**Bancroft Capital Buys Another 137,316 sf in Highlands Ranch**

Bancroft Capital upped its investment in Highlands Ranch with the acquisition of the 137,316-square foot Ridgeline Technology Center. Bancroft paid "north of $21 million" for the three-building Class A office property in a deal that comes on the heels of another acquisition in Highlands Ranch in April. "We've invested in Colorado since 1994 and look for neighborhoods and communities where there is significant growth and high quality of life. Highlands Ranch, in particular with the livability scale, has been one of the best places to live in the country for a number of years," said Doug McDonald, a principal with Newport Beach, California-based Bancroft Capital. Ridgeline Technology Center, located at 9135, 9137 and 9139 S. Ridgeline Blvd., is anchored by ADA-ES, an environmental services company, Children's Hospital Colorado and Kaiser Foundation. It's close to the nearly $315 million UCHealth hospital campus, which will open in 2018. Around 50 percent of the tenants are health care related, which bolsters the appeal and strength of the rent roll, said CBRE Executive Vice President Geoff Baukol. But Ridgeline also has tenants in insurance, finance and other industries, making for a diverse roster that appealed to Bancroft. "It's basically a snapshot of the Colorado economy on a smaller scale," McDonald said. Stoltz Real Estate Partners, which had owned Ridgeline just shy of two years, was the seller. Ridgeline Technology Center is next to Highlands Ranch Town Center, which gives it a distinct advantage, according to Baukol, who represented the seller. "This property sets itself apart from its competitors with its visibility off of Highlands Ranch Parkway and a plethora of walkable retail amenities," he said. "I think some of the health care tenants are attracted to it because of that access and visibility, and proximate amenities. It's a big driver for this property." In addition, "Properties down there have been doing very well," he said. Ridgeline Technology Center was 96 percent occupied at the time of the sale. That's in line with other Class A office buildings in the southwest submarket, whose 3.7 percent vacancy rate is lower than either the downtown or southeast suburban submarkets. The two-story buildings, which provide 4.3 parking spaces per 1,000 sf, were built in 2001. "The quality of the property and the management is spectacular," McDonald said. "The prior owners were the most professional people we've worked with in 30 years, and Geoff Baukol, who worked on the transaction, was fantastic." Bancroft Capital, which owns about 800,000 sf in the Denver metro area, bought the nearby, 152,208-sf Highlands Ranch I and II for $25.1 million last spring. It likes Highlands Ranch because it's a newer, diverse community that is attracting both residents and employers, said McDonald, adding Bancroft Capital continues to feel good about the broader Denver market. "We're happy to increase our ownership concentration in a market that we feel very strongly about and has extremely positive trends," he said. **(Colorado Real Estate Journal)**

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**Crescent V Trades Off Market for $240.58 per Square Foot**

One in a series of high-profile office buildings on East Crescent Parkway in the Denver Tech Center sold for $21.7 million, or $240.58 per square foot. Crescent V, a 90,197-sf building at 8450 E. Crescent Parkway, wasn't being marketed for sale. Principal Real Estate Investors sold the property to 8450 Crescent LLC. Arapahoe County records show the

buying entity is affiliated with Samuel Engineering, which is headquartered in the building. A company official couldn't be reached for comment. Geoff Baukol and Sam DePizzol of CBRE handled the sale. Located in the heart of Denver's largest business community and office market, Crescent V is proximate to executives and employees and offers a "great tenant base," said Baukol. Tenants include Commerce Bank and MiTek USA. "It's a very professional, timeless, well-designed building," he said. "In my opinion, for a 90,000-square-foot building, it has phenomenal stature and curb appeal." Crescent V is a four-story, LEED certified building with a two-story glass curtain wall entrance and travertine flooring in the lobby. It offers attached, covered parking and is close to numerous restaurants, as well as retail uses and hotels. The building was completed in 2000. It was approximately 85 percent occupied at the time of the sale. **(Colorado Real Estate Journal)**

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**The Best Places for Business and Careers 2016**

Millennials became the largest share of the American workforce last year, with adults aged 18 to 34 representing more than one-third of the labor pool. Young workers' attitudes toward work are a bit different than Gen Xers and Baby Boomers, though. The most important factor when choosing a job for millennials: a good work-life balance, according to a survey of nearly 8,000 global millennials by Deloitte. The quest for work-life balance has made Colorado a hot destination for millennials and companies in search of talent. Take Swiss investment manager Partners Group. The firm had offices in New York, San Francisco, Houston and Sao Paulo, but chose the Denver metro area this year as the site for its Americas headquarters. The company is expected to hire several hundred employees with an average wage of $220,000. "We chose Colorado because of its central location, as well as the high quality of life the state offers to our employees," said David Layton, co-head of private equity for Partners when announcing the news. "Denver is one of the fastest-growing cities in the U.S., with a highly educated workforce, and it is becoming a magnet for talented professionals who are seeking dynamic careers outside of the typical financial centers." Forbes crunched the numbers on the 401 metropolitan statistical areas and divisions in the U.S. for its 18th annual Best Places for Business and Careers. Denver nabbed the top spot for the second straight year thanks to its diverse economy, growth outlook and educated workforce. **(Forbes)**

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**More Pension Fund Money Flowing to Commercial Real Estate**

Pension funds have been following a clear path of increasing allocations to real estate over the past several years. Despite signs of a maturing market cycle, it appears that most institutions are likely to maintain that same course in 2017. In past down cycles, institutions have become a bit skittish about real estate and pulled back on allocations. This time, there has been a bigger move towards real estate, says Greg MacKinnon, director of research with Pension Real Estate Association (PREA). MacKinnon credits the higher allocations to real estate as a broader secular trend driven by two notable factors. First, real

estate has become a more mainstream alternative asset class and is now a fairly standard component of institutional investment portfolios. Second, it has proved to be a good diversification play and has performed well in delivering good risk-adjusted returns, says MacKinnon. According to London-based research firm Preqin, U.S. pension funds allocations have been climbing incrementally higher over the past several years—rising from an average of 6.0 percent of assets under management to its current level of 7.3 percent. Global pension funds have an even bigger appetite for real estate with current allocations at 8.8 percent, which is an increase of 160 basis points since 2011. Other industry data puts pension fund allocations at an even higher level. At the end of 2015, average pension fund allocations were at 9.4 percent, according to PREA's annual Investment Intentions Survey that was released in January. Although the majority of investors surveyed said they were below target, they also said they expected those target allocations to increase over the next two years—for 2016 and 2017. Pension funds remain firmly committed to real estate strategies despite signs that commercial real estate is moving into a later stage of the cycle and investors are lowering return expectations. Specifically, the PREA third quarter forecast shows that respondents expect total returns on commercial real estate to decline from 8.3 percent in 2016 to 6.8 percent in 2017 and 5.7 percent in 2018. Yet that decline in sentiment is not deterring pension funds from putting more capital into the sector. "Many institutional investors are continuing to struggle to achieve their return objectives in today's low-yield environment and appear to be moving more toward private investments, of which commercial real estate is a significant allocation," says Jay Butterfield, managing director, fund operations, at American Realty Advisors. In addition, many plans have been chronically underweighted in the asset class and only now, due to moderating returns in public securities, are plans approaching their overall invested targets, he adds. Pension fund capital directed at real estate is already at record levels. Even for those who haven't raised allocations as a percentage of assets under management, the dollar amounts have increased along with growth in total investment portfolios. Some of that additional inflow of capital is also due to a number of sovereign wealth entities that are fairly new entrants to real estate investment. "In those cases, they are ramping up their programs and increasing their targets," says MacKinnon. The increased capital flows from pension funds are helping to keep pressure on property values and pricing. Of late, there has been increasing interest in value-add properties due in large part to stiff competition for core assets and a search for higher yields. Real estate investors looking for a hedge against rising interest rates want properties that can take advantage of the improving economy. Value-add properties have room to create rent growth and appreciation, whereas assets with long-term leases in place tend to be more bond-like, says MacKinnon. But, broadly speaking, core is still the dominant strategy for many institutional portfolios. And core and core-plus investors are gravitating to those markets and asset classes that are most likely to provide stable cash flow. "Investors are recognizing that liquidity and cash flow are king and opportunities for short-term upside potential in narrower markets, with less institutional presence, tend to dry up just at the wrong time," says Butterfield. Plus, pension funds are still wary of taking on too much risk. "In many instances we are seeing a flight-to-quality and a move toward class-A major market urban assets, with credit tenancy and sold leasing in place," Butterfield adds. The rush into secondary cities and class-B properties as a means to achieve higher yields appears to be abating and risk choices are being considered more carefully as the market moves into the more mature part of the cycle, he adds. **(National Real Estate Investor/Beth Mattson-Teig)**

**Fast-Casual Overexpansion Leaves a Graveyard of Failed Chains in Its Wake**

Fast-casual is exploding in the US, but not every eatery can keep pace and the casualty list keeps growing as the US experiences one of the largest restaurant shake-ups in years. Three restaurants went under in just one week, with Cosi; Don Pablo's parent Rita Restaurant Corp; and Garden Fresh Corp, operator of Souplantation and Sweet Tomatoes, seeking Chapter 11 bankruptcy protection, the Wall Street Journal reports. At least five other eateries have filed for protection this year. One reason for the consolidation is the disparity between restaurant supply and foot traffic—between 2006 and 2014 the number of restaurants in the US jumped by 7.3% while the US population grew at 6.9% and foot traffic didn't keep pace. **(Bisnow)**

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**Healthcare-Focused Office Development Underway in RiNo**

A $50 million healthcare-focused office building is underway in RiNo. Mike Biselli, Koelbel & Co. and Larry Burgess have started work at the Catalyst development at 35th Street and Brighton Boulevard. It's a planned 180,000-square-foot office and retail building with a rooftop deck, community kitchen and event center that the team hopes to open in early 2018. The new office building will sit at the corner of 35th and Brighton, with a parking garage on the other side of the block facing Delgany Street. The office space is about 40 percent pre-leased between 10 tenants, the developers said. Dean Koelbel, one of the project's co-developers, said the largest tenants signed on are Medical Group Management Association and Hitachi Consulting at about 6,000 square feet. Biselli also announced Thursday that healthcare startup investment network AngelMD has been added to the tenant roster. That firm will take about 3,000 square feet. Biselli also listed off several other firms who have signed on to work out of a coworking space at Catalyst. There is about 70,000 square feet of office space still available for lease, and the project will also have 17,000 square feet of retail space with storefronts tabbed for restaurants and a primary care outlet. Burgess brought the land to the table for the Catalyst deal. He started buying property along Brighton Boulevard in the 1960s, and owned the majority of the block bounded by 35th, Delgany, 36th and Brighton. He remains in the deal as an equity partner. Beck Group handled the design work and is the project's general contractor. The building is scheduled to open in early 2018. **(BusinessDen)**

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**Metro Denver's Unemployment Rate Down Again, Construction Jobs Added**

Metro Denver joins just a handful of 51 metropolitan cities across the country with an unemployment rate below 3 percent. With a labor force of 1.55 million, the metro Denver area unemployment rate dropped to 2.9 percent in September, which is down from 3.2 percent in August. And even at 3.2 percent, metro Denver and Salt Lake had the lowest unemployment rate in August, according to the Bureau of Labor Statistics' September report. Riverside, California had the highest rate in August at 6.6 percent. Metro Denver makes up about 55 percent of the state's employment. The 2.9 percent unadjusted jobless

rate in the Denver metro area is for 10 counties and includes the cities of Denver, Aurora, Lakewood, Broomfield and Centennial, but not Boulder. The latest data was released Friday from the Colorado Department of Labor and Employment and shows that in Denver County alone, the unemployment rate was 2.9 percent in September, down from 3.2 percent. Across the state, construction jobs were plentiful as employers added 2,700 jobs in September — a 2.7 percent increase from last month. Over the year, construction jobs grew by 19 percent, making it the fasted growing sector in the state. That reflects in this year's fastest growing private companies. Five of 10 fastest growing Denver area companies topping the list of Denver Business Journal's list of companies with more than $52 million in revenue in 2015 are construction firms. Elsewhere in the state, Boulder County's unemployment rate was 2.4 percent, down from 2.9 in August. September's unadjusted jobless rate also was 2.5 percent in the Fort Collins-Loveland area, and 3.5 percent in Colorado Springs. Unlike the statewide job numbers, also released today, the county and metro area numbers are not adjusted for normal seasonal job fluctuations and are therefore not considered directly comparable to the adjusted state data. **(Denver Business Journal)**

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| | CURRENT | 1 MONTH PRIOR | 1 YEAR PRIOR |
|---|---|---|---|
| **FED TARGET RATE** | .50 | .50 | .25 |
| **3 MONTH LIBOR** | .88 | .87 | .32 |
| **PRIME RATE** | 3.50 | 3.50 | 3.25 |
| **10 YEAR TREASURY** | 1.74 | 1.66 | 2.03 |
| **30 YEAR TREASURY** | 2.48 | 2.38 | 2.86 |