

July 11, 2016

A Denver Based Commercial Real Estate Investment and Management Company
Contact Ken Gillis at 303-407-8715

Unico Unloads Two Office Buildings for \$60M

Just three weeks after unloading \$79 million of flex space, a Bahrain-based investment firm has put most of that figure back into Denver office real estate. Investcorp bought the two Centerpoint towers near Colorado Boulevard and Interstate 25 from Unico last week for \$62 million. The property includes 373,000 square feet of rentable space, according to Unico's website. Using those figures, the building traded for about \$165.50 per square foot. The buildings are about 90 percent leased. The Centerpoint complex, built in the early 1980s, comprises two office towers at 3900 E. Mexico Ave. and 1777 S. Harrison St. Centerpoint I is the smaller tower, at 14 stories and 168,000 rentable square feet. It accounted for \$29 million of the portfolio's sale price, according to Denver city records. Unico bought Centerpoint I in 2012 for \$11.75 million. Centerpoint II has 17 stories and 205,000 rentable square feet. It made up the majority of the sales price at \$32.7 million. Unico bought that building for \$26.3 million in 2006, Denver city records show. Tenants at Centerpoint include Icon Lasik, Tuff Shed, Your Castle Real Estate and Smashburger. Both Unico and Investcorp have been active in Denver real estate recently, but this deal puts each on an unfamiliar side of the negotiating table. In June, Investcorp sold nearly \$80 million of 10 office and flex space buildings near the Centennial Airport. Unico, meanwhile, has gobbled up downtown office space over the past year. The firm has bought the Denver Club Building at 1430 Wynkoop St., the Elephant Corral Building and a cluster of Cherry Creek buildings along Josephine Street since the beginning of 2015. The Seattle-based company also has land and office buildings along Platte Street, where it plans to build an office building at the former Money Barrel bar at 1615 Platte St. **(BusinessDen)**

...

Invesco Real Estate Buys Land, Will Own New DaVita Bldg.

A Starwood Capital Group affiliate and East West Partners sold the site that will house a new 430,000-square-foot office building anchored by DaVita. Invesco Real Estate purchased the property and construction rights to the 250-foot-tall building, which it ultimately will own. East West Partners will continue as developer. Terms of the deal weren't released, but a warranty deed states a price of \$18 million. The site totals 40,084 square feet, which translates to a price of \$449.06 per sf, according to John Winslow of Winslow Property Consultants, who was not involved in the deal. The new building just broke ground across the Millennium Bridge from DaVita's world headquarters, at the Denver Union Station light-rail platform. DaVita will occupy 342,534 sf. The remaining 80,000 sf is available for lease and will include a separate lobby and elevator bank. The building is scheduled for completion in October 2018. "This is a unique opportunity for all of the parties involved," East West Partners Managing Partner Chris Frampton said in a statement. "The building is 81 percent leased to DaVita Healthcare Partners, which has an incomparable commitment to the city of Denver, and East West Partners will still be able to bring its vision for this building to fruition. It has been an amazing opportunity to work with Starwood Capital on 16 Chestnut and we look forward to working with Invesco Real Estate." The building fronts

both 16th and 17th streets. It is targeted for LEED Platinum certification and will make extensive use of glass, allowing for striking views of the city and mountains from each floor. Gensler is the architect, BuildMark is the construction manager, and Saunders Construction is the general contractor. "We have faith that Invesco and East West Partners will deliver an amazing project at 16 Chestnut," said Dan Schwaegler, senior vice president in asset management at Starwood Capital Group. "Starwood will continue to invest in Denver and the Union Station neighborhood through our involvement in the Triangle Building as well as various other assets in the area, and we look forward to watching the city's continued emergence as one of the most dynamic metropolitan areas in the United States." Eastdil Secured brokered the transaction. **(Colorado Real Estate Journal)**

...

Office Rents are Rising in Denver, Even as Oil and Gas Companies Flood Market with Space to Sublease

A downturn in the oil and gas market has contributed to an increase in the amount of space available for sublease in the Denver office market as companies shed space within the Central Business District. Oil and gas tenants such as Noble Energy, Dorado E&P and Sterling Energy have put more than 760,000 square feet of space up for sublease downtown, according to a preliminary Cushman & Wakefield report. The overall second-quarter Denver office vacancy rate increased just one-tenth of a percentage point to 11.4 percent from last quarter. The tiny increase reflects the rise in available sublease space, as direct vacancy remained unchanged over the quarter. The market has been slow to absorb space. The Denver market finished the second quarter with 435,335 more square feet available for lease than it started with. The negative absorption was directly related to the oil and gas industry, said Andrea Jones, vice president of marketing and research at Cushman & Wakefield. The largest decreases in absorption were in the CBD and the Denver Tech Center, according to the report. Of the 87 markets Cushman & Wakefield track, Denver was one of 22 to experience negative absorption. Still, the market ended the first half positive. "It is not uncommon to see job growth and absorption levels decelerate as the economy nears full employment," said chief economist Kevin Thorpe in a separate Cushman & Wakefield report focused on national trends. Unemployment in Colorado was 3.4 percent in May; nationally, it was 4.7 percent. Much of the Denver-area leasing activity was in renewals and new deals set to occupy later this year and early next year. In key lease transactions, Comcast, SendGrid, Liberty Mutual and Whole Foods signed new leases for a combined 349,000 square feet. The Department of Energy renewed its Cole Boulevard lease for 69,000 square feet. "Denver has become a very sought-after city, so there's a lot of growth," Jones said. "As long as millennials are wanting to move here and find jobs, companies are going to want to be here and have access to those employees." The city's has about 3 million square feet of office space under construction. 16 Chestnut, a 428,000-square-foot, Class A project, broke ground in the second quarter in the CBD. DaVita, a health care company based in Denver, will occupy 80 percent of that space. Also in the second quarter, Comcast leased 100 percent of United Properties' 212,000-square-foot Inova project at Dry Creek and Havana. Metrowide, average rent increased slightly quarter-over-quarter to \$24.90 per square foot, up 4.6 percent from last year. Average rates for new Class A space in the LoDo and downtown Boulder markets are eclipsing \$50 per square foot. CBD edged out the Boulder submarket for the highest rates. Nationally, office rents

reached their strongest growth rate in seven years: Average prices increased 5.8 percent over last year to \$29 per square foot. **(Denver Post)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED TARGET RATE	.50	.50	.25
3 MONTH LIBOR	.66	.66	.28
PRIME RATE	3.50	3.50	3.25
10 YEAR TREASURY	1.37	1.70	2.35
30 YEAR TREASURY	2.11	2.51	3.15