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Denver's Red-Hot Housing Market may be Cooling, but Challenges Remain

The Denver metro area must tackle housing affordability or risk losing millennials to less costly cities, Gov. John Hickenlooper said Wednesday at a local housing forum hosted by Zillow. A good place to start, the governor said, is reforming Colorado's much-debated construction-defects law, which developers say has stymied for-sale condominium projects statewide. "Long term, if we can't figure out how to get more affordable housing — and especially more condos — available, people will come here, they'll work for a few years, they'll begin their career here and then when they decide they want to make that investment, they'll end up moving back to Indianapolis or Austin," Hickenlooper said. Metro Denver's median home value was \$326,300 in February — more than \$141,000 above the national figure, according to Zillow data. That marks a 14.4 percent increase year-over-year, and growth is expected to continue over the next 12 months, albeit at a slower 4.2 percent. Median rents, according to Zillow, were also up 7.2 percent year-over-year, to \$1,959, and projected to grow another 3.8 percent this year. "Do we see relief in sight? I think we do," Zillow chief economist Svenja Gudell said. "Rental appreciation will continue to slow and home value appreciation will continue to slow. "However, you're still growing at twice the rate of what the rest of the U.S. is doing and you're still growing faster than incomes," she said. "It's still an issue for the future." As of fourth quarter 2015, residents were, on average, spending 34 percent of their income on rent, "a really big hike" from Denver's pre-housing bubble average of 24 percent, Gudell said. Denver is also now a majority renter city, with renters making up 51.9 percent of households in 2015, compared to 47.5 percent in 2010, she said. "If you're from Seattle, San Francisco, Los Angeles, you shrug slightly and say, 'That doesn't surprise me.' A lot of cities are all-renter cities and you find a lot more homeowners in the suburbs," Gudell said. "This is actually quite new for Denver." Denver has seen its population grow more than 10 percent since 2010. More than third of that growth was driven by 18- to 34-year-olds. "While growth is fantastic, you have to have enough housing for everyone who is moving here and also for people who are currently renters and want to become homeowners," Gudell said. "One of the big things we've found in our research is the fact that we don't really have that homes available to be bought. " U.S. Rep. Ed Perlmutter who spoke at the event, along with Sen. Cory Gardner, said Colorado has become a victim of its own success. "The best future a state can have is to have young, talented people who want to live there, work there, have their families there," Perlmutter said. **(Denver Post)**

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Empire Staple Building on Platte to Get Makeover

Platte Street's burgeoning office market is in line for a major infusion of square footage, courtesy of the soon-to-begin redevelopment of Empire Staple Co.'s former headquarters. Trammell Crow Company and Clarion Partners on Tuesday announced their plans for the prime infill spot in the Central Platte Valley: a 210,000-square-foot Class A office building with ground-floor retail, bike-in access from the South Platte River Trail and floor-to-ceiling windows looking out onto the river and the downtown skyline. Work on the \$90 million Riverview at 1700 Platte, just north of Galvanize's Platte Street campus, was set to begin

this week, Trammell Crow senior managing director Bill Mosher said. Completion of the building, which will be a mix of four and five stories, is scheduled for the end of 2017. Trammell Crow purchased the property earlier this year after building a new headquarters and showroom for Empire Staple in the new Crossroads Commerce Park in Globeville. "Other than the lot north of us, which is pretty small and an odd shape, this is the only remaining parcel with frontage on the river and clear views of downtown," Mosher said. "It's got immediate access to I-25 nestled between the Central Platte Valley and LoHi; it's got the outdoor lifestyle of Colorado; it's got the neighborhood feel; it's got a pedestrian-oriented street. "It's just got a lot to offer employees and companies." Stand Up Paddle boarders left to right: Henry Mauer, his son Alex Mauer, and Nick Bjork play in the white water wave at the 16th Street pedestrian bridge. Office space in recent years has been a growing part of the more retail- and residential-focused Platte Street corridor. Galvanize opened its second Denver campus last year at 1644 Platte St. — the new four-story building includes office space, tech classrooms and Brider, a new eatery from the team behind the restaurants Oak at Fourteenth and Acorn. Across the street, co-working giant WeWork is readying one of its first Denver locations at 2420 17th St., taking two floors and 50,000 square feet in a new office building behind Denver Beer Co. Also in the development pipeline is a five-story, cross-laminated timber office building at 15th and Platte streets slated to begin construction in the summer of 2017. Goff Capital Partners purchased the one-acre property for \$8.15 million in 2014, according to city records. Plans for Platte Fifteen call for about 150,000 square feet, with four floors of office above 15,000 square feet of ground-floor retail. The project includes two levels of below-grade parking, Goff vice president Steve Eaton said. The existing structure, currently home to Natural Grocers by Vitamin Cottage and Confluence Kayaks, will be torn down. Discussions are still underway as to whether the grocery store will return to the new building, Eaton said. "We love the location," Eaton said. "It's really ideal for the creative industry tenants, technology tenants, digital media tenants, tenants that attract millennial-age workers." The Platte Street "micro market" has gained acceptance as a legitimate extension of the Denver Union Station and Central Business District office markets, Mosher said. "If you look at what's happening downtown, there's pretty high demand for what I would call fringe downtown locations," he said. "I'm at 17th Street Plaza, and from a distance standpoint, Platte Street is actually closer walking to the light rail at Millennium Bridge than we are." Riverview will feature direct access to the South Platte River Trail and on-site bike storage, as well as almost 400 parking stalls in two underground garage levels. Floor plans call for two wings linked by a central elevator core and second-floor outdoor courtyard. Riverview will feature 9,300 square feet of retail facing Platte Street. The building's design could work for a single tenant, two tenants each in their own wing, or multiple tenants, Mosher said. The west, south and north exteriors will feature red brick, while the east facade will be a glass curtain wall to take advantage of the downtown views. Denver-based Tryba Architects is designing the building to achieve LEED certification. Saunders Construction is the general contractor. "We're really focused on activating the river and opening glass onto the river and having a relationship to the river," Mosher said, "rather than turning our back on it." **(Denver Post)**

New Lenders Stepping Up to Refinance Debt

In the latest episode of the NAREIT Podcast, Anup Agarwal, head of mortgage-backed securities and asset-backed securities with Western Asset Management Company, discussed the impending wave of commercial mortgage debt maturities and how the financial markets are reacting. As much as \$200 billion in maturing loans will need to be refinanced this year. However, despite concerns about the functioning of the market for commercial mortgage-backed securities, Agarwal downplayed possible concerns about refinancing. "People have talked about this wave of refinancing for the CMBS market since about 2010, and we have seen those waves of maturities continue to be refinanced," he observed. Agarwal did acknowledge that new regulations governing risk retention have dampened expected CMBS issuance. However, other lenders have surfaced in the marketplace, such as money managers and insurance companies, according to Agarwal. "If anything, we have kind of seen the refinance activity kind of shift from CMBS directly into a loan format," he said. That is especially true for class-A properties, according to Agarwal. "Money managers realize there are changing market conditions, and we are adjusting ourselves by creating funds that can buy loans directly," he said. **(REIT.com)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.50	.50	.25
3 MONTH LIBOR	.63	.63	.27
PRIME RATE	3.50	3.50	3.25
10 YEAR TREASURY	1.79	1.87	1.84
30 YEAR TREASURY	2.62	2.69	2.49