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Forever Renters?

Denver is one of the favorite destinations for millennials looking to launch their careers. It is also one of the toughest places in the country for them to escape renting, according to a survey from Apartment List. Nationally, a college-educated person who is under age 36 with no student debt needs about 5.3 years on average to save the 20 percent down payment typically required on a median-priced home, according to the survey of more than 30,000 renters. In metro Denver, that same renter will require 14.8 years to get enough set aside for a median-priced home. Normally, those without student loans can save more for a home each month, but Denver is an exception. A millennial with student loans needs about 11.8 years. Millennials with no college education in Denver need 23.7 years on average. Why so long? Metro Denver’s median home price is now among the highest in the country outside the Pacific coast. And Denver millennials make — and save — less than those residing in more expensive markets. “The takeaway for Denver is that it is quite unaffordable for all three groups of renters,” said Andrew Woo, director of data science at the San Francisco-based provider of apartment listings and market research. In Atlanta, college-educated millennials without student loan debt can save enough for 20 percent down on a median-priced home in under two years, based on their existing savings, the help expected from family, and how much they are saving each month. A separate survey from Citizens Bank last month found that millennials with college debt are diverting nearly a fifth of their income to cover loan payments, and that a majority expect they will pay college debt well into their 40s. Although student debt burdens are cited as a major impediment to home ownership, the Apartment List study suggests that skipping college puts a young adult at an even greater disadvantage. In metro Denver, that segment of millennials without college education reported making $37,190 a year on average compared with $70,310 for unencumbered former college students and $75,710 for the college educated carrying debt. In Denver, those with student loan debt set more aside than those without debts — $230 a month vs. $180. In San Francisco, by contrast, those with student debts are able to put away only $170 a month, while debt-free collegians are stashing away $690 a month. Woo said graduate students, who tend to carry higher debts but also obtain higher-paying jobs, could be skewing the numbers in Denver. Millennials without a college education in Denver are the most likely to get stuck renting or having to relocate to a more affordable city to buy, Woo said. To speed up the process, more millennials could purchase a home with a down payment as low as 3.5 percent. But the trade-off includes higher monthly mortgage payments and more risk. Zero-down and lowdown-payment mortgages were a major contributor to last decade’s housing crisis. Millennials are often defined as the generation born between 1980 and 1996, although some definitions push it to 2000. Their financial struggles cause them to delay marriage, having children and buying homes. First-time buyers now account for only 32 percent of all homes bought versus 40 percent historically, according to the National Association of Realtors. And a record-high four in 10 millennials live at home with their parents or a relative and are even further removed from home ownership. **(Denver Post)**

RECon Special Report: Retail at the Crossroads

As the 2016 edition of RECon got into full swing in Las Vegas on Monday, executives sized up the major issues facing real estate's most diverse asset category. At the International Council of Shopping Centers' annual spring event, topics on attendees' radar included retailers' efforts to adapt to rapid change, the evolution of the retail center and common misconceptions about the realities of retail. "What's going on in retail real estate is more structural than cyclical," said Brad Hutensky, principal & president of Hutensky Capital Partners, at the company's booth in the Las Vegas Convention Center. "It's really about the fact that it's a mature business. We're renovating and turning around existing properties more than we're building new." Executives also reported rising uncertainty among retailer clients in the face of an industry that seems to be changing practically in real time. "To sum it up, I would say that the retailers are worried," said JLL Retail CEO Greg Maloney in an early-morning meeting at the firm's booth at the Las Vegas Convention Center. "They're worried, but I think a lot of them aren't sure what to do." Too many retailers, Maloney explained, are counting on the same strategies that worked in the 1990s and early 2000s. Tried-and-true strategies do no longer always apply. "We need to make sure that our customers have a reason to go to a brick and mortar store," Maloney argued. "The old-school mindset is build it, get the right tenants and people will come. Not anymore." Also strongly influencing retailers' outlook, said RECon attendees, is the strong consumer preference for value in the wake of the Great Recession. The trend is often described as the barbell effect, characterized by strong performance at the each end of the retail market and weaker results for mid-level retailers. "Everyone's really trying to capture the growth that's happening at the value end." Melina Cordero, CBRE Group's head of retail research for the Americas. She cited the success of the off-price concepts rolled out by such retailers as Neiman-Marcus, Bloomingdale's, Nordstrom and Macy's, which are often generating stronger sales growth than conventional department store formats. But the territory between those two ends of the barbell is far more challenging, and as a result, she noted, "Retailers in that middle ground are trying to figure out what to do." Another consumer preference that is shaping retail owners' strategy is the dramatic shift in tenant rosters. "The rock stars are really food and beverage," noted Mark Burlton, CBRE's executive director for global cross-border retail occupier services. Only a few years ago, food and beverage tenants accounted for only about 5 percent of retail center clients. Today, that proportion can often reach 25 or 30 percent. RECon attendees also suggested Monday that recent media reports are creating an oversimplified and sometimes distorted perception of the retail sector. Events like the recent bankruptcy filing by Sports Authority make good headlines but miss the larger point, Hutensky contended. "The press has really intensified the clarion call about the death of brick-and-mortar retail. That probably makes for a more interesting story for the reader, but frankly it's not the case," asserted Hutensky, "Today about 92.5 percent of retail is sold in stores. It's not sold online." Despite widespread perceptions to the contrary, expansion plans abound in multiple retail categories, he pointed out. "That really is the gasoline in the engine that keeps things going." Hutensky cited Staples as an example of how retailer strategy can be easily misinterpreted. The office supplies giant's sales are divided roughly evenly between online and in-store locations, and as a result, Staples is reducing its brick-and-mortar footprint. "That is the sign of executing a smart and successful strategy. That's not a sign of weakness." **(Commercial Property Executive)**

Hawaiian Investor Pays $10.9M for Inverness Building

A Hawaiian investor has acquired 61 Inverness Drive East, an 87,198-square-foot office building in Inverness Business Park. United Properties sold the three-story building to 61 Inverness Associates, led by a Honolulu investor, for $10.9 million, or $125 per sf. Jeppesen, a subsidiary of The Boeing Co., is the largest of seven tenants, occupying approximately 45 percent of the space. There were multiple offers for the property, driven by capital interested in owning an asset with deep credit tenancy, according to JLL Executive Vice President Patrick Devereaux. United Properties acquired the building for $61.53 per sf in 2013. It updated the property, from the common areas to building systems, renewed leases and increased occupancy from 61 to 98 percent. "There are virtually no upgrades needed to the asset. United Properties did a Class A job repositioning this asset," said Devereaux. "The building offers one of the highest parking ratios for a multitenant building within the Inverness Business Park with 4:1,000. That's why it was appealing to Jeppesen, and it's right next door to Jeppesen's campus, which they own," he said, noting 61 Inverness Drive East provides the owner with secure long-term cash flow. The building was constructed in 1982. Devereaux and Jason Schmidt, also a JLL executive vice president, represented United Properties in the transaction. Brandon Basham of Basham & Associates represented the buyer. **(Colorado Real Estate Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.50	.50	.25
3 MONTH LIBOR	.66	.64	.29
PRIME RATE	3.50	3.50	3.25
10 YEAR TREASURY	1.85	1.83	2.14
30 YEAR TREASURY	2.65	2.68	2.88