November 7, 2016

Toastmasters Pays $19.5M for New World Headquarters

Toastmasters International bought a vacant office building in Meridian International Business Center for its new world headquarters. Columbia Property Trust Inc. sold the 106,575-square-foot building at 9127 S. Jamaica St. in Englewood to Toastmasters for $19.5 million, or $182.67 per sf. The four-story building was built as part of CH2M's campus, which Columbia Property Trust recently sold for $122 million. Toastmasters is relocating its Rancho Santa Margarita, California, headquarters to Colorado because of a lower cost of doing business and for access to the Denver metro area's educated workforce. It has 168 employees and expects to have around that same number when it moves into the building in July 2018, following a major renovation. "We're eager to relocate our headquarters to such a dynamic and growing area," Toastmasters CEO Daniel Rex said in an announcement. "Denver is home to an affordable and talented workforce in a business environment that is more cost-efficient than California. As a nonprofit organization that strives to maximize resources, we're often challenged to do more with less. It's critical for us to be competitive in the marketplace, and able to attract and retain employees." Toastmasters International has been in Rancho Santa Margarita for 26 years. It needed a larger building than it currently occupies, which created an opportunity to move to a lower-cost environment with a talented workforce, the company said. Multiple sites were considered during a multiyear process that ultimately led to its selection of the Englewood location. The Meridian building is nearly twice the size of the organization's current world headquarters and will provide a revenue stream through leasing the unoccupied space. Toastmasters expects the building to meet its space needs for 25 to 30 years. "This property offers a quality campus environment in a neighborhood with excellent transit and amenity features which will appeal to Toastmasters employees," said Kevin Shannon of NGKF Capital Markets in Los Angeles. According to David Tilton, a capital markets expert in Newmark Grubb Knight Frank's Denver office, the Jamaica Street building was the only asset for sale in the southeast suburban submarket that fit Toastmasters' requirements. "All other comparable properties were only available for a lease option. The 9127 Jamaica St. building offers a canvas for Toastmasters comparable to new construction for less than replacement cost," he said. Located on a 9-acre site, the building features a granite-clad lobby, 10-foot-high ceilings, efficient floor plates, LEED Silver certification and an Energy Star Rating. Shannon, Ken White and Laura Stumm of NGKF Capital Markets in Los Angeles worked with Tilton and the Denver NGKF leasing team of Jamie Gard and Jeff Castleton to represent the seller. JR Bitzer of Lee & Associates represented Toastmasters. Toastmasters International is a global organization that provides communication and leadership skills development. Its membership exceeds 345,000 people in more than 15,900 clubs in 142 countries. "California has been a wonderful home to the organization since it was founded in 1924, and it will always be part of our legacy," said Mike Storkey, Toastmasters 2016-2017 international president. "However, we are a global organization, so the location of world headquarters isn't a representation of our membership. Although California is a part of our roots, we look forward to opening our doors in Denver." **(Colorado Real Estate Journal)**

Prologis to Build First Multistory Warehouse in the U.S.

Developers are having a harder time finding space for new warehouses in increasingly crowded and expensive U.S. cities. Their answer: build upward. Prologis Inc., the world's biggest warehouse owner, is starting construction next year on a three-floor 580,000-square-foot warehouse just outside downtown Seattle that is scheduled to be completed in 2018, the company told The Wall Street Journal. The building will look like two warehouses stacked on top of each other, with a truck ramp to loading docks on the second level and a third floor, accessible via freight elevators, for lighter-scale warehouse operations. It will be the first building of its kind in the U.S., though multistory warehouses are already common in countries like Japan and Singapore, as well as elsewhere in Asia and Europe, where vacant land is harder to find. In the U.S., plenty of open space is available in rural areas and suburbs. But as e-commerce sales grow, many retailers are bringing warehouse operations closer to their customers, who increasingly demand speedy delivery. Available warehouse space has hit record lows in many urban markets in the U.S., driving up the value of industrial land and pushing rental rates to new heights. "Major urban areas are running out of industrial space," said Hamid Moghadam, chief executive of Prologis. "The only way the logistics sector can compete is with this more dense format." Large developers like Prologis have contributed to industrial vacancy rates that remain below 5% in several major cities around the country. As rents have risen, Prologis and other large real-estate investment trusts have been reluctant to build new space without a customer lined up for fear of flooding the market. Mr. Moghadam has said constrained development drives down vacancy rates, giving landlords the power to set rent prices at a premium. In Seattle, geographic features—mountains, lakes and Puget Sound—also constrain available land for development. According to real-estate firm Jones Lang LaSalle Inc., industrial vacancy was 2.5% in urban Seattle last quarter and land values have shot up 20% to 25% over the last two years. Prologis said it is also exploring multistory warehouses in other cities where space is tight, including New York City, the San Francisco Bay Area and the west side of Los Angeles. The firm doesn't have tenants lined up for the Seattle project, but hopes to have leases in place within a year of completing the facility. For potential tenants, multistory operations in urban centers don't come cheap: analysts estimate that rental rates for Prologis's multistory facility could be as much as 50% higher than standard warehouse rates. Still, those rates could make sense for many retailers who will be saving money on delivery costs by locating closer to customers, said Andrew Hogenson, a Seattle-based retail consultant with Ernst & Young LLP. "The model has changed," Mr. Hogenson said. "You're no longer just moving big volumes from one point to second point," such as from remote distribution centers to big-box suburban stores, "you're moving much smaller volumes to many points." Retailers who can't reach their customers quickly could lose those sales, Mr. Hogenson added. That is especially true in Seattle, where homegrown Amazon.com Inc. offers free two-hour delivery of many goods through its Prime Now service. Large warehouse developments have faced resistance in some regions. The Brookings Institution says denser warehouse development could mean more trucks on city streets, leading to potential negative effects on traffic, noise and air quality. Residents from Newberry Township, Penn., to Moreno Valley, Calif., have called on lawmakers to halt large warehouse projects, citing road congestion, public health and other concerns. "With the surge in e-commerce shipments…a lot of regions are currently grappling with what that means for long-term freight planning and economic development," said Joseph Kane, a researcher at Brookings. The Prologis project presents a "grand experiment" that other cities can observe before approving similar facilities, he said. Seattle's city planners have supported the

Prologis development, which will create hundreds of jobs, said Nathan Torgelson, director of the city's department of construction and inspections. He said the city is processing two permits and expects to issue them within the next 18 months. **(Wall Street Journal)**

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U.S. Workers Gain Jobs and Raises in Final Pre-Election Employment Report

Workers enjoyed their best pay raises in seven years last month as employers added 161,000 jobs, the government said in the last major snapshot of a slow but durable economy before Americans choose a new president next week. Friday's report sketched a picture of a resilient job market that likely keeps the Federal Reserve on track to raise interest rates when it meets next month. Yet the economy remains pocketed by weaknesses that have left many feeling left behind on the eve of Election Day. Job gains have been steady, but pay raises have only recently become widespread. And millions of Americans are working part time but would prefer full-time work. In October, the unemployment rate dipped to 4.9 percent from 5 percent, and the government said employers added more jobs in August and September than it had previously estimated. An alternative gauge of joblessness that counts not only the officially unemployed but also the part-timers who'd prefer full-time work and people who have stopped looking for jobs, fell to 9.5 percent. That's the lowest point since 2008. Still, it is higher than is typical in a healthy economy. Average hourly pay took a big step up in October, rising 10 cents an hour to an average of $25.92. That is 2.8 percent higher than a year ago and is the sharpest 12-month rise in seven years."If you wanted to show that the economy is still getting better for the typical voter, this report gives you what you needed," said Jed Kolko, chief economist with Indeed, the job site. The pickup in pay follows a substantial increase last year in earnings for the typical household. The economy appears to be finally delivering widespread raises after years of sluggish pay gains. With the unemployment rate hovering around healthy levels, businesses are likely having to try harder to attract workers. When businesses are forced to offer higher pay, they may raise prices to cover the costs, potentially boosting inflation. That dynamic has helped make a Fed rate hike likely in mid-December."The only remaining obstacle to the Fed hiking in December would be a significant adverse financial market reaction to the US presidential election," Chris Williamson, an economist at IHS Markit, wrote in a research note. Friday's report said employers added 44,000 more jobs in August and September combined than it had earlier estimated. That put recent hiring in line with this year's solid if less-than-robust pace. In September, it had appeared that hiring was slowing. Fewer teenagers worked or were looking for work last month. That trend reduced the proportion of Americans in the workforce, which is defined as people who either have a job or are actively seeking one. But Americans in their prime working years — ages 25 through 54 — extended a recent trend of returning to work, perhaps drawn by rising pay. More than 78 percent of people in that age bracket now have jobs, the highest proportion since November 2008, in the midst of the Great Recession. Still, that's down from 80 percent before the downturn. Despite last month's progress, the economy is growing at the slowest pace of any in a recovery since World War II. Growth picked up to a 2.9 percent annual rate in the July-September quarter, the government has estimated, much faster than the 1.1 percent pace for the first half of the year. But most analysts foresee only modest expansion in the October-December quarter, leaving growth at an anemic rate of about 1.8 percent for all of 2016. Hiring in October was led by professional and business services, a category that includes mostly higher-paying jobs in engineering, accounting and information technology. Those companies added 43,000 jobs, followed by health care providers, which gained 39,100. Yet many companies are shedding workers. Manufacturers cut jobs last month, as did retailers despite October being the month where stores usually ramp up for holiday shopping. Both are factors that could weigh on economic growth this year. "It's not a uniformly positive report," said Jason Schenker, president of Prestige Economics. "There is some patchiness to it." Consumers — the U.S. economy's primary fuel — are showing some staying power, even though their spending slowed in the July-September period. Consumer spending did rise at a robust pace in September alone. Much of that spending was on higher-priced items, including cars and homes. Auto sales are running close to last year's record high of more than 17 million. And while home sales have leveled off this year, they have done so at a nearly healthy level of 5.5 million. Businesses, though, have been cutting their spending on machinery, computers and other equipment. They have reduced such spending for the past four quarters — the longest such stretch since the recession officially ended in mid-2009. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.50	.50	.25
3 MONTH LIBOR	.88	.86	.33
PRIME RATE	3.50	3.50	3.25
10 YEAR TREASURY	1.79	1.71	2.22
30 YEAR TREASURY	2.56	2.43	2.99