

MEMORANDUM

To: Jordan Swisher, Brue Baukol Capital Partners LLC
From: Dan Guimond and Sarah Dunmire, Economic & Planning Systems
Subject: Redtail Ridge Report; EPS #193102
Date: March 17, 2021

This memorandum is in response to comments from the City of Louisville dated March 10, 2021 regarding the updated Economic & Planning Systems (EPS) Market Analysis Report. This was commented as follows:

The EPS study should recognize that the GDP only provides zoning by subarea and does include any provisions related to the mix of office, industrial and retail development. Other mixes of land use other than that studied could be built. Is the studied land use mix the most likely mix considering market demand and absorption? The report also states the phasing is provided by the developer and not based on their analysis. What do they find would be the likely phasing by land use type? Does this differ from the developer's estimates?

The market study mix of development is based on estimated market demand and absorption by land use category. Redtail Ridge is estimating 1.7 million square feet of office, 1.38 million square feet of industrial, and 15,000 square feet of retail development by 2035. EPS forecasts market demand and absorption through 2040 for 1.7 million square feet in office and 1.6 million square feet in industrial development. EPS is not forecasting retail demand and absorption because it is a complimentary use and will be supported by the local employment on-site and pass-through traffic along Northwest Parkway.

The Redtail Ridge proposed land use and EPS forecasted land use demand are similar with a difference of 282,800 square feet, as shown in **Table 1**. The amount of office development is the same with 1.7 million square feet or 86,000 square feet per year. EPS forecasts a larger demand for industrial space than proposed with an additional 272,200 square feet of industrial space.

The Economics of Land Use



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Table 1. Redtail Ridge Absorption Comparison, 2020-2040

Description	Proposed		EPS		Difference	
	Total	Ann. #	Total	Ann. #	Total	Ann. #
Office	1,720,000	86,000	1,725,631	86,282	5,631	282
Industrial	1,380,000	69,000	1,652,205	82,610	272,205	13,610
Retail	15,000	750	---	---	---	---
Total	3,115,000	155,750	3,377,836	168,892	262,836	13,142

Source: Brue Baukol; Economic & Planning Systems

EPS forecasts the absorption schedule to generally align with proposed GDP, although full absorption may not be met until 2040. The total amount of demand and absorption could potentially be faster or slower and will be influenced by the following factors:

- Due to the impacts of Covid-19, office space may take longer than anticipated to be absorbed by the market. The office sector has experienced softening demand since the second quarter of 2020 from companies and professional services working remotely and office vacancy rates have increased. This trend of a decline in office demand is a short-term impact of the pandemic and is not anticipated to continue long-term. The recovery period for office may take longer than other land uses. Therefore, the phasing of office should be stronger in the later phases of development as is proposed in the GDP.
- The demand and absorption forecast for office and industrial space is dependent on the inclusion of flex and R&D space within the traditional office and industrial land uses. Flex/R&D space is commonly a subset of industrial space but can also be developed as a subset of office space to accommodate a variety of uses. Flex/R&D space can accommodate technological businesses, such as bioscience, which is growing hub in the Boulder and Denver market areas. The Louisville/Lafayette area has been capturing the Boulder R&D spin-off and this trend is expected to continue. The US-36 Corridor has historically captured approximately 22 percent of the total Flex/R&D development from 2000 to 2020 within the Denver metro area. The corridor gained over 2 million square feet since 2000, which is an average of 101,000 square feet annually.
- The absorption schedule would be heavily influenced by gaining an anchor office tenant to pre-lease space. The current forecast and absorption schedule assumes no anchor office tenant. If Redtail Ridge is successful in attracting one or more anchor tenants during the early stages of development, the demand is likely to increase, and space will be absorbed by market quicker than forecasted.