

MARKET ANALYSIS

OLD TOWN CLIFTON MESA COUNTY, COLORADO

PREPARED FOR:
MESA COUNTY



ECONOMIC & MARKET RESEARCH / LAND & DEVELOPMENT PLANNING
Landscape Architecture / Community Planning & Design
Golf Feasibility Analysis

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PREPARED FOR:
MESA COUNTY

AUGUST 17, 2007

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Executive Summary

This summary provides an overview of the development potentials and recommended land plan for the Old Town area in Clifton, Colorado. The study has examined potentials for attached single-family residential, multi-family residential, retail/commercial, office, hotel and medical uses.

The town of Clifton is located approximately ten miles to the east of Grand Junction. The Old Town area is on the west side of the town and is strategically located near the convergence of the I-70 business loop and Colorado Highway 141 just before its intersection with I-70.

Methodologies and Assumptions

In order to determine the re-development potentials for the Old Town Clifton study area a number of data sources and methodologies were utilized. Data sources include the Colorado Department of Labor, Colorado Department of Revenue, U.S. Census, Claritas, private real estate brokerage firms, and physical inspection of the area. This base line data has been used to project future employment, as well as population and household growth. Population and household growth are tied to the economic/employment growth in the area. Household growth is the primary indicator of new housing demand. New households, combined with secondary support and tourism are the basis for retail expenditures. Population increases create new demand for public and cultural amenities. Employment growth primarily fuels office, industrial, and hotel growth, along with visitors.

Mesa County Market Area Employment and Population Growth Trends

Old Town Clifton is located within Mesa County. Key statistical findings are as follows:

- Current employment totals approximately 83,582 persons in the Mesa County market area.
- From 1996 to 2006, the Mesa County market area added an average of 2,207 jobs annually for an annual average growth rate of 3.1%. Perhaps more notably, the region has experienced positive job growth in each of the last 18 consecutive years.
- Projected employment for 2017 is estimated at approximately 117,009 persons for the Mesa County market area.
- From 2007 to 2017, the Mesa County market area is projected to add an average of 3,090 jobs annually for an annual average growth rate of 3.1%.
- Currently, the Mesa County market area has a population of 145,910 persons in 57,970 households.
- Projected population for 2017 is estimated at 195,260 persons in 79,930 households for the Mesa County market area. These projects reflect an annual average addition of 4,940 persons and 2,200 households from 2007 to 2017.

Residential Market Analysis

The projected population and household statistics for the Mesa County market area and Old

Town Clifton primary trade area will provide the baseline data needed to formulate the demand for new housing units over the next decade. Projected residential demand is as follows:

- The overall Mesa County market area's households have been growing by 1,159 or 2.9%, annually since 1980.
- Within the Old Town Clifton primary trade area, current population and household levels of 115,077 and 46,148 respectively will increase by nearly 3% annually to roughly 153,159 people residing in 63,234 households by 2017.
- The Old Town Clifton trade area is projected to have an annual demand for 1,797 permanent and seasonal housing units over the next ten years. This total includes 303 attached single-family units, and 268 rental multi-family units.
- In 2007, the median household income in the Old Town Clifton trade area is just over \$41,777, which suggests that the median household in the area could afford a \$229,500 home.
- THK projects that the Old Town Clifton site could absorb a total of 264 townhome units, and 260 rental multi-family units starting in 2009 and continuing until build-out in 2013.
- With density considerations for the Old Town Clifton Site, THK has recommended 102 townhome/condo units and 118 rental units for a total of 220 residential units. These units would be demanded in various price bands, as shown in the residential market potentials section of the market study.
- Price bands are reliant on market rates for support and incentives such as density, revenue sharing, infrastructures, etc. would be required to compete in lower rent ranges.

Retail/Commercial Market Analysis

This section of the report examines future demand for retail/commercial space at the Old Town Clifton site. A summary of key findings follows:

- The Old Town Clifton retail trade radius currently has demand for nearly 545,000 square feet of retail space. By 2017 over 1.25 million square feet of retail space will be demanded within the trade radius.
- The subject is expected to capture approximately 35% of the trade radius's retail demand.
- In total, approximately 157,500 square feet of retail/commercial space will be needed at the subject site by 2017 and would require 16.4 acres of land at a coverage ratio of 22%.

Office Market Analysis

This section of the report examines future demand for office space at the Old Town Clifton site. A summary of key findings include:

- The Old Town Clifton Primary Trade Area currently has an estimated 3,650,000 square feet of office space.
- Given that office employment is projected to grow by an average of 1,283 workers annually in Mesa County, there will be an average annual demand for just less than 290,060 square feet of new office space over the next decade.
- Of the roughly 290,000 square feet of average annual demand for new office space in the County, THK estimates that the Old Town Clifton primary trade area, which includes the all of Grand Junction, should experience demand for nearly 90% of that total, or approximately 261,050 square feet annually.
- THK projects that the Old Town Clifton subject site will capture 2.5% of trade area's office demand, garnering approximately 47,265 square feet of office/employment space through 2013. This translates to roughly 6,752 square feet of demand annually, if construction began in 2008.
- In total, the approximately 47,265 square feet of office/employment space at the subject site would require 2.7 acres of land at a coverage ratio of 35%.

Industrial Market Analysis

The analysis projects that the future demand for industrial space in Mesa County will be for 281,570 square feet annually while the Old Town Clifton primary trade area will have a demand of almost 225,000 square feet of occupied industrial space per year over the next decade. However, due to significant space constraints at the Old Town Clifton site, as well as other areas in close proximity that are better equipped to accommodate industrial demand, THK feels that recommending industrial/flex space in the Old Town Clifton study area is an unreasonable land use.

Hotel Market Analysis

This section of the report examines the area tourism and the demand for hotel rooms at the Old Town Clifton site. A summary of key findings include:

- Hotel occupancy rates in the Grand Junction area have increased steadily from 57.6% in 2004 to 70.6% in 2006. The most recent data (as of May 2007) shows occupancy at 88.2%
- An inventory of area hotels and bed and breakfasts shows a total of 1,965 rooms with hotels averaging 47 rooms each.
- Total visitors to the Grand Junction area are projected to increase by 42,154 people annually from 2007-2013. This translates to an annual average increase of 64 new hotel rooms demanded in the Grand Junction Area.
- Assuming the subject site can capture 30% of the new hotel demand, an average of 24 new hotel rooms will be demanded at the subject site annually. This shows the subject site could support 170 new hotel rooms by 2013.

Medical Market Analysis

This section of the report examines the future demand for medical space at the Old Town Clifton site by comparing doctor to population ratios. A summary of key findings include:

- The Primary Trade Area has approximately 1 medical professional for every 210 people
- The immediate Clifton environs has approximately 1 medical professional for every 2,210 people
- This shows a pent up demand in the Clifton environs for an additional 104 medical professionals, or 23,920 square feet of new medical office space today.
- With 3% population growth, by 2012 there will be demand for over 30,000 square feet of medical office space.

Old Town Clifton Potentials

Based on the findings from the market analysis, the following land uses are recommended for the 56-acre Old Town Clifton property:

- In total, residential uses will encompass approximately 220 residential units on 18.1 acres for an average density of 12.2 units per acre.
- Retail/commercial space shall entail approximately 14.7 acres, with 160,000 square feet of retail space. The average coverage ratio for the retail space is approximately 25%.
- Office use is recommended to include roughly 40,000 square feet of space located on approximately 2.6 acres of land. The average coverage ratio for the office/employment space is approximately 35%.
- Hotel uses is recommended to include up to 180 rooms on roughly 72,000 square feet, or 4.5 acres. The coverage ratio for the hotel space is approximately 40%
- An additional 4.6 acres has been recommended to include medical office space and some other cultural/recreational uses. Both uses have average coverage ratios of approximately 25%.
- An additional 7.8 acres would be reserved for right-of-way, recreation, schools, and open space

TABLE X-1: RECOMMENDED DEVELOPMENT ACTIVITY FOR THE OLD TOWN CLIFTON AREA

LAND USE					
Residential Uses	Units	Sq.Ft.	Rooms	Density	Acres
Townhomes					
Under \$192,300	26	--	--	8.0	3.3
\$192,300 to \$274,700	26	--	--	8.0	3.3
Condominiums					
Under \$192,300	25	--	--	10.0	2.5
\$192,300 to \$274,700	25	--	--	10.0	2.5
Rental Apartments					
Under \$780	10	--	--	18.0	0.6
\$780 to \$909	26	--	--	18.0	1.4
\$910 to \$1,039	46	--	--	18.0	2.6
\$1,039 and Above	36	--	--	18.0	2.0
Sub-Total	220	--	--	12.2	18.1
Retail/Commercial	--	160,000	--	0.25	14.7
Office	--	40,000	--	0.35	2.6
Hotel	--	72,000	180	40.0	4.5
Medical	--	30,000	--	0.25	2.8
Cultural/Recreational	--	20,000	--	0.25	1.8
Sub-Total	--	322,000	180	0.28	26.4
ROW and Open	--	--	--	--	7.8
TOTAL	220	322,000	180	--	52.3

Source: THK Associates, Inc.

I. INTRODUCTION

The purpose of this analysis has been to position the 52-acre Old Town Clifton property on U. S. Highway 141 and I-70 in Clifton, Colorado. The study has examined potentials for all types of office, lodging, retail/commercial, and residential uses.

In order to accomplish this, we have:

- Prepared an economic base analysis of the Clifton/Grand Junction area environs.
- Profiled submarkets within the Clifton environs including population and household growth, tourism, visitor counts, income and age characteristics, housing supply, recent sales and permit data, and other relevant statistics.
- Profiled the retail, office, lodging, and related space in the Clifton area.
- Inventoried residential projects in the Clifton/Grand Junction area.
- This assessment of supply and demand allowed THK to project the pace of absorption and build-out for the retail, office, lodging, and other commercial and residential uses programmed for the properties.
- Assessed, profiled, and recommended specific land use components that can be incorporated into a high intensity and high value mixed-use development area.

II. SITE DESCRIPTION

The study area, known as Old Town Clifton, is bounded by the convergence of the I-70 Business Loop and Colorado Highway 141 just before its intersection with I-70 on the west side and 33 Road to the east. The study area site is further framed to the south by Front Street and to the north by a boundary roughly two blocks past running parallel to F Road.

Peach Tree retail center sits on the western edge of the Old Town Clifton study area. A successful Murdoch's ranch supply shop anchors the struggling retail center with a handful of stand-alone retailers lining the perimeter of the parking lot. A big box storefront that once was an Albertson's is currently vacant with miscellaneous strip mall style retail attached to the vacant space.

F Road runs through the center of the Old Town Clifton study area directly past Peach Tree shopping center. The local post office, fire station and elementary school all front F Road and are contained in the study area.

The study area is approximately 10 miles to the east of central Grand Junction. The Grand Junction area has seen very significant job growth as the energy sector has taken advantage of natural gas reserves found in abundance in the area. This presence from the energy industry, along with other economic factors, is expected to sustain area growth and robust economic development throughout the foreseeable future. Mesa State College is also a stable contributor to the local economy.

Grand Junction is the largest metropolitan area in western Colorado and accessible from I-70. Regular air service is available to Denver and other major cities. The Vail Valley is located approximately 100 miles to the east and Denver is located approximately 250 miles east.

III. ECONOMIC BACKGROUND AND FORECAST FOR MESA COUNTY, COLORADO

A. Employment Growth Trends

Employment trends are prime indicators of the economic growth of an area. Increases in employment generate growth for most sectors of the local economy and dictate the rate at which it will expand. This section looks at the region's various employment figures and projects their course over the next decade. The following table illustrates employment growth in Mesa County. Over a 36-year period, total employment grew from 23,121 in 1970 to 83,582 in 2006 -- an annual average increase of 1,679 jobs. Between 1996 and 2006, Mesa County gained an average 2,207 jobs on an annual basis. Employment growth has remained strong with the County adding an average of almost 3,000 jobs annually since 2003, and almost 4,600 jobs in 2006.

Since 1970, the Mesa County has experienced growth in most employment sectors. In terms of growth magnitudes, the most significant contributor to the local economy has been the services industry, which averaged an addition of 564 new jobs per year during the 1970-2006 period. Other historically strong growth industries include the retail and construction sectors, which added 298 and 221 jobs respectively on an average annual basis between 1970 and 2006. Table III-2 shows the market area's employment growth by industry from 1970 to 2006.

Fueling Mesa County's employment growth is a relatively diverse economic base. Table III-3 projects employment by industry for Mesa County from 2007-2017. Mesa County is projected to experience continued growth, gaining an average of 3,090 jobs per year over the next 10 years. The services sector is projected to lead the way, averaging yearly additions at 950 new jobs, with Finance/Insurance/Real Estate and Construction sectors contributing strong growth, averaging 567 and 516 jobs, respectively, per year over the next decade.

Table III-1: Employment Trends in Mesa County, 1970 - 2006

Year	Total Employment	Annual Change	
		Numerical	Percent
1970	23,121		
1980	43,853	2,073	6.6%
1981	49,175	5,322	12.1%
1982	50,729	1,554	3.2%
1983	48,498	-2,231	-4.4%
1984	46,891	-1,607	-3.3%
1985	44,860	-2,031	-4.3%
1986	42,860	-2,000	-4.5%
1987	42,503	-357	-0.8%
1988	45,462	2,959	7.0%
1989	47,939	2,477	5.4%
1990	49,881	1,942	4.1%
1991	50,994	1,113	2.2%
1992	51,793	799	1.6%
1993	53,670	1,877	3.6%
1994	56,044	2,374	4.4%
1995	58,426	2,382	4.3%
1996	61,510	3,084	5.3%
1997	64,267	2,757	4.5%
1998	66,872	2,605	4.1%
1999	68,918	2,046	3.1%
2000	70,724	1,806	2.6%
2001	71,601	877	1.2%
2002	73,457	1,856	2.6%
2003	74,623	1,166	1.6%
2004	76,962	2,339	3.1%
2005	78,998	2,036	2.6%
2006	83,582	4,585	5.8%
Annual Change			
1970-2006		1,679	3.6%
1996-2006		2,207	3.1%
2001-2006		2,396	3.1%
2003-2006		2,986	3.9%

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, and THK Associates, Inc.

Employment Trends in Mesa County, 1970-2006

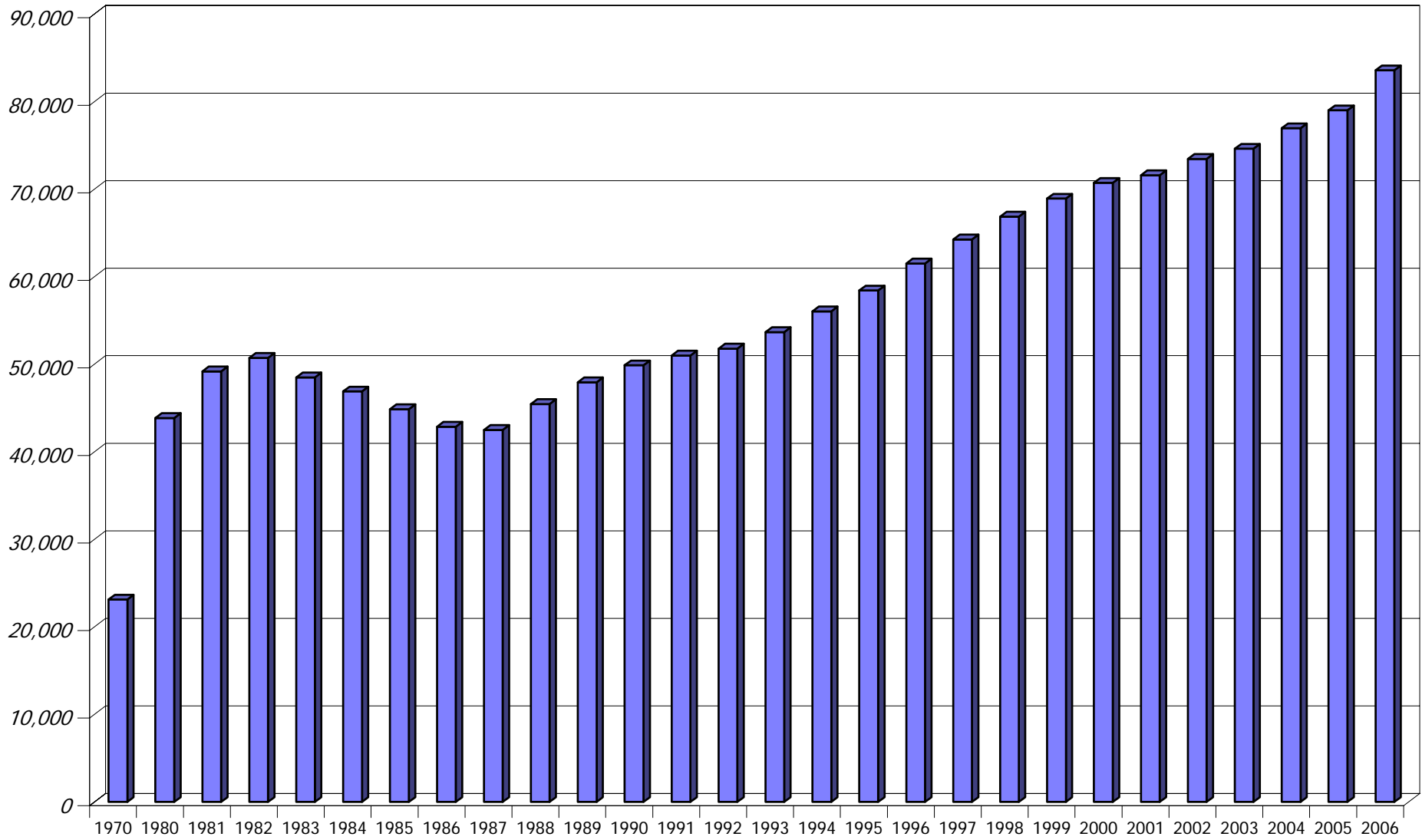
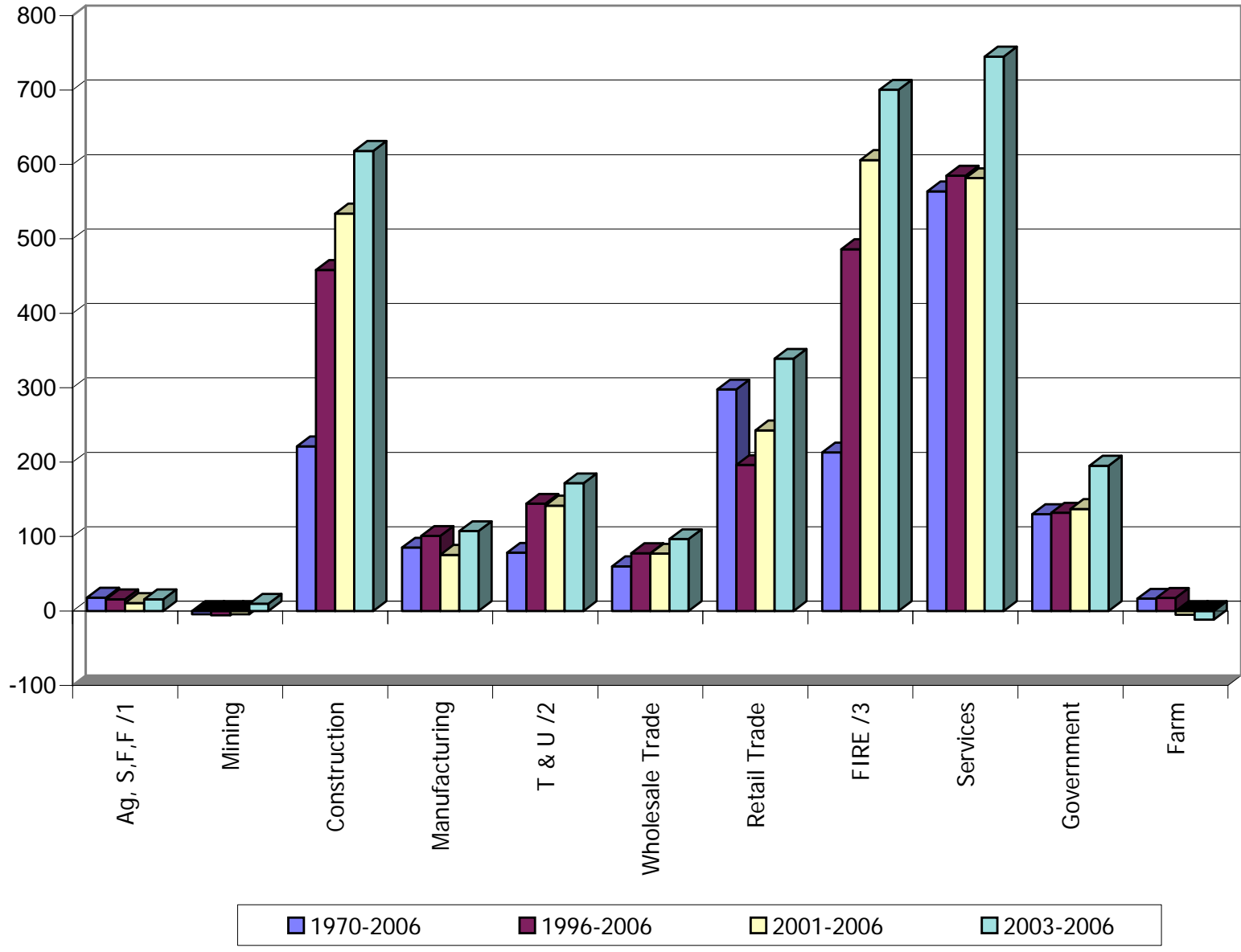


Table III-2: Employment by Industry for Mesa County, 1970 - 2006

Industry	1970	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
Wage & Salary (By Place of Work)	21,650	41,953	43,090	48,106	49,349	50,152	51,817	54,159	56,616	59,616	62,259
Ag, S,F,F /1	153	285	490	553	495	492	557	664	615	644	714
Mining	659	2,600	1,183	837	831	765	741	737	567	569	627
Construction	1,223	3,865	3,258	2,823	3,061	3,286	3,487	3,910	4,132	4,604	4,975
Manufacturing	1,954	2,809	2,711	3,635	3,590	3,415	3,499	3,725	3,840	4,012	4,377
T & U /2	1,512	2,504	2,255	2,438	2,710	2,778	2,780	2,731	2,830	2,889	3,150
Wholesale Trade	776	1,664	1,661	1,881	1,996	2,010	2,007	2,016	2,103	2,164	2,273
Retail Trade	4,398	8,084	8,741	9,844	10,015	10,169	10,662	11,829	12,481	13,147	13,318
FIRE /3	1,829	4,265	4,657	3,946	3,746	3,710	3,735	3,491	4,380	4,633	4,789
Services	4,696	10,371	12,079	15,574	16,126	16,348	17,121	17,782	18,177	19,140	20,072
Government	4,450	5,506	6,055	6,575	6,779	7,179	7,228	7,274	7,491	7,814	7,964
Farm	1,471	1,900	1,770	1,775	1,645	1,641	1,853	1,885	1,810	1,894	2,008
Total Employment	23,121	43,853	44,860	49,881	50,994	51,793	53,670	56,044	58,426	61,510	64,267
									Average Annual Change		
Industry	1999	2000	2001	2002	2003	2004	2005	2006	1970-2006	1996-2006	2001-2006
Wage & Salary (By Place of Work)	66,940	68,704	69,504	71,389	72,517	74,908	76,935	81,511	1,663	2,190	2,401
Ag, S,F,F /1	734	750	746	754	752	763	770	799	18	16	11
Mining	570	562	530	507	480	461	441	509	-4	-6	-4
Construction	5,867	6,197	6,515	6,951	7,330	7,857	8,370	9,184	221	458	534
Manufacturing	4,595	4,658	4,644	4,698	4,699	4,776	4,825	5,021	85	101	75
T & U /2	3,434	3,561	3,622	3,739	3,815	3,957	4,079	4,330	78	144	142
Wholesale Trade	2,443	2,532	2,556	2,618	2,652	2,729	2,792	2,941	60	78	77
Retail Trade	13,810	13,923	13,896	14,075	14,092	14,341	14,503	15,109	298	196	243
FIRE /3	5,582	6,099	6,465	6,954	7,394	7,991	8,582	9,495	213	486	606
Services	21,748	21,946	22,080	22,544	22,753	23,341	23,795	24,988	564	585	582
Government	8,157	8,476	8,450	8,549	8,550	8,691	8,779	9,135	130	132	137
Farm	1,978	2,020	2,097	2,068	2,106	2,054	2,063	2,071	17	18	-5
Total Employment	68,918	70,724	71,601	73,457	74,623	76,962	78,998	83,582	1,679	2,207	2,396

- 1\ Agricultural Services, Forestry, & Fisheries
- 2\ Transportation & Utilities
- 3\ Finance, Insurance, Real Estate

Employment Trends By Industry in Mesa County, 1970-2006



Percent of Total Employment by Industry, 2006

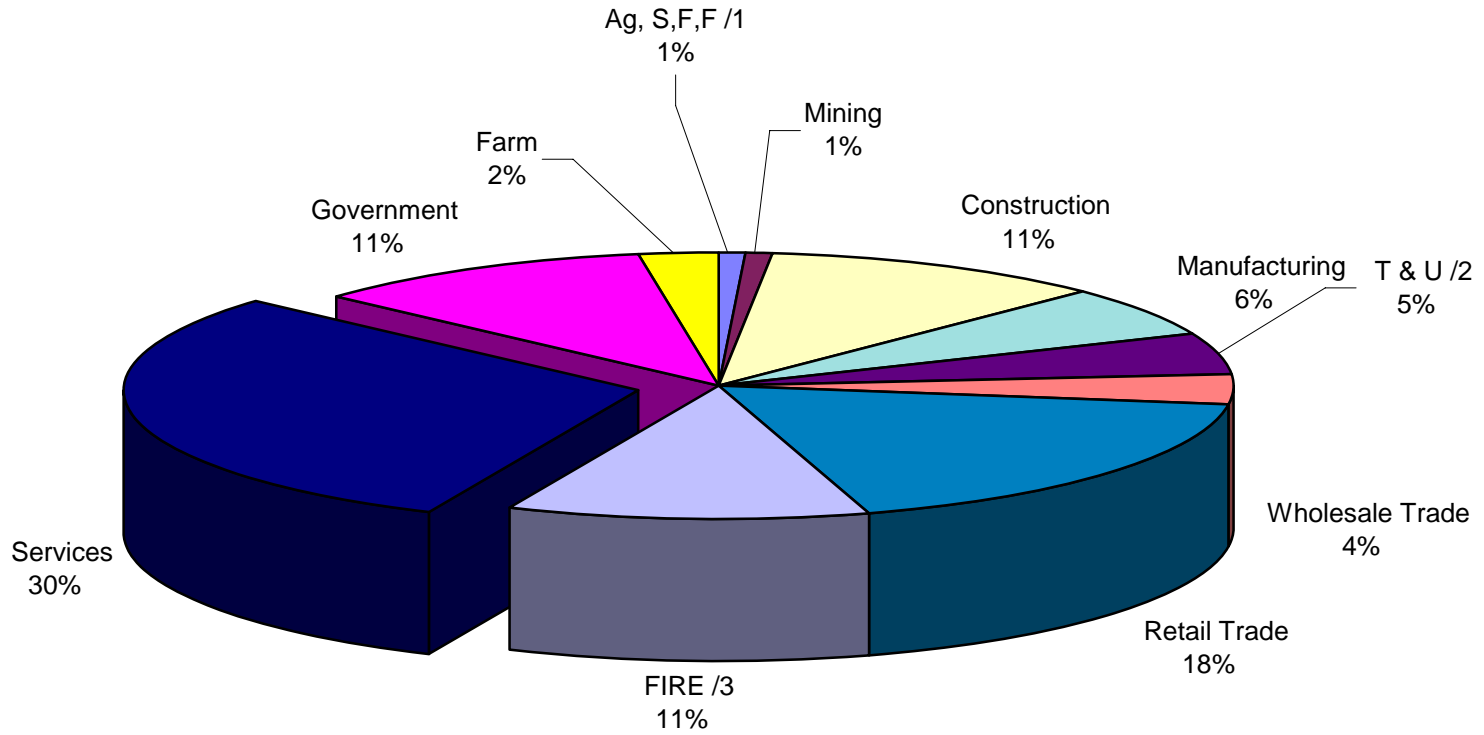


Table III-3: Projected Employment in Mesa County, 2007 - 2017

Industry	Annual Rate of Change	2007	2008	2009	2010	2011	2012
Total Non Farm (By Place of Work)	3.2%	84,062	86,699	89,426	92,246	95,162	98,178
Ag, S,F,F /1	3.6%	828	859	890	922	955	990
Mining	3.2%	525	542	559	577	596	615
Construction	4.4%	9,588	10,010	10,451	10,910	11,391	11,892
Manufacturing	2.3%	5,137	5,255	5,377	5,501	5,628	5,758
T & U /2	3.5%	4,483	4,641	4,804	4,973	5,148	5,329
Wholesale Trade	3.1%	3,032	3,125	3,221	3,321	3,423	3,528
Retail Trade	2.1%	15,425	15,747	16,076	16,412	16,755	17,105
FIRE /3	4.6%	9,933	10,392	10,872	11,375	11,900	12,450
Services	3.2%	25,785	26,607	27,456	28,332	29,236	30,168
Government	2.1%	9,326	9,521	9,720	9,923	10,130	10,342
Farm	0.2%	2,076	2,080	2,085	2,089	2,094	2,098
Total Employment	3.1%	86,138	88,780	91,511	94,335	97,256	100,276
Job growth/(losses)		2,555	2,642	2,731	2,824	2,921	3,020
							Average Annual Change
Industry	2013	2014	2015	2016	2017		
Wage & Salary (By Place of Work)	101,297	104,524	107,861	111,314	114,887		3,082
Ag, S,F,F /1	1,026	1,063	1,102	1,142	1,183		35
Mining	634	654	675	697	719		19
Construction	12,415	12,961	13,532	14,127	14,748		516
Manufacturing	5,891	6,027	6,166	6,309	6,454		132
T & U /2	5,517	5,711	5,912	6,120	6,336		185
Wholesale Trade	3,637	3,749	3,865	3,984	4,106		107
Retail Trade	17,463	17,828	18,200	18,581	18,969		354
FIRE /3	13,025	13,627	14,257	14,915	15,604		567
Services	31,131	32,124	33,148	34,206	35,297		951
Government	10,558	10,779	11,004	11,234	11,469		214
Farm	2,103	2,108	2,112	2,117	2,122		5
Total Employment	103,400	106,631	109,974	113,431	117,009		3,090
Job growth/(losses)	3,124	3,231	3,342	3,458	3,577		

- 1\ Agricultural Services, Forestry, & Fisheries
- 2\ Transportation & Utilities
- 3\ Finance, Insurance, Real Estate

Source: THK Associates, Inc.

B. Population and Household Growth Trends in Mesa County

Trends in population and household growth are principal indicators of the potential demand for real estate development. Table III-4 shows population growth in Mesa County has been solid since 1970; recent data shows this trend continuing. Since 1980, the population in Mesa County has increased by 2,380 people annually from 81,530 in 1980 to 145,910 in 2007. The number of households increased by 1,160 annually during the same period, jumping from 26,668 in 1980 to 57,970 in 2007. In recent years, Mesa County has really begun to grow, adding approximately 4,240 people in 1,740 households from 2000 to 2007. The compound annual growth rate for population in the County over the last 17 years was 2.2% per year; households grew at a compound rate of 2.9%.

Table III-4: Estimates of Population and Households in Mesa County, 1980-2007

Year	Grand Junction		Mesa County	
	Pop	HH	Pop	HH
1980	28,144	11,766	81,530	26,668
1990	29,034	12,810	93,145	36,250
2000	47,990	20,597	116,255	45,823
2007	66,410	28,750	145,910	57,970
(1980-2007):				
Numerical	1,420	630	2,380	1,160
Percent	3.2%	3.4%	2.2%	2.9%
Percent of				
Mesa County Total	59.7%	54.3%	100.0%	100.0%
(1990-2007):				
Numerical	2,200	940	3,100	1,280
Percent	5.0%	4.9%	2.7%	2.8%
Percent of				
Mesa County Total	71.0%	73.4%	100.0%	100.0%
(2000-2007):				
Numerical	2,630	1,160	4,240	1,740
Percent	4.8%	4.9%	3.3%	3.4%
Percent of				
Mesa County Total	62.0%	66.7%	100.0%	100.0%

Source: U.S. Dept of Commerce, Bureau of Census, and THK Associates, Inc.

C. Residential Construction Trends in Mesa County

Residential housing construction for Mesa County by type and tenure is displayed in Table III-5. As shown, single-family and duplex construction has dominated historical permit activity in the county, ranging from 88% of permits issued over the last 27 years to 93.4% of permits issued since 2004. Table III-6 shows historical housing construction in the City of Grand Junction with Mesa County. As shown, the City of Grand Junction now makes up almost half (46.2% in 2007) of the residential construction activity in Mesa County.

Table III-5: Residential Building Permits Issued by Type and Tenure in Mesa County, 1980-2007

Year	Single Family	Percent of Total	Multi-Family	Percent of Total	Total	Percent of Total
1980	1,085	72.7%	408	27.3%	1,493	100.0%
1981	1,179	57.7%	866	42.3%	2,045	100.0%
1982	1,070	61.4%	674	38.6%	1,744	100.0%
1983	763	73.9%	269	26.1%	1,032	100.0%
1984	203	71.0%	83	29.0%	286	100.0%
1985	47	31.8%	101	68.2%	148	100.0%
1986	41	65.1%	22	34.9%	63	100.0%
1987	99	96.1%	4	3.9%	103	100.0%
1988	137	80.1%	34	19.9%	171	100.0%
1989	225	98.7%	3	1.3%	228	100.0%
1990	267	100.0%	0	0.0%	267	100.0%
1991	267	100.0%	0	0.0%	267	100.0%
1992	563	95.3%	28	4.7%	591	100.0%
1993	785	99.2%	6	0.8%	791	100.0%
1994	904	97.8%	20	2.2%	924	100.0%
1995	904	96.1%	37	3.9%	941	100.0%
1996	1,011	96.8%	33	3.2%	1,044	100.0%
1997	1,015	91.1%	99	8.9%	1,114	100.0%
1998	1,237	96.2%	49	3.8%	1,286	100.0%
1999	1,308	96.0%	54	4.0%	1,362	100.0%
2000	1,162	88.3%	154	11.7%	1,316	100.0%
2001	1,174	93.7%	79	6.3%	1,253	100.0%
2002	1,303	95.1%	67	4.9%	1,370	100.0%
2003	1,480	93.1%	109	6.9%	1,589	100.0%
2004	1,402	90.4%	149	9.6%	1,551	100.0%
2005	1,493	99.2%	12	0.8%	1,505	100.0%
2006	1,444	91.7%	130	8.3%	1,574	100.0%
2007 *	493	100.0%	0	0.0%	493	100.0%
Twenty-Six Year Average 1980 - 2006	836	88.8%	129	13.7%	942	100.0%
Ten Year Average 1997 - 2006	1,302	97.2%	90	6.7%	1,339	100.0%
Five Year Average 2002 - 2006	1,424	98.0%	93	6.4%	1,454	100.0%
Three Year Average 2004 - 2006	1,446	93.4%	97	6.3%	1,548	100.0%

* Permits through April 2007

Source: U.S. Department of Commerce, C-40 Reports and THK Associates, Inc.

Table III-6: Residential Building Permits Issued in Mesa County, 1980 - 2007

Single Family

Year	Grand Junction		Mesa County	
	Permits	Percent of Total	Permits	Percent of Total
1980	146	13.5%	1,085	100.0%
1981	131	11.1%	1,179	100.0%
1982	110	10.3%	1,070	100.0%
1983	83	10.9%	763	100.0%
1984	11	5.4%	203	100.0%
1985	2	4.3%	47	100.0%
1986	4	9.8%	41	100.0%
1987	18	18.2%	99	100.0%
1988	12	8.8%	137	100.0%
1989	35	15.6%	225	100.0%
1990	35	13.1%	267	100.0%
1991	60	22.5%	267	100.0%
1992	130	23.1%	563	100.0%
1993	210	26.8%	785	100.0%
1994	213	23.6%	904	100.0%
1995	324	35.8%	904	100.0%
1996	403	39.9%	1,011	100.0%
1997	350	34.5%	1,015	100.0%
1998	427	34.5%	1,237	100.0%
1999	360	27.5%	1,308	100.0%
2000	491	42.3%	1,162	100.0%
2001	496	42.2%	1,174	100.0%
2002	626	48.0%	1,303	100.0%
2003	715	48.3%	1,480	100.0%
2004	626	44.7%	1,402	100.0%
2005	688	46.1%	1,493	100.0%
2006	709	49.1%	1,444	100.0%
2007 *	--	--	493	100.0%
Twenty-Six Year Average 1980 - 2006				
	275	33.3%	824	100.0%
Ten Year Average 1997 - 2006				
	549	42.2%	1,302	100.0%
Five Year Average 2002 - 2006				
	673	47.2%	1,424	100.0%
Three Year Average 2004 - 2006				
	674	46.6%	1,446	100.0%

Multi-Family

Year	Grand Junction		Mesa County	
	Permits	Percent of Total	Permits	Percent of Total
1980	114	27.9%	408	100.0%
1981	227	26.2%	866	100.0%
1982	217	32.2%	674	100.0%
1983	116	43.1%	269	100.0%
1984	83	100.0%	83	100.0%
1985	101	100.0%	101	100.0%
1986	22	100.0%	22	100.0%
1987	0	0.0%	4	100.0%
1988	0	0.0%	34	100.0%
1989	0	0.0%	3	100.0%
1990	0	0.0%	0	100.0%
1991	0	0.0%	0	100.0%
1992	11	39.3%	28	100.0%
1993	4	66.7%	6	100.0%
1994	0	0.0%	20	100.0%
1995	3	8.1%	37	100.0%
1996	2	6.1%	33	100.0%
1997	3	3.0%	99	100.0%
1998	7	14.3%	49	100.0%
1999	6	11.1%	54	100.0%
2000	12	7.8%	154	100.0%
2001	8	10.1%	79	100.0%
2002	8	11.9%	67	100.0%
2003	7	6.4%	109	100.0%
2004	15	10.1%	149	100.0%
2005	2	16.7%	12	100.0%
2006	18	13.8%	130	100.0%
2007 *	--	--	0	0.0%
Twenty-Six Year Average				
1980 - 2006	37	29.3%	125	100.0%
Ten Year Average				
1997 - 2006	9	9.5%	90	100.0%
Five Year Average				
2002 - 2006	10	10.7%	93	100.0%
Three Year Average				
2004 - 2006	12	12.0%	97	100.0%

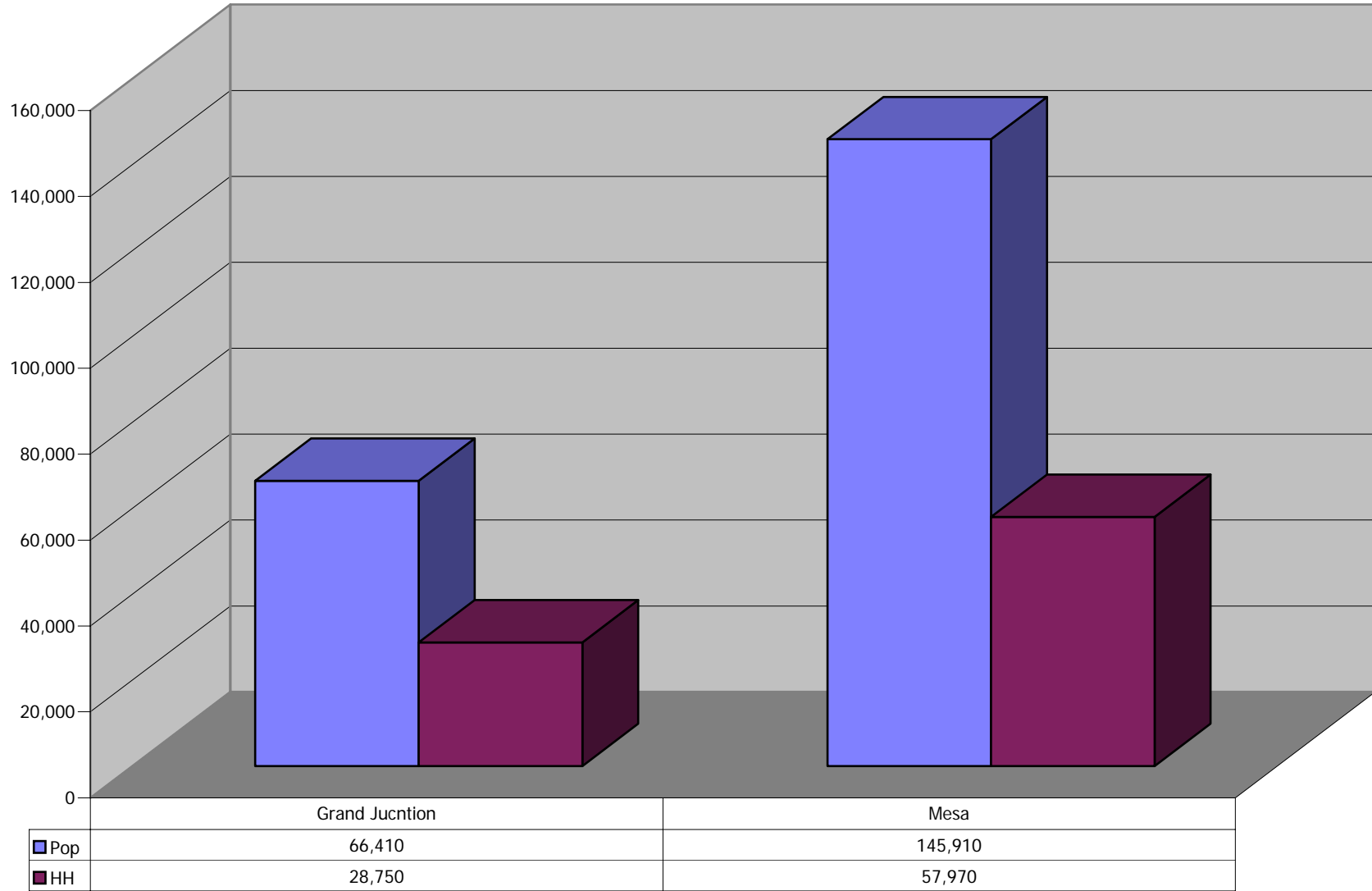
Total

Year	Grand Junction		Mesa County	
	Permits	Percent of Total	Permits	Percent of Total
1980	260	17.4%	1,493	100.0%
1981	358	17.5%	2,045	100.0%
1982	327	18.8%	1,744	100.0%
1983	199	19.3%	1,032	100.0%
1984	94	32.9%	286	100.0%
1985	103	69.6%	148	100.0%
1986	26	41.3%	63	100.0%
1987	18	17.5%	103	100.0%
1988	12	7.0%	171	100.0%
1989	35	15.4%	228	100.0%
1990	35	13.1%	267	100.0%
1991	60	22.5%	267	100.0%
1992	141	23.9%	591	100.0%
1993	214	27.1%	791	100.0%
1994	213	23.1%	924	100.0%
1995	327	34.8%	941	100.0%
1996	405	38.8%	1,044	100.0%
1997	353	31.7%	1,114	100.0%
1998	434	33.7%	1,286	100.0%
1999	366	26.9%	1,362	100.0%
2000	503	38.2%	1,316	100.0%
2001	504	40.2%	1,253	100.0%
2002	634	46.3%	1,370	100.0%
2003	722	45.4%	1,589	100.0%
2004	641	41.3%	1,551	100.0%
2005	690	45.8%	1,505	100.0%
2006	727	46.2%	1,574	100.0%
2007 *	--	--	493	100.0%
Twenty-Six Year Average 1980 - 2006				
	311	32.2%	965	100.0%
Ten Year Average 1997 - 2006				
	557	40.0%	1,392	100.0%
Five Year Average 2002 - 2006				
	683	45.0%	1,518	100.0%
Three Year Average 2004 - 2006				
	686	44.4%	1,543	100.0%

* Permits through April 2007

Source: U.S. Department of Commerce, C-40 Reports and THK Associates, Inc.

Population & Households in Mesa County, 2007



D. Population and Household Projections for Mesa County

The employment participation rate, typically expressed as a decimal, has been increasing steadily during the past two to three decades. A rising employment participation rate is a good indicator of improving conditions in the regional economy. First, a large number of people are employed in the work force, which has a corresponding effect on unemployment levels. Secondly, a larger number of workers in a low wage market provide an ample labor supply for expanding firms or new firms relocating to the area. Finally, more workers earning salaries will boost the area's volume of disposable income available for new retail, housing and related expenditures.

Population, household, and employment data for Mesa County are compared in Table III-8. In 1980, the population of Mesa County was 81,530 and resident employment was 43,853 for an employment participation rate of .5379. By 1990, the market area's resident employment had increased to 49,881 with a population of 93,145 for an employment participation rate of .5355. In Table III-8, the population growth of Mesa County is projected based on the anticipated employment growth. With projected January 1, 2017 resident employment of 117,010 and estimated 2017 population of 195,260, the projected employment participation rate will be .5993. The Mesa County population is projected to grow by 4,940 persons per year through 2017.

Table III-8 also shows the projected trends in new household formations for Mesa County. Historically, household size has been declining due to an increased divorce rate, delayed marriages, and the ever-larger population segment of single-parent households who formed the bulk of new household formations during the last decade. More recently, the decline in household size has been the result of smaller families (fewer children). The population per household in the Mesa County declined from 2.985 in 1980 to 2.505 in 1990; single households were among the most rapidly growing population segments. The 2007 household averages 2.458 members.

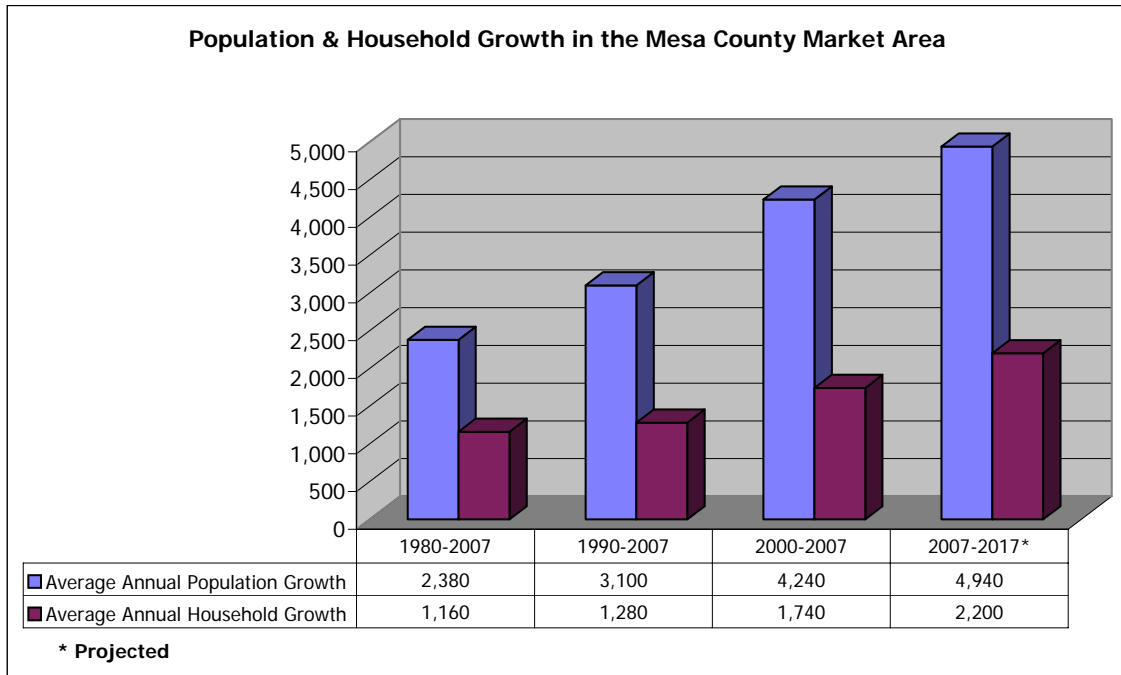
During the next decade, household size should continue to decline but at a slower rate. The divorce rate now appears to be leveling off and the majority of the "baby boom" generation will be reaching the traditional retirement age of 65. New household formations in the two-county market area are projected to grow by an average of 2,200 annually during the next decade, with the average household size declining to 2.4. Population in group quarters, e.g., institutions, dormitories, etc., is expected to increase modestly during the decade to approximately 3,699 by 2017.

Table III-8: Projected Population and Households in Mesa County, 2007 - 2017

Year	Total Employment	Employment Participation Ratio	January 1, Population	Annual Population Change	Population in Group Quarters	Population In Households	Population Per Household	Households	Annual Household Change
1980	43,853	0.5379	81,530	--	1,931	79,599	2.9848	26,668	--
1990	49,881	0.5355	93,145	1,160	2,348	90,797	2.5047	36,250	960
2000	70,724	0.6084	116,255	2,310	3,284	112,971	2.4654	45,823	960
2007	86,138	0.5903	145,910	4,240	3,450	142,460	2.4575	57,970	1,740
2008	88,780	0.5912	150,160	4,250	3,474	146,686	2.4513	59,840	1,870
2009	91,510	0.5921	154,550	4,390	3,498	151,052	2.4452	61,770	1,930
2010	94,340	0.5930	159,090	4,540	3,523	155,567	2.4391	63,780	2,010
2011	97,260	0.5939	163,770	4,680	3,548	160,222	2.4330	65,850	2,070
2012	100,280	0.5948	168,600	4,830	3,572	165,028	2.4269	68,000	2,150
2013	103,400	0.5957	173,580	4,980	3,597	169,983	2.4208	70,220	2,220
2014	106,630	0.5966	178,740	5,160	3,623	175,117	2.4148	72,520	2,300
2015	109,970	0.5975	184,060	5,320	3,648	180,412	2.4088	74,900	2,380
2016	113,430	0.5984	189,570	5,510	3,674	185,896	2.4027	77,370	2,470
2017	117,010	0.5993	195,260	5,690	3,699	191,561	2.3967	79,930	2,560

Average Annual Change (2007-2017)

Numerical:	3,090	4,940	20	4,910	2,200
Percent:	3.1%	3.0%	0.7%	3.0%	3.3%



Source: Dept of Commerce, Bureau of the Census and THK Associates, Inc.

IV. RESIDENTIAL MARKET ANALYSIS

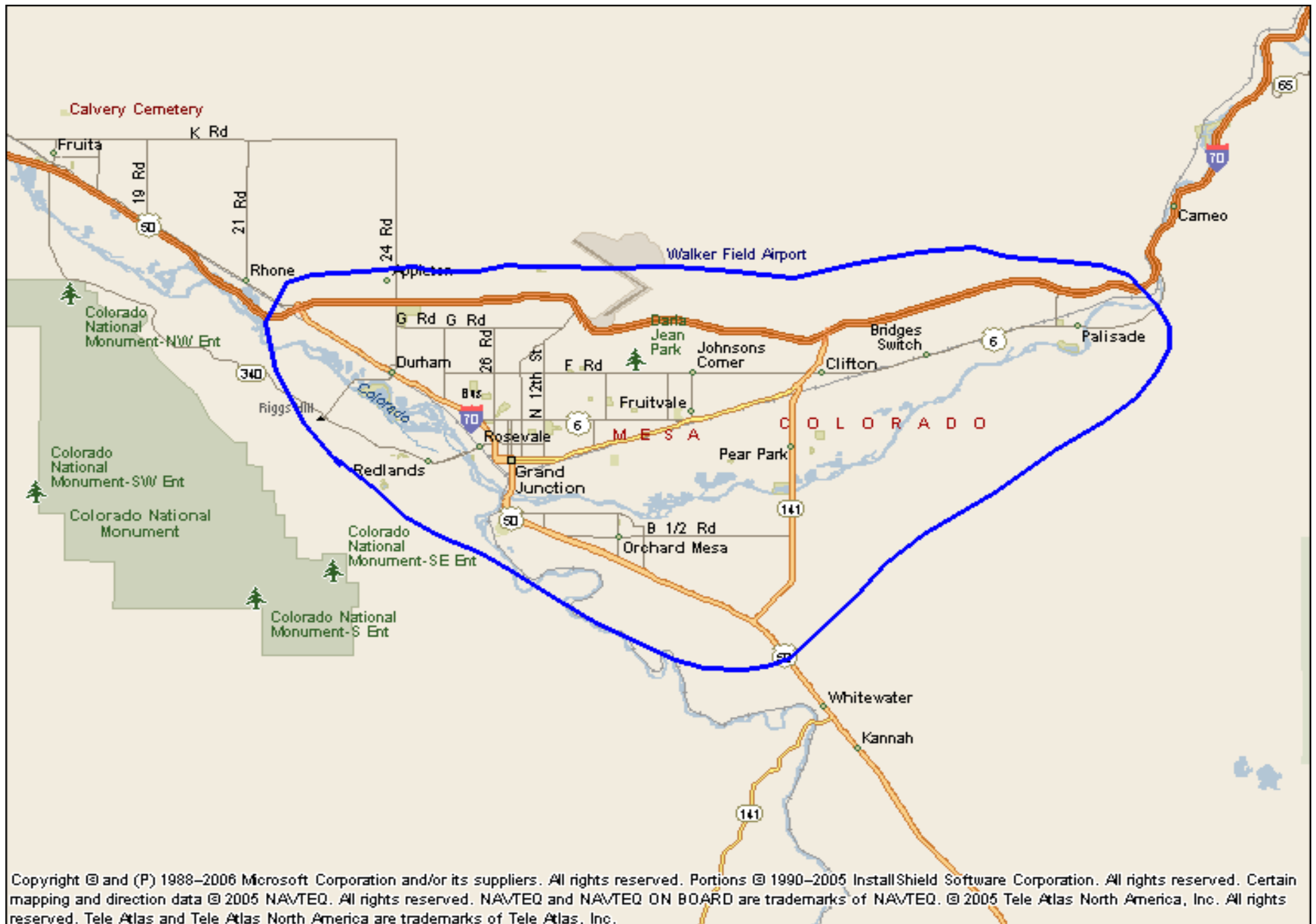
A. Growth and Development Trends in the Old Town Clifton Residential Primary Trade Area

In the analysis to determine demand for real estate development, it is necessary to identify the primary area in which the subject site typically will compete. The trade area is a function of population density, natural barriers, accessibility of the site, and the location of competitive projects. As shown on the following map, the Old Town Clifton residential trade area is an area that includes the entire City of Grand Junction, as well as Clifton and part of Palisade. It is predominantly this market environment in which the Old Town Clifton site will compete for home buyers/renters.

The historical growth pattern in the trade area has shown the following characteristics. In 1980, there were 64,587 people living in the trade area representing 79.2% of Mesa County's population. Today 78.9% of Mesa County's population resides in the trade area, along with 79.6% of the region's households. Since 1980, the Old Town Clifton trade area has increased by 1,870 people annually and households have grown by 815 homes annually. Over the last 17 years, the trade area has increased by 2,305 people annually and grown by 944 households annually. Currently, 115,077 persons in 46,148 households occupy the primary trade area, as shown in Table VIII-1.

Based on the historical activity in the area, the economic forecast for Mesa County, and the number of residential projects planned, it is possible to project future population levels in the trade area. It is projected that the trade area will experience annual average population growth of 3,808 and household growth of 1,709 over the next decade. Thus, the population in the primary trade area will increase to 132,759 by 2012 and 153,159 by 2017. Table VIII-2 shows these projected growth trends.

PRIMARY TRADE AREA



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**Table IV-1: Population and Household Trends in the Mesa County Market Area
and the Old Town Clifton Primary Trade Area, 1980-2007**

	1980	1990	2000	2007	Annual Average					
					1980-2007		1990-2007		2000-2007	
					Numerical	Percent	Numerical	Percent	Numerical	Percent
Mesa County Area										
Population	81,530	93,145	116,255	145,910	2,384	2.2%	3,104	2.7%	4,236	3.3%
Households	26,668	36,250	45,823	57,970	1,159	2.9%	1,278	2.8%	1,735	3.4%
Old Town Clifton Primary Trade Area										
Population	64,587	75,892	91,846	115,077	1,870	2.2%	2,305	2.5%	3,319	3.3%
Households	24,130	30,106	36,744	46,148	815	2.4%	944	2.5%	1,343	3.3%
Old Town Clifton PTA as a percent of the Mesa County Area										
Population	79.2%	81.5%	79.0%	78.9%	78.4%		74.3%		78.3%	
Households	90.5%	83.1%	80.2%	79.6%	70.3%		73.9%		77.4%	

Source: U.S. Bureau of the Census and THK Associates, Inc.

**TABLE IV-2: Projected Population and Household Trends in the
Mesa County Market Area and the Old Town Clifton Primary Trade Area, 2007-2017**

	2007	2012	2017	Annual Average			
				2007-2012		2007-2017	
				Numerical	Percent	Numerical	Percent
Mesa County Area							
Population	145,910	168,600	195,260	4,538	2.9%	4,935	3.0%
Households	57,970	68,000	79,930	2,006	3.2%	2,196	3.3%
Old Town Clifton Primary Trade Area							
Population	115,077	132,759	153,159	3,536	2.9%	3,808	2.9%
Households	46,148	54,020	63,234	1,574	3.2%	1,709	3.2%
Old Town Clifton PTA as a percent of the Mesa County Area							
Population	78.9%	78.7%	78.4%	77.9%		77.2%	
Households	79.6%	79.4%	79.1%	78.5%		77.8%	

Source: U.S. Bureau of the Census and THK Associates, Inc.

B. Projected Permanent Residential Demand in the Old Town Clifton Primary Trade Area

The potential for new residential development is subject to a variety of pressures including interest rates, inflation, social, political and other economic influences. The preceding section of this report projected the overall growth in population and household formations that will create the aggregate demand for new housing construction. Historical trends in new housing construction were also examined to show how past construction trends have coincided with population and demographic changes and economic conditions.

Based upon the historical performance of the Mesa County housing market, and upon the projected growth in new household formations shown earlier in this report, the demand for new residential construction can be segmented by tenure and type of unit. This will allow the market potentials for specific types of residential construction to be examined. The key components of residential construction demand during the next decade include new housing units to meet demands of new population growth and household formations, construction to meet the demands of the existing households in the area who desire to upgrade or downgrade into new ownership units, and construction to replace units lost through demolition and conversion. Table IV-3 summarizes the net change in housing unit demand expected during the next decade in the Old Town Clifton trade area.

THK projects household formations will average 1,709 per year during the projection period 2007-2017 which will produce a demand for 1,784 new residential units annually when adjusted for vacancies and demolitions. Of this demand, single-family detached units will account for an average 1,175 units annually, single-family attached units will account for 303 units annually, followed by rental apartment units, which will account for 268 units annually, over the next decade.

TABLE IV-3: Projected Permanent Residential Demand in the Old Town Clifton Primary Trade Area, 2007-2017

Year	Households	Annual Household Growth	New Residential Unit Demand	Ownership Units				Rental Multi-family
				Total Owner-ship	Detached Single Family	Attached Single Family	Manu-factured Housing	
2007	46,148	1,477	1,516	1,288	999	258	32	227
2008	47,625	1,524	1,564	1,330	1,031	266	33	235
2009	49,149	1,573	1,614	1,372	1,064	274	34	242
2010	50,722	1,623	1,666	1,416	1,098	283	35	250
2011	52,345	1,675	1,719	1,462	1,133	292	37	258
2012	54,020	1,729	1,774	1,508	1,169	302	38	266
2013	55,748	1,784	1,831	1,557	1,206	311	39	275
2014	57,532	1,841	1,890	1,606	1,245	321	40	283
2015	59,373	1,900	1,950	1,658	1,285	332	41	293
2016	61,273	1,961	2,013	1,711	1,326	342	43	302
2017	63,234	2,034	2,088	1,774	1,375	355	44	313
Average Annual Demand (2007-2017)	1,709		1,784	1,517	1,175	303	38	268

Source: THK Associates, Inc.

C. Total Projected Residential Demand in Old Town Clifton Primary Trade Area

Based upon the annual housing unit demand forecasted in Table IV-3, THK has estimated the demand for seasonal/second homes in the Old Town Clifton area. The seasonal/second home demand shown below represents the year-to-year increases in the ten-year period. With the addition of seasonal home demand, the total housing unit demand will grow at an average of 1,797 units per year for the next decade. The second home market comprises of less than 1% of the total housing unit demand.

TABLE IV-4: Total Projected Residential Demand in the Old Town Clifton Primary Trade Area, 2007-2017

Year	Permanent Household Unit Demand	Seasonal/ Second Home Demand	Total Housing Unit Demand	Ownership Units				Rental Multi-family
				Total Owner-ship	Detached Single Family	Attached Single Family	Manu-factured Housing	
2007	1,516	11	1,527	1,299	1,008	259	32	227
2008	1,564	11	1,576	1,341	1,040	267	33	235
2009	1,614	11	1,626	1,384	1,074	276	34	242
2010	1,666	12	1,678	1,428	1,108	285	35	250
2011	1,719	12	1,731	1,474	1,143	294	37	258
2012	1,774	12	1,787	1,521	1,180	303	38	266
2013	1,831	13	1,844	1,569	1,217	313	39	275
2014	1,890	13	1,903	1,619	1,256	323	40	283
2015	1,950	13	1,964	1,671	1,296	333	41	293
2016	2,013	14	2,026	1,724	1,338	344	43	302
2017	2,088	14	2,101	1,788	1,387	357	44	313
Average Annual Demand (2007-2017)			1,797	1,529	1,186	305	38	268

Source: THK Associates, Inc.

D. Residential Purchasing Capacity and Demand by Price Range for the Old Town Clifton Primary Trade Area

To better quantify the demand for new residential units in the primary trade area, THK breaks down the trade area's existing households by income range and then converts those income ranges to home purchasing capacity and monthly rental capacity. Home purchasing capacity is calculated using estimated monthly payments (principle, interest, taxes and insurance) based on a 30-year fixed rate mortgage with a 6.5% interest rate and a 20% down payment. In determining monthly rental capacity it's assumed - as available statistics indicate - that households that rent spend, on average, 25% of their gross income on housing. Households that own their homes typically allot 28%-32% of their income to mortgage payments. It should be noted that no allowances have been made to account for the greater purchasing capacity that may be derived from adjustable rate mortgages (ARMs) or other alternative financing mechanisms. For that reason, Table IV-5's home purchasing capacity estimates are likely conservative.

The median household income in the Old Town Clifton primary trade area is currently approximately \$41,777. This suggests that the median household in the trade area can afford a \$229,500 home. About 21.3% of the trade area's households can afford a home priced between \$274,700 and \$412,100, and approximately 11.4% of the households within the trade area can afford a home priced over \$549,300.

In Table IV-6, the purchasing/rental capacity is combined with projected residential demand by unit type in order to estimate demand by price range. As shown, approximately 40% of the demand for townhome/condominium units will be for units under \$192,300, 35% will be for product in the \$192,300-\$274,700 price range, and 25% will be for product priced above \$274,700. Approximately 15% of total projected rental demand is for units priced under \$780 per month, 25% of the demand is for units in the \$780-\$909 price range, 35% of the demand is for units in the \$910-\$1,039 price range. Twenty-five percent of the rental units demanded in the Old Town Clifton residential primary trade area are for those that rent above \$1,040 per month.

Table IV-5: Permanent Resident Purchasing Capacity in the Old Town Clifton Primary Trade Area, 2007

Income Range		Percent of Permanent Households	Home Purchasing Capacity		Estimated Monthly Payment (PITI)	Lot Purchasing Capacity	
Under	\$15,000	13.4%	Under	\$82,400	\$390	Under	\$19,776
\$15,000 -	\$19,999	6.2%	\$82,400 -	\$109,900	\$520	\$25,000 -	\$32,999
\$20,000 -	\$24,999	6.8%	\$109,900 -	\$137,300	\$650	\$33,000 -	\$40,999
\$25,000 -	\$29,999	6.3%	\$137,300 -	\$164,800	\$780	\$41,000 -	\$48,999
\$30,000 -	\$34,999	6.9%	\$164,800 -	\$192,300	\$910	\$49,000 -	\$57,999
\$35,000 -	\$39,999	7.1%	\$192,300 -	\$219,700	\$1,040	\$58,000 -	\$65,999
\$40,000 -	\$49,999	11.2%	\$219,700 -	\$274,700	\$1,300	\$66,000 -	\$81,999
\$50,000 -	\$74,999	21.3%	\$274,700 -	\$412,000	\$1,940	\$82,000 -	\$123,999
\$75,000 -	\$99,999	9.4%	\$412,000 -	\$549,300	\$2,590	\$124,000 -	\$164,999
\$100,000 -	\$124,999	4.9%	\$549,300 -	\$686,700	\$3,240	\$165,000 -	\$205,999
\$125,000 -	\$149,999	2.6%	\$686,700 -	\$824,000	\$3,890	\$206,000 -	\$246,999
\$150,000	& Above	3.9%	\$824,000 -	& Above	\$4,170	\$247,000	& Above
Median	\$41,777	100.0%	\$229,500				

Source: U.S. Dept. of Commerce, Bureau of the Census, and THK Associates, Inc.

Table IV-6: Annual Average Residential Demand By Price Range in the Old Town Clifton Primary Trade Area

Unit Price Range	Permanent Households	Percent	2nd Home/ Seasonal Residents	Percent	Total	Percent
<i>Condominiums and Townhomes</i>						
Under \$192,300	121	40.0%	0	25.0%	122	39.9%
\$192,300 - \$274,700	106	35.0%	1	45.0%	107	35.1%
\$274,700 +	76	25.0%	0	30.0%	76	25.0%
Total	303	100.0%	2	100.0%	305	100.0%
<i>Rental Multi-Family</i>						
Under \$780	40	15.0%	0	0.0%	40	15.0%
\$780 - \$909	67	25.0%	0	0.0%	67	25.0%
\$910 - \$1,039	94	35.0%	0	0.0%	94	35.0%
\$1,040 +	67	25.0%	0	0.0%	67	25.0%
Total	268	100.0%	0	0.0%	268	100.0%

Source: U.S. Bureau of the Census and THK Associates, Inc.

E. Representative Townhome Residential Projects in the Old Town Clifton Trade Area

In order to profile the single-family market in the site environs, THK has surveyed representative projects around the Old Town Clifton site. Below are brief profiles of some of the newer residential projects found in the site environs.

Table IV-8: Representative Grand Junction Townhomes						
Name/ Location	Year Built	# of Units	Average Rent	Average Sq Ft	Average \$/Sq Ft	% Occupied
1 Clifton Townhouses 3222 D 1/2 Rd	1983	51	NA	842 - 1050	NA	100%
2 Capital Terrace Townhomes 1104 Bookcliff Ave	1979	30		WND		100%
3 Monument Ridge Townhomes 2680 B 1/2 Rd	1982	166	\$463 - \$635	670 - 1258	\$0.50 - \$0.69	90%
Average Total	1981	82 247	\$463 - \$635	756 - 1154	\$0.50 - \$0.69	97%

Source: Almost Home apartment guide, ForRent.com and THK Associates, Inc.

F. Rental Apartment Projects in the Old Town Clifton Primary Trade Area

A survey of rental apartment projects in the site trade area was conducted in July 2007. Twenty-four rental apartment projects were surveyed in the area and are characterized and detailed below. Table IV-9 illustrates the surveyed apartment projects in the Clifton area.

1. Summary of Profiled Apartment Projects in the Old Town Clifton Primary Trade Area

Table IV-9 profiles the surveyed apartment projects in the Old Town Clifton trade area. Below are some of the more significant findings.

- In total, 1,293 units were surveyed in the 24 apartment projects. On average, each apartment complex has 72 units.
- The average apartment project was built in 1980, while 3 projects, or approximately 296 units, have been built since 1995. Nine projects were built before 1980.
- Fifty-eight percent of the surveyed projects have less than 100 units. There are no apartment projects with more than 200 units.
- Overall occupancy of the 24 projects was 99%, with most complexes reporting waiting lists.

Table IV-9: Grand Junction Apartments

Name/ Location	Year Built	# of Units	Average Rent	Average Sq Ft	Average \$/Sq Ft	% Occupied
1 Walnut Park Apartments 2236 North 17th Street	NA	NA	NA	NA	NA	NA
2 Grand Manor Mutual Housing 2828 Orchard Ave	1978	112	\$647	824	\$0.79	100%
3 Midtown Apartments 1030 Teller Ave	1978	57	\$625 - \$780	640 - 1500	\$0.98 - \$0.52	100%
4 Aladdin Arabian Vega Apt 430 Chipeta	NA	75	\$400 - \$550	NA	NA	NA
5 Ratekin Tower Apts Svc Crdntr 785 Main St.	NA	107	NA	565	NA	NA
6 Belford Apartments 1029 Belford	1976	40	\$560 - \$580	550	\$1.02 - \$1.05	99%
7 Grand Ave Apartments 1940 Grand Ave	1976	33	\$425 - \$560	740 - 975	\$0.57 - \$0.57	100%
8 Grand View Apartments 1501 N 1st St	1995	60	NA	540	NA	99%
9 Garden Village Apartments 2601 Belford Ave	1973	91	NA	550 - 1078	NA	98%
10 Foresight Village 610 25 1/2 Rd	1996/2001	182	\$705 - \$765	468 - 1056	\$0.72 - \$1.51	100%
12 Crossroads Park Apartments 2763 Compass Dr	1980	60	\$575 - \$675	775 - 900	\$0.74 - \$0.75	100%
13 Aspen Leaf Place 960 Bookcliff	1999	54	\$614	895	\$0.69	97%
14 Racquet Club Apartments 2915 Orchard Ave	1982	144	NA	594 - 760	NA	99%
16 Heather Ridge Apartments 1180 Lowell Ct	1973	60	\$430 - \$535	500 - 900	\$0.59 - \$0.86	100%
18 Nellie Bechtel Gardens 3032 N 15th St	1983	98	\$235 - \$485	500 - 900	\$0.47 - \$0.54	100%
20 Mesa Vista 1800 Main St.	NA	NA	NA	NA	NA	100%
21 Villa West 405 N 23rd	1976	40	\$560 - \$580	550	\$1.02 - \$1.05	100%
22 Las Casas Apartments 330 Glenwood Ave	1975	28	\$510 - \$695	650 - 1000	\$0.70 - \$0.78	99%
23 Park East Apartments 2345 Teller Ct.	1973	28	\$495 - \$595	550 - 800	\$0.74 - \$0.90	100%
24 Grand Mesa Apartments 150 S Sycamore	1982	24	NA	750 - 850	NA	98%
Average Total	1980	72 1293	\$522 - \$618	626 - 974	\$0.75 - \$0.85	99%

Source: Almost Home apartment guide, ForRent.com and THK Associates, Inc.

G. Residential Development Potentials at the Old Town Clifton Site

Based on the proceeding analysis of residential supply and demand issues, the following illustrates the potentials for residential uses at the subject site.

Given the subject site's location, analysis of competitive residential projects in the primary trade area, and the physical characteristics of the site, THK feels that the subject property can offer detached and attached single-family products, as well as multi-family residential products.

1. Projected Townhome/Condominium Demand at the Old Town Clifton Site

Table IV-9 illustrates the projected townhome/condominium demand and acreage absorption at the Old Town Clifton site for the next seven years. Our analysis has positioned the site within the under \$192,300, and \$192,300-\$374,700 markets. We do not feel the site will be competitive for townhome/condominium product priced above \$274,700.

THK has also estimated the average annual absorption for townhome/condominium products by price range for the next ten years. Capture rates reflect the number of current and anticipated competitors. Annual absorption rates for townhomes/condominiums priced between \$192,300-\$274,700 will be 30 units a year. Annual absorption rates for townhome/condominium priced below \$192,300 will be 23 units per year.

Based on these absorption rates, the Old Town Clifton site could expect to absorb approximately 53 units per year, or 264 units in total from 2009-2013. Sales would begin at the start of 2009 to allow for planning and platting.

**Table IV-9: Projected Townhome Demand and Acreage Absorption
at the Old Town Clifton Site, 2007-2017**

Unit Prices:	Under \$192,300	\$192,300 \$274,700	\$274,700 & Above	Annual Total	Cumulative Total
Annual Avg. Demand in the Primary Trade Area:	122	107	76	305	
Number of Competitors:	4	2	1		
Generic Capture Rate:	20.0%	33.3%	50.0%	41.7%	
Site Capture Rate:	20.0%	30.0%	0.0%	17.3%	
Annual Absorption (Units)					
	2007		Planning		
	2008		Planning		
	2009	21	28	0	49
	2010	22	29	0	51
	2011	23	30	0	53
	2012	23	31	0	54
	2013	24	32	0	56
Total	114	150	0	264	
Annual Average	23	30	0	53	
Average Net Density	12.0	10.0	8.0	10.8	
Net Acres (Annual Avg.)	1.9	3.0	0.0	4.9	
Net Acres	9.5	15.0	0.0	24.5	

Source: THK Associates, Inc.

2. *Projected Apartment Demand at the Old Town Clifton Site*

Table IV-10 illustrates the projected apartment demand and acreage absorption at the Old Town Clifton site for the next seven years. Our analysis has positioned the site within the rent ranges of under *\$560-\$689*, *\$690-\$829*, and *\$830* and above.

THK has also estimated the average annual absorption for apartment products by price range for the next ten years. Capture rates reflect the number of current and anticipated competitors. Annual absorption rates for apartments priced between \$560-\$689 will be three a year on average. Annual absorption rates for apartments priced between \$690 and \$829 will be three a year on average. Annual absorption rates for apartments priced over \$830 will be ten units a year.

These price bands are reliant on market rates for support and incentives such as density, revenue sharing, infrastructures, etc. would be required to compete in lower rent ranges.

Based on these absorption rates, the Old Town Clifton site could expect to absorb approximately 52 units per year, or 260 units in total from 2009 to 2013. Leasing would begin at the start of 2009 to allow for planning and platting.

**Table IV-10: Projected Multi-Family Demand and Acreage Absorption
at the Old Town Clifton Site, 2007-2017**

Unit Prices:	Under \$780	\$780 \$910	\$910 \$1,040	\$1,040 & Above	Annual Total	Cumulative Total
Annual Avg. Demand in the Primary Trade Area:	40	67	94	67	268	
Number of Competitors:	3	5	8	2		
Generic Capture Rate:	25.0%	16.7%	11.1%	33.3%	20.4%	
Site Capture Rate:	20.0%	20.0%	15.0%	30.0%	19.4%	
Annual Absorption (Units)						
	2007		Planning			
	2008		Planning			
	2009	7	12	12	18	49
	2010	7	12	13	18	50
	2011	7	12	13	19	52
	2012	8	13	14	19	54
	2013	8	13	14	20	55
Total	38	63	66	94	260	
Annual Average	8	13	13	19	52	
Average Net Density	18.0	18.0	18.0	18.0	18.0	
Net Acres (Annual Avg.)	0.4	0.7	0.7	1.0	2.9	
Net Acres	2.1	3.5	3.6	5.2	14.4	

Source: THK Associates, Inc.

V. RETAIL MARKET ANALYSIS

A. Commercial Retail Trends in the Old Town Clifton Site Environs

The commercial development potentials for the subject site are a product of the supply and demand forces affecting the site and its trade area. With the strategic location and strong surrounding growth patterns, demand for retail uses should be strong at the Old Town Clifton site. The commercial and retail competition in the trade area represents the supply side of the market. The size, market acceptance, and proximity to the subject site of the competition will influence the capture rate any commercial development can expect to achieve. The demand for commercial space at the site depends on population growth, income characteristics, and household expenditure patterns within the site's primary trade area. The primary trade area for the subject site will be largely dependent upon the subject's proposed development and other developments within two miles of the site. THK has narrowed the definition of the retail analysis from a previous wider trade area down to a more concise, two-mile radius surrounding the subject site. This closer focus helps to pin down more specific retail market characteristics, as people in closer proximity to the development will inevitably be more inclined to spend their retail dollars there.

In the first part of this retail market analysis, the demand for retail goods and services is determined based upon population, household, and income trends within the trade radius. Competitive retail developments in the vicinity of the subject site are then examined in order to indicate the gaps that exist in the market and the types of new retail firms that can be supported. Finally, specific site potentials are estimated based on the analysis.

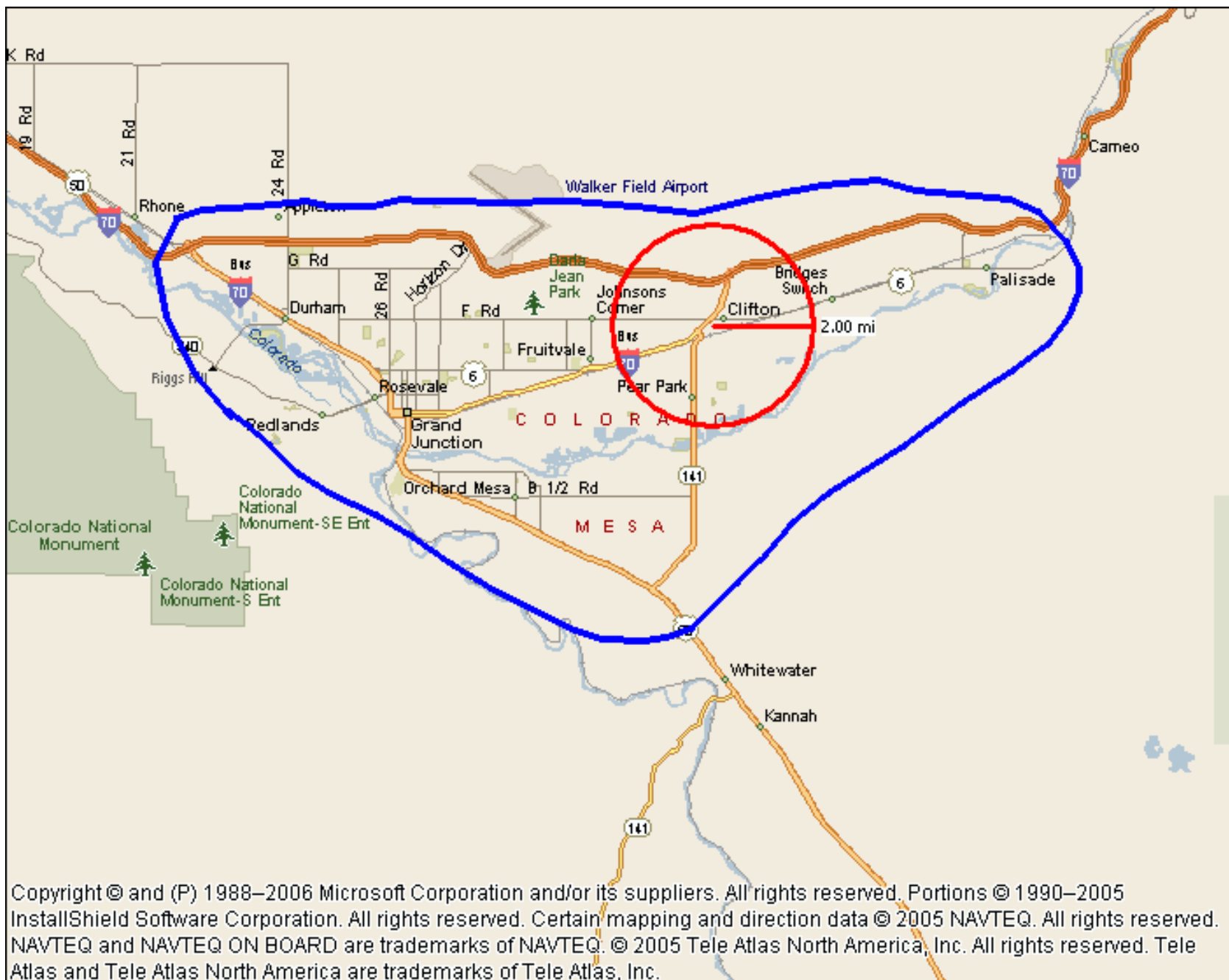
1. Trade Area Household Growth and Expenditure Patterns

As the employment base in the site environs expands, a corresponding increase in population growth will result. Increased population and household growth will have positive impacts on retail sales and demand for commercial space.

As shown in Table V-1, within the trade radius there were 13,746 people in 5,029 households in 1990. By 2000, there were 19,276 persons living in 7,104 households within the trade radius, and in 2007, it's estimated that there are 24,152 people living in 8,922 households. Between 1990 and 2007, the population and households within the trade radius increased at a rate of 612 persons and 229 households annually. Between 2000 and 2007, the population and households within the trade radius grew at a rate of 697 people and 260 households per year.

The trade radius surrounding the subject site is expected to see its population base grow from 24,152 in 2007 to 32,144 by 2017. The household base will expand from 8,922 to 12,226 over this same timeframe. Table V-2 shows these projections.

Old Town Clifton Primary Trade Area and Retail Trade Radius



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Table V-1: Population and Household Trends in Mesa County, the Old Town Clifton PTA and Two Mile Retail Radius around the Subject Site, 1980-2007

	1980	1990	2000	2007	Annual Average					
					1980-2007		1990-2007		2000-2007	
					Numerical	Percent	Numerical	Percent	Numerical	Percent
Mesa County Market Area										
Population	81,530	93,145	116,255	145,910	2,384	2.2%	3,104	2.7%	4,236	3.3%
Households	26,668	36,250	45,823	57,970	1,159	2.9%	1,278	2.8%	1,735	3.4%
Old Town Clifton PTA										
Population	64,587	75,892	91,846	115,077	1,870	2.2%	2,305	2.5%	3,319	3.3%
Households	24,130	30,106	36,744	46,148	815	2.4%	944	2.5%	1,343	3.3%
Two Mile Retail Radius										
Population	8,319	13,746	19,276	24,152	586	4.0%	612	3.4%	697	3.3%
Households	2,896	5,029	7,104	8,922	223	4.3%	229	3.4%	260	3.3%
Two Mile Retail Radius as a percent of the Mesa County Market Area										
Population	4.3%	5.2%	5.8%	6.3%	8.4%		8.8%		9.7%	
Households	4.0%	4.7%	5.4%	5.9%	7.6%		8.5%		8.4%	

Source: U.S. Bureau of the Census and THK Associates, Inc.

TABLE V-2: Projected Population and Household Trends in Mesa County, the Old Town Clifton PTA and Two Mile Retail Radius around the Subject Site, 2007-2017

	2007	2012	2017	Annual Average			
				2007-2012		2007-2017	
				Numerical	Percent	Numerical	Percent
Mesa County Market Area							
Population	145,910	168,600	195,260	4,540	2.9%	4,940	3.0%
Households	57,970	68,000	79,930	2,010	3.2%	2,200	3.3%
Old Town Clifton Retail PTA							
Population	115,077	132,759	153,159	3,540	2.9%	3,810	2.9%
Households	46,148	54,020	63,234	1,570	3.2%	1,710	3.2%
Two Mile Retail Radius							
Population	24,152	27,863	32,144	740	2.9%	800	2.9%
Households	8,922	10,444	12,226	300	3.2%	330	3.2%
Two Mile Retail Radius as a percent of the Mesa County Market Area							
Population	16.6%	16.5%	16.5%	16.3%		16.2%	
Households	15.4%	15.4%	15.3%	14.9%		15.0%	

Source: U.S. Bureau of the Census, Claritas, & THK Associates, Inc.

Table V-3 shows a breakdown of household expenditures by category of retail establishments based upon the typical budget of trade radius households. The current median household income within the trade radius is estimated to be \$41,372. The portion of household income available for retail expenditures is determined by subtracting payments for taxes, savings, housing, insurance, medical expenses, recreation and transportation from total income. These payments total approximately 75% of total income, or \$31,137. The remaining 25% of income, or \$13,140, is allotted for retail and personal service expenditures among 27 store types in the proportions shown in Table V-3.

**Table V-3: Estimated Household Expenditure Patterns
within the Retail Trade Radius Surrounding Old Town Clifton**

	Median Household	
	Amount	Percent
<i>Median Gross Income</i>	\$41,372	
Taxes	\$10,235	24.7% of Gross
<i>Disposable Income</i>	\$31,137	75.3% of Gross
Housing	\$7,784	25.0% of Disposable
Transportation	\$5,605	18.0%
Savings / Pensions	\$1,495	4.8%
Medical / Insurance	\$1,432	4.6%
Recreation	\$436	1.4%
Education	\$436	1.4%
Miscellaneous	\$810	2.6%
<i>Total Available for Retail</i>	\$13,140	42.2% of Disposable
<u><i>Store Type</i></u>		
<i>Hardware and Building Materials</i>		
Building Materials and Supplies	\$226	1.7% of Retail
Hardware	\$111	0.8%
<i>Food Stores</i>		
Grocery	\$3,739	28.5%
<i>Automotive</i>		
Tire, Battery and Accessory	\$372	2.8%
<i>Apparel and Accessory</i>		
Men's Clothing	\$345	2.6%
Women's Clothing	\$624	4.8%
Children's Clothing	\$305	2.3%
Shoes	\$287	2.2%
Other Apparel & Accessories	\$60	0.5%
<i>Furniture and Equipment</i>		
Furniture	\$360	2.7%
Home Furnishings & Accessories	\$603	4.6%
Household Appliances	\$260	2.0%
Radio, Television, Stereo, Computer	\$474	3.6%
Records & Music	\$79	0.6%
<i>Eating and Drinking Places</i>		
Restaurant	\$1,920	14.6%
<i>Drug and Proprietary</i>		
Drug / Cosmetics	\$435	3.3%
<i>Other Retail and Personal Services</i>		
Liquor / Wine & Spirits	\$314	2.4%
Sporting Goods & Bicycle	\$257	2.0%
Books & Stationery	\$252	1.9%
Jewelry	\$116	0.9%
Hobby & Specialty	\$89	0.7%
Florist	\$55	0.4%
Miscellaneous Retail	\$794	6.0%
Video Tape Rental	\$50	0.4%
Personal Care Products & Services	\$336	2.6%
Dry Cleaner / Coin Laundry	\$122	0.9%
Misc Personal Services	\$554	4.2%
<i>Total Retail</i>	\$13,140	100.0%

Source: U.S. Department of Labor, Bureau of Labor Statistics; and THK Associates, Inc.

2. *Retail Development Trends*

Table V-4 shows characteristics of selected store types found in community retail shopping centers. This information is later synthesized with the trade area analysis to make site-specific demand projections. The table shows the operating characteristics of the major type of retail establishments that would be suitable tenants for a community shopping center. By comparing these performance characteristics with the expenditure patterns in the primary trade area for the subject site, the total dollar volume support and square footage support that will be generated for each retail use can be estimated.

The first column of Table V-4 illustrates the median household expenditure in the trade area by store type as shown previously in Table V-3. The second column of Table V-4 shows the sales per square foot GLA that the median store achieves based upon the performance characteristics of regional shopping centers surveyed in the Urban Land Institute's Dollars and Cents of Shopping Centers. These estimates have been adjusted for inflation to reflect current operating characteristics. The next column shows the median store size in square feet of typical shopping center tenants. For purposes of this analysis, this is considered to be an indication of the threshold size given that the anticipated sales per square foot performance as shown in the second column would have to be supported in order to make their introduction onto the subject site feasible.

The fifth column in Table V-4 shows that annual sales of \$4,595,800 would be necessary to support a building materials and supply store, a restaurant requires annual sales of \$776,742 and a women's clothing store needs sales support of \$3,547,716. Finally, based upon the expenditure patterns of households in the primary trade area as shown in the first column, the minimum number of households required to support each type of establishment can be estimated.

Table V-4: Characteristics of Selected Store Types Found in Community Shopping Centers

<i>Store Type</i>	Median Household Expenditure	Sales Per Square Foot GLA	Median Store Size (Sq. Ft.)	Threshold Household Support	Minimum Expenditure Support
<i>Hardware and Building Materials</i>					
Building Materials and Supplies	\$226	\$417.80	11,000	20,323	\$4,595,800
Hardware	\$111	\$111.45	20,000	20,116	\$2,229,000
<i>Food Stores</i>					
Grocery/Convenience	\$3,739	\$390.25	10,000	1,044	\$3,902,500
<i>Automotive</i>					
Tire, Battery and Accessory	\$372	\$219.72	6,000	3,544	\$1,318,320
<i>Apparel and Accessory</i>					
Men's Clothing	\$345	\$185.37	15,000	8,063	\$2,780,550
Women's Clothing	\$624	\$177.39	20,000	5,684	\$3,547,716
Children's Clothing	\$305	\$235.54	15,000	11,573	\$3,533,100
Shoes	\$287	\$210.20	5,000	3,660	\$1,050,994
Other Apparel & Accessories	\$60	\$226.83	5,000	18,926	\$1,134,141
<i>Furniture and Equipment</i>					
Furniture	\$360	\$224.68	20,000	12,498	\$4,493,600
Home Furnishings & Accessories	\$603	\$188.73	25,000	7,829	\$4,718,213
Household Appliances	\$260	\$237.49	15,000	13,698	\$3,562,350
Radio, Television, Stereo, Computer	\$474	\$319.34	5,000	3,370	\$1,596,711
Records & Music	\$79	\$254.45	4,500	14,467	\$1,145,025
<i>Eating and Drinking Places</i>					
Restaurant	\$1,920	\$282.45	2,750	405	\$776,742
<i>Drug and Proprietary</i>					
Drug / Cosmetics	\$435	\$374.26	10,000	8,597	\$3,742,600
<i>Other Retail and Personal Services</i>					
Liquor / Wine & Spirits	\$314	\$321.25	4,000	4,088	\$1,285,000
Sporting Goods & Bicycle	\$257	\$197.34	6,000	4,613	\$1,184,043
Books & Stationery	\$252	\$143.41	4,500	2,559	\$645,351
Jewelry	\$116	\$445.74	1,200	4,593	\$534,888
Hobby & Specialty	\$89	\$213.04	5,000	11,925	\$1,065,220
Florist	\$55	\$174.70	1,500	4,730	\$262,050
Miscellaneous Retail	\$794	\$201.00	2,000	506	\$402,000
Video Tape Rental	\$50	\$145.37	6,000	17,532	\$872,220
Personal Care Products & Services	\$336	\$147.29	1,200	526	\$176,748
Dry Cleaner / Coin Laundry	\$122	\$124.26	1,600	1,628	\$198,816
Misc. Personal Services	\$554	\$158.59	1,200	343	\$190,308
<i>Total Retail</i>	\$13,140				

Source: U.S. Department of Labor, Bureau of Labor Statistics; and THK Associates, Inc.

3. *Estimates for Retail Space Demand by Store Type*

Currently, as shown in Table V-5, there is just under \$158,880 available for retail expenditures within the trade radius, which will support 63,500 square feet of shopping center space. Retail expenditures will grow to \$217,700 by 2017, which will support 871,000 square feet of retail space.

Table V-5: Estimated Retail Sales and Square Footage Support (Community) within the Retail Trade Radius, 2007-2017

<i>Store Type</i>	Estimated Annual Household Expenditures	Percent Support From Secondary Trade Area	Annual Sales per Square Foot GLA	<u>2007 Support</u>		<u>2012 Support</u>		<u>2017 Support</u>	
				Dollars (000,000's)	Square Feet	Dollars (000,000's)	Square Feet	Dollars (000,000's)	Square Feet
<i>Households</i>				8,922		10,444		12,226	
<i>Hardware and Building Materials</i>									
Building Materials and Supplies	\$226	50.0%	\$417.80	\$3.03	7,244	\$3.54	8,480	\$4.15	9,926
Hardware	\$111	50.0%	\$111.45	\$1.48	13,307	\$1.74	15,577	\$2.03	18,234
<i>Food Stores</i>									
Grocery	\$3,739	35.0%	\$390.25	\$45.04	115,418	\$52.72	135,104	\$61.72	158,147
<i>Automotive</i>									
Tire, Battery and Accessory	\$372	35.0%	\$219.72	\$4.48	20,394	\$5.25	23,873	\$6.14	27,945
<i>Apparel and Accessory</i>									
Men's Clothing	\$345	30.0%	\$185.37	\$4.00	21,580	\$4.68	25,261	\$5.48	29,569
Women's Clothing	\$624	30.0%	\$177.39	\$7.24	40,814	\$8.47	47,776	\$9.92	55,924
Children's Clothing	\$305	30.0%	\$235.54	\$3.54	15,035	\$4.15	17,599	\$4.85	20,601
Shoes	\$287	30.0%	\$210.20	\$3.33	15,849	\$3.90	18,552	\$4.56	21,716
Other Apparel & Accessories	\$60	30.0%	\$226.83	\$0.70	3,065	\$0.81	3,587	\$0.95	4,199
<i>Furniture and Equipment</i>									
Furniture	\$360	35.0%	\$224.68	\$4.33	19,277	\$5.07	22,565	\$5.93	26,414
Home Furnishings & Accessories	\$603	35.0%	\$188.73	\$7.26	38,466	\$8.50	45,026	\$9.95	52,706
Household Appliances	\$260	35.0%	\$237.49	\$3.13	13,191	\$3.67	15,440	\$4.29	18,074
Radio, Television, Stereo, Computer Records & Music	\$474	35.0%	\$319.34	\$5.71	17,871	\$6.68	20,919	\$7.82	24,487
Records & Music	\$79	35.0%	\$254.45	\$0.95	3,747	\$1.12	4,386	\$1.31	5,134
<i>Eating and Drinking Places</i>									
Restaurant	\$1,920	50.0%	\$282.45	\$25.70	90,977	\$30.08	106,494	\$35.21	124,658
<i>Drug and Proprietary</i>									
Drug / Cosmetics	\$435	25.0%	\$374.26	\$4.86	12,973	\$5.68	15,186	\$6.65	17,776
<i>Other Retail and Personal Services</i>									
Liquor / Wine & Spirits	\$314	30.0%	\$321.25	\$3.65	11,350	\$4.27	13,286	\$5.00	15,552
Sporting Goods & Bicycle	\$257	30.0%	\$197.34	\$2.98	15,087	\$3.49	17,660	\$4.08	20,672
Books & Stationery	\$252	30.0%	\$143.41	\$2.92	20,395	\$3.42	23,873	\$4.01	27,945
Jewelry	\$116	30.0%	\$445.74	\$1.35	3,031	\$1.58	3,548	\$1.85	4,153
Hobby & Specialty	\$89	30.0%	\$213.04	\$1.04	4,864	\$1.21	5,693	\$1.42	6,664
Florist	\$55	30.0%	\$174.70	\$0.64	3,679	\$0.75	4,306	\$0.88	5,041
Miscellaneous Retail	\$794	30.0%	\$201.00	\$9.21	45,807	\$10.78	53,620	\$12.62	62,766
Video Tape Rental	\$50	30.0%	\$145.37	\$0.58	3,970	\$0.68	4,647	\$0.79	5,439
Personal Care Products & Services	\$336	30.0%	\$147.29	\$3.90	26,447	\$4.56	30,958	\$5.34	36,238
Dry Cleaner / Coin Laundry	\$122	30.0%	\$124.26	\$1.42	11,400	\$1.66	13,344	\$1.94	15,620
Misc Personal Services	\$554	30.0%	\$158.59	\$6.43	40,524	\$7.52	47,436	\$8.81	55,527
<i>Total Retail</i>	\$13,140	--	\$234.37	\$158.88	635,761	\$185.98	744,195	\$217.70	871,126

Source: U.S. Department of Labor, Bureau of Labor Statistics; and THK Associates, Inc.

4. Retail Development Potentials at the Subject Site

The market potentials today, and in the future, are a product of the supply and demand forces affecting the subject site and its trade area. The retail competition within the trade radius represents the supply side of the market. The size, market acceptance, and proximity to the subject site of competitive projects dictate the capture rate of retail demand that any new retail development can expect. The median family income, expenditure patterns, and sales per square foot of GLA ultimately determine the retail space that can be supported at the subject site.

Table V-6 demonstrates the potential for retail development within the trade radius and Table V-7 demonstrates the potential for retail development at the Old Town Clifton subject site for the 2007-2017 period. Based upon THK's estimate that the subject site could capture an average of 35% of the trade radius's demand and the subject site would enjoy a total retail demand for approximately 157,500 square feet by 2017.

Table V-6: Supportable Retail Space within the Retail Trade Radius

Store Type	Estimated Existing Square Footage	2007 Supportable Square Footage	2007 Space Requirements	2012 Supportable Square Footage	2012 Space Requirements	2017 Supportable Square Footage	2017 Space Requirements
<i>Hardware and Building Materials</i>							
Building Materials and Supplies	180,000	7,244	--	8,480	--	9,926	--
Hardware	60,000	13,307	--	15,577	--	18,234	--
<i>Food Stores</i>							
Grocery (Includes Convenience/Gas Stations)	144,000	115,418	--	135,104	--	158,147	14,147
<i>Automotive</i>							
Tire, Battery and Accessory	13,000	20,394	7,394	23,873	10,873	27,945	14,945
<i>Apparel and Accessory</i>							
Men's Clothing	0	21,580	21,580	25,261	25,261	29,569	29,569
Women's Clothing	0	40,814	40,814	47,776	47,776	55,924	55,924
Childrens Clothing	10,000	15,035	5,035	17,599	7,599	20,601	10,601
Shoes	0	15,849	15,849	18,552	18,552	21,716	21,716
Other Apparel & Accessories	0	3,065	3,065	3,587	3,587	4,199	4,199
<i>Furniture and Equipment</i>							
Furniture	0	19,277	19,277	22,565	22,565	26,414	26,414
Home Furnishings & Accessories	15,200	38,466	23,266	45,026	29,826	52,706	37,506
Household Appliances	16,800	13,191	--	15,440	--	18,074	1,274
Radio, Television, Stereo, Computer	10,000	17,871	7,871	20,919	10,919	24,487	14,487
Records & Music	0	3,747	3,747	4,386	4,386	5,134	5,134
<i>Eating and Drinking Places</i>							
Restaurant	108,000	90,977	--	106,494	--	124,658	16,658
<i>Drug and Proprietary</i>							
Drug / Cosmetics	20,000	12,973	--	15,186	--	17,776	--
<i>Other Retail and Personal Services</i>							
Liquor / Wine & Spirits	0	11,350	11,350	13,286	13,286	15,552	15,552
Sporting Goods & Bicycle	10,000	15,087	5,087	17,660	7,660	20,672	10,672
Books & Stationery	0	20,395	20,395	23,873	23,873	27,945	27,945
Jewelry	0	3,031	3,031	3,548	3,548	4,153	4,153
Hobby & Specialty	0	4,864	4,864	5,693	5,693	6,664	6,664
Florist	6,000	3,679	--	4,306	--	5,041	--
Miscellaneous Retail	32,000	45,807	13,807	53,620	21,620	62,766	30,766
Video Tape Rental	0	3,970	3,970	4,647	4,647	5,439	5,439
Personal Care Products & Services	5,000	26,447	21,447	30,958	25,958	36,238	31,238
Dry Cleaner / Coin Laundry	3,200	11,400	8,200	13,344	10,144	15,620	12,420
Misc Personal Services	0	40,524	40,524	47,436	47,436	55,527	55,527
Total Retail	633,200	635,761	280,572	744,195	345,208	871,126	452,949

Source: THK Associates, Inc.

Table V-7: Retail Development Potentials at the Old Town Clifton Subject Site, 2007-2017

Store Type	Subject Site Capture Rate	2007 Space Requirements	2007 Requirements at the Site	2012 Space Requirements	2012 Requirements at the Site	2017 Space Requirements	2017 Requirements at the Site
Hardware and Building Materials							
Building Materials and Supplies	50%	--	0	--	0	--	0
Hardware	50%	--	0	--	0	--	0
Food Stores							
Grocery (Includes Convenience/Gas Stations)	50%	--	0	--	0	14,147	7,074
Automotive							
Tire, Battery and Accessory	40%	7,394	2,958	10,873	4,349	14,945	5,978
Apparel and Accessory							
Men's Clothing	25%	21,580	5,395	25,261	6,315	29,569	7,392
Women's Clothing	25%	40,814	10,204	47,776	11,944	55,924	13,981
Childrens Clothing	25%	5,035	1,259	7,599	1,900	10,601	2,650
Shoes	25%	15,849	3,962	18,552	4,638	21,716	5,429
Other Apparel & Accessories	25%	3,065	766	3,587	897	4,199	1,050
Furniture and Equipment							
Furniture	50%	19,277	9,639	22,565	11,283	26,414	13,207
Home Furnishings & Accessories	50%	23,266	11,633	29,826	14,913	37,506	18,753
Household Appliances	50%	--	0	--	0	1,274	637
Radio, Television, Stereo, Computer	50%	7,871	3,935	10,919	5,459	14,487	7,243
Records & Music	50%	3,747	1,873	4,386	2,193	5,134	2,567
Eating and Drinking Places							
Restaurant	50%	--	0	--	0	16,658	8,329
Drug and Proprietary							
Drug / Cosmetics	50%	--	0	--	0	--	0
Other Retail and Personal Services							
Liquor / Wine & Spirits	50%	11,350	5,675	13,286	6,643	15,552	7,776
Sporting Goods & Bicycle	30%	5,087	1,526	7,660	2,298	10,672	3,202
Books & Stationery	30%	20,395	6,118	23,873	7,162	27,945	8,383
Jewelry	30%	3,031	909	3,548	1,064	4,153	1,246
Hobby & Specialty	30%	4,864	1,459	5,693	1,708	6,664	1,999
Florist	30%	--	0	--	0	--	0
Miscellaneous Retail	30%	13,807	4,142	21,620	6,486	30,766	9,230
Video Tape Rental	30%	3,970	1,191	4,647	1,394	5,439	1,632
Personal Care Products & Services	30%	21,447	6,434	25,958	7,787	31,238	9,371
Dry Cleaner / Coin Laundry	30%	8,200	2,460	10,144	3,043	12,420	3,726
Misc Personal Services	30%	40,524	12,157	47,436	14,231	55,527	16,658
TOTAL RETAIL	34.8%	280,572	93,696	345,208	115,707	452,949	157,513

Source: THK Associates, Inc.

VI. OFFICE MARKET ANALYSIS

A. Demand for Office Absorption

The table below illustrates the percentage of new employment that will be housed in office buildings for each major employment group. Some industries are more likely than others to house employees in office space rather than in industrial buildings, retail facilities, schools, or public buildings. Those industries projected to generate the bulk of the new jobs and their respective occupational breakdowns make it clear that employment growth in the two-county area during the next decade will be dominated by service oriented, white collar occupations.

**Table VI-1: Estimated Proportion of New Employment
Housed in Office Space**

<u>Industry</u>	<u>Proportion of New Employment Housed in Office Space</u>
Mining	20%
Construction	10%
Manufacturing	15%
Transportation, Communication, Public Utilities	30%
Wholesale Trade	15%
Retail Trade	22%
Finance, Insurance, Real Estate	85%
Services	56%
Government	20%

Source: THK Associates, Inc.

In the following table, office employment percentages are applied to the projected change in employment by industry in the two-county area in order to project the total growth in office employment over the next decade. Total office employment will increase by an average of 1,283 jobs per year over the next decade. Service employment will account for an average of 533 new office employees annually, and the Finance, Insurance, and Real Estate sector will add 482 office jobs annually.

Table VI-2: Projected Annual Change in Office Employment in the Mesa County Area, 2007-2017

Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Annual Average Change
Mining	105	108	112	115	119	123	127	131	135	139	144	4
Construction	959	1,001	1,045	1,091	1,139	1,189	1,241	1,296	1,353	1,413	1,475	52
Manufacturing	770	788	807	825	844	864	884	904	925	946	968	20
T & U*	1,345	1,392	1,441	1,492	1,544	1,599	1,655	1,713	1,774	1,836	1,901	56
Wholesale Trade	455	469	483	498	513	529	546	562	580	598	616	16
Retail Trade	3,393	3,464	3,537	3,611	3,686	3,763	3,842	3,922	4,004	4,088	4,173	78
FIRE**	8,443	8,833	9,242	9,669	10,115	10,583	11,071	11,583	12,118	12,678	13,264	482
Services	14,439	14,900	15,375	15,866	16,372	16,894	17,433	17,989	18,563	19,155	19,766	533
Government	1,865	1,904	1,944	1,985	2,026	2,068	2,112	2,156	2,201	2,247	2,294	43
Total Office Employment	31,775	32,861	33,985	35,151	36,360	37,612	38,911	40,257	41,653	43,100	44,600	1,283

* Transportation & Utilities

** Finance, Insurance, and Real Estate

Source: THK Associates, Inc.

Two important trends affecting the demand for office space are the increasing use of sophisticated electronic business machines and the adoption of open space floor plans that can be adapted rapidly as space needs change. New technology will enable firms to do more work with fewer employees. Routine filing and record keeping will be handled automatically, reducing the demand for unskilled office help. On the other hand, firms will need space for expansions to accommodate the growing use of electronic equipment. Consequently, while the actual space available for each office worker will decline, the average number of square feet per office employee will increase.

Recent research by the Urban Land Institute indicates the national average square footage per metropolitan office employee increased from 195 square feet to 230 square feet, primarily because of increased equipment needs. By multiplying the standard of 230 square feet per office employee with the annual growth in new office employment, the annual demand for new office space can be estimated. Given that growth in office employment will average 1,283 workers per year, there should be an average annual demand for 290,060 square feet of office space from 2007 to 2017. Approximately 80% of this demand, 232,050 square feet per year, will be for speculative or multi-tenant office space, with the remaining 20% (an average of 58,010 square feet) going to single tenant owners/users. Table VI-3 illustrates the projected office space demand in the two-county area.

**Table VI-3: Projected Office Space Demand in
The Mesa County Area, 2007-2017**

Year	Total Office Employment	Annual Change Office Employment	Projected Annual Occupied Office Space Demand	Projected Multi-tenant Office Space Demand
2007	31,775	1,047	240,870	192,696
2008	32,861	1,085	249,617	199,693
2009	33,985	1,125	258,698	206,958
2010	35,151	1,166	268,128	214,503
2011	36,360	1,208	277,921	222,337
2012	37,612	1,253	288,091	230,473
2013	38,911	1,298	298,653	238,923
2014	40,257	1,346	309,624	247,699
2015	41,653	1,396	321,019	256,815
2016	43,100	1,447	332,856	266,285
2017	44,600	1,501	345,153	276,122
Annual Average 2007-2017	1,283	1,261	290,060	232,050

Note: Square footage/office worker: 230

Multi-tenant demand distribution: 80%

Source: THK Associates, Inc.

Table VI-4 illustrates the projected office space demand for the City of Clifton from 2007 to 2017. Assuming the Old Town Clifton Primary Trade Area has 90% of the office employment for Mesa County, THK can estimate the amount of office space demand in the city. Given the growth in office employment will average 1,135 workers per year, there should be an average annual demand for just over 260,000 square feet of office space from 2007 to 2017 in the Old Town Clifton Primary Trade Area. Approximately 80% of this demand, or 208,840 square feet, will be for multi-tenant office space.

**Table VI-4: Projected Office Space Demand in
The Old Town Clifton Primary Trade, 2007-2017**

Year	Total Office Employment	Annual Change Office Employment	Projected Annual Occupied Office Space Demand	Projected Multi-tenant Office Space Demand
2007	28,598	943	216,783	173,427
2008	29,575	977	224,655	179,724
2009	30,587	1,012	232,828	186,263
2010	31,636	1,049	241,315	193,052
2011	32,724	1,088	250,129	200,103
2012	33,851	1,127	259,282	207,425
2013	35,020	1,169	268,788	215,030
2014	36,231	1,212	278,661	222,929
2015	37,487	1,256	288,917	231,134
2016	38,790	1,302	299,570	239,656
2017	40,140	1,351	310,637	248,510
Annual Average 2007-2017	1,154	1,135	261,050	208,840

Note: Square footage/office worker: 230

Multi-tenant demand distribution: 80%

Source: THK Associates, Inc.

B. Site Potentials

Table VI-5 projects office demand and acreage absorption for the Old Town Clifton site. The subject property is located in the Clifton area, which is expected to experience decent growth over the next decade. Based on trends in the area and locations of existing and emerging business parks, THK estimates that 90% of the demand for office space in Mesa County will occur in the Old Town Clifton Primary Trade Area.

The Trade Area will have an annual average demand of approximately 290,370 square feet of new office construction (single and multi-tenant).

It is estimated that the site could capture approximately 6,752 square feet of office demand annually during the 2007-2013 period. It is estimated that the site will capture approximately 2.5% of the demand over the next decade. With allowances for speculative/expansion construction, this equates to an absorption rate of approximately .4 acres annually according to Table VI-7.

**Table VI-5: Projected Office Space Absorption in
the Old Town Clifton Primary Trade Area, 2007-2017**

Year	Estimated Existing Total Office Space	Estimated Vacant Office Space	Vacancy Rate	Office Demand	Projected Construction
2007	3,654,171	327,907	9.0%	216,783	254,294
2008	3,908,465	365,417	9.3%	224,655	250,084
2009	4,158,550	390,847	9.4%	232,828	257,837
2010	4,416,386	415,855	9.4%	241,315	267,099
2011	4,683,485	441,639	9.4%	250,129	276,839
2012	4,960,324	468,349	9.4%	259,282	286,966
2013	5,247,290	496,032	9.5%	268,788	297,485
2014	5,544,774	524,729	9.5%	278,661	308,410
2015	5,853,184	554,477	9.5%	288,917	319,758
2016	6,172,942	585,318	9.5%	299,570	331,546
2017	6,504,489	617,294	9.5%	310,637	343,792
Average Annual Change, 2007-2017	285,032	28,939		261,050	290,370

* Assumes new construction will be undertaken when the market falls below a 10-12% vacancy rate. However, attainable lease rates may not justify new construction, therefore vacancy rates may drop below assumed market equilibrium of 10-12%.

Source: THK Associates, Inc.

Table VI-6: Representative Multi-Tenant Office Buildings Grand Junction/Old Town Clifton Environs

Name/Location	Total Building Size	Year Built	Acres	Lease Rate	Available
1 The Fox Building 326 Main St	11,982	1911	0.10	--	--
2 Merrill Lynch 123 N 7th St	12,172	1900	0.20	\$15.00	--
3 300 Main St 300 Main St	15,369	1915	0.50	\$9-\$12	--
4 White Building 600 White Ave	27,918	1923	0.10	--	--
5 Reed Building 362 Main St 101-104	18,454	1908	0.40	\$15.00	12,479
6 Enterprize Building 101 S. 3rd St	18,578	1905	0.20	\$14.00	--
7 American National Bank 131 N 6th St	21,705	1964	0.30	\$12.00	--
8 Dalby Wendland 464 Main St	21,750	1910	0.10	\$11-\$14	--
9 Home Loan Building 205 N 4th St	31,900	2004	0.50	\$18-\$25	--
10 Bank of Colorado 200 Grand Ave	39,674	1982	0.40	\$12-\$18	1,250
11 US Bank Building 422 White Ave	41,300	1984	2.00	\$15-\$18	--
12 Wells Fargo 359 Main St	50,954	1977	1.17	\$10-\$12	1,200
13 Alpine Bank Building 225 N. 5th St	83,526	1974	1.00	\$15.00	2,300
14 Highline Center 2784 Crossroads Blvd	23,732	1979	1.90	--	--
15 Crossroads Building 2777 Crossroads Blvd 1-7	25,730	1981	1.70	\$10.00	--
16 Medical Office 2661 Patterson Rd	32,668	1999	2.10	--	--
17 North Crest Office 805 N. Crest Ave	8,000	2005	1.20	\$15-\$18	4,000
18 Skyline Building 751 Horizon Ct.	33,118	1978	1.50	\$13.00	--
19 Horizon Park Plaza 743 Horizon Ct.	68,131	1981	2.60	\$15.00	--
20 Crossroads Business Commons II 2768 Compass Dr	45,592	1981	1.50	--	--
21 Compass Park Building 2764 Compass Dr.	45,599	1981	3.70	\$10-\$12	--

Name/Location	Total Building Size	Year Built	Acres	Lease Rate	Available
22 Horizon Complex 744 Horizon Ct.	63,542	1983	2.90	\$15.00	5,000
23 764 Horizon-3 Building 764 Horizon Dr.	65,018	1977	4.00	\$13.00	25,000
24 Crossroads Building 2754 Compass Dr	78,050	1982	3.40	\$12-\$15	--
25 Fairmont Health Park 3150 N 12 th St	80,000	2004	8.40	\$18.00	--
26 Commercial Federal bank 2452 Patterson Rd.	17,037	1982	0.60	\$14.00	2,400
27 Foresight Business 627 25 1/2 Rd.	100,000	1978-2001	6.50	\$8-\$10	37,000
28 Independence Plaza 1048 Independent Ave	66,568	1982	4.20	\$9-\$11	2,000
29 Solaris Square 2881 North Ave	30,092	1981	1.50	\$12.00	7,780
30 Wells Fargo 2836 North Ave	30,443	1978	3.30	\$9-\$13	7,652
31 Fidelity Building 700 Belford Ave	18,000	2005	0.40	\$15-\$20	2,008
Total	1,226,602				110,069
Average	39,568	1967	1.88	\$13.57	8,467

Source: Bray Real Estate, and THK Associates, Inc.

Table VI-7: Office Space Demand at the Old Town Clifton Site, 2007-2017

Year	Projected New Construction in the Old Town Clifton PTA	Total Office Demand at Subject Site	Cumulative Demand at Subject Site	Office Demands at the Subject Site	
				Con- struction	Cumulative
2007	254,294	6,357	6,357	Planning	--
2008	250,084	6,252	12,609	0.4	0.4
2009	257,837	6,446	19,055	0.4	0.8
2010	267,099	6,677	25,733	0.4	1.3
2011	276,839	6,921	32,654	0.5	1.7
2012	286,966	7,174	39,828	0.5	2.2
2013	297,485	7,437	47,265	0.5	2.7
Average Annual Change	270,086	6,752		0.4	

* F.A.R. = 0.35

Source: THK Associates, Inc.

VII. INDUSTRIAL/FLEX MARKET ANALYSIS

1. Industrial Categories

Mesa County industrial properties are separated into four categories by the following definitions:

High Tech/Research and Development - buildings that are primarily used for research and development, engineering, biotechnology, or electronic assembly. Buildings are characterized by landscaped, office park type construction, state of the art amenities, wiring for heavy amps, and an emphasis on office and common areas.

Manufacturing - facilities used for manufacturing and fabrication purposes with some warehouse/storage capabilities, building features may include craneways, heavy power, and grade level doors.

Warehouse/Distribution - buildings that contain high-cubed ceilings and dock high and/or grade level doors. These facilities usually feature concrete construction, ample warehouse space, a relatively low ration of office build-out, paved/fenced yards and storage areas.

Office/Service Center - primarily buildings with storefront/showroom areas, grade level loading, lower ceiling heights and service/repair areas. The buildings generally contain a higher showroom/office versus warehouse build-out ratio.

A. Location Factors Affecting Industrial Markets in Mesa County

The size of firms, their geographic market orientation, the type of product or service provided, and the "life cycle stage" of a firm, e.g., whether they are new startups, engaged in research and development, or producing finished products, are the most important determinants of business locations. It is particularly important to understand the characteristics and locational needs of firms in order to understand the likely direction of growth of the local industrial market. This portion of the report describes the various activities of local industrial operations and the particular locations needs of various types of firms in order to project the geographic distribution of industrial growth in Mesa County.

Traditional economic theories of regional growth focus on the role of transportation costs relative to the location of natural resources and sources of demand for export of local products to explain growth. Today, there is an emerging view that labor resources and the existing structure of local economies are the major indicators of a region's industrial growth potential. This view stems from a growing awareness that structural changes in the United States economy are leading to regional shifts in industrial location patterns. The structural changes occurring in the national economy are of two types: 1) the growth of employment in services, information processing and related occupations relative to growth in the manufacturing sector; and 2) the growth of technology intensive manufacturing industries such as electronics relative to growth in traditional manufacturing enterprises such as steel or automobiles.

The economy of the United States is being transformed not only in terms of what and how goods and services are produced, but in terms of the special location of economic activity as well. Changes in productivity, technology and transportation have led to the following economic trends:

- growth and specialization of markets;
- the growth of services and service like operations, e.g., drafting, testing, managing, planning, accounting, inventory control, research and development, finance;
- the growth of large corporate conglomerates;
- the geographic dispersion of productive activities nationally to rural and suburban areas and internationally; and
- the concentration of advanced services such as finance, insurance and real estate, business services, legal, engineering, accounting, architecture and planning in large national and regional service centers.

Trends in business location reflect the changing nature of the United States economy as a whole. As the economy of the nation has evolved, labor has moved from agriculture to goods production (mining and manufacturing) and now to services. The shift is not a result of declining production but of technological innovations allowing more production with fewer workers. As real household incomes have increased over the last several decades, there also has been an increasing demand for trade, finance, and services with the demand for services rising faster than the demand for durable manufactured goods. Service industries also tend to create more jobs than manufacturing because they are less able to be mechanized. As incomes grow, there tends to be an upward limit to the amount of manufactured products demanded, hand tend only to be limited by the ability to pay for them.

A consequence of this structural shift is that the economy is becoming increasingly specialized and complex. Markets are becoming more specialized and segmented reflecting the wealth of our society. The number of occupational specialties in industries also is growing and new categories of jobs are being created all the time. Many of the occupations people will be employed in a decade from now may not exist today. At the same time, there has been a general upgrading in the educational level of the work force and in the skills required for various jobs. With the growing economic complexity, there has been a corresponding need for managers and administrators in all segments of industry.

This has produced a growth in service like white-collar operations even among basic industries including engineering, drafting, testing, planning, accounting, inventory control, R&D and finance. These services are either provided with, or embodied in, the goods produced by a region. For example, Xerox is a major manufacturer but only 1/7th of its United States work force is on the factory floor. More than one-half are involved in sales, customer service and marketing.

Transportation changes, including the construction of the interstate highway system and the historic dominance of trucking over rail distribution, have led to the dispersion and suburbanization of business activities. Improvements in community technology also have contributed to the decentralization of large-scale corporate operations.

Improvements in communication and transportation have freed non-headquarter offices from their historic central city ties. For many firms, particularly those providing support office and data processing services, face-to-face contact is no longer a major determinant of location. For these concerns, executive preference for a suburban location may be a major determinant.

Since a significant proportion of these executives already live in the suburbs, it is not surprising to find a continued and increasing shift to non-central city locations.

Many factors influence the locational decisions of firms and the often complex inter-relationships and conflicts among a particular region's various geographic attributes. A region in this sense is a multi-state area with a common economic base such as the southwest border region, the industrial northeast, the eastern seaboard, the northwest, or the Great Plains region. No one or two factors absolutely determine a firm's location decision, rather a combination of factors must be weighed. Studies of regional growth and business location suggest the following factors. Listed in order to relative importance are the most critical in a firm's location decision:

- **Market.** Markets include consumers of final goods and services, suppliers of essential parts and services, or suppliers of raw materials. Population and income are the most important indicators of market demand. Market influences account for approximately two-thirds of locational change.
- **Climate.** Climate is significant because warmer states are becoming increasingly more attractive than colder states for firm location. The disincentives of a colder climate include higher construction and heating costs, infeasibility of outdoor operations and storage, winter transportation breakdowns, winter absenteeism, the unwillingness of professionals and executives to live in regions with harsh winters, and slow market growth resulting from low migration. The influence of climate accounts for about 25% of location change.
- **Labor.** Labor is the third most important influence on location change. The most important differences among regions are in terms of wages, unionization and labor supply.

Table VII-1 summarizes the locational preferences of seven major types of businesses based upon product/service and market orientation factors.

Table VII-1: Locational Preference by Industry Type

<u>Industrial Type</u>	<u>Market Orientation Raw Materials/Labor</u>	<u>Final Product</u>	<u>Locational Preference</u>	<u>Examples of Industries</u>
Ubiquitous	Dispersed	Local	Central, often near CBD	Firms serving local needs whose raw materials are available every where such as food processing
Business Services/ Communications	Local	Local/Regional/ National	Central near CBD	Firms requiring face-to-face contact with consumers and sources of information such as attorneys, advertising agencies, brokers, finance, administration, printing
Local Manufacturing	Local	Local	Flexible or in peripheral locations near freeways	Industries whose raw materials are by-products of local firms (e.g. chemicals and petroleum refining) or who process semi-finished goods produced locally
Non-local High Value Manufacturing	Local	Regional/ National	Flexible	Firms whose finished products have a high value per pound such as chemicals, computers, instruments so that transportation costs are relatively unimportant
Non-local High Bulk Manufacturing	Local/Regional	Regional/ National	Peripheral locations where large sites are available with proximity to transportation facilities and/or to major markets or raw material sources	Industries whose products are bulky and expensive to ship such as iron, steel, motor vehicles
Research & Development	Local	Local/ Regional	Concentrations or clusters in non-central areas	Firms engaged in R&D, communications, electronics, etc. who must remain informed of the latest in scientific technical developments but are independent of central city business and services
Port	Regional/National	Regional/ National	Near port facilities	Firms that use water bound transportation to ship goods or receive raw materials

Source: THK Associates, Inc.

Warehouse and Distribution Space Location Requirements

The term warehouse and distribution space is used to describe industrial buildings that function primarily as storage and distribution centers, which have a lower grade of finish than "high finish" space, e.g., 5%-15% office. Differences between warehouse, manufacturing, light assembly and office space have become increasingly blurred in recent years as firms move toward office/service center concepts. Warehouse and distribution space is able to be located in more peripheral locations, as opposed to the more service-oriented requirements of high-finish space, therefore, rents are considerably less.

Good warehousing locations feature reasonable rents, good access to highway, rail and air transportation networks, and proximity to labor and housing markets. The needs of warehouse and distribution type firms dictate that they be reasonably close to the population or business base that they serve. For example, food distribution firms are more likely to locate in a warehouse facility near a population base in order to reduce transportation costs, whereas a firm storing and distributing paper products would naturally prefer locating near an employment base.

Warehousing space does offer a certain degree of flexibility. Warehouse/distribution uses in centralized locations can be more oriented towards commercial retail or office uses as opposed to peripherally located distribution buildings more oriented towards truck-oriented distribution and warehousing.

Changes in manufacturing technology may have some long-term effects on the warehousing market. The "just in time" inventory system (JIT) is an example. "Just in time" manufacturing calls for delivery of component parts in an assembly process or raw materials in a manufacturing operation very shortly, i.e., two hours, before they are to be used. Previously, required items were delivered to plants days ahead of time, which meant that companies stored large inventories of items ("just in case") and absorbed substantial inventory carrying costs. JIT involves off-loading material at designated spots along the assembly or production line where is its used immediately without stockpiling.

The implications are that on-site storage space for manufacturing will be reduced, plants will be designed to allow more efficient truck access, the use of rail will be diminished, and suppliers will move closer to manufacturers so that they can react faster. Overall, the result will be to reduce demands for warehouse space. Nevertheless, it will be years before this technology is pervasive.

Manufacturing Location Requirements

Manufacturing industrial space is dominated by single user, owner occupied buildings which serve as locations for the manufacturing and assembly of products. The composition of industrial activity in the United States is undergoing a gradual transformation away from basic manufacturing toward high technology manufacturing, information and data processing, and services. Also, smaller firms requiring space increments of less than 25,000 square feet comprise the bulk of recent industrial growth.

Manufacturing space does not offer the same type of flexibility as high-finish and warehouse/distribution space. Once a manufacturing plant has been constructed and designed for a specific user, it generally is not easily converted to another type of manufacturing use. However, depending on the size and type of operation, the cost of purchasing and renovating

an existing manufacturing facility is likely to be less than new construction. Another benefit to renovation of existing manufacturing plants is the time involved. It takes an average of five years to plan, design and site a new industrial manufacturing facility and to gain the necessary approval for construction, therefore, a firm seeking to open or expand quickly is likely to find existing facilities attractive.

High-finish Industrial Space Location Requirements

High-finish industrial space includes office/warehouse/showroom (flex) and R&D (research and development) space. The rapid growth of service, information and data processing high technology industries in recent years has spurred the growth of high-finish industrial development. High-finish industrial space is a relatively new concept in industrial development characterized by a higher degree of finish than standard manufacturing and distribution facilities, e.g., 35%-60% office. This type of space is very flexible and a diverse group of tenants is attracted to it.

Advanced technology manufacturers, especially in the electronics industry and research laboratories, are glamour tenants of high-finish space, but users of this space are not limited to these groups. Telecommunications firms, computer and data processing firms, distributors of high technology products, medical supplies, equipment and instruments are also a very important part of the high-finish industrial market, as well as business services, small contractors, small distributors, retailers, and manufacturers. The types of tenants of this space vary tremendously from national giants such as IBM to small "mom and pop" operations that are flourishing during the recent economic expansion.

High-finish industrial facilities are usually found in suburban business communities where users may enjoy the benefits of a planned business environment and where relatively inexpensive land and lower rents are available. Because of the flexibility of high-finish industrial buildings in the percentage of finished office space, some users of traditional office space find the high-finish alternative appealing. For example, firms with large data processing requirements, such as banks and credit institutions, find it advantageous to locate non-customer oriented personnel in less expensive high-finish industrial space.

Flexibility of location and building design are the essential elements of the appeal of high-finish industrial space. Advances in telecommunications no longer make it necessary to locate all employees of a firm under one roof. Operations may be dispersed to the most suitable locations yet still be connected electronically, enhancing the overall efficiency of a firm while reducing the overall costs of the space occupied.

For manufacturers and distributors of advanced technology products, the location factors and warehouses are not bound to particular locations by natural resources or by concern for transportation and communication costs. Technology and skilled labor are the primary inputs to production, and shipping costs are low relative to these costs and the value of products such as computers, instruments, telecommunications and other technical equipment. Advanced technology firms are free to locate in areas where amenities are most attractive and where skilled labor is available. Advanced technology firms in particular benefit from clustering in a geographic area because a large number of similar firms increase the availability of skilled labor and other specialized resources including suppliers of component parts and essential services such as real estate, public relations, finance, legal counsel, printing and research.

Contractors such as plumbing services, repair shops, services to buildings, small distributors and retailers, etc., particularly enjoy the flexible and inexpensive space offered in combination office/warehouse projects. Of importance to these users is their proximity to suburban population and business growth centers where the bulk of their clientele are located. The factors listed below are the most important in determining high technology industry location:

- availability of engineers and proximity to the educational institutions supporting and supplying them;
- quality of life, tempered by cost of living factors;
- proximity to other R&D facilities;
- receptivity of local governments (cooperative attitude toward new firms more than financial incentives);
- proximity to venture capital sources; and
- access to a major airport.

For manufacturers and distributors of high bulk/low value products, however, the location of factories and warehouses are indeed bound to particular locations by natural resources and/or by concern for transportation and communications. For high bulk, low value products, a warehousing and distribution center must be located in close proximity to transportation systems in order to reduce shipping costs. Most distribution nodes within metropolitan areas benefit from internodal transportation, i.e., more than one mode. For example, the warehousing and distribution corridor is served by superior highway, air and rail transportation systems. The following factors exert the most influence in warehouse/distribution and manufacturing location decisions:

- access to internodal transportation network;
- lower land and building costs; and
- geographic proximity to markets.

Manufacturing activity has steadily moved from central locations to peripheral locations over the past thirty or forty years. In the past, manufacturing industrial operations were conducted in central locations in order to be close to population concentrations. Due to limited space, multi-level manufacturing plants were developed where the raw materials were loaded into the top floor of the plant, and the finished product was assembled on the ground floor and loaded onto railcars or trucks for distribution.

The growing number of motor vehicles and vastly expanded highway systems, among other things, has drastically changed manufacturing processes. With increased distribution capabilities, escalating land prices, and a limited supply of available centralized sites, manufacturing plants tend to locate in peripheral locations near freeways. With larger inexpensive sites available, manufacturing activity now takes place linearly in long single story buildings, as opposed to vertically in multi-story buildings. Due to advances in automation and computer controller production, manufacturing processes today are much more efficient making them less labor intensive.

B. Projected Demands for Industrial Building Space in Mesa County

The preceding discussions describing the current characteristics of the industrial market in Mesa County and the emerging trends in industry location patterns provide the framework necessary to project local demands for industrial space. Employment growth of the next decade will create the principal demands for additional industrial land and building space of all types in the relevant market areas.

Some enterprises are more likely than others to house employees in industrial space rather than in office buildings, retail establishments, schools or public buildings. The percentage of new employment that will be housed in industrial buildings for each major industrial group is given below in Table VII-2.

Table VII-2: Proportion of New Employment Housed in Industrial Space

Industry	Proportion of New Employment Housed in Industrial Space
Mining and Construction	13%
Manufacturing	85%
Transportation, Communication, Public Utilities	25%
Wholesale Trade	85%
Retail Trade	5%
Finance, Insurance, Real Estate	0%
Services	18%
Government	5%
Agriculture	10%

Source: THK Associates, Inc.

In Table VII-3, the industrial employment percentages from Table VII-2 are applied to projected employment change per year by industry in Mesa County to find the growth per year in the number of employees expected to be housed in industrial facilities in the coming decade. Industrial employment is projected to experience an average annual growth of 519 new industrial jobs from 2007 through 2017. Cyclical employment forces have not been illustrated in order to present an overall economic employment growth trend. The services sector is expected to account for 33% of the total growth, with 21% coming from the manufacturing sector and 17.5% coming from the wholesale trade sector.

Table VII-3: Projected Average Industrial Employment in Mesa County, 2007-2017

Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Annual Average Change
Mining and Construction	1,315	1,372	1,431	1,493	1,558	1,626	1,696	1,770	1,847	1,927	2,011	70
Manufacturing	4,366	4,467	4,570	4,676	4,784	4,894	5,007	5,123	5,241	5,362	5,486	112
T & U*	1,121	1,160	1,201	1,243	1,287	1,332	1,379	1,428	1,478	1,530	1,584	46
Wholesale Trade	2,577	2,656	2,738	2,823	2,910	2,999	3,092	3,187	3,285	3,386	3,490	91
Retail Trade	771	787	804	821	838	855	873	891	910	929	948	18
FIRE**	0	0	0	0	0	0	0	0	0	0	0	0
Services	4,641	4,789	4,942	5,100	5,262	5,430	5,604	5,782	5,967	6,157	6,353	171
Government	466	476	486	496	507	517	528	539	550	562	573	11
Farm	208	208	208	209	209	210	210	211	211	212	212	0
Total Industrial Employment	15,465	15,916	16,381	16,860	17,355	17,864	18,389	18,931	19,489	20,065	20,659	519

* *Transportation & Utilities*

** *Finance, Insurance, and Real Estate*

Source: THK Associates, Inc.

Differences between warehouse, manufacturing, light assembly and office space have become increasingly less distinct in recent years as firms move toward office/service center concepts. The relative space needs of firms in terms of quantity depend on their principal type of activity. The following shows the estimated per employee space needs of various types of industrial operations.

Table VII-4: Space Requirements for Industrial Employment

Activity	Square Feet of Building Space per Employee
Management & Administration	250-300
Sales & Marketing	250-300
Data Processing	450-500
R & D Assembly	500-600
Warehousing, Distribution, Manufacturing	1,000-1,500
Overall Vicksburg Average	550

Source: THK Associates, Inc.

The Old Town Clifton regional area industrial market is generally split between the management and marketing segments, and the larger warehouse, distribution, and manufacturing uses, which generally require more square feet of building space per employee. The majority of future growth is likely to be for service-oriented uses, which require less square footage of building space per employee. Overall, in the Old Town Clifton PTA, industrial users are estimated to require approximately 550 square feet per employee. By using this standard, projected industrial employment can be converted into industrial space demand estimates. Table VII-5 shows the projected demand for industrial space in the two-county area during the next decade, and Table VII-6 shows the projected demand for industrial space in the Old Town Clifton PTA

Warehouse distribution will account for approximately 61% of total demand in the two-county area, or an annual average of approximately 171,760 square feet, with manufacturing accounting for approximately 56,130 square feet per year, or 20% of the total. During the period from 2007 through 2017, industrial space demand will increase by an annual average of 281,570 square feet. High finish industrial space (including research and development space, laboratories and advanced technology manufacturing) will account for 19% of total demand, or nearly 53,500 square feet per year.

Within the Old Town Clifton trade area, warehouse and distribution will account for an annual average of approximately 137,410 square feet. Manufacturing will account for approximately 45,050 square feet, and high finish industrial space will account for 42,800 square feet per year. Over the next decade, industrial space in the Old Town Clifton PTA will increase by an annual average of 68,060 square feet.

**Table VII-5: Projected Industrial Space Demand in
Mesa County, 2007-2017**

Year	Total Industrial Employment	Annual Change Industrial Employment	Annual Occupied Industrial Space Demand			
			Total	Warehouse & Distribution	Manufacturing	R & D
2007	15,465	438	240,682	146,816	48,136	45,730
2008	15,916	451	248,094	151,337	49,619	47,138
2009	16,381	465	255,744	156,004	51,149	48,591
2010	16,860	479	263,642	160,821	52,728	50,092
2011	17,355	494	271,794	165,794	54,359	51,641
2012	17,864	509	280,209	170,928	56,042	53,240
2013	18,389	525	288,897	176,227	57,779	54,891
2014	18,931	542	297,867	181,699	59,573	56,595
2015	19,489	558	307,127	187,348	61,425	58,354
2016	20,065	576	316,689	193,180	63,338	60,171
2017	20,659	594	326,561	199,202	65,312	62,047
Annual Average 2007-2017	17,943	512	281,570	171,760	56,310	53,500

NOTE:

Square Footage/Employee 550

Space Distribution

Warehouse & Distribution 61%
 Manufacturing 20%
 R & D/Service 19%

Source: THK Associates, Inc.

**Table VII-6: Projected Industrial Space Demand in
the Old Town Clifton PTA, 2007-2017**

Year	Total Industrial Employment	Annual Change Industrial Employment	Annual Occupied Industrial Space Demand			
			Total	Warehouse & Distribution	Manufacturing	R & D
2007	12,372	350	192,545	117,453	38,509	36,584
2008	12,733	361	198,475	121,070	39,695	37,710
2009	13,105	372	204,596	124,803	40,919	38,873
2010	13,488	383	210,913	128,657	42,183	40,074
2011	13,884	395	217,435	132,635	43,487	41,313
2012	14,291	408	224,168	136,742	44,834	42,592
2013	14,711	420	231,118	140,982	46,224	43,912
2014	15,145	433	238,293	145,359	47,659	45,276
2015	15,591	447	245,702	149,878	49,140	46,683
2016	16,052	461	253,351	154,544	50,670	48,137
2017	16,527	475	261,249	159,362	52,250	49,637
Annual Average 2007-2017	14,355	410	225,260	137,410	45,050	42,800

NOTE:

Square Footage/Employee 550

Space Distribution

 Warehouse & Distribution 61%
 Manufacturing 20%
 R & D/Service 19%

Source: THK Associates, Inc.

C. Market Equilibrium

The purpose of this subsection is to examine when the industrial market will reach market equilibrium in the Old Town Clifton PTA. The following conclusions are based on research conducted by THK of existing supply and demand conditions.

Methodology and Assumptions

In the following analysis, industrial/flex market equilibrium is considered achieved when the forecasted demand absorbs enough existing vacant space to bring the vacancy rate around 10%. It is further assumed that new construction is justified only after market equilibrium is reached. In other words, higher vacancy rates will discourage new investment, for the most part, until individual submarkets absorb surplus land/space and return to an attractive operating level or equilibrium. It's also assumed that new construction will require a 12-month development period to deliver new product, plus six months for planning, design and site acquisition.

Finally, new construction (justified) in the Old Town Clifton PTA will depend on supply and demand forces within individual submarkets. Each submarket will reach equilibrium at its own pace regardless of larger regional conditions. The Old Town Clifton PTA is viewed as a sum of these smaller areas and will, therefore, demonstrate demand for new construction activity prior to reaching overall market equilibrium because of changes observed at micro market levels.

Table VII-7 provides estimates of anticipated market equilibrium and demand for industrial space in the Old Town Clifton PTA.

Based on anticipated industrial space demand and assuming that a 10%-12% vacancy range represents a stabilized market, construction is currently 235,695 square feet and is projected to grow to 289,305 square feet by 2017. Table VII-7 displays the overall industrial market activity as it is projected to occur in the Old Town Clifton PTA.

**Table VII-7: Projected Industrial Space Absorption in
the Old Town Clifton PTA, 2007-2017**

Year	Estimated Existing Total Industrial Space	Estimated Vacant Industrial Space	Vacancy Rate	Industrial Demand	Projected Construction
2007	7,043,543	661,205	9.4%	192,545	235,695
2008	7,279,237	704,354	9.7%	198,475	222,044
2009	7,501,282	727,924	9.7%	204,596	226,800
2010	7,728,082	750,128	9.7%	210,913	233,593
2011	7,961,675	772,808	9.7%	217,435	240,794
2012	8,202,470	796,168	9.7%	224,168	248,247
2013	8,450,717	820,247	9.7%	231,118	255,943
2014	8,706,659	845,072	9.7%	238,293	263,888
2015	8,970,547	870,666	9.7%	245,702	272,091
2016	9,242,638	897,055	9.7%	253,351	280,560
2017	9,523,198	924,264	9.7%	261,249	289,305
Average Annual Change, 2007-2017	247,966	26,306		222,010	251,720

* Assumes new construction will be undertaken when the market falls below a 10-12% vacancy rate. However, attainable lease rates may not justify new construction, therefore vacancy rates may drop below assumed market equilibrium of 10-12%.

Source: THK Associates, Inc.

D. Site Potentials

The analysis of industrial space projects future demand in Mesa County will be for 281,570 square feet annually while the Old Town Clifton primary trade area will have a demand of almost 222,000 square feet of occupied industrial space per year over the next decade.

However, due to significant space constraints at the Old Town Clifton site, as well as other areas in close proximity that are better equipped to accommodate industrial demand, THK feels that recommending industrial/flex space in the Old Town Clifton study area is an unreasonable land use.

VIII. HOTEL/RECREATIONAL VEHICLE MARKET ANALYSIS

A. Hotel/Lodging Market Analysis

Demand for hotel facilities on the Old Town Clifton site are dependent upon business growth in the area, as well as tourism trends to the local environs. Table VIII-1 shows lodging occupancy trends to the Grand Junction area. Robust growth can be seen, with most recent occupancy information showing 88.2% of available rooms occupied.

Table VIII-1: Lodging Occupancy and Room Nights in Grand Junction

Last Nine Months	Room Nights Available	Room Nights Occupied	Occupancy Percentage	Average Room Rate	Revenue Per Available Room
May 2007	39,026	34,423	88.20%	\$77.01	\$67.92
April 2007	33,277	23,321	70.10%	\$74.65	\$52.31
March 2007	34,906	22,440	64.30%	\$69.63	\$44.76
February 2007	35,392	20,756	58.60%	\$59.99	\$35.18
January 2007	38,905	22,084	56.80%	\$65.14	\$36.98
December 2006	--	--	57.70%	\$64.29	\$37.10
November 2006	37,590	22,300	59.30%	\$63.65	\$37.76
October 2006	42,482	29,902	70.40%	\$65.39	\$46.03
September 2006	41,640	34,787	83.50%	\$72.84	\$60.85
August 2006	43,028	37,073	86.20%	\$69.40	\$55.80
July 2006	43,028	36,865	85.70%	\$69.21	\$59.30
Average			70.98%	\$68.29	\$48.54
Full Year					
2006	--	--	70.60%	\$66.38	\$46.85
Percent Change			11.89%		
2005	--	--	63.10%	\$62.09	\$39.18
Percent Change			9.55%		
2004	--	--	57.60%	\$59.58	\$34.54

Source: Rocky Mountain Lodging Report and THK Associates, Inc.

1. *Representative Lodging Accommodations in the Old Town Clifton Trade Area*

A survey was conducted in July 2007 to identify the supply of lodging accommodations in the Old Town Clifton hotel trade area (the trade area is shown on the following map). Table VIII-2 profiles the hotels, and Bed & Breakfasts' identified within the Old Town Clifton trade area and includes their room totals, room rates, and amenities.

- A total of 42 hotels, motels, and bed and breakfasts were surveyed; these hotels/motels/B&B's have a total of 1,965 rooms, or an average of 47 rooms each.
- There were 12 facilities with 100 or more rooms were identified in the environs.
- Room rates within the trade area average from \$80 to \$149.
- Most hotels/motels have either an indoor or outdoor pool, and most offered senior discounts.
- Occupancy at area hotels/motels is currently at 88.2%

**Table VIII-2: Representative Lodging Accommodations within
the Grand Junction Environs**

Name/Location	Total Rooms	Rates	Amenities
Hotel/Motel			
1 Affordable Inns 721 Horizon Drive 800.888.5736 970.243.6050	55	\$45 - \$130	SP; DP; Pets; RF
2 Americas Best Value Inn 754 Horizon Dr. 800.544.3782 970.245.1410	97	\$55 - \$85	SP; DP; Pets; RF
3 Best Western Sandman 708 Horizon Dr. 970.243.4150	80	\$60 - \$120	SP; DP; Pets; RF
4 Columbine Motel 2824 North Avenue 970.241.2908	14	\$55	Pets; RF
5 Comfort Inn 750 3/4 Horizon Dr. 800-4-Choice 970.245.3335	57	\$99 - \$140	SP; FT; DP; RF
6 Country Inns of America 718 Horizon Dr. 800.990.1143 970.243.5080	140	\$45 - \$120	SP; DP; RF; Pets
7 Courtyard by Marriott 765 Horizon Dr. 800.935.4176 970.263.4414	136	\$99 - \$179	SP; FT; DP; Pets
8 Doubletree Hotel 743 Horizon Dr. 800.460.1488 970.241.8888	287	\$84 - \$189	SP; FT; DP; RE; Meeting Rm
9 El Palomino Motel 2400 North Ave. 970.242.1826	20	- -	SP; RF
10 El Rio Rancho Motel 730 Hwy 50 970.242.0256	17	\$45	RF; Pets

Name/Location	Total Rooms	Rates	Amenities
11 Frontier Motor Lodge 1940 North Ave 970.241.6624	22	- -	none
12 Gateway Canyons Resort 43200 Highway 141 Gateway , CO 81522 866.671.4733 970.931.2458	62	\$99 - \$309	FT; DP; RE; RF; Pets; Meeting Rm
13 Grand Vista Hotel 2790 Crossroads Blvd 800.800.7796 970.241.8411	174	\$69 - \$109	SP; FT; DP; RF; RE; Pets; Mtg Rm
14 Hampton Inn Downtown 205 Main St. 877.307.5678 970.243.3222	80	\$89 - \$139	SP; FT; RF; Pets; Mtg Rm
15 Hawthorn Suites Hotel Downtown 225 Main St. 800.922.3883 970.242.2525	70	\$89 - \$239	SP; FT; DP; RF; Pets; Mtg Rm
16 Holiday Inn 755 Horizon Dr. 888.489.9796 970.243.6790	305	\$79 - \$109	SP; FT; RE; DP; Pets; Meeting Rm
17 Holiday Inn Express & Suites 625 Raelynn St. 970.245.8164	122	\$114 - \$139	SP; FT; DP; RF; Mtg. Rm
18 Inn at Wildewood - Powderhorn 48371 Quakie St. Mesa, CO 81643 970.268.5170	16	\$89 - \$159	DP; RE; RF; Mtg. Rm
19 Ipswich Inn 2222 North Ave. 970.242.7971	28	\$50	RE
20 La Quinta Inn & Suites 2761 Crossroads Blvd 800.531.5900 970.241.2929	113	\$109 - \$124	SP; FT; RF; Pets; Mtg. Rm.
21 Melrose Hotel 337 Colorado Ave 970.242.9636	28	-	RF
22 Mesa Inn 704 Horizon Drive 888.955.3080	125	\$50 - \$85	SP; FT; DP; RF; Pets

Name/Location	Total Rooms	Rates	Amenities
23 Monument Inn 1600 North Avenue 970.245.5770	79	\$55 - \$75	RF; Pets
24 Motel 6 776 Horizon dr. 800.466.8356 970.243.2628	100	\$37 - \$60	SP; DP; RF; Pets
25 Prospector Motel 547 Hwy 50 970.242.4891	22	\$56	RF; Pets
26 Quality Inn 733 Horizon Dr 800.790.2661 970.245.7200	111	\$69 - \$200	SP; DP; RE: RF: Pets; Mtg Rm
27 Ramada Inn 752 Horizon Dr. 800.272.6232 970.243.5150	100	\$109 - \$129	SP; DP; RF: Pets: Mtg. Rm
28 Resident Inn by Marriott 767 Horizon Dr. 800.936.1903 970.263.4004	104	\$69 - \$199	SP; FT: DP; RF: Pets: Mtg Rm
29 Riviera Motel 125 North Avenue 970.245.6754	11	\$50	None
30 Super 8 - Grand Junction 728 Horizon Dr 800.800.80000 970.248.8080	132	\$65	SP; FT; DP; RF; Pets
31 Timbers Motel 1810 North Ave. 970.245.7275	28	- -	None
32 Two Rivers Inn 141 North 1st St. 888.874.7829 970.245.8585	42	\$50 - \$90	SP; RF; Pets
33 Value Lodge 104 White Ave. 970.242.0651	45	\$60	SP; RF

Name/Location	Total Rooms	Rates	Amenities
34 West Gate Inn 2210 Hwy 6 & 50 800.453.9253 970.241.3020	100	\$55 - \$85	SP; DP; RE; RF; Pets; Mtg Rm
Total Hotel/Motel Rooms		1,923	
Average Hotel/Motel Rate		\$76 - \$153	

Bed & Breakfasts

1 Castle Creek 638 Horizon Dr. 970.241.9105	4	\$150	private bath, Full breakfast
2 The Chateau at Two Rivers Winery 2087 Broadway 866.312.9463 970.241.3155	10	\$79 - \$145	private baths; Expanded Cont. B-Fas
3 The Gallery 547 30 Road 970.243.2501	4	\$75 - \$150	Full breakfast
4 Hubert's Place 507 35 1/2 Road Palisade, CO 81526 888.355.2363	2	\$100 - \$175	Self serve breakfast
5 Los Altos 375 Hillview Dr 888.774.0982	7	\$105 - \$215	private baths; full breakfast
6 Vistas & Vineyards 3587 G Road Palisade, CO 81526 970.464.7478	4	\$79 - \$119	private baths; full breakfast
7 Willow Pond 662 26 Road 877.243.4958 970.243.4958	3	\$99 - \$175	private bath; full breakfast
8 Wine Valley Inn 588 West 1st St. Palisade, CO 81526 970.464.1498	8	\$99 - \$159	private bath; full breakfast
Total Bed & Breakfast Rooms		42	
Average Bed & Breakfast Rates		\$98 - \$163	

Total Rooms in Trade Area	1,965	
Average Room Rate in Trade Area	47	\$80 - \$149

NS: Rooms for Nonsmokers; RE: Restaurant/Coffee Shop; FT: Fitness Center; DP: Data Port in Rooms;
RS: Room Service; PT: Pay Television Service; SP: Swimming Pool; CB: Continental Breakfast
AC: Air Conditioned Building, RF: Refrigerator,

Source: Grand Junction Chamber of Commerce & THK Associates, Inc.

2. Projected Lodging Demand in the Clifton Environs

(2007-2017)

Table VIII-3 shows the projected demand for lodging units in the Grand Junction area over the next seven years. Based on the estimated visitor growth in the area, the number of hotel rooms demanded is projected to increase by an average of approximately 88 rooms annually over the next seven years. This is based upon a 2% annual growth rate in overnight visitors and an occupancy rate stabilizing at 72.5% (the area's occupancy rate is currently at 88.2%).

Given its location, THK estimates that the subject can capture 30% of the limited service hotel demand within the Old Town Clifton Trade Area. This translates into an annual average demand for 24 new hotel rooms at the subject site over the next seven years. By 2013, the subject site could accommodate up to 170 new hotel rooms.

Table VIII-3: Projected Hotel Demand in Grand Junction, 2007-2017

Year	Total Hotel Visitors/1	Average Nightly Room Demand	Stabilized Occupancy Rate	Required Hotel Rooms (Stabilized)	Total Hotel Room Demand	New Rooms Demanded	Cumulative Rooms Demanded	Annual Old Town Clifton Site Demand	Cumulative Old Town Clifton Site Demand
2007	953,274	1,451	72.5%	2,001	2,001	36	36	11	11
2008	991,405	1,509	72.5%	2,081	2,081	80	116	24	35
2009	1,031,062	1,569	72.5%	2,165	2,165	83	200	25	60
2010	1,072,304	1,632	72.5%	2,251	2,251	87	286	26	86
2011	1,115,196	1,697	72.5%	2,341	2,341	90	376	27	113
2012	1,159,804	1,765	72.5%	2,435	2,435	94	470	28	141
2013	1,206,196	1,836	72.5%	2,532	2,532	97	567	29	170
Avg. Annual Increase (2007-2017)	42,154	64			88	81		24	

*Assumes 1.8 visitors per room and a stabilized occupancy rate of 72.5%

**Assumes construction of new hotel units will be justified when the demand hits the stabilized occupancy rate

Source: THK Associates, Inc.

IX. MEDICAL MARKET ANALYSIS

A. Medical Potentials at the Old Town Clifton site

Based on the following it is evident that the Clifton area is markedly under served with medical professionals. In order to quantify the pent up demand for medical professionals and medical office space, THK has compared the doctor to population ratios between the Clifton area and the greater Grand Junction area. To do this our previous Old Town Clifton PTA was used, which incorporates Grand Junction, to define population for the greater area. Then a smaller trade area was drawn to encompass just the Clifton environs to define population in the immediate area around the subject site. Doctor's listings from the Colorado Department of Public Health and Environment were then compiled and sorted by area. Comparing the number of doctors to population in the two areas showed a stark difference.

- Population in the Old Town Clifton PTA is 115,077 people in 2007
- Population in the Clifton environs is 24,305 people in 2007
- There are 549 medical professionals listed in the Primary Trade Area
- There are 11 Medical Professionals listed in Clifton
- Overall, the PTA has approximately 1 medical professional for every 210 people.
- Overall, the Clifton environs has approximately 1 medical professional for every 2,210 people

Applying the PTA ratio of doctors to population to the Clifton area there is a shortage of 104 medical professionals in the Clifton environs. Assuming each doctor needs approximately 230 square feet of medical office space, there is a pent up demand for 23,920 square feet of medical office space in the Clifton environs as of 2007. With steady population growth of around 3%, demand for medical office space will be over 30,000 square feet in less than five years. Therefore, THK has recommended space for medical facilities be reserved to accommodate this demand in the study area.

X. RECOMMENDED LAND USE PLAN

A. Land Use Plan

Table X-1 contains THK's recommended land use plan for the 52 acre Old Town Clifton subject site. THK recommends a total of 220 residential units. Of that total, 102 should be townhome/condominium units, and 118 should be rental multi-family.

THK recommends 2.6 acres of the site used for office space, totaling 40,000 square feet. The site is recommended for 14.7 acres of retail and commercial space totaling 160,000 square feet of space, as well as 180 rooms of hotel space, split over 2 sites of 4.5 acres, or 72,000 square feet of total space. The site is also recommended to 30,000 square feet, or 2.8 acres for medical space, and 20,000 square feet of cultural/recreational space. In total, 322,000 square feet of commercial space is recommended for this site

Overall, an approximate 10-year timeframe will be required to fully absorb the site.

TABLE X-1: RECOMMENDED DEVELOPMENT ACTIVITY FOR THE OLD TOWN CLIFTON AREA

LAND USE					
Residential Uses	Units	Sq.Ft.	Rooms	Density	Acres
Townhomes					
Under \$192,300	26	--	--	8.0	3.3
\$192,300 to \$274,700	26	--	--	8.0	3.3
Condominiums					
Under \$192,300	25	--	--	10.0	2.5
\$192,300 to \$274,700	25	--	--	10.0	2.5
Rental Apartments					
Under \$780	10	--	--	18.0	0.6
\$780 to \$909	26	--	--	18.0	1.4
\$910 to \$1,039	46	--	--	18.0	2.6
\$1,039 and Above	36	--	--	18.0	2.0
Sub-Total	220	--	--	12.2	18.1
Retail/Commercial	--	160,000	--	0.25	14.7
Office	--	40,000	--	0.35	2.6
Hotel	--	72,000	180	40.0	4.5
Medical	--	30,000	--	0.25	2.8
Cultural/Recreational	--	20,000	--	0.25	1.8
Sub-Total	--	322,000	180	0.28	26.4
ROW and Open	--	--	--	--	7.8
TOTAL	220	322,000	180	--	52.3

Source: THK Associates, Inc.