



Market Study ERS Residential

National Perspective

CEL & Associates completed an extensive study in 2009 of the factors likely to shape and reshape residential housing patterns in the U.S. During the next 20+ years, several transforming demographic, economic and market trends are likely to reshape the future of apartment living in the U.S. A combination of shifting demographics, a protracted job and economic recovery period, new and more stringent single family/condominium loan underwriting practices, a downsizing of the single family home building industry, and a consumer shift to more sustainable lifestyles will result in a dramatic rise in apartment renters.

A change in housing preferences and options for a generation-transitioning population will arise from: ***shifting consumer preferences to a more urban/mixed use environment***; 18-44 year old and aging populations; increasing cost and time for work commutes; and lasting impact of the 2008-09 recessions on consumer behavior. The outlook for apartments and apartment living over the next two decades is very robust.

As a result, demand for rental housing in the U.S. is expanding at the strongest pace since the mid-1980s and apartments are benefiting greatly from this trend as their market share continues to edge higher. Over a four-year period ending in 2008, about 3 million households were added to national rental demand as a result of new household formation, declining homeownership rate, and a subsequent increase in the propensity to rent for the “echo boomers”.

Overall rental demand will continue growing rapidly over the next five years, supported by favorable trends among rental cohorts. Growth in population aged 20 to 29—the group with the highest propensity to rent, or “prime renters”—is resuming after two decades of decline. Meanwhile, growth in renter population aged 50-and-over is strong now, despite the cohort’s historically high homeownership rate. The group is now contributing more to rental demand than even the so-called “prime renters”.

Moreover, a trend toward “lifestyle renting” among the middle-aged households has also emerged as one of the forces enhancing renter demand recently.

Significant Opportunities for Multifamily Housing

- Limited new supply of housing expected for next several years
- Favorable demographics from growing “Echo Boom” population and positive immigration inflows
- Homeownership rate declining steadily
- Negative sentiment toward home ownership
- Fewer apartment renters moving out to purchase homes

Rising Demand for Apartments

- Natural demand of 1.5 million to 2.0 million housing units annually
- 78 million “Echo Boomers” now entering housing market
- “Baby Boomers” downsizing and many choosing to rent
- Less than 22% of current American households are “Married Couples with Children”
- Between 2008-2015, nearly two-thirds of all new households formed will be renters, creating 6 million new renter households

Eagle Valley / County

General Market Conditions

A prospective renter in Eagle Valley considers the area from Vail to Gypsum when evaluating its options. Typically, seasonal employees would prefer to live closer to Vail or Avon and full time “renters by choice”, as with homeowners, tend to prefer down valley towards Eagle.

In the Eagle Valley market area there are approximately 1,700 units in projects with over 50 units, with only 120 of those units located west of Avon. Most of these units are income restricted and classified as affordable housing options. This sample market of units is tracked monthly by Polar Star Properties, and for the last 30 years has been historically occupied at 95% year round.

The newest “market rate” project was constructed in 1985. Approximately 500 affordable units were constructed in 2003 in the Vail area and were absorbed over a two year period in what was considered a slow market.

In the past most of the units were master leased by Vail Resorts leaving few units for the general market to lease. That changed in 2010 when Vail Resorts elected to drop half their units from master lease and not guarantee housing to seasonal employees. The market has adjusted to this change over the last year and continues to maintain occupancy over 90%.

In the current market there is a huge shadow market of foreclosed and unsold condos, duplexes or other types of housing that remain from the recent recession. This is mostly left over from the approximately 6,000 residents in Eagle County that reportedly left the area in 2009 and 2010. This is expected to burn off over the next three years.

Opportunity for New Market Rate Rental Housing

According to the recent and current demographic information by ERSI, the percent of occupied housing by renters in Eagle County is 25% of the total housing units. Studies by Rees Consulting for Eagle County place that percentage at close to 30% when you deduct the units occupied by out of state owners, “vacation units”. When compared to the population on a regional and national basis Eagle County is well below the norm of 34% that prefer to rent. The trend over

the next 15 years nationally is moving toward 40% renters for reasons noted in this market study.

Even though Eagle Valley will remain an attractive place for home ownership, it will be limited to fewer buyers as the restrictions for financing of single family remain tight and the financing for condominium ownership is all but non-existent.

Eagle Valley offers literally no maintenance-free market rate units for rent to meet current needs or future demographic trends. No significant project has been constructed in nearly 10 years and a market rate project has not been built in 25 years. Needless to say, there is a tremendous gap in the market for market rate rental units and specifically upscale rental units with resort amenities.

Eagle River Station Residential

ERS offers a unique opportunity to add approximately 250 market rate units in its first phase of the mixed use lifestyle area of the project. A future phase of approximately 300 units is planned on the west end of the development.

The units will be constructed over retail on the first floor and extend three stories above. Covered parking will be provided in an above ground garage in the middle of the project in what is commonly known as a “wrap” in the apartment industry. Unit amenities will include granite countertops, stainless steel appliances, tile showers, upgraded plumbing fixtures and cabinets. A clubhouse with media room, gourmet kitchen and an exercise facility will be provided for the residents.

This product type is intended to serve many bands of the demographic spectrum, from workforce to senior living. The unit mix is planned to be 45% studios and one bedroom, 45% two bedrooms and 10% 3 bedrooms. This may change based on final market conditions. The average unit size will be close to 850 square feet, ranging from 550sf to 1,100sf.

The current AMI for Eagle County is \$85,000 with 52.5% of the population falling into the target rental pool earning between \$50,000 and \$125,000 per household. Many residents with income over \$125,000 are still considered prospects for this type of rental product falling into the renter by choice category. Based on projected pricing between \$1,200 and \$2,300 per month plus parking of \$100 per month all of our units fall within 80% to 140% of AMI which is considered affordable. A household earning \$50,000(58% of AMI) could afford up to \$1,375 per month using 33% of their income towards housing. A household earning 140% of AMI could afford up to \$3,273 per month for housing.

The apartments at ERS will offer the Town of Eagle a housing option that does not exist and will appeal to most all the residents of the community.