Kroenke Buys Writer Square for $96M

Stan Kroenke bulked up his Denver real estate portfolio, spending nearly $100 million on a downtown office building and 16th Street Mall shopping center. An entity registered to Kroenke Sports and Entertainment CFO Bruce Glazer, and sharing a mailing address with The Kroenke Group's Missouri office, bought the Writer Square complex at 15th and Larimer streets for $96 million last week, according to Denver city records. The deal closed on Friday. The seller was a joint venture of Unico Properties and LaSalle Investment Management. That group bought Writer Square in 2013 for $68.25 million. Austin Kane, Unico's vice president and regional director for Colorado and Texas, said the owners put the property on the market over the summer. The sale happened a couple of years ahead of Unico's planned exit at Writer Square."Our initial thought on the project what that it would probably be a five-year hold," Kane said. "We were able to lease it up at our rates and perform the capital improvements a little sooner than we thought, so we decided to strike while the iron's hot." The deal includes the office building at 16th and Larimer streets, as well as Writer Square's open-air ground floor retail mall and a parking garage. That's about 119,000 square feet of offices and 59,000 square feet of retail space in all. The residential condos on the block were not included in last week's sale. CBRE brokers Geoff Baukol, Mike Winn and Tim Richey brokered the deal for Unico. Writer Square is fresh off of an exterior renovation. Kane said his firm spent $3 million to renovate the outdoor plaza and fix up the lobby and common areas at the Writer Square office building."What we felt like we did was bring the office to a more modern standard for today's tenant," he said. "And hopefully rejuvenate some of the lost physical beauty of the plaza to create a new and more vibrant shopping experience." The office space at Writer Square is about 97 percent leased. There are two vacant retail storefronts. The buyer was a GKT Writer Square, LLC. That entity was incorporated earlier this year. A Kroenke Group attorney is listed as the contact on the LLC's formation documents and Glazer is the company's registered agent. Otto Maly, owner of Maly Commercial Realty and a former Kroenke Group vice president of development, signed the loan documents on behalf of the buyer. Maly did not return requests for comment by press time and a phone message left for Glazer went unreturned on Monday. The Kroenke Group also owns a pair of office buildings at the corner of Speer Boulevard and Auraria Parkway, near the Pepsi Center. And one of Kroenke's firms partnered with Revesco Properties and Second City Real Estate to buy Elitch Gardens for $140 million last year. **(BusinessDen)**

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BP Lower 48 Business to Establish Headquarters in Downtown Denver

BP's U.S. Lower 48 onshore business has announced it will establish its headquarters in Downtown Denver to be closer to its substantial asset position in the Rocky Mountain region and an important energy hub of the future. "In some ways, this is a homecoming for us," said David Lawler, CEO of BP Lower 48. "With two thirds of our operated oil and natural gas production and proved reserves in the Rockies, world-class universities nearby and a wealth of industry expertise in the region, Denver is a logical – and strategic – place for us to be and a natural fit for our business."   The move highlight's Downtown Denver's attractiveness to employers looking to access its highly-educated workforce – the seventh most educated metro area in the country where more than 40 percent residents have a bachelor's degree or higher – and a strong legacy in the oil and gas market.   "The oil and gas industry has a proven legacy and presence in Downtown Denver, and it is a key economic driver for our center city as the fifth largest employment sector," said Tami Door, president and CEO of the Downtown Denver Partnership. "BP's selection of Downtown Denver to grow its Lower 48 onshore business highlight's Downtown's attractiveness for employers looking to access our highly-educated workforce and our competitive position within the industry, and we look forward to welcoming BP employees to the center city."   The Partnership produced an Oil and Gas Industry Economic Impact Study in 2014 which showed the direct economic output of the industry's Downtown activity (i.e. the demand for the industry's services) at $5.8 billion, nearly 9 percent of the City's $64.9 billion output. Approximately 7 percent of all Downtown employees are employed in the natural resources and construction sector, which primarily includes jobs in the oil and gas market.   BP has signed a lease for 86,000 square feet of office space in the Riverview building at 1700 Platte St. and expects to open the office with at least 200 employees, including the CEO and executive leadership team, in Q1 2018. BP's U.S. Lower 48 onshore operations span five states – Colorado, New Mexico, Oklahoma, Texas and Wyoming – and seven oil and gas basins. **(Downtown Denver Partnership)**

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Michigan Firm Sells Off LoDo Office Buildings for $44 Million

MAVDevelopment has sold its only two Denver real estate assets -- a pair of Lower Downtown office buildings -- to a Pennsylvania company for $44 million, according to Denver County public records. Ann Arbor, Michigan-based MAVDevelopment, which owned both 1900 Wazee St. (known as Wazee Exchange) and 1860 Blake St., sold both properties to Stoltz Real Estate Partners, said Jeff Harshe, vice president of asset management at MAVDevelopment.   "It felt like the timing was right," Harshe said of the company's decision to sell. Stoltz did not respond to a request for comment. MAVDevelopment has an office at 1860 Blake, known as Blake Street Terrace, which it will maintain for the time being, Harshe said. MAVDevelopment still maintains properties in Boulder and Fort Collins. **(Denver Business Journal)**

'More Aggressive' Fed Could Emerge in 2017

A modest increase in the short-term federal funds rate was generally expected as an outcome of the Federal Reserve's December meeting that concluded on Wednesday, and so it came to pass. Arguably more telling were signals in the Federal Open Market Committee's statement that Wednesday's quarter-point increase could be followed by multiple increases next year. Not so long ago, there were at most two rate hikes on the Fed's long-time horizon through 2018. "What the Fed actually ends up doing will very much depend on the state of the economy at the time they meet," Cushman & Wakefield's Ken McCarthy tells GlobeSt.com. "A year ago, the general expectation was that by the end of this year, the federal funds rate would be somewhere between 1.25% and 1.5%." In fact, Wednesday's move by the Fed will bring the rate into a range between 0.50% and 0.75%. "Obviously, we didn't get there." What got in the way of meeting that expectation was a world of socioeconomic volatility, from the Chinese stock market slump to the unexpected outcome of the Brexit referendum. Looking into next year, "if everything goes as planned, it will be appropriate to raise interest rates more rapidly," says McCarthy, principal economist with Cushman & Wakefield. "The economy is in good shape, the unemployment rate is down, job growth is still healthy and inflation is creeping up—you want to get ahead of the curve if you're the Fed. So unless there's a reason not to, I would expect the Fed to become more aggressive in 2017 than they were in 2016." When the economy is doing well, says McCarthy, the FOMC are "the ones who are supposed to remove the punch bowl from the party. The fact that they haven't been doing so thus far is more reflective of the slow growth in the economy." Part of the reason for the uptick in expectations of more frequent rate increases is that, as Fed chair Janet Yellen mentioned in her news conference following the announcement, a few members of the FOMC have suggested that fiscal stimulus was a possibility. "So there's a sense that there may be more upside on the growth." Conversely, higher interest rates increase the cost of capital and make it more difficult to raise capital to pay higher prices, and McCarthy acknowledges that after a few rate hikes, some investors may feel the cumulative effect. "Although commercial real estate returns are lower than they were, they're still ahead of long-term interest rates," he says. "If that starts to change, that could have an impact on commercial real estate. It will be partly offset by the expectation that rents will increase more rapidly in a strong economy." How keenly buyers feel the impact of multiple rate increases depends in part on what kind of investors they are, says McCarthy. "If they're buying property for short-term yield and plan to turn it over fairly quickly—those are the investors who will probably have more of a challenge," he says. "You have to have the economy as sort of a tailwind. Your margin, in terms of the rate at which you're borrowing compared to the rate of return on the property, will narrow somewhat in a rising rate environment. You have to work on improving your return by improving the property, so it's more of a value-add market as opposed to just a cap rate market." **(GlobeSt.com)**

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Denver's Hotel Construction Boomed Last Month

New hotel construction in Denver is booming, compared with a year ago. According to travel research company STR, Denver's seen an increase of more than 150 percent in new hotel room construction over the past year. STR reported that there were 4,469 hotel rooms under construction last month, compared with 1,787 under construction in November 2015. Denver has an existing 44,680 hotel rooms, according to STR. Only Seattle, with a 158 percent increase in new hotel rooms under construction this year, ranked ahead of Denver in top 10 U.S. markets for new hotel room construction. "Projects in the pipeline are likely to further affect occupancy levels and place more pressure on hoteliers' pricing power," said Bobby Bowers, STR's senior VP of operations, in a statement. In October, the Denver Business Journal reported that for the year, hotel occupancy rates had plateaued, but hotel-room prices and revenue per room continued to rise above national averages. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.75	.50	.50
3 MONTH LIBOR	.96	.91	.53
PRIME RATE	3.75	3.50	3.50
10 YEAR TREASURY	2.60	2.20	2.22
30 YEAR TREASURY	3.19	2.92	2.92