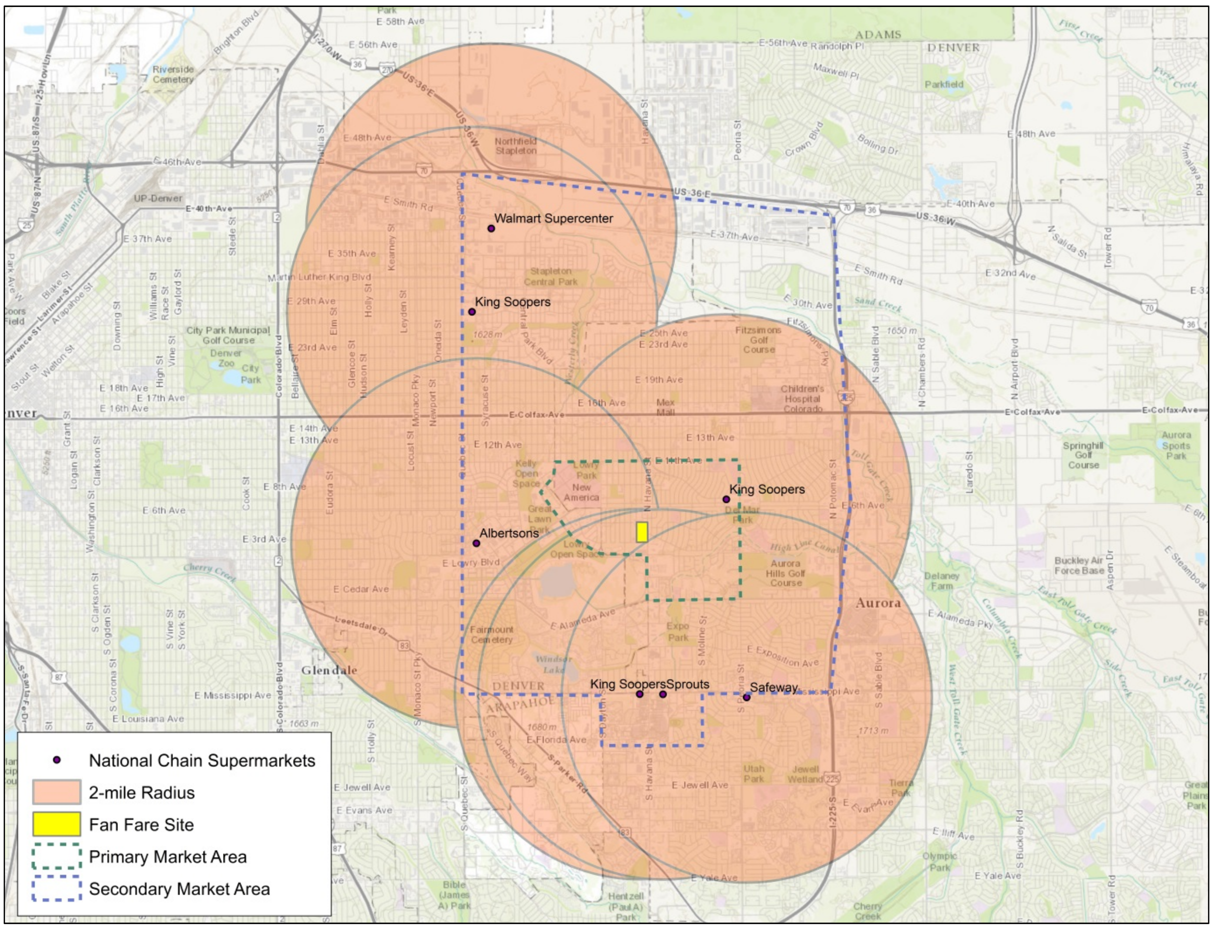
Figure 11
Comparable Retail Centers



One of the traditional anchors that can drive customer activity (as well as tenant interest) is a grocery store. As noted earlier, this type of anchor could establish Fan Fare on the corridor and could drive demand. In the map below, existing and proposed grocery stores are identified, using the 2-mile radius, which is a conventional trade area for these stores.

Recent trends that brought about specialized grocers have different metrics for trade area sizes. Accordingly, there may be interest from a specialized grocer, which would clearly be an asset for the site. Notwithstanding potential interest from a specialty grocer, conventional grocers are not likely to pursue additional stores in the submarket. **Figure 12** shows the traditional metrics of a two-mile radius to convey the extent of saturation.

Figure 12
National Chain Supermarkets



The nature of Havana Street within the Secondary Market Area is comprised of small centers. In aggregate, there is approximately 2.2 million square feet of retail space amongst 91 properties. Several of the properties in the northern section are occupied by automotive retailers. The majority of the retail inventory in this section of Havana Street was built in the 1970s. In contrast, the southern section of Havana Street in this market area are newer, particularly the inventory in and around the Gardens of Havana power center. Rental rates range from $8 to $32 with a strong middle range between $18 and $19/NNN, depending on access, visibility, and tenant amenities.

The newly constructed Gardens on Havana is a particularly relevant commercial comparable property. It was constructed in 2013 and includes a total of approximately 500,000 square feet of retail space. There are four anchors at the center, including Target, Dick's Sporting Goods, Sprouts Markets, and Kohl's. Occupancies are currently 90 percent. Rents range from $25 to $32/NNN. As a recently constructed project, it exemplified the strength of rents associated with new retail along Havana. The range of rents all ages of construction found along the Havana Corridor is summarized below in **Table 4.**

Table 4
Retail Along Havana Street, Q4 2015

	No. of Properties	Rentable Building Area	Occupancy	NNN Rent
General	58	1,457,298	78%	$12-17
Power Center	23	523,240	91%	$30-32
Neighborhood Center	9	213,535	90%	$10-25
Strip Center	1	9,804	100%	$8-14
Total | Average	**91**	**2,203,877**	**83%**	**$18-19**

Source: CoStar, LoopNet, Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072-Retail.xlsx]Havana Retail

The retail demand analysis is based on household growth projections for the trade areas, Census-derived 2015 per capita income levels, and spending habits for consumers in Colorado as reported by the Census of Retail Trade are shown below in **Table 5**.

To estimate retail demand for each trade area, the total personal income (TPI) is calculated by multiplying the household forecasts by time period from 2015 to 2020 by the 2015 average household income for each Trade Area. TPI is used to estimate retail expenditure potential – the amount of money that the average household spends on retail goods. Using estimates from ESRI based on U.S. Census historic growth rates, the number of households in the Primary Market Area is anticipated to increase by approximately 800 (1.6 percent per year) by 2020 and the Secondary Market Area is anticipated to increase by approximately 3,900 households (2.2 percent per year). As a comparison, Aurora is anticipated to grow by about 10,000 households (1.6 percent per year). These inputs for the immediate trade areas yield an increase in TPI of $32.9 million in the Primary Market Area and an increase of $230.7 million in the Secondary Market Area.

As a point of comparison, the potential expenditure potential derived from new on-site residential development can be estimated. One of the hypothetical development programs completed to date for the AURA calls for 241 dwelling units (76 townhomes, 165 multifamily units). At full occupancy, this program would contribute $16.9 million in total personal income. With a higher density program (500 dwelling units, for example), the TPI would increase to $35.1 million.

Table 5
Total Personal Income, 2015-2020

	2015	2020	2015-2020
Current Program [1]			
Households	0	241	241
Avg. HH Income	$70,220	$70,220	---
Total Personal Income (TPI)	**$0**	**$16,923,020**	**$16,923,020**
Higher Density Program [1]			
Households	0	500	500
Avg. HH Income	$70,220	$70,220	---
Total Personal Income (TPI)	**$0**	**$35,110,000**	**$35,110,000**
Primary Market Area			
Households	10,224	11,018	794
Avg. HH Income	$41,435	$41,435	---
Total Personal Income (TPI)	**$423,631,440**	**$456,510,833**	**$32,879,393**
Secondary Market Area			
Households	49,617	53,468	3,851
Avg. HH Income	$59,912	$59,912	---
Total Personal Income (TPI)	**$2,972,653,704**	**$3,203,370,881**	**$230,717,177**
City of Aurora			
Households	129,965	140,052	10,087
Avg. HH Income	$70,220	$70,220	---
Total Personal Income (TPI)	**$9,126,142,300**	**$9,834,451,440**	**$708,309,140**

[1] Assumes average household income equivalent to city of Aurora

Source: ESRI; Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Models\[153072-TPI.xlsx]t1-TPI

Using estimates from spending patterns statewide, approximately 35.3 percent of TPI is spent on all retail goods. This spending potential informs the amount of potential new retail square footage that can be supported without taking business away from existing establishments. **Table 6** shows percentage and dollar estimates of spending potential by store type.

Table 6
Expenditure Potential by Type, 2020

Store Type	Percent of TPI	Current Program ($000s)	Higher Density Program ($000s)	Primary Market Area ($000s)	Secondard Market Area ($000s)	Aurora ($000s)
Area TPI	**100.0%**	**$16,923**	**$35,110**	**$456,511**	**$3,203,371**	**$9,834,451**
Convenience Goods						
Supermarkets & Specialty Food Stores	6.3%	$1,058	$2,195	$28,544	$200,297	$614,918
Convenience Stores (incl. Gas Stations)	1.9%	$323	$670	$8,715	$61,153	$187,742
Beer, Wine, & Liquor Stores	0.9%	$154	$319	$4,153	$29,140	$89,461
Health and Personal Care	1.7%	$284	$590	$7,670	$53,822	$165,235
Total Convenience Goods	**10.8%**	**$1,819**	**$3,775**	**$49,082**	**$344,412**	**$1,057,357**
Shopper's Goods						
General Merchandise	**7.0%**	**$1,188**	**$2,465**	**$32,049**	**$224,892**	**$690,424**
Other Shopper's Goods						
Clothing & Accessories	2.3%	$386	$802	$10,426	$73,160	$224,604
Furniture & Home Furnishings	1.5%	$261	$541	$7,031	$49,334	$151,457
Electronics & Appliances	1.3%	$226	$470	$6,107	$42,853	$131,560
Sporting Goods, Hobby, Book, & Music Stores	1.4%	$232	$482	$6,261	$43,931	$134,870
Miscellaneous Retail	1.4%	$236	$490	$6,373	$44,720	$137,292
Subtotal	**7.9%**	**$1,342**	**$2,784**	**$36,197**	**$253,998**	**$779,784**
Total Shopper's Goods	**14.9%**	**$2,530**	**$5,249**	**$68,246**	**$478,890**	**$1,470,208**
Eating and Drinking	**5.6%**	**$955**	**$1,980**	**$25,750**	**$180,693**	**$554,732**
Building Material & Garden	**4.0%**	**$673**	**$1,396**	**$18,150**	**$127,362**	**$391,006**
Total Retail Goods	**35.3%**	**$5,977**	**$12,400**	**$161,229**	**$1,131,357**	**$3,473,303**

Source: U.S. Economic Census of Retail Trade; Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Models\[153072-TPI.xlsx]t2-Expend by Type

Table 7 provides a detailed breakdown by retail subtype of potential new retail square footage, based on market area growth, as well as the addition of new rooftops onsite, that is expected to occur over the next five years. The calculations reflect new support that can be realized without taking business away from existing retail establishments. Over the next five years, approximately 32,700 square feet of new retail can be added to the Primary Market Area, assuming 100 percent capture of the new expenditure potential. If a development program with 241 units were constructed, it would generate demand for 7,300 new retail square feet (at 100 percent capture of the store types that could located in a center of this scale). With a higher density program (500 dwelling units), demand would increase to 15,500 new retail square feet (assuming 100 percent capture of comparable store types). This analysis assumes shopper's goods and building materials would not be built on-site, given the scale of typical stores in these categories and the fact that they are already established in the larger Aurora trade area. The purpose of the analysis is optimistic, as it assumes that 100 percent of the net new expenditure potential will be captured on this site. The purpose is to frame the conversation about the development program and the extent to which retail can succeed.

Table 7
Potential Net New Retail Space

	New Demand Sq. Ft. 2015-2020				
	Current Program [1]	Higher Density Program [1]	Primary Market Area	Secondary Market Area	City of Aurora
Estimated Net New Households (2015-2020)	**241**	**500**	**794**	**3,851**	**10,087**
Convenience Goods					
Supermarkets & Specialty Food Stores	2,600	5,500	5,100	36,100	110,700
Convenience Stores (incl. Gas Stations)	800	1,700	1,600	11,000	33,800
Beer, Wine, & Liquor Stores	500	1,100	1,000	7,000	21,500
Health and Personal Care	700	1,500	1,400	9,700	29,800
Total Convenience Goods	**4,600**	**9,800**	**9,100**	**63,800**	**195,800**
Shopper's Goods					
General Merchandise	**0**	**0**	**5,800**	**40,500**	**124,300**
Other Shopper's Goods					
Clothing & Accessories	1,100	2,300	2,100	15,100	46,200
Furniture & Home Furnishings	1,000	2,200	2,000	14,200	43,600
Electronics & Appliances	500	900	900	6,200	19,000
Sporting Goods, Hobby, Book, & Music Stores	700	1,400	1,300	9,000	27,800
Miscellaneous Retail	900	2,000	1,800	12,900	39,600
Subtotal	**4,200**	**8,800**	**8,100**	**57,400**	**176,200**
Total Shopper's Goods	**0**	**0**	**13,900**	**97,900**	**300,500**
Eating and Drinking	**2,700**	**5,700**	**5,300**	**37,200**	**114,200**
Building Material & Garden	**0**	**0**	**4,400**	**30,600**	**93,900**
Total Retail Goods	**7,300**	**15,500**	**32,700**	**229,500**	**704,400**

[1] Assumes average household income equivalent to city of Aurora
Source: Economic & Planning Systems
H:\153072-Aurora Fan Fare Market Study\Models\[153072-TPI.xlsx]t7a-Supp. Sq. Ft. All

Based on this analysis, the ideal retail mix will include a combination of convenience goods and eating and drinking establishments complementary to existing retailers in the market area. Retail at this location requires a critical mass to create a destination. Even though Fan Fare is located on Havana, the frontage is all auto-oriented traffic, which is conducive primarily to destination retail. That said, the additional rooftops contributed to the dense single family and multifamily created by the proposed development will contribute patrons. Furthermore, mixed use development will help create a “there” there, will serve as an amenity to the residential component, and increase the overall profile of the project within the area.

Interviews with brokers active on Havana indicate that at this location, a collection of in-line retailers is most realistic in terms of market support. The strong traffic volumes on Havana are helpful; however, the nature and scale of the street will make it that much more challenging for a small, unanchored center to draw customers. Notwithstanding these challenges, the growth in the area (as well as on-site) will generate new expenditure potential, a portion of which can be captured at this location. If the center can capture 50 percent of new expenditure potential for Convenience Goods and Eating and Drinking from on-site residents (approximately 4,000 sq. ft.) as well as a quarter of the potential from growth in the immediate trade area (approximately 8,000 sq. ft.), the total commercial program should be approximately 12,000 square feet. Additional support from traffic volumes on Havana, which represent dollars imported into the trade area, could increase support up to 20,000 square feet.

Based on interviews with brokers in the area, a center of this scale is reasonable. Brokers noted the opportunities to capture stores geared to a diverse customer base, ranging from brew pubs for a younger crowd, to ethnic stores for the broader area’s population, to drug stores and clinics for an aging crowd. One broker identified the need to bring the commercial to the front of the site, complemented with a gridded development that would provide easy and enjoyable walkability from the new and existing rooftops on-site. The goal is to create a purposeful gridded retail destination, which is currently incongruous with the retail options available on Havana.

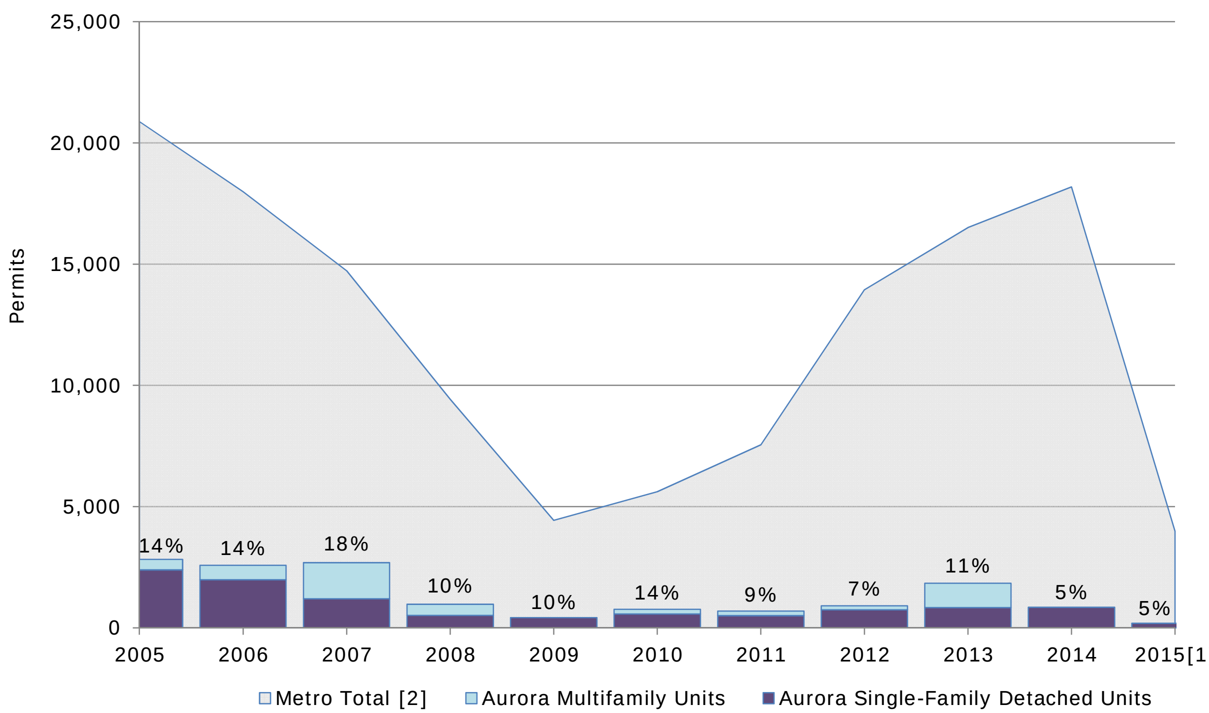
The final element of retail research worth noting is the prospective retail center that could be constructed south of the site, Lowry Vista. The timing for this project is debatable. It has missed multiple stated targets for ground breaking. While broker interviews suggest it is immanent, it is likely that brokers are overstating the success of their lease-up efforts. Particularly when the extent of environmental remediation is accounted for, the timing for ground breaking is not likely to be soon.

If it does move forward, the development is expected to draw much of the interest from prospective commercial tenants to the site. The plan calls for 300,000 square feet of retail space as part of a 77-acre mixed use project, which when fully developed. In addition to retail, the project will include office, hospitality, and residential components. The plan includes spaces for anchor, junior box, in-line, and pad sites. Given the scale of the project, it is recommended that AURA move forward expeditiously and commence with ground breaking to attract tenants who are interested in the submarket.

Residential

The City of Aurora has generated 11 percent of all residential permits in the Denver metropolitan area over the past 10 years. Approximately 70 percent of these permits were single family dwelling units and approximately 30 percent were multifamily units. In 2014, Denver metro recorded approximately 18,000 units; Aurora recorded permits for approximately 900 units, all of which were single family homes (**Figure 13**).

Figure 13
Permits, Aurora Compared to Denver Metro, 2005-2015

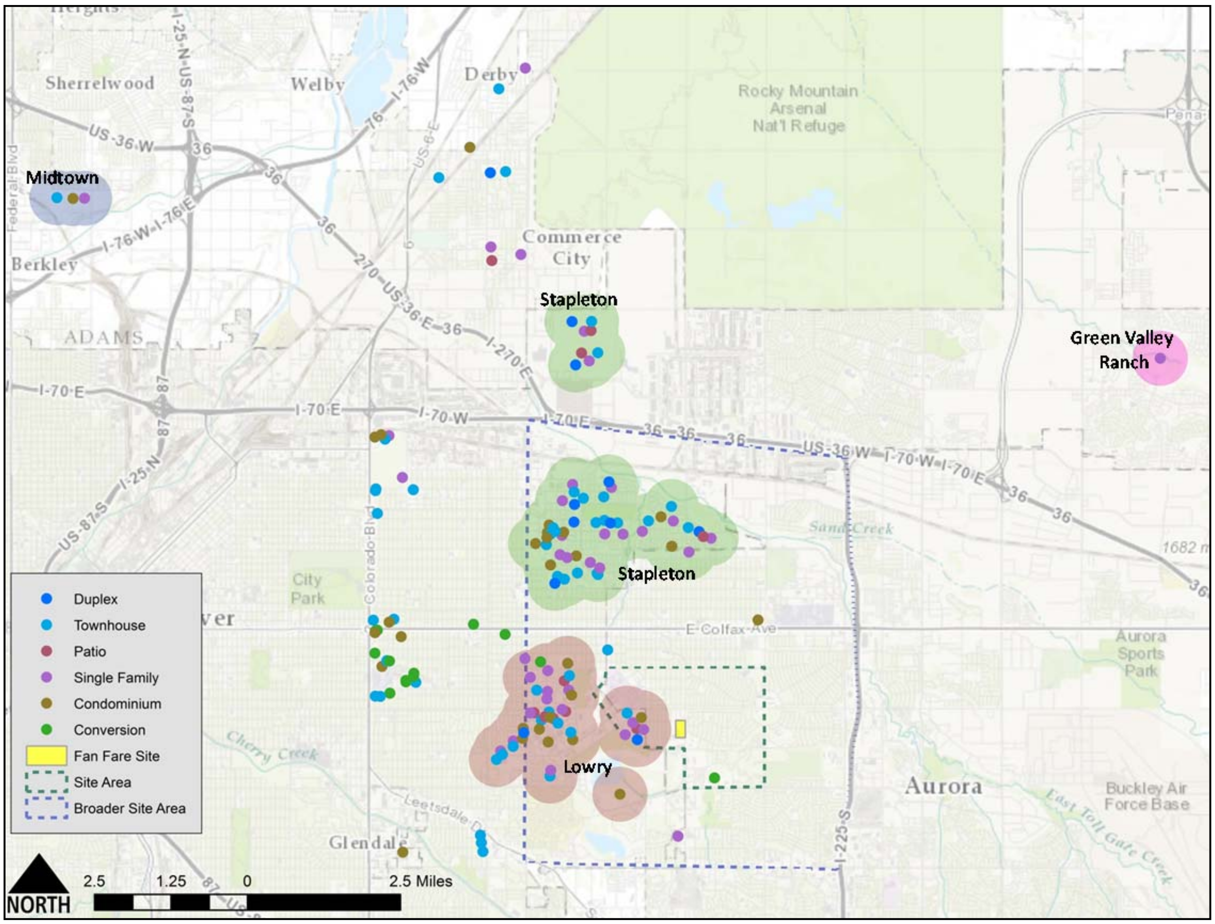


[1] Through Q1 2015
[2] Seven County Metro Denver Includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson
Source: City of Aurora, The Genesis Group, Economic & Planning Systems

Ownership Residential

Figure 14 is a map of ownership residential development (primarily single family residential) built in and around the Secondary Market Area since 2010. Many segments included in this group are part of the Stapleton and Lowry master planned developments (MPDs). Midtown and Green Valley Ranch are also notable MPDs. Other communities are included on the map and as part of the competitive analysis. Each dot represents a filing, with colors corresponding to ownership subtype. Segmentation characteristics (price, size, number of units, absorption, etc.) are derived from analyses of active (for sale and under construction) units.

Figure 14
Single Family and Patio Units Built 2010-2015



Green Valley Ranch

Green Valley Ranch (Oakwood)

Green Valley Ranch is a Master Planned Development of approximately 2,560 acres in the City of Denver and 2,506 acres in the City of Aurora. The portion built thus far is bounded by 56th and 38th Avenue to the north and south, and Tower Road and Picadilly Road to the west and east. At full buildout, Green Valley Ranch is estimated to accommodate 60,000 residents in approximately 19,000 single family homes. Oakwood Homes is the sole builder of the community.

The homes are priced in the low $200,000s to mid $300,000s. For the price, Green Valley Ranch provides an attractive package of amenities for younger families, primarily due to its location. The community is a part of the Denver Public School District. The highly-regarded Denver School of Science and Technology: Green Valley Ranch school is located in the MPD. Commercial services in close proximity include King Soopers and Walmart Supercenter. The community has convenient access to the I-70 and E-470 Tollroad, and is approximately 15 minutes from the Denver International Airport.

The reason it has been included in this analysis is to identify the floor of the market. Because the Fan Fare site has a superior location, it can be positioned with higher pricing. Nevertheless, the project has been included in this analysis to document the lowest rung of pricing for new product. In terms of the attributes, lots are modestly sized and the average floor area is approximately 2,200 square feet. Green Valley Ranch has approximately 200 units left in the current pipeline of active filings.

Stapleton

Willow Park East (Parkwood)

Stapleton is a master planned development of 4,700 acres located in Denver. It is roughly bounded by Smith Road and Montview Boulevard to the north and south, and Quebec Boulevard and Havana Street to the west and east. The development is on the site of the former Stapleton International Airport, which was closed in 1995.

At full buildout, Stapleton is estimated to accommodate 30,000 residents in approximately 12,000 single family and multifamily homes. The developer, Forest City, began the project in 2001. At the time, Forest City estimated that it would take 20 to 25 years to fully build out the residential portion of the community. **Table 8** shows the average absorption rate by segment in the current Stapleton pipeline. On average, approximately 134 homes are sold per quarter. At this rate, the final units in Stapleton will be sold in two and a half years.

Table 8
Future Units in Stapleton

	Total Future Units [1]	Avg. Closings per Qtr.	Est. Qtrs to Absorption
Stapleton / Central Park West - RowHomes	20	N/A	N/A
Stapleton / Eastbridge	219	N/A	N/A
Stapleton / Westerly Creek - Terrace Homes	21	7	3.0
Stapleton North / Cons Green (Rows)	42	5	8.4
Stapleton North / Conservatory Green (SF)	18	34	0.5
Stapleton North / Willow Park East (SF)	338	58	5.8
Stapleton North / Willow Park East (Paired)	36	23	1.6
Stapleton North / Willow Park East (Patio)	28	N/A	N/A
Stapleton North / Willow Park East (Row)	39	7	5.6
Total	**761**	**134**	**8.4 [2]**

[1] Total Future Units include units under construction, vacant developable lots, and other planned future units
[2] Maximum based on available segment absorption rates
Source: Metro Study; Economic & Planning Systems
H:\153072-Aurora Fan Fare Market Study\Data\[153072-Ownership Comps.xlsx]TABLE-Stapleton VDL

Stapleton offers a diverse range of home types. Depending on the size, quality, amenities, and location, the ownership prices range from mid $200,000s to mid $400,000s for townhomes and duplexes and high $200,000s to high $700,000s for single family and patio homes. In addition to the residential units, Stapleton also offers 10 million square feet of office space, three million square feet of retail space, and a large network of open space. The schools in and around the community are among the highest rated in Denver metro. For these reasons, Stapleton has created a much more apparent sense of place than Green Valley Ranch.

As part of this research, EPS toured the current model homes of the builders active in the northern portion of Stapleton. Sales staff reported very strong sales activity to date, which is consistent with previous studies of Stapleton. Additionally, they indicated that inventory in the active filings was diminishing and the focus is shifting to the remaining portion on the southern side of the community, located in Aurora. Builders are establishing interest lists, which in the case of Boulder Creek, exceed the number of lots that Forest City has allocated to them. It is recognized that an ‘Interest List’ is not a lot reservation, as the interest does not require any form of financial commitment. Nevertheless, the significance is that the builders believe that the market momentum will follow them to the new filings in Aurora. This perspective was articulated by other sales agents representing other builders as well.

Pricing will vary by product type.

- Townhomes are expected to sell between $285,000 up to $320,000, with price per square foot ranging between 190 and 205. These prices reflect all costs, including anticipated upgrades. Sizes will range from 1,250 to 1,550.
- Paired homes will be priced within the spectrum of townhomes, suggesting that the filing will appeal to lifestyle driven buyers (as opposed to just economically driven buyers). When

buyers pay more for attached product, it typically reflects a successful penetration into sectors that seek a lower maintenance, more upscale lifestyle and are willing to pay for it. Paired homes are expected to be sold for $300,000 or approximately $200 per square foot. Sizes will average 1,350.

- Single family product will range from $355,000 to $430,000, for finished prices, which include upgrades. The size will range from 1,550 to 1,950 and generally price per square foot will approximate $195 to $225.

The density will be higher than much of Stapleton, with nearly all single family homes platted on 35 by 90 foot lots. This reinforces one of the marketing themes for these builders, as they sell to buyers who seek very little yard space, with low maintenance requirements. In fact, some builders will include all exterior building and landscape maintenance as part of the HOA responsibilities.

Based on the interviews with the on-site sales agents, the buyers are expected to include empty nester households and starter families. Also included will be single individuals who are financially established. Thus, as Forest City reduces lot sizes, builders believe that they will encounter little market resistance.

The MetroStudy data indicates that the EastBridge portion of Stapleton, nearly all of which is located in Aurora, will include approximately 220 lots. Other sources indicate that the inventory could be as large as 322 units. Within this range, most sales agents believe that the filing will be sold in eight quarters. With two to three builders active across three to four segments, sales velocity is expected to range from three to four sales per month per segment. This translates to 9 to 16 sales per month or 100 to 200 sales per year. Assuming a midpoint of 150 sales per year, Fan Fare could be fully sold within eight quarters.

It is strongly recommended that Aurora Urban Renewal Authority staff begin conversations with all of the builders that will be active in Aurora in the upcoming months. Because they have an established product, with experienced sales agents, and understand the challenges of selling upscale homes in an urban setting, they will have expertise to lend to the Fan Fare site. Ideally, they would be able to transfer the momentum from their sales and development site at approximately 25th and Havana and bring that south to the Fan Fare site at 10th and Havana. The transition from northern Stapleton to southern Stapleton is greater in terms of geographic distance and represents a greater change in terms of market context; yet the builders are confident their buyers will follow. The potential to tap this momentum for the Fan Fare site is substantial and the opportunity should not be lost.

This comparable is by far the most applicable to the Fan Fare site. It is recommended that the lot size be replicated using a module of 35 by 90. Home sizes should range from a low of 1,000 up to 1,500 for townhomes and 1,500 to 2,100 for single family homes, in keeping with the market positioning and product definition articulated by sales agents. Pricing should be adjusted down, given that Fan Fare is distinct from the Stapleton brand, which is well regarded. It will be removed from the parks and open space found in Stapleton, as well as close proximity to light rail. Thus a 10 to 15 percent reduction in pricing would be recommended, generally translating to a range of $250,000 (for townhomes) up to $375,000 (for single family). As the Fan Fare site develops and as amenity can be provided, prices should escalate moving as upwards to $280,000 to $425,000.

Lowry

Lowry-Blvd One (Infinity)

The Lowry MPD is located between 11th Avenue and Alameda Avenue to the north and south, and Dayton Street and Monaco Parkway to the west and east. It is located at the site of the former Lowry Air Force Base. The community consists of approximately 3,000 single family homes, duplexes, condominiums, and apartments. The commercial space is highlighted by the redevelopment of the hangar remaining from the former military base. The project, Hangar 2, is a popular dining and retail destination for residents in and outside of Lowry. Boulevard One is the last neighborhood to be developed in Lowry. It is estimated to create 800 single family and multifamily residential units and is slated to provide higher price points than most other neighborhoods. It is expected to from the accrued premium the project has cultivated since its inception.

Midtown

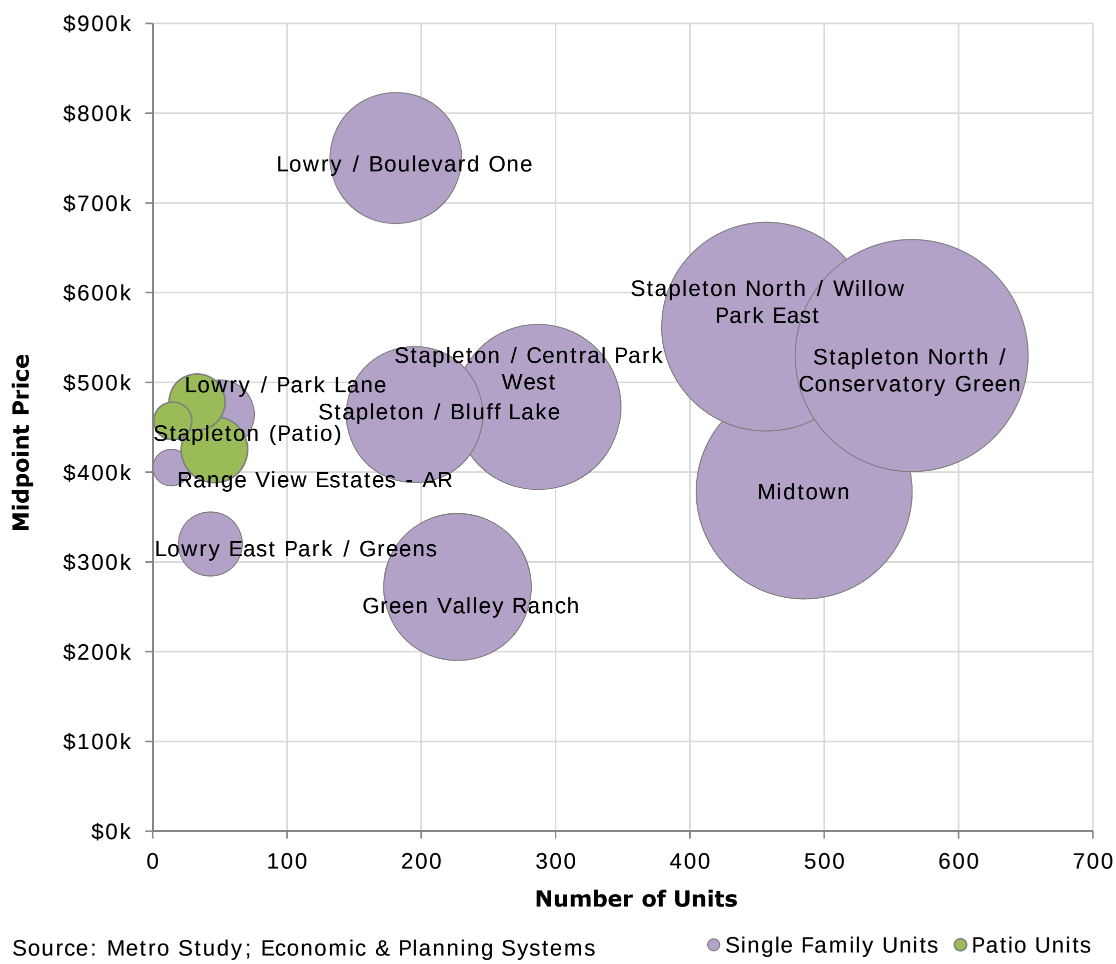
Midtown (Century Builders)

Midtown at Clear Creek is a master planned community in the Denver North submarket area. The site is located less than 15 minutes from downtown Denver, with east access to Interstate 36, Interstate 70, and Interstate 25. It is also within walking distance to upcoming rail stops for the RTD Gold and Northwest lines. The 180-acre property is located at the southwest corner of 68th Avenue and Pecos Street in unincorporated Adams County. The former Sunstrand Plant (owned by United Technologies) was acquired by Carma, a regional residential developer.

The ownership units in Midtown are priced between the low $300,000s to the mid $400,000s. An on-site visit revealed that while the homes are on small lots with compact designs, buyers are attracted by community amenities such as shared open space. When complete, Midtown will include 1,300 single family detached and townhomes, and 270 multifamily residential units. The plan features a range of retail, a network of parks and trails, a community garden, and a site proposed for campus development with the Mapleton School District. Construction began on the eastern portion of the site in summer 2012. Within its first year, nearly 100 homes had been sold.

Comparable projects in the Secondary Market Area show a wide product range for single family detached and patio units. Midpoint list prices range from $270,000 in Green Valley Ranch to $750,000 in Lowry's Boulevard One. Other price points for Stapleton, Midtown, and other projects within this range are evenly distributed (not skewed toward the lower or upper ends). As of Q1 2015, Stapleton and Midtown contribute the greatest number of active single family units (**Figure 15**).

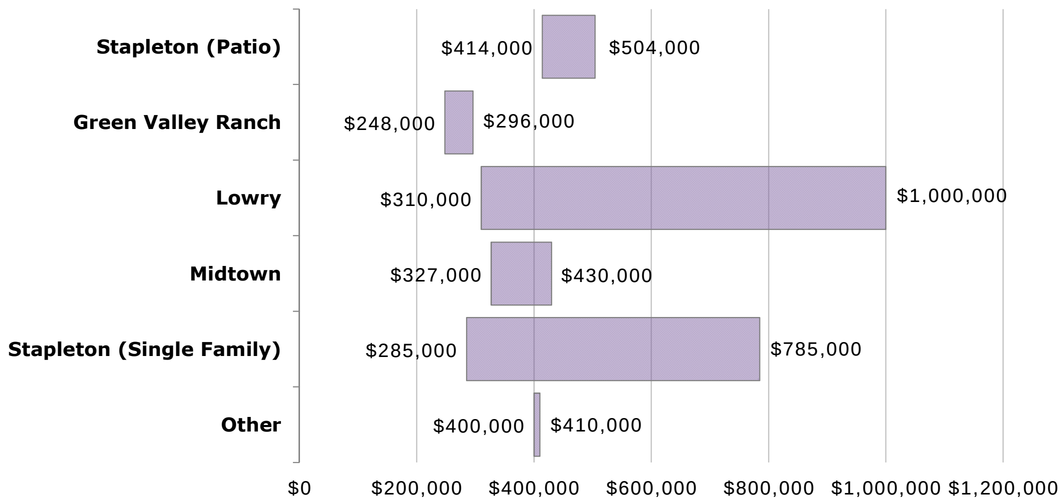
Figure 15
Single Family and Patio Units Built 2010-2015



Source: Metro Study; Economic & Planning Systems

Figure 16 shows the price range for all active single family and patio units by community. Stapleton and Lowry have the largest ranges, while Green Valley Ranch and Midtown have less variance in segmentation.

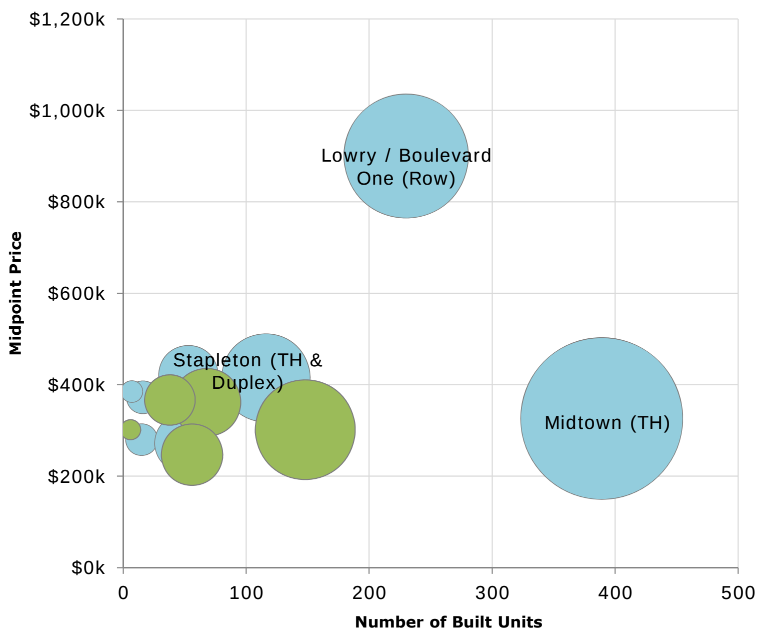
Figure 16
Single Family and Patio Units Built 2010-2015, Listing Price Range



Source: Metro Study; Economic & Planning Systems

A majority of comparable active townhome and duplex units are listed with midpoint prices between $270,000 and $420,000. Within this price range, approximately 400 townhome and duplex units are within the Stapleton community and approximately 400 townhome units are within the Midtown community. Lowry's Boulevard One has approximately 230 row homes listed for an average of $900,000.

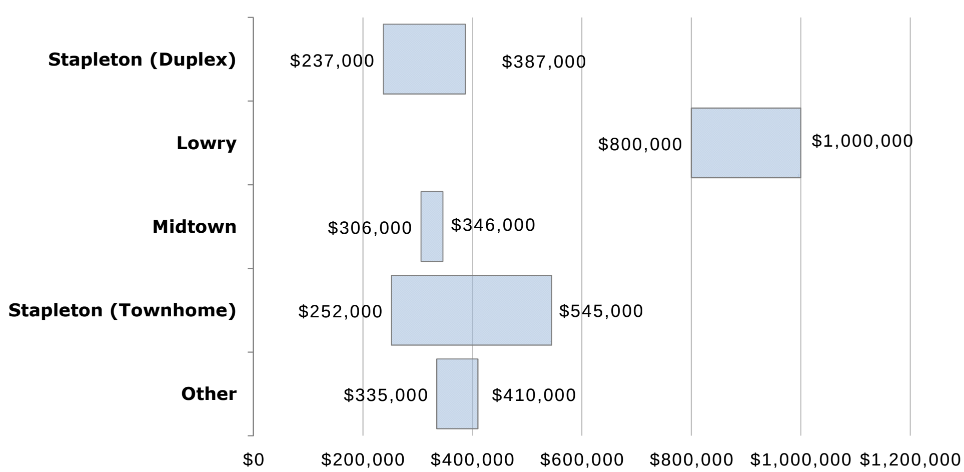
Figure 17
Townhome and Duplex Units Built 2010-2015



Source: Metro Study; Economic & Planning Systems

Figure 18 shows the price range for all active townhome and duplex units by community. Stapleton and Lowry have the largest ranges, while Midtown has less variance in segmentation.

Figure 18
Townhome and Duplex Units Built 2010-2015, Listing Price Range



Source: Metro Study; Economic & Planning Systems

Table 9 includes the number of active units (built for-sale, model homes, built vacant) and future units (under construction and vacant developable lots) in each comparable community. Green Valley Ranch, Stapleton, Midtown, and Lowry are still actively producing units for the market area supply.

Table 9
Comparable Single-Family Projects

	Active Units	Future Units	Total Remaining	Avg. Sq. Ft.
Single Family				
Green Valley Ranch	33	194	227	2,200
Lowry	93	181	274	---
Midtown	198	287	485	1,800
Stapleton (Single Family)	1,148	356	1,504	2,300
Other	14	0	14	---
Total # | Average $	**1,486**	**1,018**	**2,504**	**1,900**
Patio				
Stapleton (Patio)	66	28	94	2,400
Total # | Average $	**66**	**28**	**94**	**2,400**
Townhome				
Lowry	0	230	230	---
Midtown	5	384	389	1,600
Stapleton (Townhome)	249	130	379	1,800
Other	16	7	23	1,500
Total # | Average $	**270**	**751**	**1,021**	**1,300**
Duplex				
Stapleton (Duplex)	280	36	316	1,500
Total # | Average $	**280**	**36**	**316**	**1,500**

Source: Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072-Ownership Comps.xlsx]TABLE-Current Units

For-Rent Residential

Market rate multifamily rental development in the Denver Metro area is concentrated in Downtown Denver and major employment areas, as shown in **Table 10** and **Figure 19**. Between 2007 and 2015, over 31,000 multifamily units were completed in the Denver Metro area. The South I-25 corridor and Central Denver together accounted for 36 percent of those units, and Downtown Denver accounted for almost 9 percent. In addition to the units already completed, there are approximately 18,000 units under construction and 17,500 units proposed for the Denver Metro area.

Table 10
Multifamily Construction in Denver Metro, 2007-2015

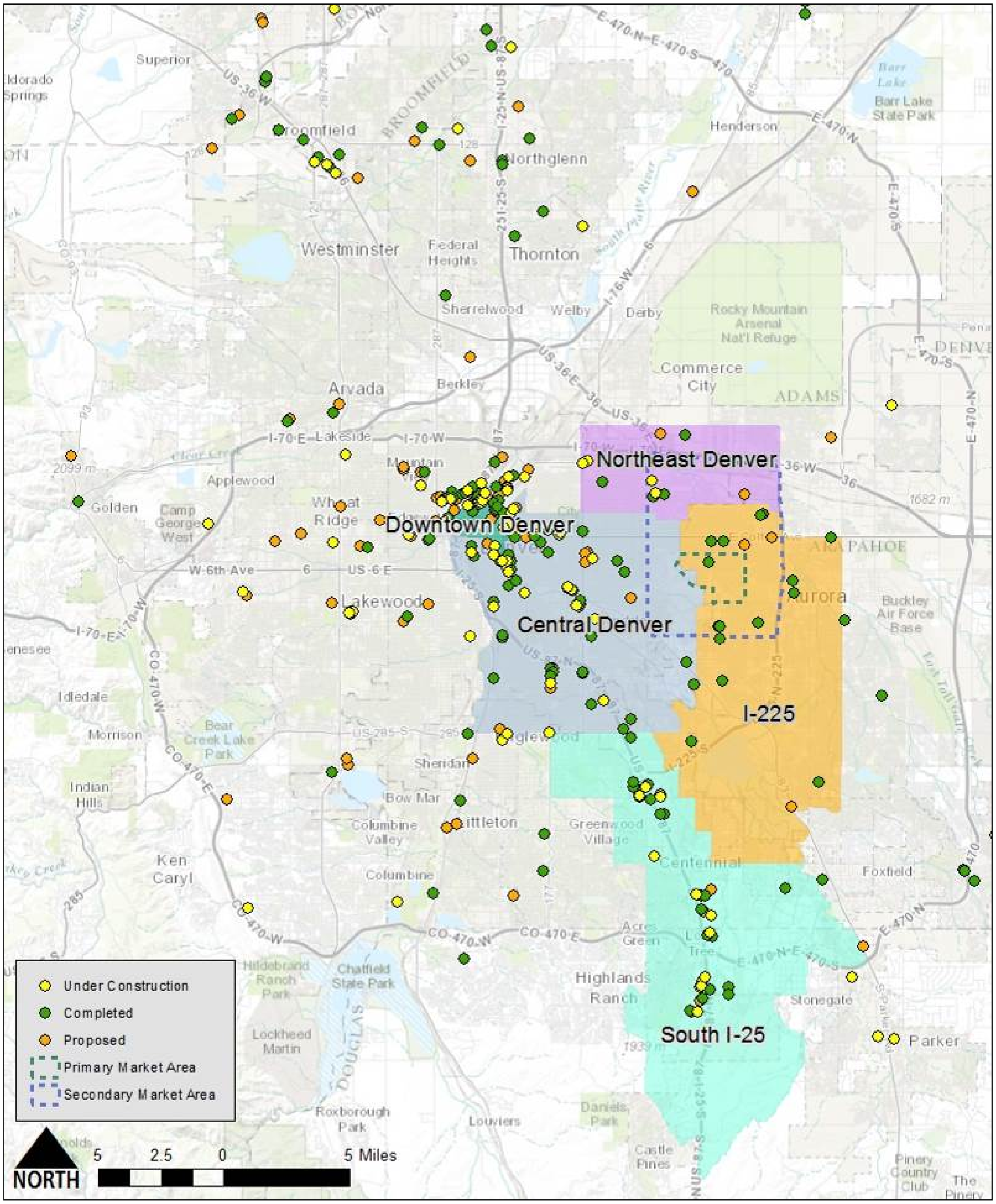
Description	Northeast Denver	I-225 Corridor	South I-25 Corridor	Downtown Denver	Central Denver	Denver Metro
Completed (2007-2015)	480	2,124	5,820	2,793	5,490	31,346
Under Construction (2014-2015)	570	0	2,436	3,055	3,749	18,224
Proposed (2014-2015)	382	397	994	1,985	2,421	17,571
Total Units	**1,432**	**2,521**	**9,250**	**7,833**	**11,660**	**67,141**

Note: excludes affordable and senior developments

Source: Economic & Planning Systems

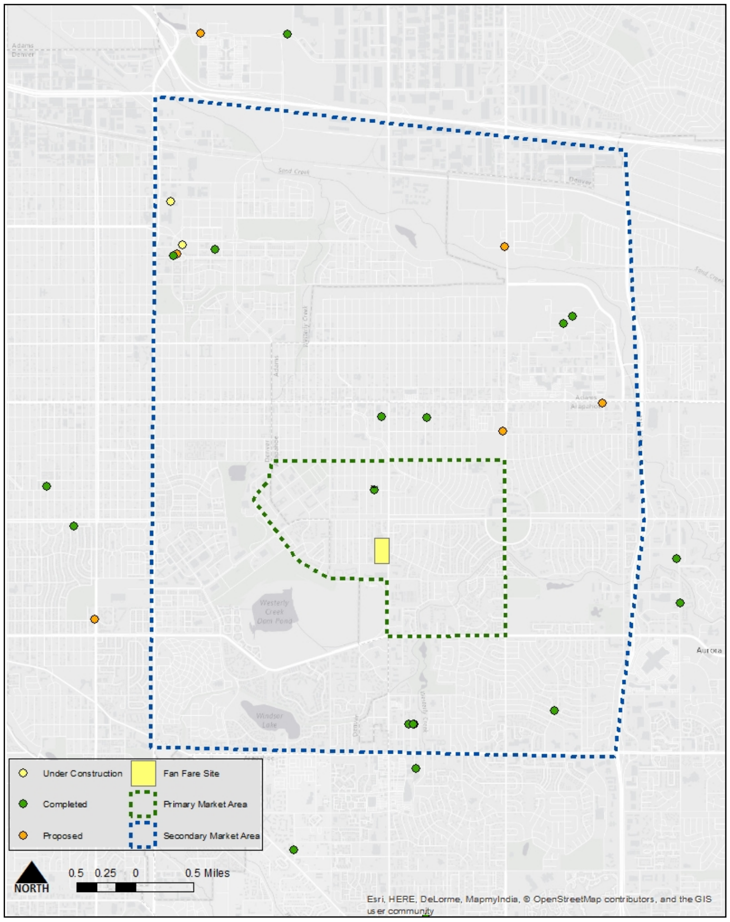
H:\153072-Aurora Fan Fare Market Study\Data\[153072- Apartment Trends.xlsx]TABLE - Apartment Trends

Figure 19
Multifamily Construction in Denver Metro, 2007-2015



Within the market areas for this project, there has been relatively little recent multifamily development, as shown in **Figure 20**. Between 2007 and 2015 only 888 market rate units were completed, and there was no multifamily development activity from 2009 to 2011. Recently, 779 units were proposed for development in 2014, and 285 were under construction in 2015.

Figure 20
Multifamily Development in Primary and Secondary Market Areas, 2007-2015



Because there is little development activity within the Primary Market Area, six apartment projects were found in similar areas in order to evaluate development trends and activities. These developments are shown in **Figure 21** on page 37 and the main characteristics of these projects are summarized in **Table 11** below.

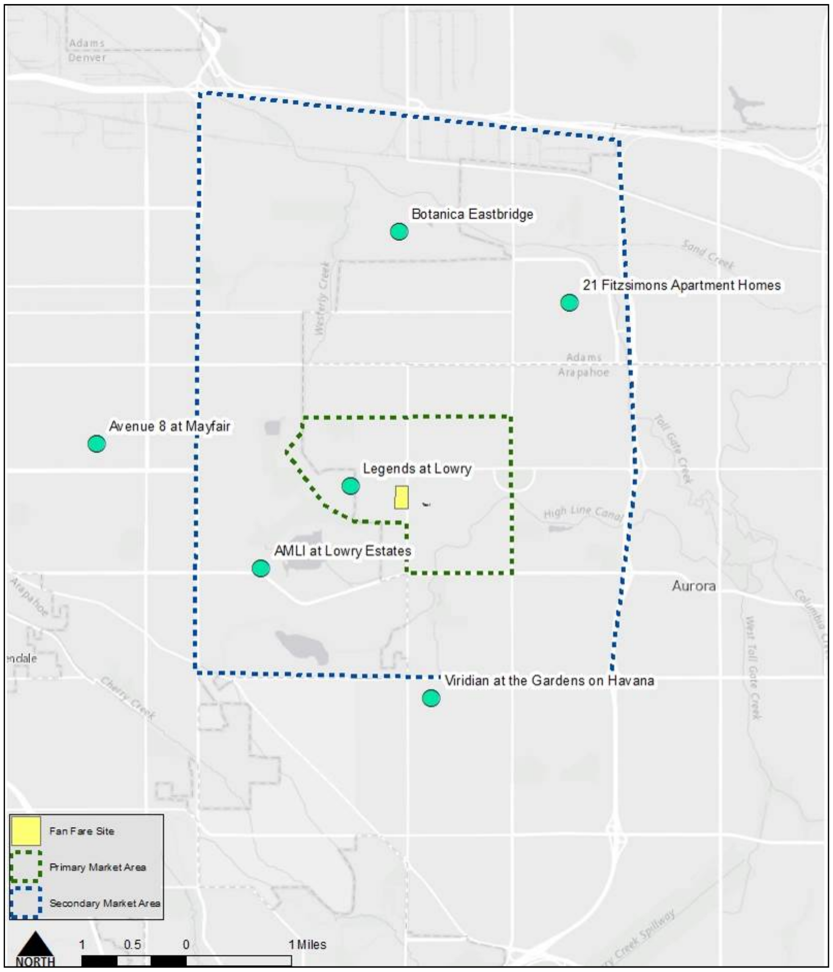
Table 11
Comparable Apartment Projects

							AVG. PRICING		UNIT MIX				
Name	**Address**	**School District**	**Year Opened**	**Occupancy**	**Elevator/ Walk-up**	**Status**	**Rent/Mo.**	**$/Sq. Ft.**	**Total**	**Studio**	**1 BD**	**2 BD**	**3 BD**
21 Fitzsimons Apartment Homes	2100 N. Ursula St.	Aurora Public Schools	2008	98%	Elevator	Fully constructed in 2015	$2,202	$2.04	600	13%	58%	24%	5%
Viridian at the Gardens on Havana	10901 East Garden Drive	Cherry Creek Schools	2015	80%	Walk-up	Fully constructed	$1,632	$1.54	227	-	60%	35%	5%
Griffis at Lowry (formerly Legends at Lowry)	9649 E. 5th Avenue	Denver Public Schools	2011	92%	Walk-up	Fully constructed	$1,636	$1.42	150	-	24%	63%	13%
AMLI at Lowry Estates	8155 E. Fairmount Dr.	Denver Public Schools	2000	94%	Walk-up	Fully constructed	$1,695	$1.78	414	-	48%	43%	8%
Botanica Eastbridge	10400 29th Drive	Denver Public Schools	2012	92%	Walk-up	Fully constructed	$1,393	$1.66	118	-	n/a	n/a	-
Avenue 8 at Mayfair	5701 E. 8th Ave	Denver Public Schools	2015	92%	Elevator	Fully renovated	$1,467	$1.89	163	-	65%	35%	-

Source: Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072- Rental Comps_2.19.16.xlsx]Table - Rental Comps Summary

Figure 21
Comparable Apartment Projects



21 Fitzsimons Apartment Homes

21 Fitzsimons is a multi-phase, elevator-served apartment development located near the Anschutz Medical Campus, developed by The Pauls Corporation. The first phase opened in 2008, and the last phase was completed in 2015. This development has 600 apartment units, the majority (58 percent) of which are one-bedroom units. 21 Fitzsimons is the only comparable development that includes studio apartments, which account for 12.5 percent of all units. The development is 98 percent occupied, with 12 vacant units ready for move-in.

Studio apartments are 494 square feet, and rent for an average of $3.39 per square foot. One-bedroom apartments range from 607 to 1,141 square feet and rent for an average of $2.07 per square foot. Two-bedroom units range from 945 to 1,823 square feet and rent for an average of $1.85 per square foot. Three-bedroom units range from 1,238 to 1,292 square feet and rent for an average of $2.10 per square foot.

Amenities include two fitness centers, a swimming pool, outdoor space, a dog park, on-site restaurant, bar, and bank, and in-unit washer and dryer. Parking is available in a surface lot for $10 per month per vehicle; reserved spaces, carport, detached garage, or attached garage parking are also available for between $35 and $100 per month.

21 Fitzsimons Apartment Homes	
Address	2100 N. Ursula St.
Developer	The Pauls Corporation
Year Completed	2008 - 2015
Stories	4
Number of Units	600
Walk-up/Elevator	Elevator
Occupancy	98%
Rent/SF	
Studio	**$3.39**
Studio	$3.39
1 BD	**$2.07**
1 BD 1B	$2.68
1 BD 1B	$2.53
1 BD 1B	$2.00
1 BD 1B	$1.79
1 BD 1B	$2.06
1 BD 1B	$1.39
2 BD	**$1.85**
2 BD 2B	$2.30
2 BD 2B	$2.49
2 BD 2B	$2.00
2 BD 2B	$2.22
2 BD 1B	$1.79
2 BD 2B	$1.52
2 BD 2B	$1.50
2 BD 2B	$1.39
2 BD 2B TH	$1.41
3 BD	**$2.10**
3 BD 2B	$2.38
3 BD 3B	$1.82
Parking	Carport, Detached Garage, Attached Garage, Lot

Viridian at the Gardens on Havana

Viridian at the Gardens on Havana is a three-story, 227 unit walk-up development located approximately two miles south of the Fan Fare site. Viridian was constructed as part of the redevelopment of the Buckingham Square mall, and opened in July 2015. Pre-leasing began in the spring of 2015, and the building is currently approximately 80 percent leased.

Viridian at the Gardens on Havana	
Address	10901 East Garden Drive
Developer	Post Investment Group
Year Completed	2015
Stories	3
Number of Units	227
Walk-up/Elevator	Walk-up
Occupancy	80%
Rent/SF	
1 BD	**$1.76**
1 BD 1B	$1.83
1 BD 1B	$1.77
1 BD 1B	$1.68
2 BD	**$1.45**
2 BD 2B	$1.51
2 BD 2B	$1.47
2 BD 2B	$1.46
2 BD 2B	$1.45
2 BD 2B	$1.52
2 BD 2.5B TH	$1.30
3 BD	**$1.38**
3 BD 2B	$1.43
3 BD 2.5B TH	$1.33
Parking	Lot, Attached Garage, Detached Garage

This development has 227 units: 217 apartments and 10 townhomes. Sixty percent of the units are one-bedrooms, 35 percent are two-bedrooms and 5 percent three-bedrooms.

One-bedroom units range in size from 657 to 806 square feet, and rent for an average of $1.76 per square foot. Two-bedroom units range from 1,046 to 1,557 square feet and rent for an average of $1.45 per square foot. Three-bedroom units range from 1,369 to 1,808 square feet and rent for an average of $1.38 per square foot.

Amenities include a swimming pool, fitness center, club area, dog washing center, and landscaped outdoor space. Parking is available for free in a gated lot on a first-come first-served basis, or in attached and detached garages for $85 to $125 per month.

Griffis at Lowry

Griffis at Lowry, formerly Legends at Lowry, was completed in 2011 and is located on the eastern edge of Lowry, approximately one mile from the Fan Fare site. This project was purchased from Asher Investments Group by Griffis Residential in December 2015.

The walk-up development contains 150 units with a mix of one-, two-, and three-bedroom apartments and townhomes. Sixty-three percent of units are two-bedrooms, 24 percent are one-bedroom, and 13 percent are three-bedroom units. The development achieved 90 percent occupancy within its first three months, and was 92 percent occupied as of February 2016.

One-bedroom units range in size from 789 to 987 square feet, and rent for an average of $1.49 per square foot. Two-bedroom units range from 1,096 to 1,326 square feet and rent for an average of $1.41 per square foot. Three-bedroom units range from 1,344 to 1,378 square feet and rent for an average of $1.34 per square foot.

Parking is available in surface lots for free, or in attached garages and detached garages for $100 per month. Townhome units have garage parking included in rent. Amenities include a pool, fitness center, business center, and in-unit washer and dryer.

Griffis at Lowry (formerly Legends at Lowry)	
Address	9649 E. 5th Avenue
Developer	Metropolitan Homes
Year Completed	2011
Number of Units	150
Walk-up/Elevator	Walk-up
Occupancy	92%
Rent/SF	
1 BD	**$1.49**
1 BD 1B	$1.52
1 BD 1B	$1.54
1 BD 1B	$1.40
1 BD 1.5B	$1.49
1 BD 1.5B	$1.49
2 BD	**$1.41**
2 BD 2B	$1.36
2 BD 2B	$1.46
2 BD 2B	$1.46
2 BD 2B	$1.46
2 BD 2B	$1.36
2 BD 2B	$1.35
2 BD 2B	$1.45
2 BD 2B	$1.34
3 BD	**$1.34**
3 BD 2B	$1.34
3 BD 2B	$1.33
Parking	Lot, Attached Garage, Detached Garage

[NOTE] Rents based on Legends at Lowry pricing

AMLI at Lowry Estates

AMLI at Lowry Estates is a walk-up apartment complex, completed in 2000 and located in southern Lowry, approximately 2.3 miles from the Fan Fare site. The development contains 414 units with a mix of one-, two-, and three-bedroom units. Forty-eight percent of the units are one-bedroom, 43 percent are two-bedroom, and 8 percent are three-bedrooms.

AMLI at Lowry Estates	
Address	8155 E. Fairmount Dr.
Developer	AMLI Residential
Year Completed	2000
Stories	3
Number of Units	414
Walk-up/Elevator	Walk-up
Occupancy	94%
Rent/SF	
1 BD	**$2.14**
1 BD 1B	$2.01
1 BD 1B	$2.51
1 BD 1B	$1.90
2 BD	**$1.61**
2 BD 2B	$1.75
2 BD 2B	$1.48
2 BD 2B	$1.39
2 BD 1B	$1.82
3 BD	**$1.58**
3 BD 2.5B	$1.54
3 BD 2B	$1.63
Parking	Lot, attached garage, carport

One-bedroom units range in size from 627 to 811 square feet, and rent for an average of $2.14 per square foot. Two-bedroom units range from 890 to 1,143 square feet and rent for an average of $1.61 per square foot. Three-bedroom units range from 1,330 to 1,339 square feet and rent for an average of $1.58 per square foot.

Parking is available in attached garages for apartments on the first and second floors, and in a surface lot for third-floor units. Detached garage and carport parking is available for third-floor units for $35 to $100 per month. Amenities include two swimming pools, a fitness center, a business center, a putting green, a media room, a game room, a pet spa, and a car care center.

Botanica Eastbridge

Botanica Eastbridge is a three-story, 118-unit walk-up development located in Stapleton, approximately three miles north of the Fan Fare site. The building was completed in 2012 by Forest City Enterprises, and is part of the "Stapleton Apartments" community. Botanica Eastbridge has a mix of one- and two-bedroom units. It is currently 92 percent occupied.

Botanica Eastbridge	
Address	10400 29th Drive
Developer	Forest City Enterprises
Year Completed	2012
Stories	3
Number of Units	118
Walk-up/Elevator	Walk-up
Occupancy	92%
Rent/SF	
1 BD	**$1.75**
1 BD 1B	$1.90
1 BD 1B	$1.64
1 BD 1B	$1.71
2 BD	**$1.50**
2 BD 2B	$1.65
2 BD 2B	$1.35
Parking	Street, courtyard, garage

One-bedroom units range in size from 660 to 792 square feet, and rent for an average of $1.75 per square foot. Two-bedroom units range in size from 1,013 to 1,209 square feet, and rent for an average of $1.50 per square foot.

Parking is available in surface lots, and garage parking is included with select floor plans. All parking is included in rent. The building does not have a pool or fitness center, but is adjacent to Stapleton's F15 park and pool and a recreation center. Amenities include landscaped grounds with outdoor community space, as well as shared Stapleton amenities. In-unit amenities include granite countertops, stainless steel appliances, and in-unit washer and dryer.

Avenue 8 at Mayfair

Avenue 8 at Mayfair was completely renovated and re-leased, opening in 2015. It is located approximately four miles west of the Fan Fare site. The elevator-served apartment development contains 163 units with a mix of one- and two-bedroom units. Sixty-five percent of units are one-bedroom, and 35 percent are two-bedroom. Avenue 8 has three five-story buildings: the first opened in May 2015 and the remaining two opened in October. There are currently 13 units left to be leased.

Avenue 8 at Mayfair	
Address	5701 E. 8th Ave
Developer	Rosemark Development Group
Year Completed	2015
Stories	5
Number of Units	163
Walk-up/Elevator	Elevator
Occupancy	92%
Rent/SF	
1 BD	**$1.78**
1 BD 1B	$1.67
1 BD 1B	$1.88
2 BD	**$2.00**
2 BD 1B	$2.12
2 BD 2B	$1.88
Parking	Lot, garage

One-bedroom units range in size from 669 to 745 square feet, and rent for an average of $1.78 per square foot. Two-bedroom units range from 763 to 920 square feet and rent for an average of $2.00 per square foot.

Parking is available in a gated lot for $20 per month, or in a garage for $60 per month. Amenities include an indoor and outdoor pet play area, outdoor courtyard, rooftop terrace, yoga studio, theater room, fitness center, wine tasting room, and dog wash.

Dispersed Rentals

In addition to the new developments described in this section, rental activity can also be gauged in a more informal way. Rental listings on Craigslist for condominiums in the Lowry Town Center area show similar trends to the new developments. Condominium rentals in this area average an asking price of $1.48 per square foot for one-bedroom units, $1.38 per square foot for two-bedroom units, and $1.96 per square foot for three-bedroom units. Using these price points as baseline inputs for mortgage sizes, attractive price points for this demographic if they intend to enter the ownership market are estimated at mid $200,000s for a two-bedroom home, and $mid-400,000s for a three bedroom home. This buyer pool should be easily tapped, as the monthly out-of-pocket costs remain the same, and the opportunity to build equity should be a strong motivator to seek options at Fan Fare.

Table 12
Comparable Apartment Projects

	Factors	2-BDRM	3-BDRM
Household Income			
Mortgage Interest Rate	4%		
per Month		$1,478	$2,667
Less: Insurance	$500	-$42	-$42
Less: Property Taxes [3]	1%	-$300	-$550
Less: HOA Dues [4]	$1,200	-$100	-$100
Net Available for Debt Service		**$1,036**	**$1,975**
Valuation Assumptions			
Loan Amount		$220,000	$419,200
Assumption 1		3.9% int.	3.9% int.
Assumption 2		30-year	30-year
Assumption 3		5.0% down	5.0% down
Estimated Housing Price		**$231,600**	**$441,300**

Source: Craigslist (Date of search: 2/15/16); Economic & Planning Systems

H:\153072-Aurora Fan Fare Market Study\Data\[153072- Rental Comps_2.19.16.xlsx]Mortgage Equiv

Development Program and Amenity Package

As the comparable projects show, new multifamily development in the area around the Fan Fare site is mostly one- and two-bedroom units with multiple amenities, both on-site and in-unit.

Based on these comparable projects, a development program of one- two- and three-bedroom units would likely work, with a majority one- and two-bedroom units. 21 Fitzsimons is the only comparable development to include studio units, and its proximity to the Anschutz Medical Campus provides a targeted student market for these apartments that the Fan Fare site likely cannot capture.

Building amenities vary by development, five of six comparable developments have fitness centers, and four of six have swimming pools. Pet-friendliness and pet amenities, such as a dog wash station, are also common. Landscaped grounds and outdoor areas, including amenities such as grilling stations, are present in all of the developments as well. While in-unit finishes and amenities can vary, certain features such as granite countertops, stainless steel appliances, and in-unit washer and dryer are common.

Five of the six comparable projects have some form of parking fee, whether optional or mandatory. Many offer surface parking included in rent, and structured parking for an additional fee. While the approach varies by development, this indicates that renters will accept additional fees, on top of rent, for parking facilities.

Market rents are difficult to conclusively determine, as most buildings price units using software that updates rents daily. The rents reported here are based on what developments are charging; however there are often fluctuations in those numbers. A base-level market rent will need to be used to determine development feasibility. One source provided “market rents” for units, which can likely be used in a development pro forma. These rents are $1.31 to $1.61 per square foot for a one-bedroom unit; $1.25 to $1.42 per square foot for a two-bedroom unit; and around $1.35 per square foot for a three-bedroom unit. These figures would be considered the base level of where the market in the area is currently, and reflect rates for a five-year old development with mid-range amenities – pool, fitness center, pet friendly, garage parking available, granite countertops, stainless steel appliances, in-unit washer and dryer, and air conditioning. For the purposes of Fan Fare, a conservative set of underwriting assumptions include one-bedrooms at $1.50, two-bedrooms at $1.40, and three-bedrooms at $1.30, all of which assume a strong amenity package, comparable to the research documented in this study.