

**Market Analysis Report**

**Silver Mountain Village**

**January, 1999**

**Prepared by:**

**Rees Consulting, Inc.  
303/682-3049**

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## **Introduction**

### **Purpose of this Report**

This report examines the housing market in Summit County and the demand for a proposed housing development in Silverthorne. As planned, the project will include a variety of unit types and sizes with a new urbanism design. Up to 350 residential units will ultimately be developed. The project's primary target is the year-round resident market although some units will likely be purchased for use as second homes.

This report contains information on both the home ownership and rental housing markets in Summit County although priority is given to addressing the need for owner-occupied housing since the majority of the planned units will be for sale. While the project will also include a small commercial center, this report does not examine the market for retail or office space.

### **Contents and Organization**

This preliminary report consists of 10 sections as described below:

- *Market Area* – definition and description of the primary market area;
- *Population* – number of persons, growth rates, population distribution and household estimates;
- *Employment* – number of jobs, rate of growth, jobs by industrial sector, wages and income on a county-wide basis;
- *Housing Supply* – current number of units by type and occupancy in the county, number and type of existing units in Silverthorne, and residential development potential in Silverthorne;
- *Housing Needs and Market Demand* – a comparison of housing supply to demand and estimates of demand for both for-sale and rental housing;
- *The For-Sale Market* -- historical sales volume and current for-sale inventory in Summit County as a whole and in Silverthorne;
- *The Rental Market* – composition of the rental inventory and a comparison of rents to incomes;

- *Competitive Analysis – Home Ownership Market* – analysis of projects recently completed and under construction that are targeted for year-round residents including prices, unit sizes, bedroom mix and absorption;
- *Competitive Analysis – The Rental Market* – analysis of all major apartment projects in Summit County including rents, unit sizes, bedroom mix, and amenities; and,
- *Conclusions and Recommendations.*

## **Sources and Methodology Used**

The conclusions drawn in this report are based on objective information from a variety of sources. The most current information available has been referenced. Up-to-date data on population, employment, and housing has been provided, typically in table and graph format for easy reference. Local and state estimates have been supplemented with survey results and interviews. There is very little reliance upon 1990 Census data since conditions in Summit County have changed significantly in the past eight years.

Published data referenced in this report includes:

- population and housing unit estimates from the Summit County Planning Department;
- employment estimates from the Bureau of Economic Analysis and the Colorado Department of Labor and Employment; and,
- sales data and information on current real estate listings from the multi-listing service maintained by the Summit County Association of Realtors.

The report relies heavily upon information obtained through primary research including:

- surveys conducted by RRC Associates in 1990 for the Summit County Housing Task Force and in 1994 for the Summit County Housing Authority, from which statistical tabulations pertaining to the market for the proposed project were prepared;
- interviews of agencies which provide essential services to determine the housing needs of their employees;
- questionnaires completed by property management companies on long-term rental units they manage covering rents, vacancies, unit mix, unit sizes, and amenities;

- interviews of Summit County and municipal planning staff to determine the status of planned residential projects; and,
- interviews of developers, realtors and property managers to obtain information on project performance and the characteristics of their residents.

### **Consultant Qualifications**

Rees Consulting, Inc. specializes in the analysis of housing needs and market conditions, producing reports which range from comprehensive housing needs assessments to market feasibility studies for specific residential projects. The firm's work is concentrated in Colorado's mountain communities where affordable housing is often a serious problem. Since 1993, the firm (formerly ASI Associates) has analyzed the market for over 40 residential properties including the following projects in mountain resort communities:

<u>Project</u>	<u>Location</u>
Pinewoods Village	Breckenridge
W/J Ranch	Aspen
RiverEdge	Avon
Vail Commons	Vail
Lake Creek Village	Edwards
Mountain Village	Steamboat Springs
Eagle's Nest Townhomes	Silverthorne
Breckenridge Terrace	Breckenridge
Lawson Hill	Telluride
Melody Ranch	Jackson, WY

The firm has also completed comprehensive housing needs assessments and other housing studies for public-sector clients in the following Colorado counties and communities: Telluride/San Miguel County, Clear Creek County, Summit County, Gunnison County, Steamboat Springs/Routt County, and Vail.

## Market Area

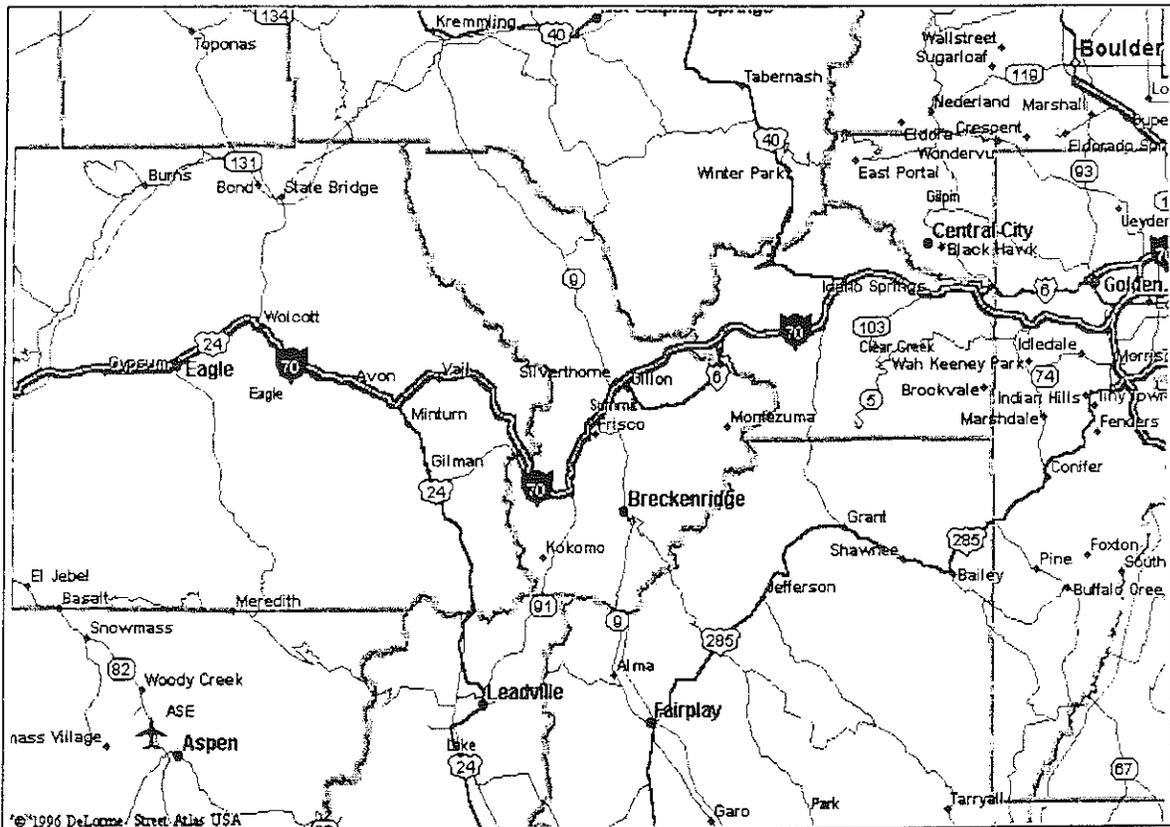
### Definition of the Market Area

The market area for the project is considered to be all of Summit County. This determination was based on several factors including:

- dispersal of employment and residential centers throughout the county;
- established commuting patterns among the county's communities; and,
- existence of a county-wide transportation system.

It is assumed that the project will draw its residents from the population already residing in the county, commuters who now live elsewhere and travel into the county for work, and persons who will move to the area to fill new jobs as they are created.

### Summit County



As will be described in greater detail in subsequent sections of this report, Silverthorne is the county's largest population center and one of the county's major employment centers. As such, it is likely that a substantial percentage of the demand for the proposed project will be generated by persons who work and/or live in Silverthorne.

### **General Description**

Summit County has a thriving tourism industry with three world-class destination ski resorts, a fourth ski resort which is a favorite among Front Range residents, Lake Dillon, the White River National Forest, the Blue River with its Gold Medal trout fishing, bike paths, hiking trails and numerous organized festivals and special events. The economy, the labor force and the population have been growing at strong rates throughout this decade.

Since the county is a tourist destination, many of the county's residential units are not part of the housing supply but are instead second homes and tourist lodging. This fact complicates any analysis of the housing market since it consists of two distinct components: 1) primary residences occupied year-round; and, 2) vacation accommodations. Unfortunately, it is difficult to distinguish the characteristics of the market generated by year-round residents since information on housing occupancy, use and residency of buyers is sketchy.

Silverthorne is centrally located in the county in physical terms yet is the northern most population center. Unlike the other towns in Summit County, Silverthorne has developed primarily as a community of year-round residents. This is due to a combination of factors including:

- the construction of moderately-priced housing relative to the costs of housing elsewhere in the county;
- the fact that the town is not at the base of a ski mountain or directly on the shores of Lake Dillon; and,
- the town's convenient access to other areas in the county.

Since Silverthorne adjoins the Town of Dillon and is adjacent to unincorporated residential areas like Wildernest, fully understanding the demand for housing generated by persons currently living and working in close proximity to the proposed site will necessitate examining the population, housing supply and labor force within the entire Dillon/Silverthorne area.

## Population

### Total Population – Current and Historical

Summit County's population is approaching 20,000. If the strong rate of growth experienced thus far this decade continues, the county's population may nearly double by the year 2000 over the 1990 level. According to estimates generated by the Summit County Planning Department based on information provided by the State Demographer's Office:

- there were 18,288 persons residing in Summit County as of January 1, 1997;
- the population has increased approximately 42% since 1990 from 12,881 to the estimated 18,288 persons in 1997; and,
- the annual increase in population has ranged from around 2% to nearly 11% during this same period.

### *Estimated Population, 1990 - 1997*

	1990	1991	1992	1993	1994	1995	1996	1997
Breckenridge	1,285	1,317	1,348	1,409	1,523	1,661	1,733	1,728
Blue River	440	450	459	477	516	562	582	604
Dillon	553	563	573	600	649	711	726	679
Frisco	1,601	1,633	1,669	1,750	1,908	2,087	2,262	2,603
Montezuma	60	61	61	62	67	72	75	71
Silverthorne	1,768	1,799	1,847	1,968	2,268	2,588	2,761	2,982
Unincorp.	7,174	7,302	7,419	7,771	8,485	9,403	9,799	9,621
Total	12,881	13,125	13,376	14,037	15,416	17,084	17,938	18,288
% Increase		1.9%	1.9%	4.9%	9.8%	10.8%	5.0%	2.0%

Source: Summit County Planning Department

### Population Distribution

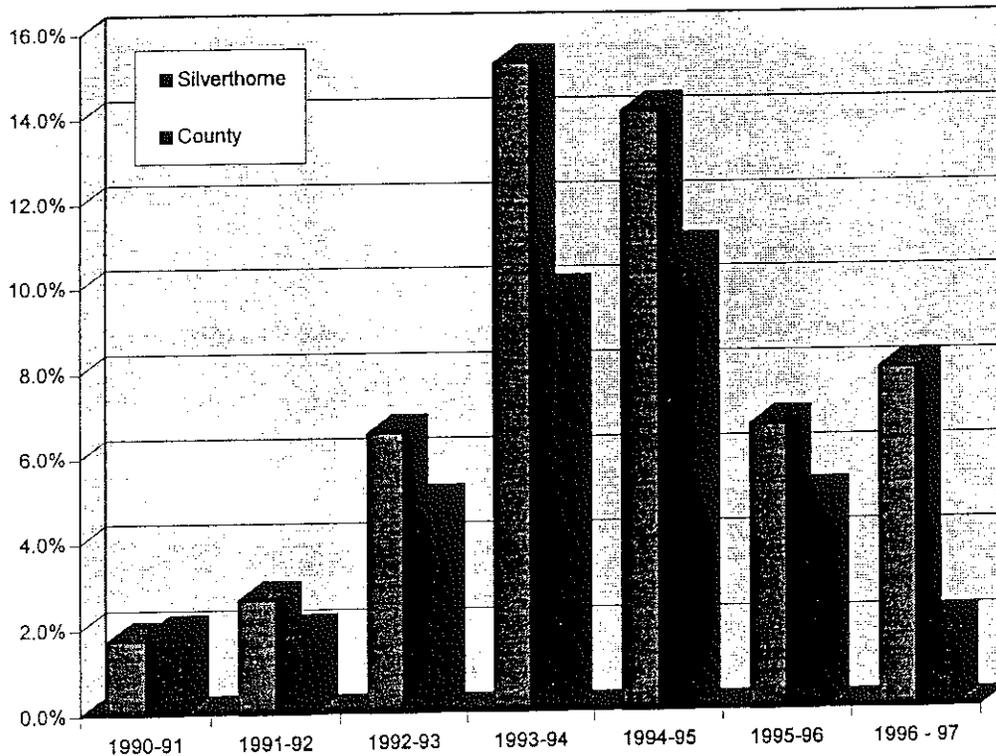
Just under half of Summit County's population is located within the county's six incorporated municipalities. This percentage is slowly increasing as development of housing for local residents occurs inside communities and homes in unincorporated areas are bought by non-residents for second/vacation homes.

About the population in the county's communities:

- Silverthorne is the county's largest population center with almost 3,000 residents, which equates to about 16% of the county's year-round residents;
- Frisco is the second largest town with a population of approximately 2,600 persons;
- With about 1,730 persons, Breckenridge is the county's third largest community in terms of population; and,
- Dillon, which abuts Silverthorne, has fewer than 700 year-round residents.

Growth in the population of Silverthorne has surpassed the county-wide rate of growth since 1991. Between 1993 and 1994, the rate of growth exceeded 15%, the highest rate so far this decade.

***Growth Rates Compared – Silverthorne and Summit County***



Source: Summit County Planning Department

Population in the Unincorporated Areas

It is estimated that:

- nearly 55% of Summit County's population reside in unincorporated areas of the county;
- the areas just outside the municipal boundaries of Dillon, Silverthorne and Breckenridge have the highest concentrations of population;
- since 1990, the population in the unincorporated areas has been growing at similar levels to the county's population as a whole - an increase from 1990 through 1996 of 36.6%; but,
- in 1997, the resident population in the unincorporated areas of Summit County decreased, likely following a change in use of some units from 1<sup>st</sup> to 2<sup>nd</sup> homes.

***Population Distribution in Unincorporated Summit County***

	1990	1991	1992	1993	1994	1995	1996	1997
Lower Blue	292	296	302	312	346	387	410	412
Dillon/Silverthorne	2,241	2,272	2,305	2,376	2,543	2,870	2,943	2,860
Snake River	1,765	1,815	1,847	1,915	2,053	2,234	2,346	2,378
Frisco Area	385	390	390	397	427	446	451	454
10-mile	147	151	151	160	172	176	179	180
Upper Blue	2,344	2,378	2,424	2,611	2,944	3,290	3,470	3,337
Total Unincorp	7,174	7,302	7,419	7,771	8,485	9,403	9,799	9,621
% Increase		1.8%	1.6%	4.7%	9.2%	10.8%	4.2%	-1.8%

Source: Summit County Planning Department

Population by Geographic Concentrations

By combining the number of persons living in unincorporated areas next to incorporated towns with those residing in the municipalities, the size of the county's urbanized zones is revealed.

With a combined population of over 6,500, the Dillon/Silverthorne area is the largest urbanized area in Summit County. The Upper Blue is next, but it's population is considerably smaller with roughly 1,000 fewer persons.

**Population by Urban Area**

Area	Residents
<u>Upper Blue Area</u>	
Breckenridge	1,728
Blue River	604
Unincorporated	<u>3,337</u>
Total	5,669
<u>Dillon/Silverthorne Area</u>	
Dillon	679
Silverthorne	2,982
Unincorporated	<u>2,860</u>
Total	6,521
<u>Frisco Area</u>	
Frisco	2,603
Unincorporated Frisco	454
Ten Mile Area	<u>180</u>
Total	3,237
<u>Snake River Basin</u>	
Montezuma	71
Unincorporated Area at/near Keystone	<u>2,378</u>
Total	2,449

Source: Summit County Planning Department

**Household Population**

Summit County's 18,288 residents live in 7,168 households. This equates to an average household size of 2.55 persons per unit. According to the Summit County Planning Department, there were 1,011 households living in Silverthorne as of January 1, 1997 with an average household size of 2.95 persons. The fact that the average household size in Silverthorne is larger than in Summit County as a whole is likely due to the community's emphasis on families.

**Home Owners**

Fewer than half (48%) of Summit County's households live in homes they own. Silverthorne has the highest number of households who own their homes as their primary residence. Silverthorne is also the only community in Summit County where

owner households outnumber renter households (513 owners compared with 498 renters).

***Distribution of Owner Households  
Summit County 1997***

Location	Households
Breckenridge	262
Blue River	150
Dillon	85
Frisco	400
Montezuma	12
Silverthorne	513
Unincorp.	<u>1,986</u>
Total	3,408

Source: Summit County Planning Department

**Renter Households**

As of the beginning of 1997, approximately 52% of Summit County's households (3,760 households) were renters. Concerning renters in the county:

- more than half of all renters live in unincorporated areas of Summit County, as is the case with the population as a whole; and,
- Silverthorne has just under 500 renter households, about 13% of the total number in Summit County.

***Distribution of Renter Households  
Summit County 1997***

Location	Households
Breckenridge	454
Blue River	56
Dillon	195
Frisco	551
Montezuma	14
Silverthorne	498
Unincorp.	<u>1,992</u>
Total	3,760

Source: Summit County Planning Department

## **Employment**

Employment is the primary driver of year-round housing demand in Summit County. While seniors and unemployed persons also have housing needs, these segments of the population are very small in comparison to the working population in the county.

### **Number of Jobs**

It is estimated that there are over 21,600 jobs in Summit County on average throughout the year. The exact number is difficult to estimate given the following factors:

- weaknesses in available data;
- the seasonal nature of many jobs;
- the fact that many employees are paid in cash; and,
- multiple job holding by many residents.

The most detailed source of information on jobs is the Colorado Department of Labor and Employment (ES 202 data). This agency indicates that there were, on average, 17,216 employees working in Summit County in 1997. This estimate does not, however, include sole proprietors and persons who work solely on a commission basis.

The number of jobs in the county and the number of persons employed are not the same. Many of the persons who comprise Summit County's workforce hold more than one job – an average of 1.3 jobs per person based on survey data. Taking multiple job holding into account, it appears that there are approximately 16,600 persons employed in Summit County. With a population of only 18,288 persons including children, seniors and others who do not hold jobs, it follows that many of these 16,600 employees must commute into the county for work.

### **Rate of Growth in Jobs**

The number of jobs in the county has been increasing at steady, strong rates. Annual increases in employment have averaged 6.6 % since 1990.

As shown on the following table, growth in the population lagged behind growth in jobs during the early part of the decade but by 1994 this trend reversed as housing units were built to accommodate the expanding labor force.

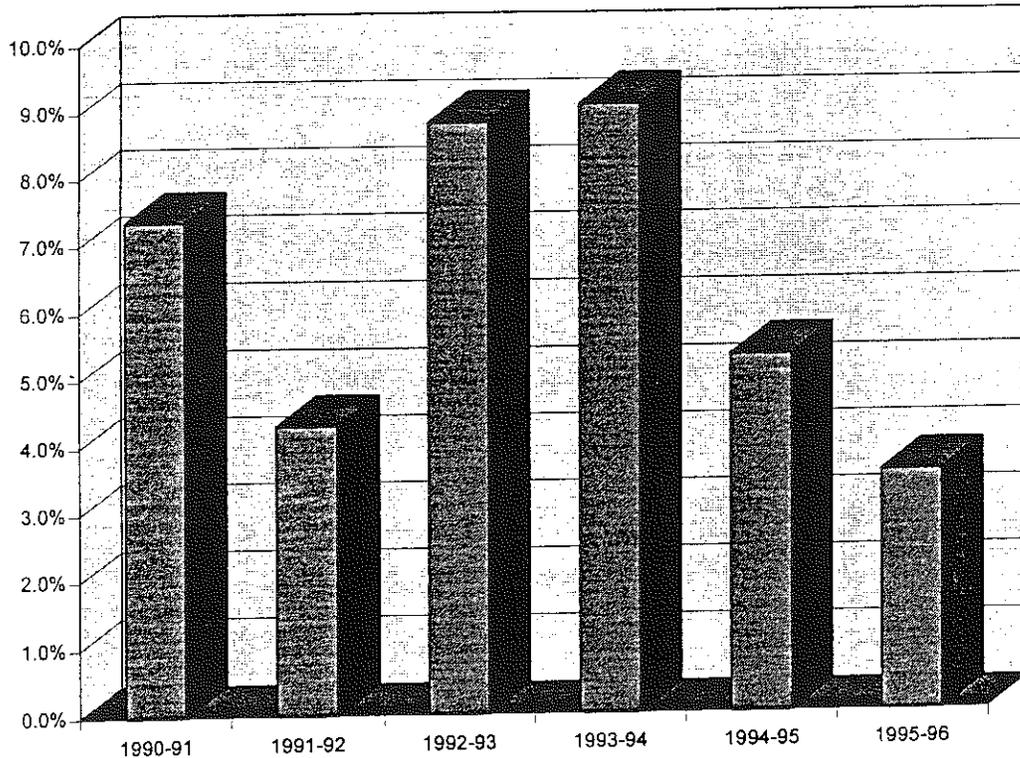
**Rates of Growth in Employment**

	1990	1991	1992	1993	1994	1995	1996
Per Capita Inc.	\$21,691	\$23,353	\$24,823	\$25,746	\$27,573	\$27,869	\$29,141
Total Jobs	14,873	15,966	16,653	18,123	19,771	20,824	21,567
Growth in Jobs		7.3%	4.3%	8.8%	9.1%	5.3%	3.6%
Growth in Pop.		1.9%	1.9%	4.9%	9.8%	10.8%	5.0%

Source: Bureau of Economic Analysis and Summit County Planning Department

As illustrated by the following graph, the rate of growth in employment appears to be leveling off compared with the growth rates experienced in the earlier part of the decade.

**Rate of Job Growth**



Source: Bureau of Economic Analysis

## Employment Distribution

Based on ES 202 data, approximately 17% of the jobs in Summit County are in Silverthorne. Another 8% are in adjacent Dillon. By applying the percentages from ES 202 data to estimates of total employment generated by the Bureau of Economic Analysis, it follows that there are approximately 5,400 jobs in the Silverthorne/Dillon area.

Seasonality in employment is not nearly as great in Silverthorne as in other parts of Summit County. Employment levels fluctuate very little in Silverthorne from month to month. During the shoulder seasons (May and October) when employment is at its lowest level, there are roughly 200 fewer jobs than during other times of the year.

The Silverthorne Factory Stores are the primary reason for such a high level of stability in employment. The Factory Stores are the community's single largest employer with approximately 800 employees.

### Distribution of ES 202 Jobs

Area	# Jobs	% of Total
Breckenridge	6,110	35.5%
Frisco	2,913	16.9%
Silverthorne	2,947	17.1%
Keystone	2,156	12.5%
Copper Mountain	1,269	7.4%
Dillon	1,380	8.0%
Unknown	441	2.6%
Total	17,216	100.0%

Source: Colorado Department of Labor and Employment

It is likely that job growth in Silverthorne will continue given land availability and zoning within the current municipal boundaries of Silverthorne. Employment levels may more than double as the amount of developed commercial land increases from roughly 407 acres today to nearly 900 acres at full build out. Note: these estimates do not include land that might be developed for commercial use within PUD's or annexed.

### Commercial Build Out

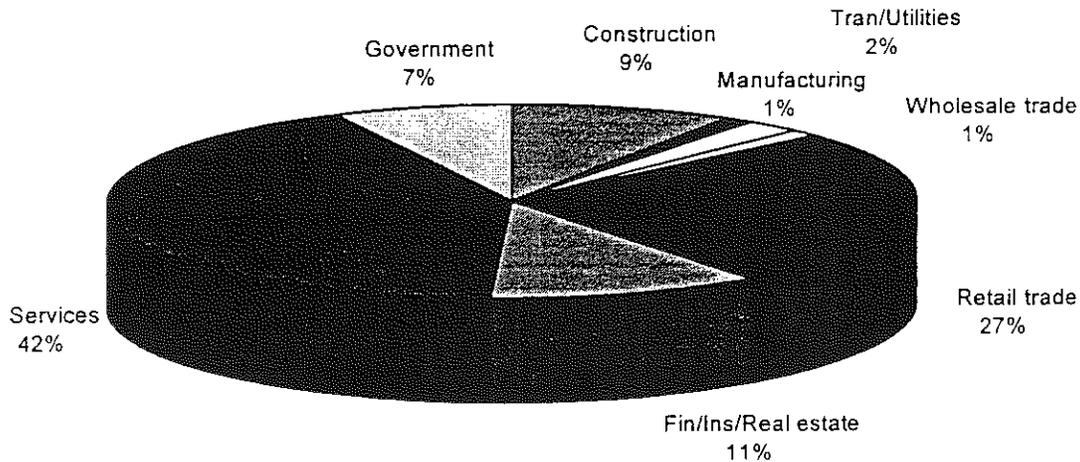
	Acres Built	Acres Vacant
C1	65.22	387.48
C2	16.94	79.42
RFM	<u>325.00</u>	<u>23.72</u>
Total	407.16	490.62

Source: Town of Silverthorne

## Employment by Industrial Sector

Services and retail trade dominate the county's economy. Combined, they generate nearly 70% of the jobs in Summit County. Of no surprise given the readily visible activity in resort real estate occurring in the county, construction and finance/real estate jobs comprise 20% of total employment.

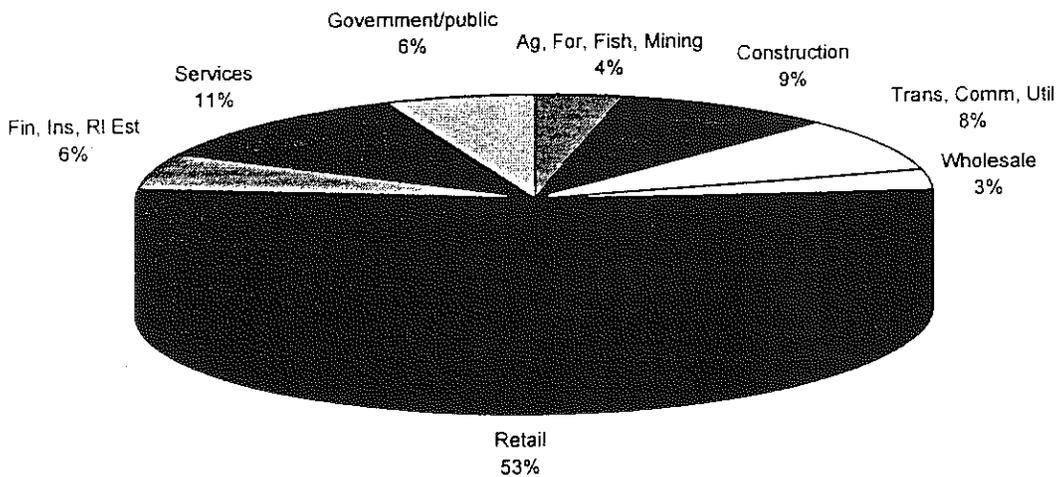
**Jobs by Sector – Summit County**



Source: Bureau of Economic Analysis

The economy in Silverthorne differs from that in the county as a whole. Silverthorne has a far higher percentage of retail jobs (53% compared to 27% in Summit County). The percentage of service jobs is much lower (11% compared to 42% in Summit County). Other sectors of the economy are similar.

**ES 202 Jobs by Sector – Silverthorne**

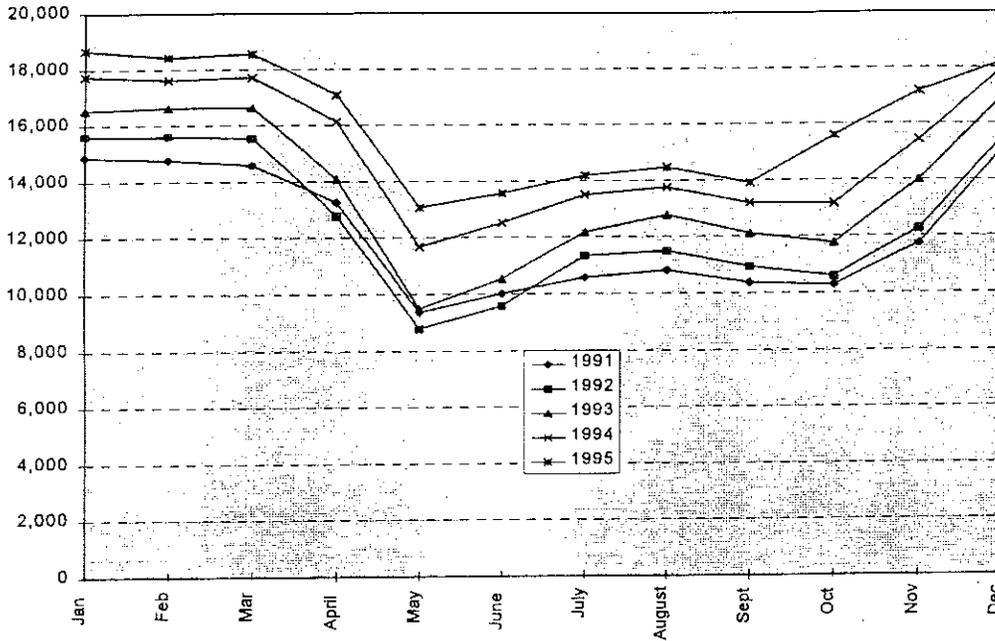


Source: Colorado Dept. of Labor and Employment

## Seasonality in Employment

As shown by the following graph, there is considerable seasonal fluctuation in employment in Summit County. Employment levels reach a low in May and peak during the ski season.

**ES 202 Employment in Summit County by Month**

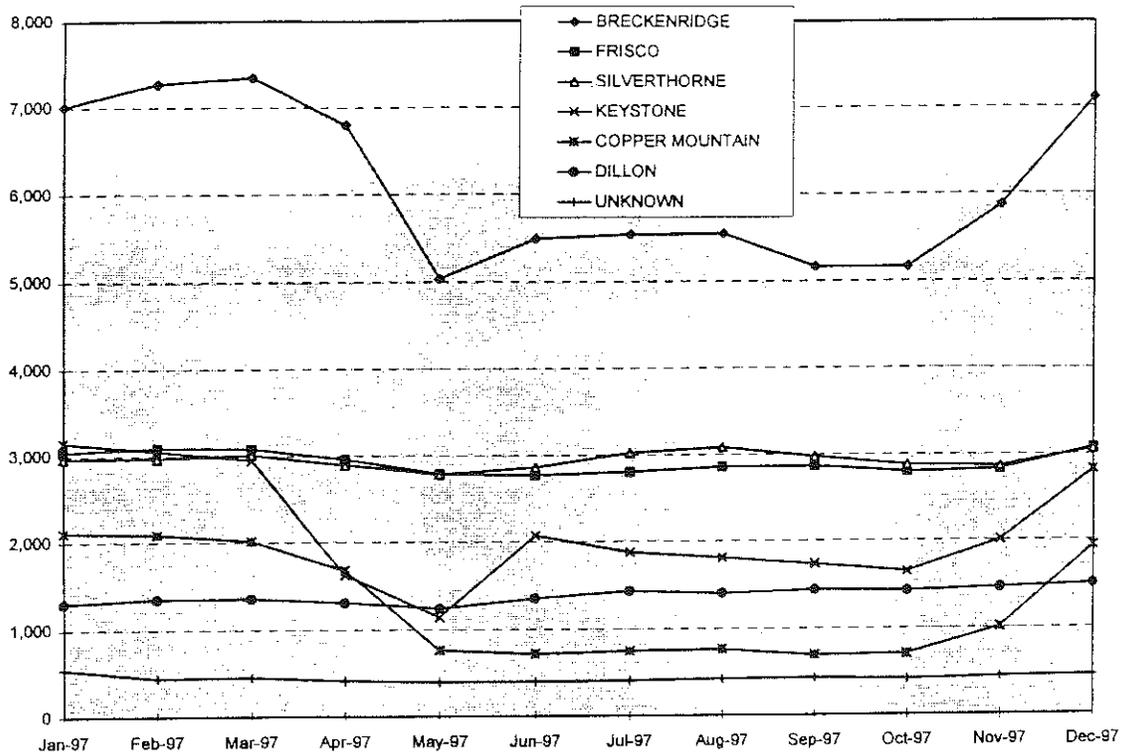


Sources: Colorado Department of Labor and Employment

Fluctuations in population levels are not as extreme, however, since many year-round residents hold seasonal jobs. It should also be noted that the employment levels by month shown on the graph above are based on ES 202 data, not total employment. Seasonal variations are likely not as great when other wage and salary jobs and sole proprietors are taken into consideration.

Seasonal fluctuations in employment are far smaller in Silverthorne than in the county as a whole. In Silverthorne, Frisco and Dillon, employment remains relatively steady throughout the year in sharp contrast to employment patterns in Breckenridge.

### Seasonal Employment by Community



## Wages and Income

### County Median Income

In 1997, the average annual wage in Summit County was \$21,057 and the median family income was \$57,400. According to the Department of Housing and Urban Development (HUD), the median family income for 1998 has remained constant at the 1997 level of \$57,400.

Incomes and wages have not been constant in recent years, however. Between 1990 and 1997:

- average annual wages for jobs covered by unemployment insurance records increased 34.7%; and,
- the median family income for Summit County increased 41.7%.

**Summit County, Average Wages and Median Income, 1990 - 1997**

	Average Annual Wage	Median Family Income
1990	\$15,636	\$40,500
1991	\$16,286	\$41,900
1992	\$17,029	\$45,100
1993	\$17,520	\$48,100
1994	\$18,416	\$48,800
1995	\$18,885	\$49,000
1996	\$19,838	\$53,400
1997	\$21,057	\$57,400

Sources: Wages - Colorado Dept. of Labor and Employment; Incomes - HUD.

Average wages for the county's two dominant industrial sectors are low. In 1997, the average wage for persons working holding service jobs was \$19,116 and \$15,611 for retail employees. Combined, these two sectors account for 69% of the jobs in Summit County. The large number of low-wage jobs is the reason that the county's average wage is so much lower than in non-resort areas. For comparison, the 1997 average wage in Denver County was \$35,020, or 66% higher than the average wage in Summit County.

Incomes of Renter Households

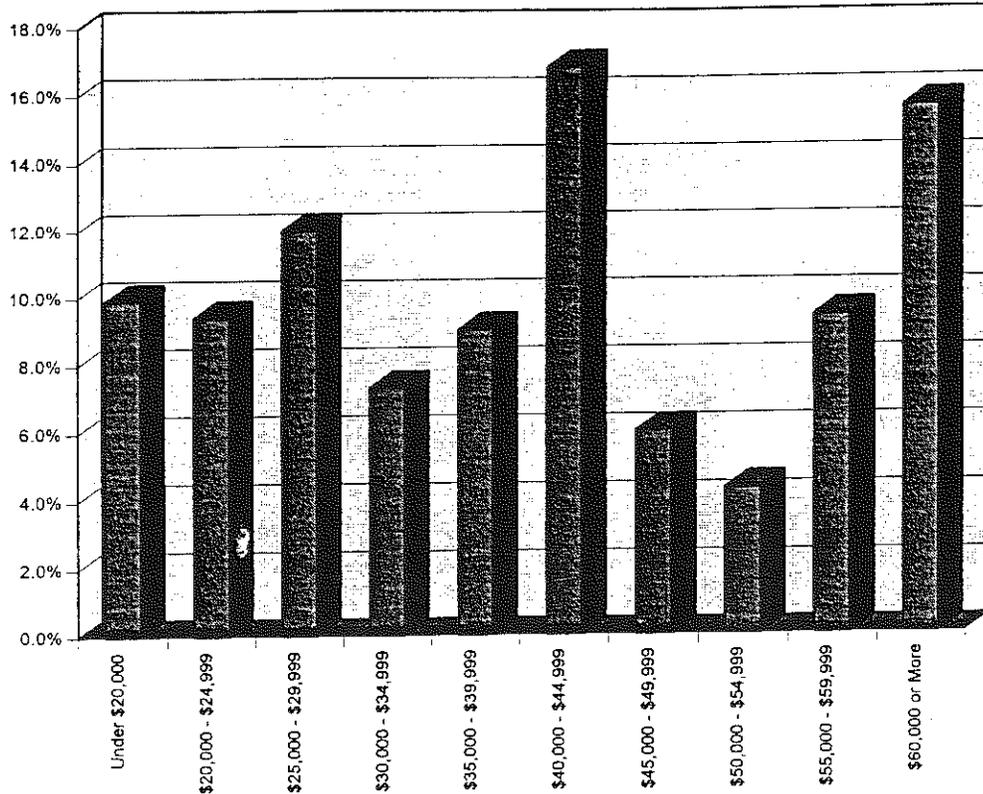
It is assumed that many of the proposed housing units will be sold to or rented by individuals and families who currently rent. Because of this, it is important to examine the income distribution of renter households in Summit County.

Incomes among renter households follow a distribution pattern that would be considered unusual in a typical urban market. As shown by the following graph, the distribution spikes in both the mid-range and upper-ranges but there is a concentration in the lower end of the spectrum. This unusual pattern is due to several factors including:

- lifestyles (multiple roommates living together);
- multiple job holding (an average of 1.3 jobs per employee); and,
- the inability to find entry-level home ownership opportunities even when incomes are in excess of \$60,000 (the median price of homes sold, many of which were vacation

condominiums, increased 108% during a six-year period, from \$84,500 in 1990 to over \$175,500 in 1996).

**Household Income Distribution -- Summit County Renters**



Source: 1994 RRC Survey and Rees Consulting

As shown by the above graph, over 52% of the renter households in Summit County have incomes in excess of \$40,000 per year and nearly 16% have annual incomes above \$60,000. Assuming an interest rate of 7.25%, these 1,960 households (approximately 52% of the estimated 3,760 renter households) should be able to purchase homes starting at about \$125,000. This calculation is optimistic, however, since it does not take into account the availability, or lack thereof of, down payments or credit worthiness.

## Housing Supply

### Housing Inventory -- Summit County

There were 21,858 housing units in Summit County as of January 1, 1997. Of these:

- 7,168 or 32.8% were occupied by local residents with the remaining 14,690 used as second homes or vacation accommodations;
- 3,760 or 17.2% were occupied by resident renters; and,
- approximately 52% of the units occupied by local residents were rentals.

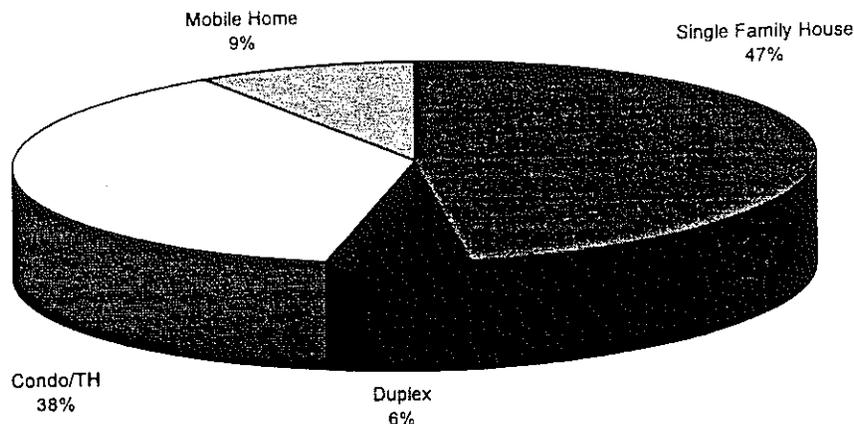
At 48%, the home ownership rate in Summit County is far below the national and state rates of 66% and 64% respectively.

### Composition of Housing Supply – Summit County

#### Owner-Occupied Units

In 1997, there were 3,408 owner-occupied housing units in Summit County which served as primary residences. Of these units, less than half were single-family homes. Mobile homes comprised nearly 10% of the supply of owner-occupied housing although this percentage has declined somewhat since early 1997 due to the recent construction of new condominiums and townhomes (as will be described in the Competitive Analysis section of the final report) and the removal of mobile homes.

#### *Composition of Owner-Occupied Housing*



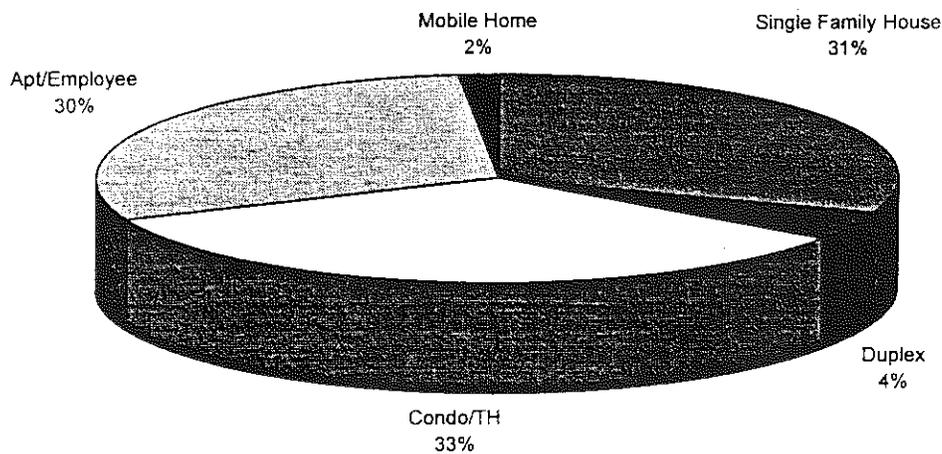
Source: Summit County Planning Department

Since the majority (53%) of home owners in Summit County now reside in multi-family units or mobile homes, it can be assumed that they generate demand to move up into larger single-family homes.

### Rental Units

Renters typically reside in scattered condominiums, townhomes, duplexes or single-family homes that are leased long-term. Combined, these units make up roughly 68% of the rental inventory. Apartments and employee housing units comprise 30%.

#### ***Composition of Rental Housing***



Source: Summit County Planning Department

### **Housing Units in Silverthorne**

As of January 1997, there were 1,236 housing units in Silverthorne. This number has increased slightly with continued residential construction, particularly in the Eagle's Nest area.

The vast majority of housing units in Silverthorne (82%) are occupied by year-round residents. This contrasts sharply with the situation elsewhere in Summit County. The majority of these units (51%) are owner occupied. This also differs from the situation in the county as a whole where 48% are owned by their occupants.

**Occupancy of Housing Units by Type in Silverthorne**

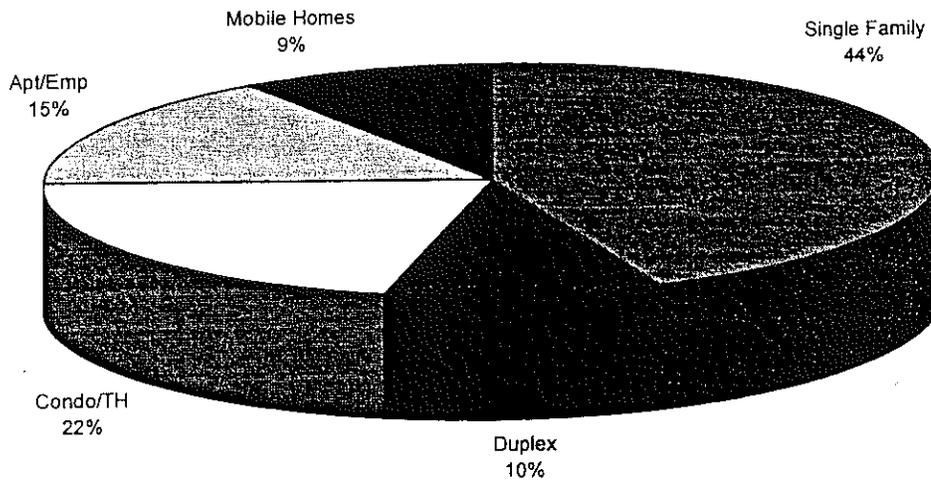
	Owner Occupied	Renter Occupied	Total Occupied	2nd Homes	Vacant	Total
Single Family	242	171	413	117	11	541
Duplex	56	39	95	27	2	124
Condo/TH	122	82	204	58	5	267
Apt/Emp	0	188	188		3	191
Mobile Homes	93	18	111		2	113
Total	513	498	1,011	202	23	1,236

Source: Summit County Planning Department

Note: Table does not include lodging and time share units.

Approximately 44% of the housing units in Silverthorne are single-family homes. Another 22% are condominiums and townhomes. Apartments comprise only 15% of the housing supply in Silverthorne.

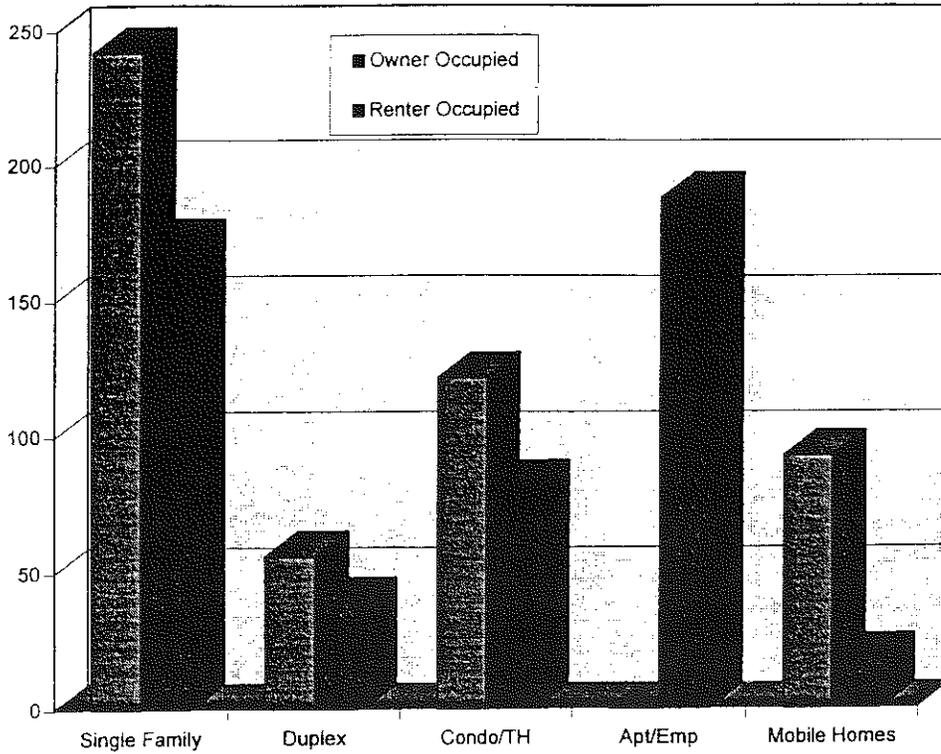
**Composition of Housing Supply – Silverthorne**



Source: Summit County Planning Department

Renters occupy all types of housing, including single-family homes. This is typical in situations where there are few apartments relative to need for rentals.

**Housing Units by Own/Rent -- Silverthorne**



Source: Summit County Planning Department

According to information generated by the Town of Silverthorne, the number of housing units within current municipal boundaries is likely to more than double in the future. The likely build out scenario calls for the construction of over 2,000 additional units.

**Residential Build Out Scenarios**

Zoning	Max. Buildout		Likely Buildout	
	Acres	Units	Acres	Units
R-15	44	660	15	225
R-6	71	426	71	95
R-2	12	24	12	24
PUD		1,777		1,552
RFM	23	575	23	150
Totals		3,462		2,046

Source: Town of Silverthorne

## **Housing Needs and Market Demand**

### **Methodology**

There are multiple methods for assessing and quantifying housing needs in Summit County and specific demand for the proposed project. In this section of the report, information will first be presented in broad terms using aggregate figures contained in several previously published reports on housing supply and demand in Summit County. The evaluation is then narrowed to focus on households targeted by the proposed project – potential home buyers and renters who are employed, live in Summit County on a year-round basis or commute into the county for work, and have household incomes of around \$30,000 or more per year. The \$30,000 figure is used since households earning this amount can potentially qualify to purchase homes priced at \$100,000, the lowest price that might be charged for condominium or townhome units.

### **Supply/Demand Comparisons**

#### 1994 Housing Need Estimate – 1,148 Units

In 1994, a report was prepared for the Summit County Housing Authority entitled *Estimates of Housing Supply and Demand, Summit County, Colorado*. In this report, the demand for housing generated by current year-round residents, employees commuting into the county for work, and seasonal workers was compared to the number of units occupied by residents. Housing units used as second homes and vacation accommodations were deducted from the total supply of units. This exercise resulted in an estimate that there was net demand in 1994 for 1,148 additional housing units.

#### 1996 Housing Need Estimate – 1,756 Units

In 1996, this calculation was updated using new employment figures and building permit records as part of the market study for the Pinewood Village Apartment project in Breckenridge. As shown by the table on the following page, it was estimated that 1,756 additional housing units were needed in 1996.

*Estimate of Net Housing Demand, 1996*

<b>Housing Demand</b>	
<b><u>Current Population</u></b>	
Estimated 1996 Permanent Population	17,938
Persons per Housing Unit (year round residents)	2.64
<b>Units Demanded by Current Residents</b>	<b>6,795</b>
<b><u>Commuters</u></b>	
Estimated 1996 Labor Force	17,269
Jobs per Person	1.3
Total Employees	13,284
Persons Commuting Into County (15.8%)	2,099
Commuters Wanting to Move into County (46%)	966
Employees per Housing Unit	2.36
<b>Units Demanded by Potential Residents</b>	<b>409</b>
<b><u>Seasonal Workers</u></b>	
Estimated 1996 Seasonal Worker Population	2,537
Seasonal Persons per Housing Unit	2.61
<b>Units Demanded by Seasonal Residents</b>	<b>972</b>
<b>Total Housing Demand, 1996</b>	<b>8,176</b>
<b>Housing Supply</b>	
1990 Inventory	17,091
Percent Occupied by Local Residents	31%
Supply of Resident Housing	5,298
Reduction in Units	(204)
1990 Supply of Resident Housing	5,094
Units Built since Census	3,314
Percent Occupied by Local Residents	40%
Estimate of New Local Housing Units	1,326
<b>Total Supply of Resident Housing</b>	<b>6,420</b>
Housing Units Demanded	8,176
Housing Supply	- 6,420
<b>Net Demand for Housing</b>	<b>1,756</b>

Sources: Census, Summit County Planning Department and 1994 Housing Survey

1997 Housing Need Estimate – 2,150 to 2,350 Units

When the 1996 report was prepared for Pinewood Village in Breckenridge, it was estimated that net demand would increase to 2,150 units by 1997 if job growth continued at a level similar to recent years (an average of 7% per year).

RRC Associates and Jane Harrington, then director of the Summit County Housing Authority, published a report entitled *Summary of Housing Needs in Summit County and Breckenridge* in December, 1997 for the Town of Breckenridge. In this report, the following estimates of housing needs were presented:

***Summary of RRC's Housing Demand Estimates***

Source of Demand	Units Needed
Commuting Employees	791
Cost Burdened Residents	434
First-Time Homebuyers	1,125
Seasonal Workers (1996)	1,371

RRC added together the needs generated by several segments of the population to generate an estimate that 2,350 additional housing units were needed in 1997. The methodology they utilized was different than used in the 1996 Pinewood Village study, yet both reports resulted in very similar estimates of the number of additional housing units needed to accommodate the county's existing population and commuters who want to move to Summit County.

**Demand for Home Ownership**

***Demand Generated by Current Renters***

The number of first-time buyers identified by RRC (1,125) included only those renters with household incomes at or above 100% of the median (\$57,400). It did not include households that currently own a multi-family unit and want to move up into a larger single-family home or renters with incomes in the \$40,000 to \$57,400 range who could afford homes starting at around \$125,000.

While this methodology undercounted potential demand from current owners who want to move up into larger homes, the estimate of demand for 1,125 units was overstated since it was based solely on income levels and included renter households that consist of unrelated roommates. While the combined incomes of multiple unrelated employees makes it appear that they could afford to purchase a home, mortgage regulations and

lifestyles make it inappropriate to consider these households as candidates for home ownership.

An alternative method is used to estimate demand for for-sale housing generated by employees who currently rent. The household income of couples and families with children is considered as the qualifying factor whereas the individual income of singles living alone or with roommates is used to determine affordability for home ownership.

This methodology results in a far smaller estimate of demand for home ownership generated by households that currently rent. Based on 1997 household population figures, it is estimated that there is demand for up to 616 for-sale units.

### Estimate of Home Buyer Demand

Total Households in Summit County, 1997	7,168
Renter Households (52%)	3,760
Families/Couples (40%)	1,504
Income Qualifying – Household Income = \$30,000+ (30.6%)	460
Singles (60%)	2,256
Income Qualifying – Individual income = \$30,000+ (6.9%)	156
<b># of Units Demanded by Potential 1<sup>st</sup> Time Home Buyers</b>	<b>616</b>

This estimate is neither conservative or optimistic. It is balanced by a series of assumptions, some of which understate demand and others which inflate it. Specifically, this estimate:

- excludes demand generated by employees who now commute into the county for work;
- is not adjusted for population growth since January 1997;
- does not count demand generated by persons who now own but would like to purchase a different home;
- does not take into account the units built in 1997 and being completed in 1998 which have been purchased or will be bought by renters that were included in the calculation; and,
- does not include an adjustment factor for inability to obtain mortgage financing.

**Demand Generated by Key Employees**

Public agencies that provide essential services in the Silverthorne area were contacted concerning the number of persons they currently employ, their plans to create additional jobs, the number of jobs currently unfilled, and their estimate of the number of their employees who want or need to buy a new home in Summit County. As shown on the following table, about 1/3 currently have unfilled year-round positions. Several plan to create new jobs in the next two years. Based on current employment, between 64 and 69 of their employees need and want to buy a home in Summit County.

**Employer Interviews**

Employer	# Year-Round Employees	# Living in Summit County	# Unfilled Jobs	# New Jobs	# Need/Want to Buy Home
Elementary School -- Silverthorne	37	32	2	0	10
Colo. Dept. of Trans.	50 - 70	33%	11	0	15 - 20
Dillon Ranger District	20	19	0	0	4
State Forest Service	2	0	0	0	1
Animal Control	10	10	0	2	1
Colo. State Patrol	11	10	0	0-4	3
Summit Co. Sheriff	45	33	3	0	?
Town of Silverthorne	58	58	0	0	9
Silverthorne Police Dept.	19	18	1	4	4
Silverthorne Fire Dept.	17	16	0	1-2	7
Div. of Wildlife	1	1	0	n/a	n/a
Colorado Mtn. College	34	34	2	12-22	n/a
Summit Co. Medical Ctr	80	n/a	10 - 15	0	n/a
Summit Stage	32	n/a	n/a	n/a	10
<b>Total</b>	<b>416 - 436</b>				<b>64 - 69</b>

**Factors Limiting Home Ownership Demand**

The extent to which market demand will materialize should be considered in light of factors that limit the ability and desire of employees to purchase homes. There are several factors in Summit County that could potentially limit home ownership demand.

**Mortgage Availability**

There are several mortgage companies in Summit County that seek the business of year-round residents. The choice of loan products they can effectively offer is

somewhat limited, however, by underwriting criteria and loan eligibility requirements that are ill suited to conditions in the county.

FHA-insured loans can be obtained for units up to \$160,000 in price with only 3% to 3.5% at closing and flexible guidelines concerning co-borrowers and gifts.

Unfortunately, very few properties in the county are FHA approved. In the past, efforts by local mortgage companies and developers to work with FHA on the approval of new properties have been frustrating due to FHA's on-site inspection requirements.

FNMA's Community Home Buyer program is not frequently utilized because borrowers can earn no more than 80% of the county's median income adjusted for household size. With the prices of homes in the county, the supply of units affordable for potential buyers with incomes below 80% of the median is very limited.

Summit County's allocation of MCC's (mortgage credit certificates) has expired and the credits are no longer available. It is not known if the Housing Authority will obtain a new allocation from the Colorado Housing and Finance Authority. The Town of Frisco and Summit County each offer down payment assistance to their employees. The Summit County Housing Authority plans to continue their down payment assistance program with a \$12,000 grant from the Summit County Association of Realtors but, with this amount, assistance can only be provided to a few buyers.

### ***Qualifying for Mortgages***

The factor which has most influenced the rate of sales to year-round residents is the inability of many persons interested in buying to qualify for mortgages. Only one out of every two or three potential buyers are ultimately able to obtain loans despite attractive interest rates and low down payment requirements. One mortgage company indicated that no more than 20% of the year-round residents who contact his office are ultimately able to qualify for a loan.

There are several reasons for this including:

- irregular employment patterns with seasonal jobs;
- high existing debt to income ratios, especially since many residents purchase expensive sport utility vehicles to handle commutes through winter snows;
- poor credit; and,

- inadequate savings due often to high rent rates (borrowers generally must document cash in the bank for six months of mortgage payments in addition to the down payment).

Participation in home buyer training programs offered in the past by Colorado Mountain College and local banks has been as one loan officer stated, "underwhelming." Inadequate publicity and timing of the programs may be reasons for their lack of popularity. The fact that many residents believe buying a home will always be beyond their ability, given the cost of homes in Summit County, might also be a contributing factor.

### ***Deed Restrictions***

Deed restrictions are not well known or understood in Summit County. In Summit County and in each of its municipalities, deed restrictions are negotiated on a case-by-case basis. The most common form of restriction currently being placed on new projects is a prohibition against short-term rentals. This restriction appears to strongly curtail the interest of second home buyers. When this restriction has been in effect, the vast majority of units have been sold to year-round residents.

According to Jane Harrington, former director of the Summit County Housing Authority, Summit County's residents are very skeptical about deed restrictions that limit price appreciation. Ophir Mountain Village is the only property in the county that has deed restrictions which place caps on both the incomes of buyers and resale prices. According to Ms. Harrington, these restrictions were major deterrents to the sale of the units. She feels "lucky" to have obtained buyers for all of the 28 units given the deed restrictions; marketing the units and finding a sufficient number of qualified buyers took 11 months.

### **Demand for Rental Units**

Demand for rental units is generated primarily by:

- renters who already live and work in the county on a year-round basis;
- renters who are currently commuting into the county for work; and,
- persons who will move into the county to fill jobs that will be created in the future.

Combined, these groups of renters generate total demand for 5,022 rental units. It is estimated that there are currently 3,790 renter-occupied housing units in the county and 282 additional units are planned. If these projects are approved and built as planned,

there will still be net demand for approximately 950 additional rental units. These calculations are shown in the following table.

***Estimated Demand for Rental Units***

	Households
<u>Existing Renters</u>	
Renter households as of Jan. 1, 1997	3,760
Increase in 1997 (based on 1996 - 1997 pop. increase of 2%)	75
Total existing renter households	3,835
<u>Commuting Renters</u>	
Total commuters (RRC estimate in Dec. 1997 report)	3,181
Number who rent (52%)	1,654
Employees per household	1.85
Total commuting renter households	894
<u>New Employees who Rent</u>	
Rate of growth in jobs per year	6%
New jobs in 1998	1,389
Jobs per person	1.3
New employees	1,068
New households (1.85 employees per household)	577
Percent who will rent (based on historical percentage)	52.5%
Total new renter households	303
<b>Total Size of Rental Market</b>	<b>5,032</b>
Existing Rental Units (3,760 units as of January 1997 plus 40 units at Soda Creek Apartments)	3,800
Planned Apartments (192 units – Breckenridge Terrace & 90 units – Vail Resorts seasonal housing)	282
<b>Net Demand for Rental Units</b>	<b>950</b>

## The For-Sale Market

### Sales Volume

Since 1996, an average of about 1,675 housing units sold each year in Summit County. This equates to a monthly sales volume of about 140 units. Between 1996 and 1997, the total volume increased by 6.6%. Sales records through August 1998 suggest that at least 1,800 units will be sold in 1998, exceeding the 1997 sales volume by approximately 7.5%.

While precise information on the residency of home buyers is not available, the Summit County Planning Department estimates that approximately 66% of recent sales have been made to persons who maintain a primary residence elsewhere and that about 34% have been to year-round residents. These percentages match the historical division between second home and primary residence purchases. Assuming these estimates are accurate, about 570 units per year and 47 units per month are purchased by year-round residents.

### Sales Volume, 1996 - 1998

	1996	1997	Jan. - Aug. 1998	Total
<b>Silverthorne</b>				
Multi-Family	156	151	136	443
Single-Family	144	181	135	460
Total	300	332	271	903
<b>Summit County</b>				
Multi-Family	995	994	720	2,709
Single-Family	576	680	470	1,726
Total	1,571	1,674	1,190	4,435

Summit County Association of Realtors, MLS

Sales in Silverthorne have comprised roughly 20% of the county's total sales activity. Approximately 16% of all multi-family sales and 27% of all single-family sales in Summit County have occurred in Silverthorne. Total sales increased 10.7% between 1996 and 1997, a slightly higher rate of increase than experienced county wide. It is projected that over 400 units will be sold in 1998 based on year to date through August, an increase of 22% over 1997.

It should be noted that projections for 1998 based on sales through August (a few September sales are included) are conservative. There is a high degree of seasonal variation in housing sales. Very few sales are made in the first quarter of the year even though this is the peak time of year for tourist visits. Visitors are busy skiing and enjoying their vacations; while they may become interested in purchasing a unit during this time, they tend to return at a later date to look at property and make a decision. Year-round residents are generally too busy with their jobs to consider purchasing homes. Activity increases during the summer months but the number of closings reaches their peak during the third and fourth quarters.

### **Sales by Unit Type**

In Summit County during the past three years, multi-family sales have amounted to just over 61% of all sales. The sales volume did not change between 1996 and 1997 when 995 units and 994 units were sold. This equated to an average of 83 multi-family units sold each month. In the first eight months of 1998, the monthly sales volume averaged 90 units.

Unlike multi-family sales, the rate of single-family home sales has been steadily increasing. Between 1996 and 1997, sales grew 18% from 576 to 680 units. Through August 1998, 470 single-family homes were sold. If this trend continues, sales for the year will equal about 705 units, up 3.7% from 1997.

The situation in Silverthorne has differed somewhat from that in Summit County. In Silverthorne, the number of multi-family units and single-family homes sold has been almost equal. Like in the rest of the county, however, sales of single-family homes increased at a faster rate between 1996 and 1997 than multi-family sales. In the first eight months of 1998, sales of single-family and multi-family units have been equal.

### **Original versus Resales**

Records are maintained by the Summit County Planning Department that compare original sales of new condominiums and townhomes to resales of older units. From 1995 through 1997, just over 30% of all multi-family units sold were new. Interestingly, sales of new units and resales of older units increase at similar rates. The availability of new units does not appear to negatively impact the market for older units.

**Condominium and Townhome Sales in Summit County**

	Original Sales	Resales
1995	295	830
1996	327	898
1997	656	1,117
Total	1,278	2,845
% of Total	31%	69%

Source: Summit County Planning Department

Information is not available on original as compared to resales of single-family homes or duplexes. There have been very few single-family homes built in recent years, however. No new subdivisions have been developed. Single-family construction has been limited to infill in existing subdivisions. Because of this situation, the Planning Department estimates that at least 95% of all single-family sales since 1996 have been resales.

**Median Sale Prices**

The median price for all units sold in Summit County in 1997 was \$186,500. The price was largely influenced by multi-family resales. The median price of all other types of units, including new multi-family units, was higher than the overall median.

There is a price difference of about 45% of between new and older multi-family units. Given available information, it is not possible to determine if this price variation between new and older product applies to all types of units.

The price difference of approximately 20% between new multi-family units and all single-family homes is not as great as might be expected. The median price of duplex units is only \$25,000 lower than single-family homes. These findings suggest that there are not large price premiums for detached housing; sharing common walls with neighbors does not significantly impact price.

**1997 Median Sales Prices by Unit Type**

Unit Type	Median Price
Single Family	\$250,000
Duplex	\$225,000
MF New	\$209,000
MF Resales	\$144,500
All Sales	\$186,500

Source: Summit County Planning Department

Overall median sale prices increased 121% between 1990 and 1997. The highest increase by unit type was among single-family homes, an increase of 116%. The reason that the median price of all units increased at a higher rate than any single type of unit was apparently due to the influence of multi-family resales in the early part of the decade. The median price of all sales was low due to a high volume of multi-family resales compared to other types of units. The influence of these resales declined over time. As a result, the median price of all sales appears greater than the sales of any single type of unit.

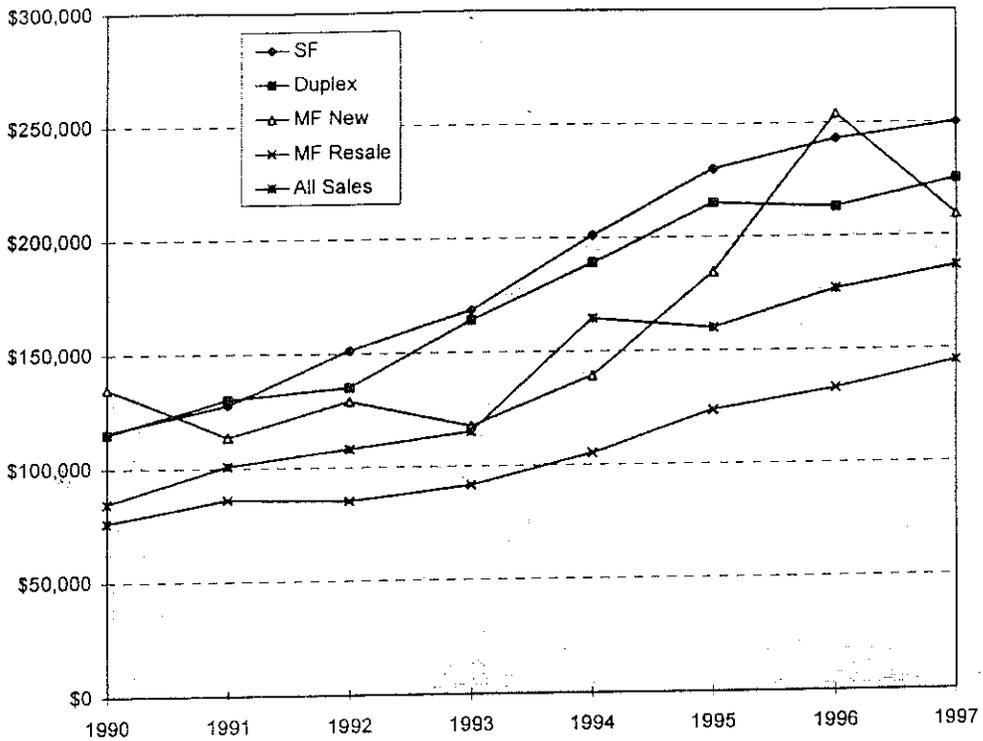
**Change in Median Price by Unit Type, 1990 - 1997**

Unit Type	Change in Median Price
Single Family	116%
Duplex	96%
MF New	55%
MF Resales	90%
All Sales	121%

Source: Summit County Planning Department

The following graph illustrates the relationship in price change by unit type. The median price of single-family homes increased the most sharply and consistently. Prices of new multi-family units rose sharply between 1994 and 1996 then dropped in 1997. This was due not to a decline in market prices but rather because of differences in the size and quality of units built. Multi-family resales, the only estimate not influenced by variation in the quality and size of new construction, are probably the best overall indication of market appreciation. The median price of multi-family resales increased 90% between 1990 and 1997.

**Change in Median Sale Prices by Unit Type, 1990 - 1997**



Source: Summit County Planning Department

**Price Distribution**

Approximately 46% of all sales since January 1996 have been for amounts below \$200,000. Of the 1,733 single family homes sold, 35.3% (612 units) have been priced below \$200,000. Of the 2,181 multi-family units sold, 71.2% (1,555 units) were sold for under \$200,000.

Another 26% of all sales have been for between \$200,000 and \$300,000. The market for homes priced at or above \$300,000 is relatively small, just over 18% of total activity. A partner in one of the county's largest real estate offices has indicated that \$300,000 is a breakoff point in sales and a significant psychological barrier. In projects where units sold quickly if priced in the high \$200,000's, sales came to a halt if sizes were increased and prices raised just above the \$300,000 level.

**Summit County**  
**Sales by Price Range, 1996, 1997 & 1998 YTD**

	Single-Family		Multi-Family		Total	
	#	%	#	%	#	%
Less than \$100,000	78	4.5%	208	9.5%	286	7.3%
\$100,000 - \$124,999	39	2.3%	376	17.2%	415	10.6%
\$125,000 - \$149,999	107	6.2%	472	21.6%	579	14.8%
\$150,000 - \$174,999	185	10.7%	320	14.7%	505	12.9%
\$175,000 - \$199,999	203	11.7%	179	8.2%	382	9.8%
\$200,000 - \$224,999	153	8.8%	180	8.3%	333	8.5%
\$225,000 - \$249,999	150	8.7%	147	6.7%	297	7.6%
\$250,000 - \$274,999	129	7.4%	95	4.4%	224	5.7%
\$275,000 - \$299,999	99	5.7%	80	3.7%	179	4.6%
\$300,000 or More	590	34.0%	124	5.7%	714	18.2%
Totals	1,733	100.0%	2,181	100.0%	3,914	100.0%

Summit County Association of Realtors, MLS

In the 32 months from January 1996 through August 1998, 904 housing units were sold in Silverthorne. This equated to about 28 units per month or 20% of the total sales volume in Summit County. Note: Figures for Silverthorne include Wildercrest even though it is unincorporated.

Of the units sold in the Silverthorne area:

- 49% were single-family units while the rest were condominiums and townhomes;
- approximately 69% cost under \$200,000; and,
- only 9% were for amounts at or above \$300,000.

Overall, prices in the Silverthorne area are substantially lower than in Summit County as a whole.

**Silverthorne**  
**Sales by Price Range, 1996, 1997 & 1998 YTD**

	Single-Family		Multi-Family		Total	
	#	%	#	%	#	%
Less than \$100,000	9	2.0%	146	31.7%	155	17.1%
\$100,000 - \$124,999	13	2.9%	109	23.6%	122	13.5%
\$125,000 - \$149,999	35	7.9%	105	22.8%	140	15.5%
\$150,000 - \$174,999	59	13.3%	51	11.1%	110	12.2%
\$175,000 - \$199,999	67	15.1%	31	6.7%	98	10.8%
\$200,000 - \$224,999	56	12.6%	11	2.4%	67	7.4%
\$225,000 - \$249,999	47	10.6%	8	1.7%	55	6.1%
\$250,000 - \$274,999	48	10.8%	0	0.0%	48	5.3%
\$275,000 - \$299,999	27	6.1%	0	0.0%	27	3.0%
\$300,000 or More	82	18.5%	0	0.0%	82	9.1%
<b>Totals</b>	<b>443</b>	<b>100.0%</b>	<b>461</b>	<b>100.0%</b>	<b>904</b>	<b>100.0%</b>

Summit County Association of Realtors, MLS

**Inventory**

**Summit County**

In aggregate, there appeared to be about a one year inventory of units listed for sale as of mid-September. A total of 1,258 units were listed for sale through the multi-listed service operated by the Summit County Association of Realtors. Of these, 45% (565 units) were single-family homes.

**Units Listed by Price Range – Summit County**

	Single-Family	Multi-Family	Total
Less than \$100,000	13	144	157
\$100,000 - \$124,999	0	44	44
\$125,000 - \$149,999	8	40	48
\$150,000 - \$174,999	20	61	81
\$175,000 - \$199,999	44	81	125
\$200,000 - \$224,999	24	52	76
\$225,000 - \$249,999	45	65	110
\$250,000 - \$274,999	37	34	71
\$275,000 - \$299,999	45	20	65
\$300,000 or More	<u>329</u>	<u>152</u>	<u>481</u>
<b>Totals</b>	<b>565</b>	<b>693</b>	<b>1,258</b>

The majority of units (64%) were listed at or above \$200,000. There appears to be an oversupply of homes in the \$300,000 and above price range. A total of 481 units (38%) are listed for sale in this category. With sales of only 714 units priced at or above \$300,000 since the beginning of 1996, this equates to a 22-month supply. The conclusion that the upper end of the market is saturated is based on historical sales volume, an appropriate methodology since the inventory consists primarily of resales; however, it is not necessarily a good indication of how new homes will sell if they vary in quality and pricing from the current housing stock.

The inventory priced below \$200,000 is limited although there are opportunities. The single-family homes priced under \$100,000 are generally non-winterized cabins unsuitable for year-round occupancy. The multi-family units in this category are small condotel units used primarily as short-term vacation rentals. These units are not designed for long-term occupancy with very small kitchens and limited storage space. They typically have high homeowners dues and, since most are in buildings with commercial space and short-term rentals, conventional long-term, fixed-rate financing is not available.

There are approximately 300 units for sale in the \$100,000 to \$200,000 price range. Of these, 76% are condominiums or townhomes. Since January 1996, an average of 58.8 units have been purchased per month in the \$100,000 to \$200,000 price range. This equates to a five-month inventory.

**Silverthorne**

In Silverthorne, there were nearly 250 units listed for sale as of mid-September. Of these, about 60% were single-family homes, very unlike the situation throughout Summit County where only 45% of the listed inventory are single-family detached residences. Based on historical sales, it appears that there is a total inventory in Silverthorne for nearly nine months.

**Units Listed by Price Range – Silverthorne**

	Single-Family	Multi-Family	Total
Less than \$100,000	0	31	31
\$100,000 - \$124,999	0	9	9
\$125,000 - \$149,999	1	9	10
\$150,000 - \$174,999	4	13	17
\$175,000 - \$199,999	15	28	43
\$200,000 - \$224,999	10	5	15
\$225,000 - \$249,999	18	5	23
\$250,000 - \$274,999	13	1	14
\$275,000 - \$299,999	15	0	15
\$300,000 or More	<u>71</u>	<u>0</u>	<u>71</u>
Totals	147	101	248

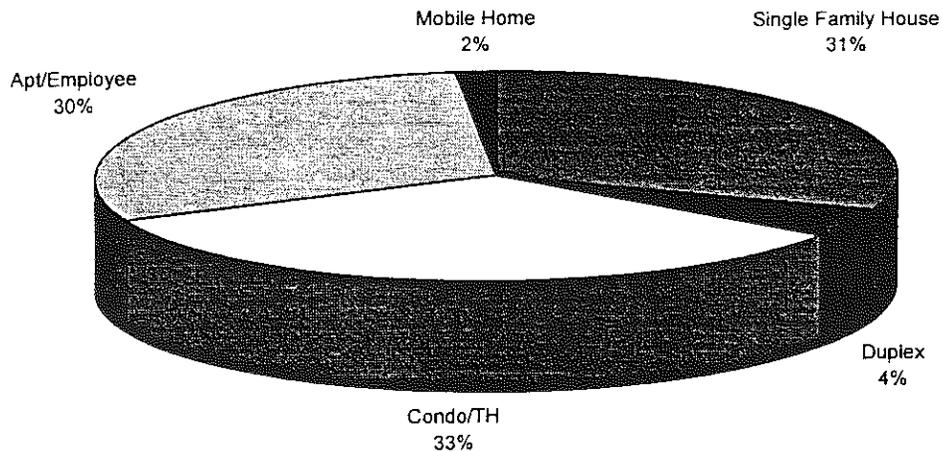
There were 20 single-family homes in Silverthorne listed for prices under \$200,000. There were also 90 condominiums and townhomes in this price range yet at least 30 were condotel units.

## The Rental Market

### Composition of Rental Supply

As stated previously in this report, it is estimated that there are 3,790 renter-occupied housing units in Summit County. Renters typically reside in scattered condominiums, townhomes, duplexes or single-family homes that are leased long-term. Combined, these units make up roughly 68% of the rental inventory. Apartments and employee housing units comprise 30% of the rental supply in Summit County.

#### *Composition of Rental Inventory – Summit County*



Source: Summit County Planning Department

### Rents and Incomes Compared

Over 40% of the county's renters are cost burdened; they pay in excess of 30% of their gross income on housing. In 1997, this equated to an estimated 1,594 renter households. The percentage that spends in excess of 30% of income on rent has increased from the 1990 level of 33.4%.

#### *Cost Burdened Renter Households*

	1990	1994	Est. 1997
Percent with 30+% cost burden	33.4%	42.4%	42.4%
Percent with 50+% cost burden	13.1%	6.4%	6.4%
Number with 30+% cost burden	916	1,481	1,594
Number with 50+% cost burden	359	223	241

It is not surprising that the percentage of renters who are cost burdened increases since, according to the Census and Colorado Division of Housing estimates, the average rent in Summit County increased 50.2% between 1990 and 1997 while the average annual wage increased only 35.6%.

### **Rental Rates and Availability**

Detailed information on rents and vacancies is presented in the section of this report entitled Competitive Analysis – The Rental Market. This section provides information on all of the major apartment properties in Summit County as well as scattered units leased through property management companies.

## **Competitive Analysis – Home Ownership Market**

### **Selection of Projects**

Five projects were analyzed in depth to gain insight into the type, design and pricing of new units which are being built primarily for year-round residents. Combined, these projects contain a total of 209 units. Selection of these projects was based on several factors, the primary one being the fact that the projects are intended to target year-round residents through deed restrictions or covenants, such as prohibitions against short-term rentals. Other factors include:

- age – the projects were either recently completed or are now under construction; since prices of new units differ widely from older product, the proposed project should be viewed in comparison to the newest units on the market;
- price – all units are priced under \$200,000; and,
- location – projects are dispersed throughout the county in order to determine if significant variations exist within the market area.

All of the projects which meet the above criteria have been included in the examination. There are no other projects, either recently built or under construction, that target the year-round resident market.

All of the projects are either condominiums or townhomes. No single-family subdivisions have been built or are now under construction. Because this factor limits the applicability of the competitive assessment, this section of the report concludes with information on two older subdivisions, one of which is in Silverthorne and the other in Dillon, and a planned “new urbanism” project in Breckenridge.

### **General Description**

Two of the five projects examined have been completed and all units have been sold.

- Ophir Mountain – a 28-unit townhome property in Frisco developed by the Summit County Housing Authority for employees with incomes at or below 80% of the median. All units are deed restricted with caps on appreciation. It is the first project in Summit County developed by the Housing Authority. The project’s three-bedroom units are located upstairs with two-bedroom units and single-car garages on the ground floor.

- Spyglass Townhomes – a 66-unit townhome project in Wildercrest targeted to the year-round resident. All units have a deed restriction that prohibits short-term rentals but do not limit the income of occupants or price. The units were built over a two-year period, with the last one completed and occupied in October 1997.

Three of the five projects are in various stages of construction.

- Hidden River -- 60 condominium units (condotel-type) being developed at Keystone, 16 of which are deed restricted for employees working in the Keystone PUD earning up to 150% of the median. In the first week of sales, six of the deed-restricted units were put under contract. Of the 44 free-market units, 26 were under contract in the first week of marketing. It is too early to estimate the absorption rate based on successful closings.
- Glen Cove – 34 condominium units similar in design to the Ophir Mountain project plus three single-family homes. The site is in Summit Cove, an unincorporated area between Dillon and Keystone. Unlike Ophir Mountain, this project is not subsidized so units are priced considerably higher. Construction is scheduled for completion in December.
- Villas at Swan's Nest – 62 condominium units on a site near the Tiger Run RV park south of Breckenridge. Fourteen of the units were under contract as of early October.

#### Project Size, Location and Age

	Location	# Units	Construction
Glen Cove	Summit Cove	37	Under construction
Hidden River*	Keystone	16	Under construction
Ophir Mountain	Frisco	28	1997 - 98
Spyglass Townhomes	Wildercrest	66	1996 - 97
Villas at Swan's Nest	Breckenridge	62	Under construction

\* Only 16 of the project's 44 units are deed restricted with the remaining units intended for second homes.

#### Bedroom Mix

The majority of the units (64%) offered by the five projects have two bedrooms. Only one of the projects examined, Hidden River, offers one-, two- and three-bedroom units.

While housing affordability is a key concern in Summit County, very few one-bedroom units have been built for year-round residents. In the projects examined, only 8% of the units have one bedroom.

Even though four of the five projects offer three-bedroom units, Glen Cove is the only project where more than half of the units have three bedrooms.

### Bedroom Mix

	1 Bdrm	2 Bdrm	3 Bdrm
Glen Cove	--	17	20
Hidden River	6	6	4
Ophir Mountain	--	14	14
Spyglass Townhomes	--	45	21
Villas at Swan's Nest	11	51	--
Total	17	133	59
Percent of Total	8%	64%	28%

### Unit Size

Three of the projects offer modestly-sized units with two-bedroom units having under 900 square feet. Spyglass Townhomes and the Villas at Swan's Nest offer considerably larger units; the smallest has over 900 square feet.

### Unit Size

	1 Bdrm	2 Bdrm	3 Bdrm
Glen Cove	--	880	1,162
Hidden River	555	819	900
Ophir Mountain	--	880	1,162
Spyglass Townhomes*	--	1,200	1,500
Villas at Swan's Nest**	956 - 1,215	912 - 1,415	--

\* Sizes do not include single car garages.

\*\* All one-bedroom units include a den; some have two bathrooms.

### Prices

There do not appear to be standards in pricing of units targeted for year-round residents. Though all of the properties examined are intended to be affordable, unit and per square foot prices vary widely. The market has not, however, set prices which are "affordable".

Two projects, Hidden River and Ophir Mountain, offer units priced below \$100,000. The units at Hidden River that are for sale at prices under \$100,000 are small one-bedroom condominiums (555 square feet) in a condotel development. These units are the most expensive on a per-square-foot basis of the units in the projects examined. The Ophir Mountain condominiums were subsidized and have deed restrictions which cap price appreciation and limit the income of occupants to 80% of the median.

**Price by Unit Type**

	1 Bdrm	2 Bdrm	3 Bdrms
<b>Price per Unit</b>			
Glen Cove	--	\$152,900	\$177,900
Hidden River	\$89,900 - \$97,000	\$121,000 - \$127,900	\$139,900
Ophir Mountain	--	\$90,000	\$110,000
Spyglass TH's	--	\$119,000 - \$140,000	\$140,000 - \$170,000
Villas at Swan's Nest	\$147,900 - \$156,900	\$141,900 - \$216,900	--
<b>Per Square Foot</b>			
Glen Cove	--	\$174	\$153
Hidden River	\$162 - \$175	\$148 - \$156	\$155
Ophir Mountain	--	\$102	\$95
Spyglass Townhomes	--	\$99 - \$116	\$93 - \$113
Villas at Swan's Nest	\$129 - \$154	\$153 - \$155	--

Spyglass Townhomes in Wilderrest is the least expensive non-subsidized project with prices ranging from \$93 to \$116 per square foot. Glen Cove is priced between 62% and 70% higher than Ophir Mountain, even though the two projects are almost identical in design. The Villas at Swan's Nest offer a variety of unit and pricing options that typically cost about \$130 to \$150 per square foot.

**Absorption**

Sales of units in the five projects examined have been slow compared to sales of "affordable" units in other mountain resort communities. Developers have been satisfied overall with the performance of their projects yet indicated that sales were slower than had been anticipated given widely-held perceptions about the need for moderately-priced home ownership opportunities in Summit County.

The following table provides information on absorption. In it, the number of units sold includes those under contract if the project is still under construction. Not all of these sales will result in closings due to a variety of factors including the inability to obtain mortgages. The number of sales per month is based on the entire marketing period.

**Sales per Month by Project**

	# Units	# Sold	Sales/Month
Glen Cove	37	13	1.44
Hidden River	16	6	6.00
Ophir Mountain	28	28	2.55
Spyglass Townhomes	66	66	2.20
Villas at Swan's Nest	62	14	4.67

Based on the performance of these five projects, it is difficult to discern the variables that impact absorption rates. The newest projects (Hidden River and the Villas at Swan's Nest) appear to have sold the quickest; however, these figures could be misleading since all of these contracts have just been executed and none of the buyers have yet obtained mortgages.

The rate at which units at Glen Cove and Spyglass were sold appears to be the most reliable indication of absorption. Both were unsubsidized and have covenants that prohibit short-term rentals but are otherwise unrestricted. Spyglass had considerably lower pricing and sold more quickly. With their low cost, it is believed that the Ophir Mountain units would have sold quickly had it not been for the deed restrictions that capped price appreciation and the limited buyer eligibility to households with incomes at or below 80% of the median.

**Single-Family Subdivisions**

Since all of the projects targeted for year-round residents which have been recently completed or are under construction are townhomes or condominiums, the performance of two subdivisions in the Silverthorne area that contain single-family homes is examined.

***Willow Brook***

Willow Brook is the subdivision immediately to the north of the proposed project's site. The subdivision consists of multiple filings and was developed over a period of several years beginning in 1976. There are approximately 270 single-family homes, duplex units and townhomes in Willow Brook. Most are modest by Summit County standards.

The number of sales in Willow Brook has been declining as sale prices have been increasing. The average price per square foot of units in Willow Brook (about \$110 to \$118) is substantially lower than what is typically being charged for the new condominiums and townhomes targeted to serve year-round residents.

**Sales in Willow Brook**

	# Sales	Avg. Price	Avg. Price/SF
1996	40	\$182,483	\$109.67
1997	29	\$192,752	\$117.75
1998 YTD	9	\$193,700	\$116.24

As of early October, only four units were listed for sale and not under contract, of which three were single-family homes. The units range in asking price from around \$245,000 to nearly \$300,000, which equates to per-square-foot prices of \$135 to \$156.

**Units for Sale in Willow Brook**

Unit Type	Size	Price	Price/SF
Single Family	2,200	\$297,000	\$135
Duplex	1,629	\$254,900	\$156
Single Family	1,985	\$279,900	\$141
Single Family	1,584	\$244,900	\$155

Source: Summit County Association of Realtors MLS

### ***Straight Creek Ponds***

Straight Creek Ponds is a 52-unit subdivision in Dillon Valley consisting of 34 modest single-family homes and 18 duplex units. There are four basic models to choose from ranging in size from 1,316 to 1,988 square feet. Prices have ranged from an average of roughly \$108 to \$122 per square foot.

Development of the subdivision was started in early 1995. Four of the 52 units are still under construction but nearing completion; two of these are under contract and two remain for sale. One resale is also on the market.

Units were typically listed for an average of about four to five months before they were sold. Sales in 1995 were slow yet picked up in 1997 when units were usually sold before they were completed. On average, the project had an absorption rate of just over one unit per month. Average prices in Straight Creek Ponds have not escalated during the past three years at similar rates to home prices throughout Summit County.

#### ***Sales in Straight Creek Ponds***

	# Sales	Avg. Price	Avg. Price/SF
1995	2	\$157,400	\$108.40
1996	7	\$171,514	\$122.36
1997	17	\$179,165	\$120.50
1998 YTD	7	\$169,486	\$117.98

Source: Summit County Association of Realtors MLS

In addition to the sales listed above, there have been other sales done through quick claim deeds or other mechanisms that involved non-disclosure of sales prices.

### **Planned Projects**

This analysis has been limited to two planned developments, one of which is in close proximity to the proposed project and the other which is planned to be very similar in design. While there is currently much discussion among community leaders throughout Summit County, no other projects have been identified that are being planned to provide affordable housing for year-round residents.

### ***Wellington***

Wellington, a proposed mixed-use “new urbanism” project which would include multi-family units, modest single-family homes on small lots and larger single-family homes on lots along the project’s periphery, is being planned for a site in Breckenridge. This is the only planned project which is similar in size and design to the proposed project. Up to 300 units were initially envisioned. The project has since been scaled back to 122 units due to negative reaction from the City officials. Environmental, traffic and surrounding land use conflicts are anticipated since the site in French Gulch is near electric transmission lines, borders the new rodeo grounds and has mine tailings. These concerns might slow the approval process and could even further reduce the number of units.

### ***Eagles Nest***

The Blue River Land Company, LLC, an affiliate of IntraWest, is planning the development of 584 additional residential units in Eagles Nest. Of these, 30 would be lodge units and 270 would be multi-family units. The rest (284) are potentially going to be single-family homes.

This development is in the planning stages; preliminary submissions have been made to the Town of Silverthorne. If approved, it will be an upscale resort development with character and pricing that is far different from the proposed development.

## **Competitive Analysis – The Rental Market**

### **Selection of Comparables**

As described in the HOUSING SUPPLY section of this report, the inventory of apartment units in Summit County is limited. Even though approximately 52% of the county's housing units are renter-occupied, only 30% are apartments or employee housing units. This competitive evaluation, therefore, considers all of the existing, under construction and planned apartment projects in the county.

#### Existing Properties

There are only five apartment properties in all of Summit County. Combined, these properties have a total of 282 units. The four properties which have been examined in depth are:

- Villa Sierra Madre, a 60-unit project in Silverthorne;
- Blue River, a 78-unit property also in Silverthorne;
- Pinewood Village, a 74-unit apartment property in Breckenridge; and,
- Soda Creek Apartments, a 40-unit property recently completed in the Summit Cove area of unincorporated Summit County.

The only other apartment property in Summit County, Mountain Creek Apartments in Dillon, is an older 30-unit development financed through Rural Development (formerly the Farmers Home Administration). Since this project serves only very low-income persons (50% of the median area income) and since it is difficult to obtain current information on the project other than the fact it is fully leased, it has not been considered further in this evaluation.

#### Planned Projects

A 55-unit project known as The Preserve was planned for a site in Frisco. The project was approved after dealing with wetlands-related issues for several years. A permit for the foundation was issued but the project was never built. Time limits for obtaining other permits and completing construction have since expired. It is unlikely that the project will proceed since the project review and approval process would have to be repeated from scratch.

A property designed for seasonal employees of Vail Resorts is being planned for a site in Breckenridge between the library and Justice Center. If built, it will house up to 244 seasonal workers. Based on discussions with planning department staff among the municipalities and the county, no other new apartment projects are planned at this time even though developers are considering sites in the Farmer's Corner area.

Scattered Units

Information obtained through property management companies on 289 scattered condominium, townhome and single-family units which are used as long-term rentals is also provided when appropriate since, as mentioned previously, these types of units comprise approximately 68% of the county's rental supply.

The Keystone ski resort also owns and master leases units for a portion of its employees. These units have not been considered in this competitive analysis since they are managed under terms far different than the general rental market.

**General Description**

Of the four apartment projects examined, Pinewood Village is the superior product. With balconies made using exposed timbers, its appearance is far more attractive than either of the projects in Silverthorne, which were built with cost minimization as the priority.

***Apartment Properties in Summit County***

	Villa Sierra Madre	Blue River	Pinewood Village	Soda Creek
Const. Date	1994	1995	1996/1997	1997/98
Location	Silverthorne	Silverthorne	Breckenridge	Summit Cove
Total Units	60	78	74	40
Amenities	Low	Low	Medium	Low

Source: Interviews

- **Villa Sierra Madre** was built by the Denver Archdiocese in 1994. All of the project's 60 units are income restricted under the Low Income Housing Tax Credit (LIHTC) program. The project serves primarily families. It is situated in a mixed-use area of Silverthorne near light industrial and other commercial uses without views but in close proximity to I-70. The project offers a small playground for children and a central laundry facility but otherwise no amenities.

- **Blue River Apartments** are just north of Villa Sierra Madre. All of the project's 78 units are also income restricted under the LIHTC program. The project was completed in 1995. It also has very few amenities.
- **Pinewood Village** is Breckenridge's only apartment property. The project's 74 units were constructed in 1996/97 on land leased from the Town of Breckenridge. Approximately 26% of the property's 74 units (19 units) are income restricted under the LIHTC program. Rents for the remaining units are set in accordance with restrictions contained in the land lease but are similar to free-market rates. The project has balconies, in-unit washers and dryers, a playground and detached garages.
- **Soda Creek** is a 40-unit apartment project in the unincorporated Summit Cove area of Summit County between Keystone and Dillon, a residential area where many of the homes are occupied by local residents. The site has nice views of Lake Dillon to the north but is bisected by large power lines. The project has large units, microwaves, GE appliances, in-floor heat and laundry rooms in each building but no other amenities.

## Project Characteristics

### Location

The location of the proposed project is superior to, or at least par with, the locations of the other apartment properties.

- The two tax-credit properties in Silverthorne are located on neighboring sites near intensive commercial and industrial development. While proximity to jobs is a plus, the sites are not attractive and offer little in terms of residential appeal.
- Pinewood Village is located on a Town-owned parcel in Breckenridge about ¼ mile south of the proposed property. It is bordered by undeveloped forest on its western edge, adjacent to a Summit Stage stop, and in close proximity to the recreation center, library and City Market shopping center.
- Soda Creek is in a nice location in terms of view but there are no stores or services in the Summit Cove area.

Project Size

All of the apartment properties in Summit County are small in terms of unit number. The number of units in all projects combined would be considered a moderately-sized project in a metropolitan area. There are two apartment properties in Eagle County which each have nearly the total number of apartment units in all of Summit County.

Building a larger apartment project should not negatively impact leasing. The other projects are smaller at least in part due to site limitations, not market demand. Large projects in Eagle County including Eagle Bend in Avon and Lake Creek Village in Edwards, quickly achieved and have steadily maintained nearly full occupancy levels.

**Unit Mix**

The majority of rental units in Summit County have two bedrooms. In other resort communities, one-bedroom units have been very popular in new apartment properties, likely the result of long-term overcrowding. When affordable one-bedroom units become available, they are usually the first to lease.

**Unit Mix Compared**

	Inventory	Proposed Project
One Bedroom	22.2%	38%
Two Bedrooms	54.6%	54%
Three Bedrooms	19.7%	8%
Four+ Bedrooms	3.5%	--

Pinewood Village is the only property which offers a combination of one, two-bedroom/one-bath, two-bedroom/two-bath and three-bedroom units.

**Unit Mix by Project**

	Managed Units	Villa Sierra Madre	Blue River	Pinewood Village	Soda Creek
Total Units	210	60	78	74	40
Unit Mix					
1 BR/1 BA	77/37%	10/17%	-	28/38%	-
2 BR/1 BA	77/37%	24/40%	48/62%	18/24%	-
2 BR/2 BA	*	-	-	20/27%	40/100%
3 BR/2 BA	38/18%	26/43%	30/38%	8/11%	-
4 BR/2 - 4 BA	18/9%	-	-	-	-

Source: Interviews \* Combined with two-bedroom/one-bath units.

**Unit Size**

The size of units are typical for B+/A- grade apartment properties and smaller than usually found in upscale projects. There is not much variation among Summit County's apartment projects in terms of unit size.

**Unit Size  
(Square Feet)**

	Sierra Madre	Blue River	Pinewood Village	Soda Creek
1 BR	700	-	657	-
2 BR/1 BA	890	920	800	-
2 BR/2 BA	-	-	860	900
3 BR/2 BA	1,033	1,130	998	-

**Analysis of Rents**

Per Unit

The rates among scattered units leased through property management companies and in the two apartment properties which offer unrestricted units vary considerably from the low levels charged by the projects financed through the the LIHTC program. Rental rates for Villa Sierra Madre, Blue River apartments and 19 of the units at Pinewood Village, all of which are tax credit projects where only persons with incomes below 60% of the median can reside, are far below free-market rates in Summit County.

**Rental Rates - Existing Properties**

	Sierra Madre	Blue River	Pinewood Village tax credit/other units	Soda Creek	Managed Units
1 BR	\$486	-	\$496/\$700-\$731		\$645
2 BR/1 BA	\$645	\$719	\$593/\$876-\$906		\$887
2 BR/2BA	-	-	\$593/\$917-\$948	\$950-\$1000	
3 BR	\$752	\$830	\$684/\$1133		\$1,226

Source: Interviews, March, 1998

The averages of \$645 for one-bedroom units, \$887 for two-bedroom units, and \$1,226 per month for three-bedroom units listed under "managed units" on the table above represent a wide variety in terms of quality, age and location. Since some of the "managed units" have been occupied by tenants for multiple years, the weighted average rates are lower than rates would be for new tenants entering into their first lease contracts.

As shown below, the rates among scattered units leased through property management companies vary somewhat by unit type. Single-family homes typically rent for between 7% and 16% more than multi-family units. Note: the \$600 listed for one-bedroom single-family homes is the amount charged for each of two small cabins.

**Average Rents among Managed Units**

	One Bdrm	Two Bdrm	Three Bdrm	Four+ Bdrm
Condos/THs/Apts	\$646	\$884	\$1,134	\$1,550
Single Family	\$600	\$950	\$1,308	\$1,800

Source: Interviews of six property management companies.

Per Square Foot

Since scattered condominiums, townhomes and single-family homes vary by size, information is not available on rents per square foot. This analysis is, therefore, limited to apartment properties.

**Rents per Square Foot**

Unit Type	Sierra Madre	Blue River	Pinewood Village	Soda Creek
1 BR/1 BA	\$.69	-	\$.77/\$1.09-\$1.12	-
2 BR/1 BA	\$.73	\$.78	\$.74/\$1.10-\$1.13	-
2 BR/2 BA	-	-	\$.69/\$1.07-\$1.10	\$1.06-\$1.11
3 BR/2 BA	\$.73	\$.74	\$.69/\$1.14	-

Source: Interviews

## Vacancy Rates

Vacancy rates have been extremely low throughout Summit County in recent years. Much of the time, occupancy rates have exceeded 99%.

- Of the 289 units leased through the six property management companies surveyed in March, only two units were available for rent. This equates to a vacancy rate of .7% among scattered rental units.
- There were no vacancies at Pinewood Village, Villa Sierra Madre or Blue River when surveyed in March.
- Pinewood Village was 100% pre-leased; residents moved in as soon as certificates of occupancy were issued.

Seasonal variations in vacancy rates are not as great as might be expected given seasonal fluctuations in employment. All of the apartment properties and two of the property management companies interviewed offer only one-year leases. Among the other property management companies, 80% of their units are leased under one-year terms. May through August tends to be the time when many year-round residents seek better accommodations. By the end of the summer, only the most undesirable units are still available but are quickly occupied in the fall by persons who move in for seasonal jobs.

## Waiting Lists

Waiting lists are maintained by the three existing apartment properties although little effort is placed on keeping them up-to-date since, according to on-site managers, vacated units can be filled immediately by new inquiries. Property management companies rarely bother keeping lists since units are usually filled the same week that move-out notices are given.

### *Waiting Lists by Project*

Project	# on list
Pinewood Village	20
Villa Sierra Madre	50
Blue River	<u>40</u>
Total	110

## **Conclusions and Recommendations**

### **Population**

Silverthorne is well established as a community in Summit County where year-round residents outnumber tourists and second home owners. About 16% of the county's year-round residents (almost 3,000 persons) reside in Silverthorne making it the county's largest municipality. The Dillon/Silverthorne area has a combined population of over 6,500, and thus is the largest urbanized area in Summit County.

Growth in the population of Silverthorne has surpassed the county-wide rate of growth since 1991. Land availability, the community's convenient location within Summit County, and the health of the economy in the region and the state should lead to the continuation of strong growth trends.

### **Employment**

It is estimated that 16,600 employees hold approximately 21,600 jobs in Summit County, an average of 1.3 jobs per person. The county's economy has been booming with annual increases in employment averaging 6.6 % since 1990.

Approximately 17% of Summit County's jobs (an estimated 3,672 jobs) are in Silverthorne. The town has a higher concentration of retail employment and relatively fewer service jobs than in the county as a whole.

It is likely that job growth in Silverthorne will continue given land availability and zoning within the current municipal boundaries of Silverthorne. Employment levels may more than double as the amount of developed commercial land increases from roughly 407 acres today to nearly 900 acres at full build out.

In 1997, the average annual wage in Summit County was \$21,057 and the median family income was \$57,400.

### **Housing Supply**

Most of the residential units in Summit County are not used for housing but rather serve as vacation accommodations. Of the 21,858 residential units in the county as of January 1997, only 7,168 units (32.8%) were occupied by local residents with the remaining 14,690 used as second homes or short-term lodging.

Fewer than half (48%) of Summit County's households live in homes they own. At 48%, the home ownership rate in Summit County is far below the national and state rates of 66% and 64% respectively. The majority of home owners in Summit County (53%) now reside in multi-family units or mobile homes, which suggests there is demand by existing owners to move up into single-family homes.

Renters occupy all types of housing, including single-family homes. Apartments and employee housing units comprise only 30% of the rental inventory. This is typical in situations where there are few apartments relative to the need for rentals.

Silverthorne has by far the highest percentage of homes occupied by year-round residents as their primary home of any community in Summit County (82% in Silverthorne compared with approximately 33% in Summit County as a whole). It also has the highest number of households who own their homes as their primary residence. Silverthorne is also the only community in Summit County where owner households outnumber renter households (513 owners compared with 498 renters).

Approximately 44% of the housing units in Silverthorne are single-family homes. Another 22% are condominiums and townhomes. Apartments comprise only 15% of the housing supply in Silverthorne.

## **Housing Demand**

### ***Aggregate Demand***

Several estimates of the need for additional housing units have been prepared over the years as part of studies for the Summit County Housing Authority and the Town of Breckenridge. The estimates of need have increased each year with strong growth in employment. The development of affordable housing has not kept pace with job growth. The estimates of the need for additional units are as follows:

- 1994 – 1,148 Units
- 1996 – 1,756 Units
- 1997 – 2,150 to 2,350 Units

### ***Home Ownership Demand***

Over 52% of the renter households in Summit County have incomes in excess of \$40,000 per year, and nearly 16% have annual incomes above \$60,000, income levels

which seem sufficient to afford to purchase homes priced in the low \$100,000's. Other factors must be considered, however, when calculating demand. The fact that the majority of the upper-income renter households are comprised of unrelated roommates who would be unable to purchase a home together is a crucial consideration when determining the depth of the market. A report prepared by RRC Associates in 1997 for the Town of Breckenridge identified 1,125 potential first-time home buyers; however, this estimate did not exclude the combined incomes of unrelated roommates.

A more selective methodology which takes into account lifestyles and household composition results in an estimate that there is potential demand for up to 610 home ownership units. There are several factors which will curtail this demand, however, including limited availability of mortgage programs, the inability of over half of the potential borrowers to qualify for mortgages, and skepticism about deed restrictions.

It is recommended that a concentrated effort be made to enroll potential buyers in a home buyer training program with a strong consumer credit counseling component. Even though participation in these types of programs in the past has not been high, developers have not been sponsored efforts aimed at buyers of a specific project. Unless efforts to increase the ability to qualify for mortgages is increased, the depth of the market should be considered to be about 1/3 of potential demand.

### ***Rental Demand***

The demand for rental units is greater than for-sale units in Summit County. It is estimated there is currently demand for at least 950 additional rental units. This estimate is based on the assumption that two rental projects will be built in Breckenridge. One of these, a seasonal worker project proposed by Vail Resorts, Inc., is not currently under consideration; construction is unlikely in the near future.

Several factors contribute to such a strong demand for rental units including:

- the high percentage of retail and service jobs in the county which are viewed as short-term or entry level positions;
- the young age and mobile lifestyles of many the county's residents;
- uncertainty among many residents about the length of time they will remain in the county; and,
- the fact that multiple condominium and townhome projects have been built in recent years for year-round residents yet only two small apartment projects have been built during the same period.

## Home Ownership Market

### *Volume*

Since 1996, an average of about 1,675 housing units per year were sold in Summit County. This equates to a monthly sales volume of about 140 units. Based on the assumption that recent sales have matched the historical division between primary residence and second home/lodging purchases, it appears that about 570 units per year, or 47 units per month, have been purchased by year-round residents.

Sales of multi-family units have been holding steady at about 995 units per year, which equals 61% of the total number of units sold in Summit County. The number of single-family homes sold each year has been increasing, however, at the rate of 18% between 1996 and 1997 with the trend continuing in 1998.

The availability of new units does not appear to significantly impact the volume of resales. This conclusion is based, however, primarily on multi-family units since few new single-family homes have been built in the last three years.

### *Capture Rates*

If it is assumed that full build out of the 350 proposed units will occur over three years with an average of about 115 units completed each year, and that all of these homes will be for sale, it follows that the project will need to capture roughly 6.4% of all sales activity based on the county's current volume of sales. If all of the units are targeted toward year-round residents, the project would need to capture just over 20% of the market. If the number of units sold each year in Summit County continues to increase, the percentage of the market that the project will have to capture will decline.

### *Pricing*

The median price of all housing units sold in Summit County in 1997 was \$186,500. The median was skewed by a relatively high volume of multi-family resales, with a median price of only \$144,500. The median price of single-family homes sold in 1997 was \$250,000.

Home prices have been rising steadily during recent years with an increase of 121% in the overall median price between 1990 and 1997. The median price for multi-family resales, the best indicator of relative prices since it is not affected by variations in the quality and size of new construction, rose 90% between 1990 and 1997.

Prices of new multi-family housing units are substantially higher (45%) than multi-family resales. Since few single-family homes have been built recently, it is not possible to tell if all types of new units have a 45% price premium over comparable older product. There is evidence that this is not the case. The price per square foot of new single-family homes in the Straight Creek Ponds subdivision is almost identical to the price of 15 to 20 year old homes in Willow Brook.

Price differences between single-family and attached housing are not as great as might be expected, or is often the case in other markets. The difference in the median price between duplex units and single-family homes is only \$25,000, and \$41,000 between new multi-family units and single-family homes. These findings suggest that the value of detached housing is not substantially higher than attached units, and that sharing common walls with neighbors does not significantly impact price.

Overall, prices in the Silverthorne area are substantially lower than in Summit County as a whole. Of the units sold in the Silverthorne area since the beginning of 1996:

- approximately 69% were sold for amounts under \$200,000; and,
- only 9% were for prices at or above \$300,000.

### ***Inventory***

As of mid-September, 1,258 housing units were listed for sale in Summit County through the MLS, which equated to a one-year inventory based on average sales since the beginning of 1996. There is a 22-month inventory of units listed at or above \$300,000, which suggests that the market may be saturated at higher levels. There is only a five-month inventory of units priced below \$200,000, however, which is further evidence that the additional development of units at the lower end of the price spectrum would be appropriate.

### **Competitive Evaluation**

The evaluation of both for-sale and rental units did not reveal strong or widespread competition. All of the for-sale units that have been built in recent years have either sold or, based on current absorption trends, will have sold before the first of the proposed units are completed. All rental units are fully leased and each apartment property maintains a long wait list. The only project which could seriously impact the sale of the proposed units is Wellington. If the "new urbanism" project is built in Breckenridge as currently proposed with 122 homes, sale of the proposed units in Silverthorne could be slowed since both, as envisioned, will target the same population.

The issue of greatest concern identified by the competitive evaluation is the rate at which new units targeted to year-round residents have been absorbed. Even though the five condominium and townhome projects evaluated in this report were placed on the market at staggered times, absorption typically did not exceed three units per month. Homes in the only new single-family subdivision that is comparable to the proposed project, Straight Creek Ponds, sold at an even slower rate of just over one unit per month. Multiple factors could have slowed absorption of this project, however, including conservative development and marketing approaches. Fewer than five units are currently available for sale at either Straight Creek Ponds or Willow Brook, a factor that at least partially tempers the concern that slow absorption reflects soft demand.

The examination of for-sale pricing revealed wide variation, inconsistency and little insight into what the “affordable” market will bear. Prices per-square-foot for most of the condominium and townhome units were considerably higher than homes in the two single-family subdivisions examined. Two of the projects, Glen Cove and the Villas at Swan’s Nest, are priced similarly to the single-family subdivisions on a per-unit basis.

Property	Avg. Price Range	Avg. Price/SF
Straight Creek Ponds	\$157,000 - \$179,000	\$108 - \$122
Willow Brook	\$182,000 - \$194,000	\$110 - \$118
Glen Cove	\$153,000 - \$180,000	\$153 - \$174
Hidden River	\$99,000 - \$140,000	\$148 - \$175
Ophir Mountain	\$90,000 - \$110,000	\$95 - \$105
Spyglass Townhomes	\$119,000 - \$170,000	\$99 - \$116
Villas at Swan’s Nest	\$142,000 - \$217,000	\$129 - \$155

Free-market rental rates in Summit County are generally more consistent than for-sale pricing. Units average around \$650 - \$730 for one bedroom, \$850 - \$1,000 for two bedrooms and \$1,100 - \$1,250 for three bedrooms. Units leased through property management companies are similarly priced to the unrestricted rents at the only two apartment projects in the county which offer free-market units.

Rents for units in the subsidized/ tax credit properties vary depending upon the median income level the unit is targeted to serve, however, the differences are slight. An examination of rents per-square-foot reveals that income-restricted rents are generally about 40% lower than market rents.

### Rent Comparisons

	Sierra Madre	Blue River	Pinewood Village tax credit/other units	Soda Creek	Managed Units
1 BR	\$486	-	\$496/\$700-\$731		\$645
2 BR/1 BA	\$645	\$719	\$593/\$876-\$906		\$887
2 BR/2BA	-	-	\$593/\$917-\$948	\$950-\$1,000	
3 BR	\$752	\$830	\$684/\$1,133		\$1,226

### Development Recommendations

#### *Number of Units and For Sale/Rental Mix*

Overall demand in Summit County appears sufficiently strong to justify maximizing the number of units that are to be developed. With a gap between supply and demand of over 2,000 units, building 350 units is warranted provided that the mix, pricing and construction schedule are appropriate.

Given the large demand for rental units, and the absence of any planned apartment projects other than the two which are being debated in Breckenridge, it is recommended that at least 100 units be built for rent. This number could be higher if approvals can be obtained. Building apartments is not the only way to respond to the demand for rentals, however. Based on the sale of units at both the Villas at Swan's Nest and Glen Cove to employers and other non-occupying investors, there appears to be a market for investing in condominiums and townhomes to generate year-round rental income. In other words, building multi-family units for sale on an individual unit basis but suitable for rentals has potential.

The relatively small inventory of for-sale housing for year-round residents, the success of all projects built to date, and the statements of need expressed by key employers are all evidence of the additional demand for home-ownership opportunities. Conditions appear to indicate that 200 to 250 for-sale units could be absorbed over time.

#### *Absorption*

Factors that limit home-ownership demand, including mortgage qualifying problems, and the slow absorption of recently completed units, suggest that it would be inappropriate for a large number of units to be placed on the market for sale at once. A slow but steady rate of absorption is more likely than strong initial sales. If employment and real estate market conditions remain strong, it is reasonable to expect that 50 units per year

could be sold. The proposed Wellington project in Breckenridge should be monitored to anticipate potential impacts on the absorption rate.

To maximize absorption, the following actions are recommended:

- provide/coordinate a home buyer training program and initiate project marketing as soon as possible to identify potential buyers and provide time for them to work on qualifying for mortgages;
- obtain Fannie Mae and FHA approval of the project to maximize the availability of mortgage programs;
- assist efforts to expand down payment assistance programs; and,
- minimize the limitations imposed through deed restrictions.

### ***Unit Type***

Demand for single-family homes should be strong relative to condominiums and townhomes. Several factors support this conclusion:

- very few single-family homes have been built in Summit County in recent years; with the exception of Straight Creek Ponds, all of the projects designed and built to target year-round residents have been either townhomes or condominiums;
- the inventory of single-family homes priced under \$200,000 is very limited; and,
- over half of Summit County's year-round home owners currently live in multi-family units and would likely be interested in moving up into single-family homes if affordably priced and of superior design compared to their current homes.

These factors supporting demand for single-family designs are balanced by the need to provide low-cost units and the general acceptance of living with common walls in attached multi-family designs. It therefore appears that it would be appropriate for ¼ to 1/3 of the for-sale units to be condominiums and/or townhomes. The ideal ratio will depend upon unit pricing and decisions made concerning the type and number of rental units that will be developed.

## **Pricing**

### For-Sale

It is recommended that the majority of for-sale units be priced for sale under \$200,000. Prices should be capped at no more than the high \$200,000's. Units priced at or above \$300,000 would be difficult to market, at least in the immediate future given the inventory now available.

Offering single-family homes priced at \$110 to \$115 per square foot should be sufficiently competitive. The prices of single-family homes should start at about \$150,000, with the majority priced under \$250,000. Only a small percentage should be priced between \$250,000 and \$300,000.

Offering multi-family units for sale at under \$125 per square foot should position the project well in terms of other units on the market and likely to be for sale in the near future. Since the inventory of multi-family units listed for sale increases at about the \$150,000 level, it is recommended that most of the attached units be priced in the \$100,000 to \$150,000 range.

### Rentals

Since the only apartment projects in Silverthorne are income restricted, it is recommended that the proposed rental units be targeted to serve all income levels. While additional units restricted for renter households with incomes below 60% of the median would lease, there is strong evidence that a 100% free market project with a more upscale design (as compared to the "no frills" construction of the two existing projects in Silverthorne) would be appropriate for the proposed neighborhood.

Rental units should be able to attract rates of between \$1.05 and \$1.15 per square foot. One-bedroom apartments should lease for monthly rents of \$700 to \$725. Two-bedroom units with only one bath should have rates just below \$900 per month. An additional bathroom should have a value of about \$50 to \$75 per month. Three-bedroom apartments should easily lease starting at around \$1,000 and renting for as much as \$1,200, depending upon unit size and a configuration that is responsive to the needs of multiple roommates. Low-cost studios with rents in the \$500 to \$600 per month range are rare and would offer an attractive option to employees who want to live alone.

## ***Bedroom Mix***

### For-Sale

It is recommended that the majority of condominiums and townhomes (60% to 70%) have two bedrooms. This seems to be an appropriate mix which balances flexibility of use with efforts to provide affordable pricing.

Very few one-bedroom units have been built for sale. Though the market for these units is generally limited to single individuals, a significant percentage of the county's population is single as are many of the buyers of recently completed or under construction properties. It is suggested that a small percentage (10% to 20%) of the for-sale multi-family product have only one bedroom.

The demand for multi-family units with three bedrooms appears to be limited based on the experience of Ophir Mountain Village. Relatively few of the multi-family units recently developed or under construction have three bedrooms. The knowledge that the developers have about the market could be responsible for this. It is recommended that only a small percentage (10% to 20%) of the attached for-sale units have three bedrooms.

Single-family home designs with two, three and four bedrooms should be offered. The percentage of four-bedroom homes should be small since large families are not common in Summit County and since keeping costs below \$300,000 is important. The lack of affordably-priced larger homes makes it desirable, however, to offer at least one floor plan with four bedrooms.

### Rentals

Studio units should definitely be considered in the mix of rental units. A fairly large proportion of one-bedroom units would also be appropriate. Opportunities for single individuals to live alone are extremely limited, a situation that is very frustrating to entry-level professionals and others who are stable residents of the community. A sizable mix of smaller units in the proposed property would attract the type of residents appropriate for the neighborhood while preventing a concentration of large, multi-roommate households. Combined, studios and one-bedroom units should comprise about 40% to 45% of the rental units built.

This site is not appropriate for the development of units designed to serve the seasonal worker market given its distance from the ski slopes and the type of development envisioned for the property. As such, three-bedroom units should be designed primarily to serve young families. This is not the best way to maximize rents but it should lead to

a greater sense of community. No more than 20% of the rental units should have three bedrooms.

About half to 60% of the proposed rentals should have two bedrooms. Both one-bath and two-bath options should be offered. A dual master floor plan would be appropriate for a portion of the units although a design where the second bedroom can readily serve as a den (double doors are ideal) should also be considered.

Lofts are particularly popular in other markets but are seldom seen in Summit County. The extra space that lofts provide with minimal impact on size, scale and cost of the project should make their incorporation into upper-floor units desirable. To address needs of renters who have large amounts of recreational equipment, each rental unit should have an exterior, low-cost storage locker/closet.

