

October 17, 2016

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ULI Forecasts Rise of 'Surban' Living

Areas such as Reston Town Center in Reston, VA, which combine “the best of urban living” with “a more affordable suburban environment,” will see the bulk of new household formation in the next decade, says the Urban Land Institute. Working women, affluent immigrants and both younger and older adults will drive demographic trends through 2025, the Urban Land Institute says in a new report. Titled Demographic Strategies for Real Estate, the report sees positive long-term implications for the multifamily sector, among other findings. “Government policies, economic cycles, new technologies, and shifts in social acceptability have driven massive shifts in real estate demand over the decades,” says John Burns, CEO of John Burns Real Estate Consulting, which prepared the report for ULI’s Terwilliger Center for Housing. Real estate executives who “identify the trends early and adapt always win,” he adds. Household formation is expected to increase by 86% over the next decade, with well over half of the 12.5 million net new households choosing to rent. That includes those who have never owned their homes as well as those making the switch from owning to renting as they age. Accordingly, homeownership will decline, with the national rate anticipated to drop to 60.8% by '25, the lowest point since the 1950s. However, the majority of the households formed by younger adults won't take up residence in urban areas, the report states. Instead, they'll gravitate to so-called surban areas, which the report says bring “the best of urban living to a more affordable suburban environment.” The report’s authors coined the term surban to describe areas such as Reston Town Center in Reston, VA; Legacy Town Center in Plano, TX; and Old Town in Pasadena, CA. “Many suburban cities created decades ago that are now largely built out continue to reinvigorate themselves with vibrant surban downtowns composed of new retail and residential developments,” the report states. “In surban areas, housing affordability, home size, privacy and kid-friendliness feel more urban than suburban, while school quality, public transportation, and proximity to employment feel more suburban.” The report predicts that 79% of new households over the next decade will settle in the suburbs. The advent of surban areas doesn't bode well for conventional shopping centers. “More retail stores will be transformed into places that sell experiences, rather than goods, and more development will combine housing and retail to satisfy consumer demand for places that offer convenient, car-free shopping,” according to ULI. It does, however, have positive implications for suburban office. Helping to drive this trend will be the so-called Sharer generation, those born between 1980 and 1989 and who led the transition to a sharing economy. ULI says that as '80s-born Sharers move into more senior management roles and start families, many will also move from urban cores to the suburbs to live in areas with good schools, but which are also near employment hubs and entertainment and recreational amenities. They will be willing to share space and work remotely. “Women earned more than half of the college degrees obtained by Sharers,” according to ULI. As a result, “female executives will play a stronger role in office space selection.” At the other end of the age spectrum, 66 million Americans will be over age 65 by the year 2025, or 38% more than in 2015. The ULI report predicts “lucrative opportunities for customer segmentation, given the widely varied needs and lifestyles of younger retirees versus older ones. The surge in retirees will also create more opportunities for workers, driving incomes up for many occupations.”

(GlobeSt.com)

Denver Developers Have Seen the Future of Parking, and it Is No Parking at All

The future of parking is no parking. Or at least a lot less parking. A growing cadre of developers in Denver and beyond aren't passively waiting for the day autonomous vehicles overtake their human-driven predecessors. They're planning today for a future with less demand for car parking, building garages in a way that, some day down the road, they can be converted into residences, offices, retail or other uses. At Denizen, an apartment complex that opened last year 20 feet from Alameda Station's light-rail platform, the future is retail — about 30 of the complex's 275 parking stalls can be converted into street-level storefronts. The proposed World Trade Center Denver campus, near the 38th & Blake Station in River North, plans to go even further. The more than 700 above-ground parking spaces in the project's first phase have been designed so they can be renovated into residential, office or retail space as future demand warrants. "Some people think this is some utopian future, even though Volvo just announced a few days ago they will have autonomous vehicles on the road by 2021, and other major car companies in the U.S. are on the same schedule," said Thomas Fisher, director of the Metropolitan Design Center at the University of Minnesota, who has studied parking-ramp design for years. "Within a decade, certainly within two decades, the demand of parking is going to radically change. These buildings that we're putting up are going to last more than two decades," Fisher said. "The worry I have is that we're going to end up with a lot of buildings that we're going to have to tear down because they're sloped-ramp parking garages. Unless you want to turn them into a skateboard park, they won't have much use." While unknowns remain in the roll-out of self-driving cars, the change in parking demand has the potential to be mind-boggling. One University of Texas study, modeled on Austin, Texas, estimated the need for car parking would decrease by 90 percent if the entire city shifted to autonomous ride-sharing vehicles. One shared autonomous vehicle, operating like today's taxi or car-sharing services but without a human driver, could take as many as 11 conventional vehicles off the road, the researchers found. "For every car in the U.S. there are three empty parking spaces," said Rick Petersen, principal at OZ Architecture and lead architect on the WTC Denver project. "If it's a subscription-based service, you wouldn't have to have these extra dedicated spaces." Americans are showing increasing willingness to consider driverless cars too. In a recent survey by the Consumer Technology Association, 70 percent of respondents said they wanted to test a self-driving vehicle and nearly two-thirds want to trade in their current vehicle for an autonomous one. In September, Uber rolled out a test fleet of self-driving vehicles in Pittsburgh. Fisher said human-driven cars are "simply too dangerous" and "kill too many people" to remain in use when other, safer options exist. He foresees a not-too-distant future in which cities start banning human drivers, insurance companies stop insuring them and parking ramps go the way of horse stables. "People feel that people will never give up their cars, but you know what? In the late 1800s, people said no one would give up their horses for cars," Fisher said. "Autonomous vehicles are cheaper, safer and cleaner than cars." So, what to do with all that car parking? It may be a little early to answer that question definitively, but forward-thinking developers are already designing projects that balance today's continued expectation of bountiful, easily accessible car parking with a future where that demand could disappear. "You can't force people out of their cars. It has to evolve organically," said Sean Campbell, CEO of Formativ and developer of WTC Denver. "The idea is you've got several floors, big footprints of parking, you're never going to go potentially to zero — at least not in my work life — but how do you look toward the future for sustainable use?" That's where the idea of convertible spaces comes in, garage floors that can shelter cars today, but potentially people in the future. For the WTC

Denver campus, that means providing the two-plus parking spots per 1,000 square feet of office space that tenants expect when the project opens in late 2019. Those same parking spots could transition over time to a number of uses, including international student housing, artist studios, retail or office space, Campbell said. "We aren't required to have any (parking), but you and I know that, let's say we move our company from DTC and say, 'By the way, guys, there's no parking for you.' That's probably not the best retention tool," he said. "But I could see several of those floors of parking we have built into this project being converted before we know it." Parking remains an important part of getting financing, said Dan Cohen, development manager at D4 Urban LLC, developer of the Denizen apartment project. "A lot of lenders and equity partners, that's a box they want to check: Is there an appropriate level of parking? And they have their own view of what that is," Cohen said. "Even if you think you're meeting the demand, you have to get your capital partners to support that, as well." Given its proximity to light rail, Denizen elected from the get-go to offer fewer parking spots than many of its competitors in Denver's "mid-urban core," where many multifamily projects have one spot per bedroom or more, he said. At Denizen, the ratio is one parking stall per apartment — 275 stalls for 275 apartment units. The building has about 400 residents — 15 percent of whom aren't using light rail at all, according to post-occupancy surveys, Cohen said. "What's interesting is 80 percent of those people who use light rail every day still have a car," Cohen said. "And the reason is, they want to use (the car) on the weekends or if they're running errands that aren't easily accessible by light rail." About 30 of Denizen's parking spaces can be converted into about 7,000 square feet of ground-floor retail. It wasn't autonomous cars, though, so much as the project's proximity of transit, projected increases in ride-sharing services and other neighborhood factors that led developers to make that decision, he said. In addition to providing future revenue for the development, swapping out some parking for retail will also help with the city and RTD's goal to activate the train platform, he said. "It's smart use of resources and space is a resource," Cohen said. "If you're designing a building and there's space that potentially could become obsolete over time, that's just a wasted opportunity." Building parking that has future life as something else requires particular thought to the garage's floor-to-ceiling heights and slope of the floors, Fisher said. "The typical sloped-ramp parking garage has about a 5 percent slope," Fisher said. "You can't work in that space." Instead, the floor plates need to be flat, with discrete ramps between the levels, Petersen said. At WTC Denver, the ramps are being designed so they can be removed someday, leaving a light-filled courtyard. Ceiling heights also may have to be adjusted depending on the future use. Offices need higher floor-to-ceiling heights than your typical parking garage offers, while housing falls within inches of the 10 feet or so between every floor that parking tends to have, Petersen said. "It doesn't take much more initial investment or cost," he said. "It's more just thinking creatively." Denver already has a great example of how a facility built for cars can be transformed for another use — the Sportscastle on Broadway, Petersen said. The iconic building was an automobile dealership before the Gart family opened its "Sportsman's Castle" there in 1971. Now, in the wake of Sports Authority's bankruptcy and dissolution, the building is poised for redevelopment again, part of a larger mixed-use project with potential for residential, retail, restaurant, office and a hotel. Even subterranean parking could have a future as storage or a data center, Petersen said. In Denver, the ground floor of stand-alone parking garages downtown are required to be suitable for conversion to an active, nonparking use in the future, city planning and development supervisor Chris Gleissner said. Everywhere else, there's nothing in city code that compels or prevents developers from building parking that can be converted, he said. "It's going to take leadership both private and public sector to

start making it a movement," Gleissner said. "Miami has really embraced this. Some cities have really embraced it. No one is mandating, it but there is more of a social conversation going on." **(Denver Post)**

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Denver Leads Nation's Bigger Cities on Hotel Room Construction

When it comes to the nation's biggest cities, Denver's experienced the biggest year-over-year jump in new hotel room construction. According to hotel research firm STR, there's been an 85.9 percent increase in new Denver hotel room construction from 2015 to 2016, which tops bigger cities like New York, Los Angeles and Chicago. There are now 4,470 new hotel rooms under construction this year, up from 2,404 that were under construction in September 2015. Right now, there are 44,437 hotel rooms in Denver, according to STR. New York leads the nation with 16,462 hotel rooms under construction in September. In August, the Denver Business Journal reported that June hotel receipts in Denver set a new record. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.50	.50	.25
3 MONTH LIBOR	.87	.85	.32
PRIME RATE	3.50	3.50	3.25
10 YEAR TREASURY	1.80	1.71	2.01
30 YEAR TREASURY	2.55	2.46	2.85