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OFFICE PROPERTIES Quarterly

The allure of amenities

Canadian developer First Gulf plans to build a rooftop patio on the 22nd floor at 1401 Lawrence St.

by Michelle Z. Askeland

The word "amenities" is a major buzzword in the office property market today. There are amenities provided by the building, amenities provided by the employers and amenities based on building location. Rather than present the employer-based amenities, often thought of as perks, such as dog-friendly office policies, adjustable and unassigned work stations, and other incentives, instead, let's focus on the top trends building owners are advertising as major conveniences and benefits.

Owners must take into account many considerations about what they should offer in a new building or in a renovated one. The first one is cost. Owners must determine the sweet spot, in which rent levels remain tolerable or competitive while the building provides tenants as much as possible, said Jennifer Bridges, Kieding senior project manager.

Another is what type of clients the owner wants to attract. Generational needs play a big part here. Those looking to attract millennials must consider the location thoughtfully, as well as what types of activities those future employees like to do. For example, a Westminster redevelopment trying to entice tech companies to lease space features indoor bike storage, a climbing wall and a game room, among other things, said Bridges.

And then there's the competition factor. By knowing what other office buildings of similar size and age offer, owners can decide to meet or, most likely, try to exceed those features. For example, an out-of-town buyer recently visited the Denver Tech Center looking to invest. After visiting several area properties, he jokingly dubbed himself the "restroom king." He said he planned to upgrade his property's bathrooms, which is a property feature that typically doesn't see many updates. In doing so, he said he'd raise the bar for all buildings in the area, said Bridges. "It's all about the state of the market," she said. "In certain submarkets, restrooms have become underwhelming across the board."

There is also an amenities curve. Some buildings are always ahead and some are always a little bit behind, said Bridges. Every client must find the right blend as it furthers its corporate culture. However, most experts agree that there are some must-haves if a building wants to compete in today's competitive environment.

"Amenities should be things that are easily accessible and actually used," said Bruce Johnson, Cresa Denver principal.

The baseline for building-provided amenities includes break rooms, multipurpose meeting areas, on-site fitness centers, cafes or food service, and wellness rooms, said Bridges. Bike storage is another feature that is quickly becoming mandatory for businesses located in the central business district.

In today's market, it's often not enough to offer a stripped-down

Please see Page 16

INSIDE

PAGE 14

Parking in LoDo

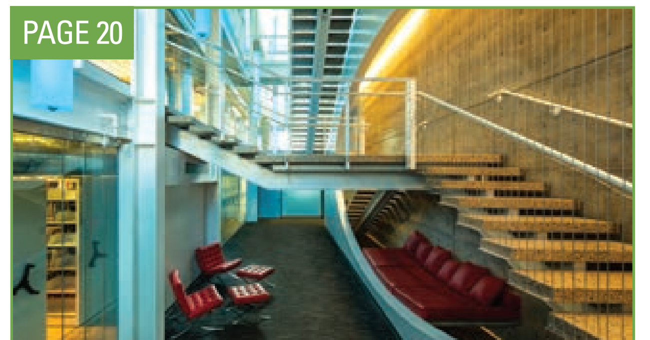
How less space doesn't necessarily have to be a bad thing.

PAGE 19

Workplace evolution

Comfort and collaboration are becoming crucial elements in the workplace.

PAGE 20



Trends in action

The Denver Art Museum admin. building is designed to promote productivity.

CONTENTS

Office financing returns to 'old' normal 3
Eric Tupler

Office investment market hits new benchmarks 4
Patrick Devereaux and Jason Schmidt

A dive into capital pools 5
John Jugl

Statewide office market analysis 6
William B. Lucas

Northwest market fundamentals look bright 7
Frank Kelley

Colorado Springs positioned for 2015 growth 8
Kent Mau

Navigating CBD leasing market 9
Andrew Blaustein and Matt Davidson

Law firms commit to downtown 10
Robert Link

Denver's shifting CBD hot spot 11
Justin J. Atwell

The energy industry's impact 12
Michelle Z. Askeland

Denver parking supply – less is more 14
Justin Montgomery

The allure of amenities 16
Michelle Z. Askeland

Create community: Collaboration will follow 18
Owen Leslie and Drew Marlow

The evolution of workplace 19
Tish Kruse

Case Study: Denver Art Museum 20
Cynthia Kemper

Sleeping giants are everywhere 22
Jamie Flatt

How DTC changed office parks 24
J. Madden

Tenant allowance myths 25
Phillip A. Infelise

Letter from the Editor

An in-depth look at Colorado's office market

Welcome to the inaugural issue of Office Properties Quarterly. This Colorado Real Estate Journal special section will highlight and focus on industry trends, leaving the transactional news in the Journal. The goal of this publication is not to be numbers soup. Instead, we'll take the big numbers and ask why they matter. We'll also examine trends specific to design or locations. What's happening in the central business district can be very different from what's happening in Colorado Springs, or even in the Denver Tech Center.

We'll ensure each issue is well rounded, examining the market from a variety of angles. In this inaugural issue, you'll notice sections devoted to the overall market outlook from the financial, investor and leasing perspectives. We also have contributed articles from authors discussing specific submarket leasing activities, which begins on Page 7. Other industry insiders weigh in on a variety of topics throughout the issue as well.

As CBD real estate is snatched up, the number of parking spaces is dwindling. A feature beginning on Page 14 examines this phenomenon and challenges the assumption that fewer parking spaces is a bad thing.

And as millennials enter the workforce in larger and larger numbers, the traditional parameters of office space are adapting. Features in this issue highlight how buildings are creating more millennial-based amenities and interior designers are embracing the power of choice. A case study looks at how some of these trends come to life in the new administrative building at the Denver Art Museum.

With the price of oil dropping at press time, many wonder what kind of impact the drop could have on the Denver office market. Read about the potential effects on Page 12. Spoiler alert: While the energy industry plays a large role in the downtown office market, Denver's office tenants are much more diverse than any single industry.

Putting this issue together has been a real treat. As someone new to the industry, I've been impressed with how hepful this community has been. I want to say a big thank you to all the authors in the publication as well as those who met with me for background information and interviews. This issue would not have come together without you.

After reading the issue, please send me an email or give me a call. Let me know what you liked and disliked, as well as things you'd like to see covered in future issues. I believe reader feedback is crucial, and I look forward to hearing from you.

Thanks,

Michelle Z. Askeland
maskeland@crej.com
303-623-1148 ext. 13

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Office financing returns to 'old' normal for 2015

As we approach the start of 2015, the overall health of the commercial real estate financing market continues to show significant improvements and recovery from the downturn experienced in 2009, which was the low point in the cycle with only $83 billion of originations. 2013 total originations surpassed $350 billion, and so far year-to-date 2014 originations are up 5 percent from the same period in 2013. Although originations are still well behind the peak of $510 billion reached in 2007, the trends over the last three years are extremely positive and provide the needed liquidity to support strong growth for commercial real estate.

Most importantly, debt is available from a magnitude of sources, including life insurance companies, commercial mortgage-backed securities lenders, banks and bridge lenders. Additionally, financing for office properties is readily available from all these groups and as an asset class has witnessed the second-highest volume behind multifamily.

Additional comfort can be found in the fact that current origination volumes are in line with the amount of current and future maturing debt levels. Annual maturing debt levels for the next three years are approximately $350 billion each, which is in line with 2013 and expected 2014 total originations. The concern of the wave of maturing debt and inability to refinance in 2009-2010 was greatly mitigated by recent origination volumes and the fact that most investors are injecting more equity into properties instead of leveraging to the levels experienced in 2006-2007.

Financing Sources

Life insurance company financing has been one of the most consistent sources of capital through the recovery. These companies provided 19 percent of the total originations in 2009, which is more than double the industry market share from the 2007 volume of 8 percent. Life insurance companies' originations reached a historical record high in 2013 with over $52 billion, which still represented 14 percent of total originations. Although the current volume is slightly below the year-over-year volume for the first half of 2014, production increased significantly since that period and it is expected that these companies will meet or exceed the 2013 record volume. Additionally, most life insurance companies are expected to have allocations for 2015 at or greater than 2014 levels due to the inability to find similar risk-adjusted yields in the corporate bond

Eric Tupler
Senior managing director, HFF, Denver

market and other investment categories.

Generally, life insurance companies are very active in financing office properties, but they typically look for high-quality assets in major markets or strong locations in secondary markets and require strong sponsorship. They provide the lowest cost of capital but typically are focused on lower-leverage opportunities (65 percent or less).

CMBS lenders became more consistent and reliable over the last two years but continue to ebb and flow with the ups and downs in the broader bond market. Many people have partially blamed CMBS for the asset bubble experienced in 2007 when that source of financing contributed 45 percent, or $230 billion, of the total origination volume in 2007. The sector now is significantly below those historical volumes with only $80 billion, or 21 percent, of total originations in 2013. Year-to-date volume through the third quarter is up 14 percent from same time last year with over $68 billion, but it is expected to finish the year significantly below the volume projection of $120 billion for 2014.

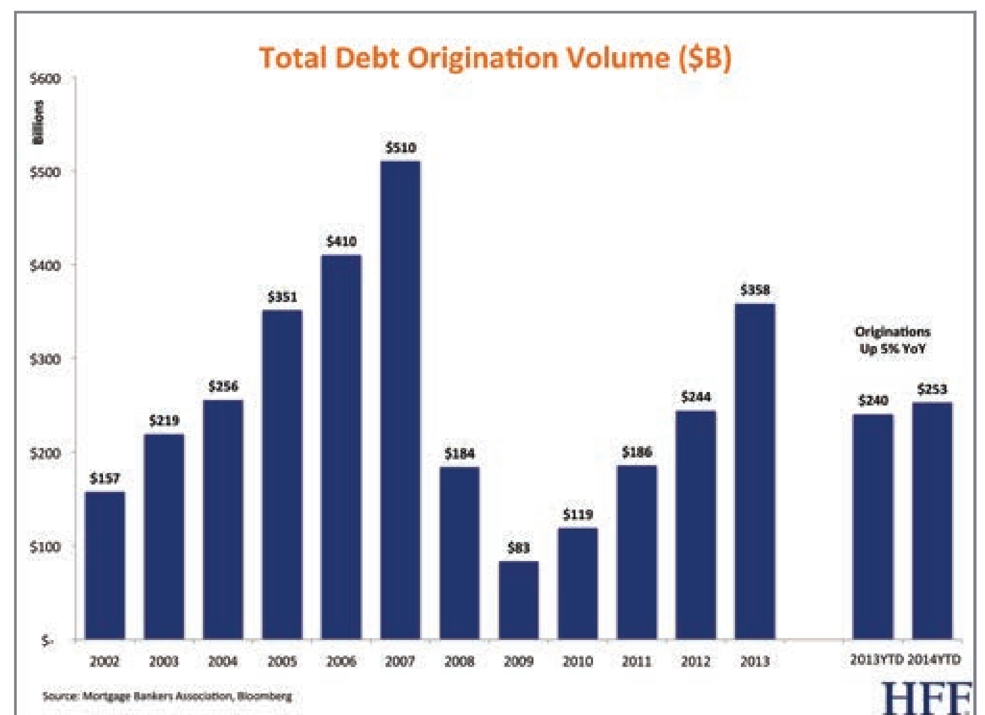
Despite the volatility in the CMBS market over the last several years, it remains a favorable option for financing office properties. CMBS is cash flow focused and typically will provide higher-leverage financing options (up to 75 percent) and lend on assets in secondary and tertiary markets. Although sponsorship is important, the overall strength is less critical in attracting this financing source. Additionally, even though all-in rates are 25 to 50 basis points higher than life insurance companies, most groups will provide longer amortization and interest-only periods.

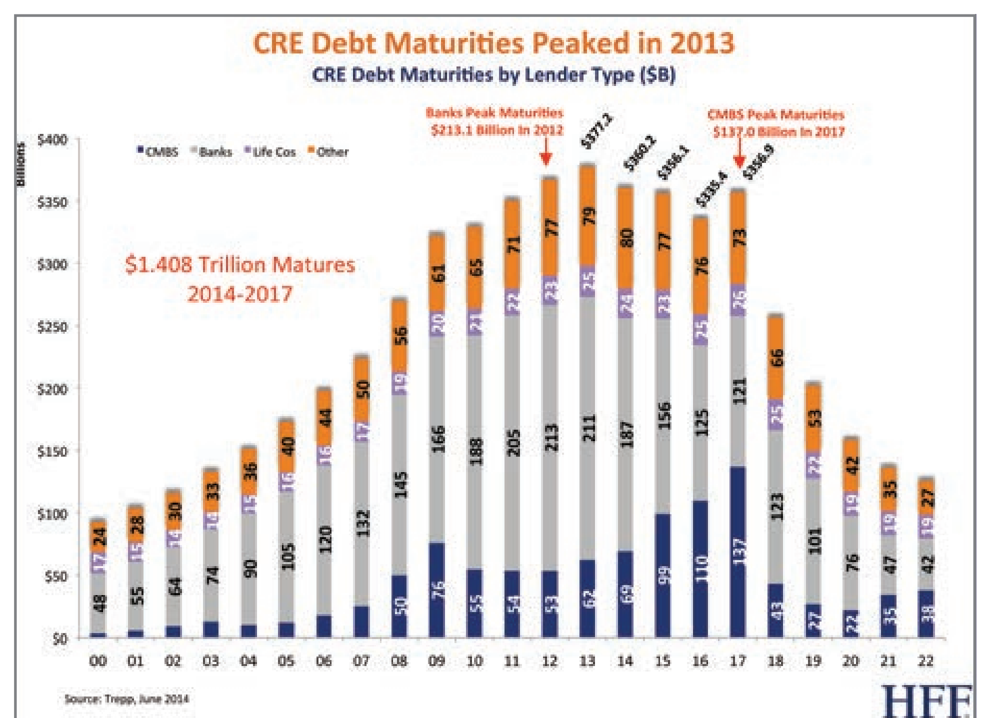
The bank sector also experienced a strong recovery and became an active source of capital within the commercial real estate industry once again. Generally, banks have reduced their exposure and have better balanced their net loans to total assets, which is currently 52 percent compared with the 2007 peak in the mid-60 percent range.

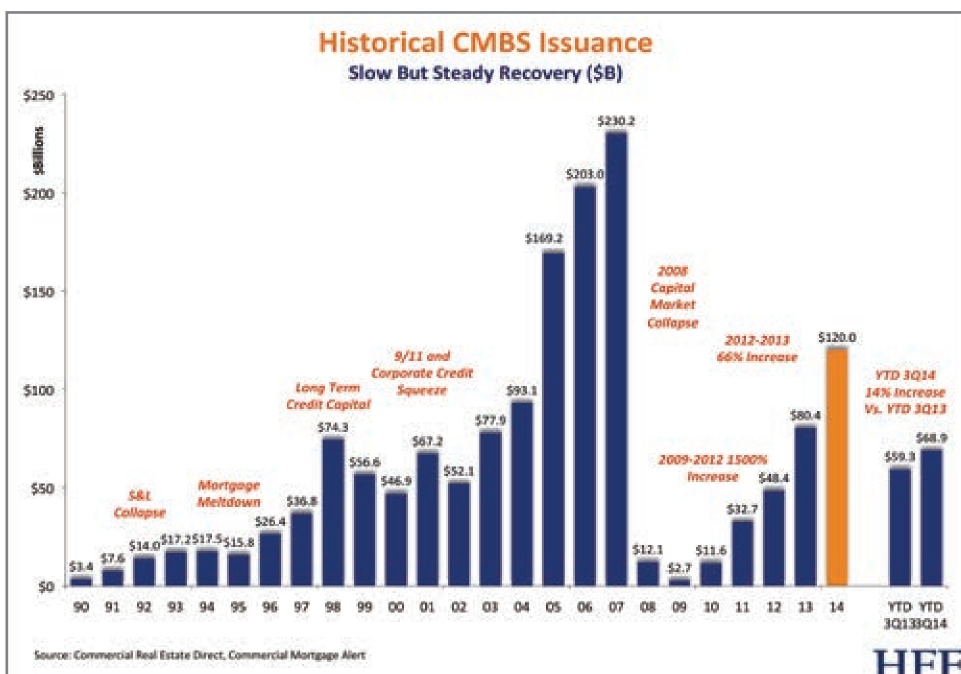
Although banks typically will seek partial or full recourse as a requirement to lend, they have been an active financing source for both stabilized and transitional office properties. Banks remain sponsorship/borrower focused and seek shorter-term loans, typically up to five years, with loan monitoring throughout the term.

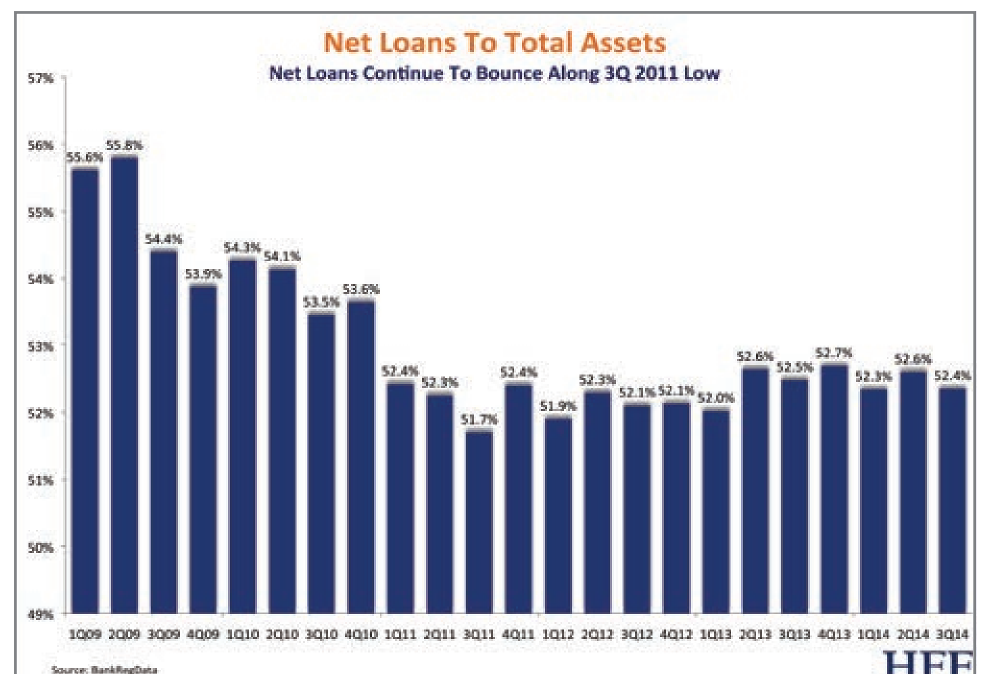
As investors seek yield in the market, many new lending sources were formed in 2009-2010 to benefit from the illiquidity in the market. They are generally referred to as bridge lenders and were formed by mortgage real estate investment trusts, high-yield funds, credit companies and private investors. They often lend short term and target higher all-in rates, 5 percent to 7 percent. They typically provide higher leverage than conventional sources, and lend on transitional assets and to borrowers with past credit issues. Bridge lenders have been a large source of debt for office properties with high vacancy levels where there is a clear path to stabilization.

Overall, lenders' demand for office financing remains strong and we have not yet started seeing the aggressive underwriting we experienced in 2005-2007. Additionally, many investors are still seeking lower-leverage debt packages as the pressure to keep equity working has outpaced the need for higher yields through maximizing leverage. There is a strong expectation in the industry that we will maintain this environment through 2015 and into early 2016 but longer-term projections are currently very cloudy.▲









Investment Market

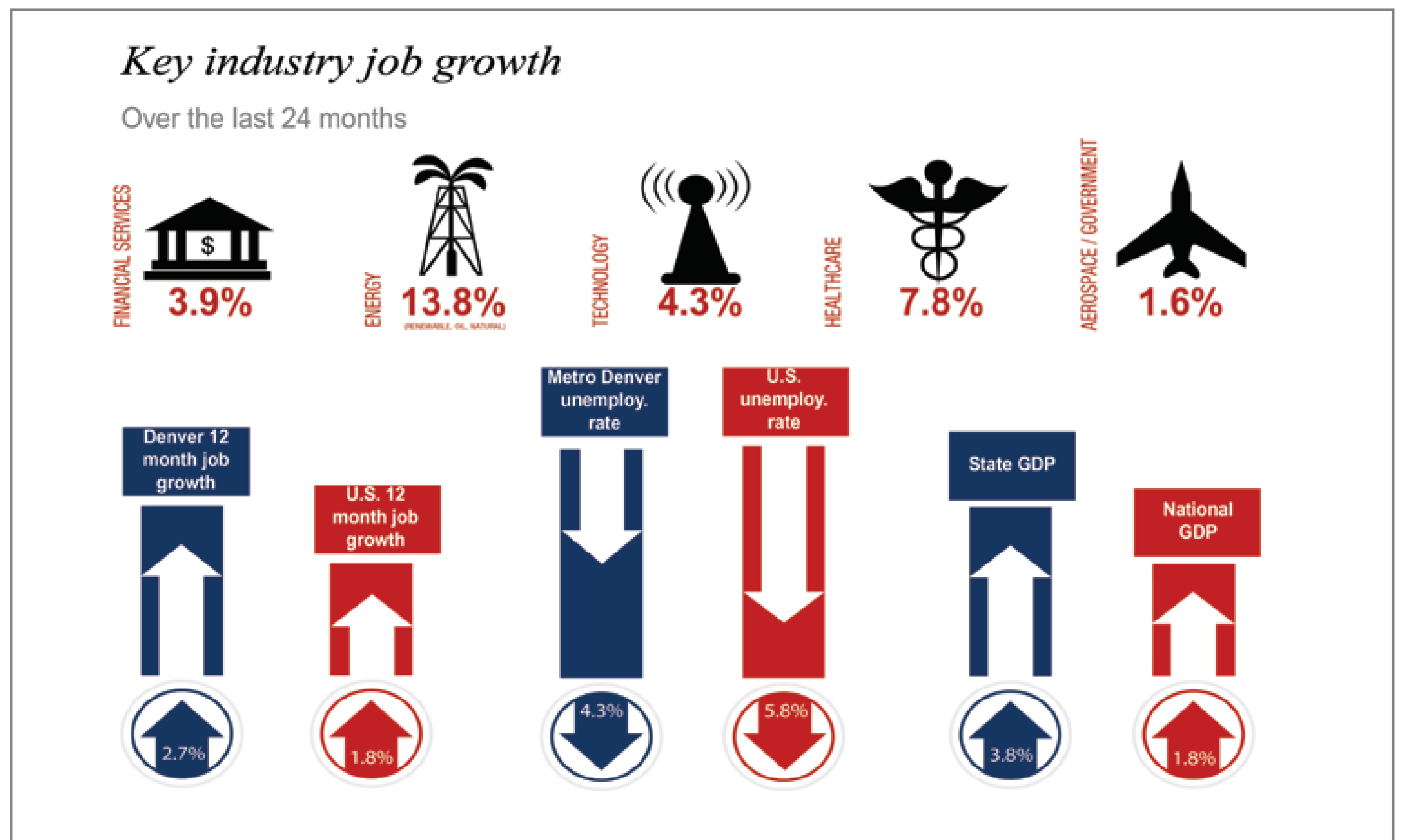
Office investment market hits new benchmarks

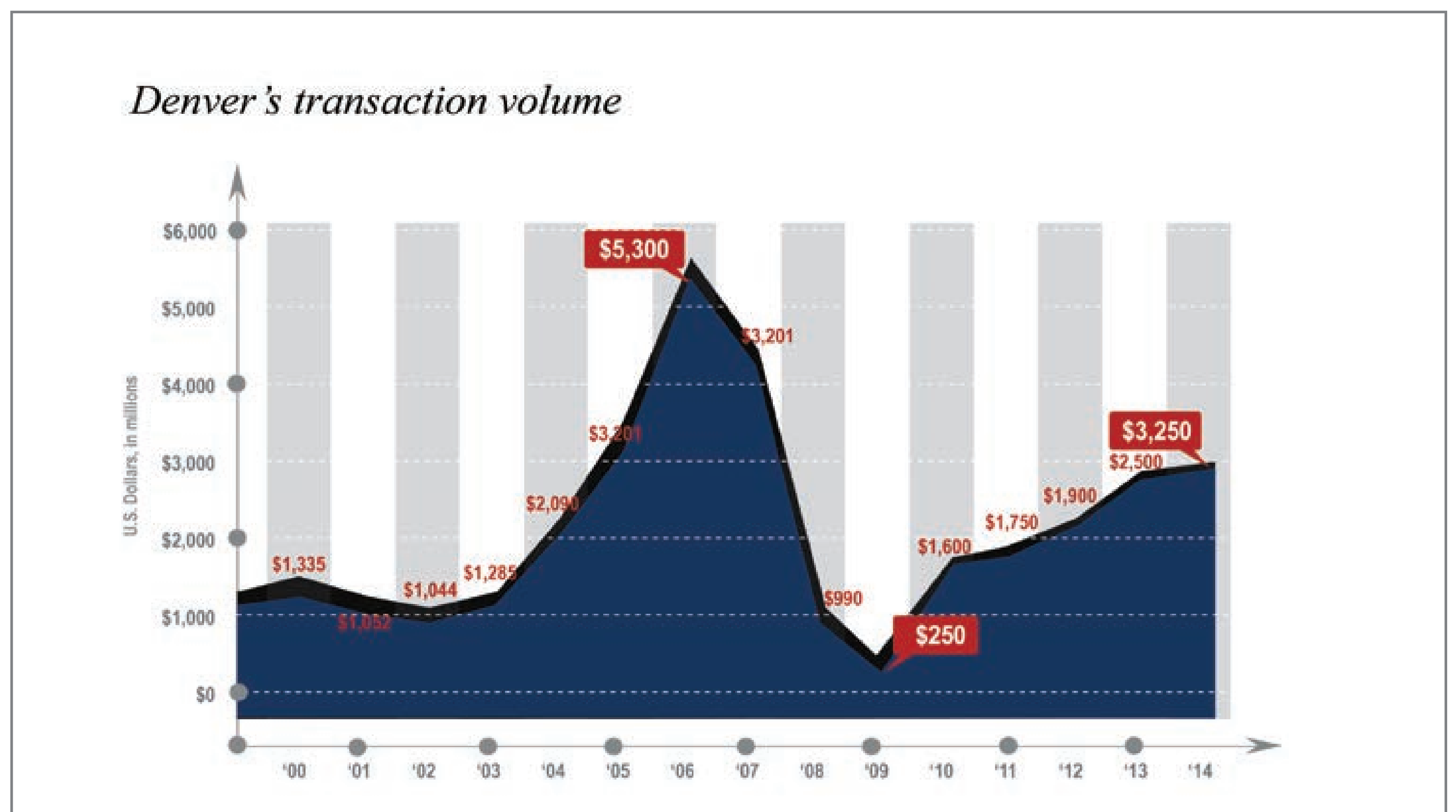
Denver has established itself as a primary market for real estate capital. Foreign and domestic institutional capital has confidence in Denver. This is due to the diversification of our economy, the in-migration of millennials, our highly educated workforce, our growing mass transit system and Colorado's outperformance of the national economy in terms of job growth and unemployment rate.

Patrick Devereaux
Executive vice president, capital markets, JLL, Denver

Jason Schmidt
Executive vice president, JLL, Denver

In 2014, we experienced a new benchmark in sales price per square foot in the central business district. Class A office lease rates reached record levels in the CBD and the southeast suburban market, and investors' yield requirements continued to compress as new capital flooded into the market. Denver's office market fundamentals will continue to gain momentum this year. We are fortunate to have several years of upside and runway ahead of us.





Economic Trends

Foreign and domestic capital is targeting Denver due to the diversification of our economy, and the job growth we have experienced in energy, technology, health care and financial services. No single standard industry classification code represents more than 16 percent of the state's job market. Additionally, Colorado has one of the most diverse energy economies due to its significant employment in natural gas, renewable/clean technology and liquids/oil.

Through October, Colorado created close to 70,000 jobs, and the state's preliminary unemployment rate estimate is 4.3 percent versus the national average of 5.8 percent. Our year-to-date job growth is 2.7 percent, making us the seventh-fastest growing state in the county.

Denver continues to receive positive press and encouraging economic rankings. The media coverage enhances and supports capital's desire to be here. Recent press includes Urban Land Institute's ranking of Colorado as the No. 4 state for commercial investment in 2015, Business Insider's forecast of Denver being the No. 1 economic growth city in 2015, and U.S. News and World Report's ranking of Colorado as the fifth-best state to do business in.

Capital and Transaction Trends

New foreign and domestic capital continues to pursue acquisitions in Denver. Through November, there have been 27 office transactions above $15 million. Fourteen acquisitions have been with new investors to Colorado, and nine of them have been with a foreign capital source. The most active foreign capital has been Canadian via Second City Capital, Artis REIT and Slate Street Capital. Out-of-state domestic capital has come from coast to coast. Investors are hoping to generate 50-100 basis points more yield in Denver than they can find in the gateway markets for core and core-plus assets.

Total transaction volume for 2014 will be close to $3.25 billion, a 35 percent increase over 2013. The most notable transactions will be the north and south wing buildings of Union Station. Both properties traded just above $600 per sf with going-in yields close to 5.25 percent. Union Station is one of the country's largest multimodel development areas and has contributed significantly to Denver's millennial in-migration.

More than 25 percent of Denver's population growth since 2000 has been millennial, which is attractive to companies wanting to hire the brightest and best young talent. Other notable CBD transactions include a 50 percent interest in Republic Plaza to MetLife for $240 million ($260 per sf), and the $212.8 million purchase of Park Central at $381 per sf, close to replacement cost. Prior to year-end, another Gateway to Lower Downtown office building is expected to transact close to $400 per sf, which will set another record price per sf for western CBD assets built in the 1980s. The western CBD is defined as Stout to Market streets and Speer Boulevard to 20th Street.

Core and core-plus capital's primary targets are Denver's CBD, LoDo and Cherry Creek. There continues to be a lack of product for sale in our most desired locations, and yield compression for these locations has been more than 100 bps over the past 18 months. Going-in yields for core assets in LoDo and the western CBD range from 5 percent to 6 percent.

Some investors are transitioning into Denver's primary suburban office locations to find more yield with a focus on walkability to light rail and/or restaurants. The core suburban assets to trade this year include Broadway Station ($73.25 million, $150 per sf), Waterview I-III ($66.85 million, $183 per sf), and 1st Avenue Plaza in Cherry Creek ($75 million, $183 per sf). Core yields in the suburbs can range from 5.75 percent to 6.5 percent. However, Cherry Creek pricing is as aggressive as LoDo.

Prices per sf for office product in Denver are at levels never seen before. This is due to new benchmark lease rates achieved in the CBD and suburbs. Class A leases have been achieved in the CBD close to $30 per sf triple net in existing assets and new construction rents can range from $32-$35 per sf triple net lease. In the SES submarket, existing Class A assets have achieved rents in the low $30 per sf gross and forecasted rates for new construction will be $22-$25 triple net lease. With enhanced lease rates and cap rate compression, prices per sf are higher than in past cycles. That said, properties continue to trade at a significant discount to rising replacement costs, and the market continues to have tremendous upside potential in values.

Denver's future is bright. Job growth and millennial in-migration are expected to continue. Institutional capital "needs" will be invested in Denver as our diversified economy continues to outperform many of the gateway markets. New construction is occurring downtown and in the suburbs, but not at levels that cause concern of overbuilding. All the new construction is at prime locations. Class A space is needed in our market as construction has been limited since the 1980s. The momentum in Denver's economy and office market will continue. There are several years of upside and runway in our futures.▲

Investment Market

A dive into domestic and foreign capital pools

As 2014 closed, Denver continues to demonstrate that it can compete at the same level as the country's big six markets – Boston, Chicago, Los Angeles, New York, San Francisco and Washington, D.C. The Mile High City boasts one of the healthiest economies in the nation, led by a diverse blend of industries, impressive job growth and an influx of inbound migration. As a result, Denver's economy fueled increasing interest over the years from capital sources both domestic and foreign, creating a diverse investment pool for commercial real estate throughout the metro region.

The U.S. dominates the country rankings for most stable and secure investments by a wider margin than any year since the global financial crisis. The U.S. ranks first among countries providing the best opportunity for capital appreciation (U.S., Spain, U.K., China, Australia, Mexico and Brazil). It also leads the global rankings for planned real estate acquisitions in 2015. Additionally, U.S. cities hold three of the top five positions for the world's top cities for investment: New York, London, Tokyo, Los Angeles and San Francisco.

Domestic and foreign investors take into account numerous measures when looking to strategically deploy capital, but the criteria generally can be summed up by one chief driver: the economic fundamentals of the target city. While gateway cities generally are the preference for foreign capital, secondary markets with robust economies recently have sparked interest overseas. Secondary markets saw an impressive level of investment activity, about $140 billion year to date. Of that $140 billion, 64 percent was focused on faster-growing locations, such as Denver, which instills confidence for future investments in these areas.

John Jugl
Senior managing director, HFF, Denver

Throughout 2014, Denver displayed tremendous job growth, which is evidenced by an exceptional 3.6 percent unemployment rate for October 2014, 280 basis points lower than the national average. Additionally, 58 companies have announced major relocations and/or expansions in the Denver metro area, while the city has added about 40,800 jobs, driving employment growth to a healthy 2.9 percent.

Meanwhile, the metro area's population growth rate consistently outpaces the national average, evidenced by a 1.88 percent growth rate in 2013 compared with the national growth rate of 0.72 percent. From 2010-2013, the Denver metro area population grew 5.52 percent, the highest growth rate of the 20 most populated metropolitan statistical areas outside of Texas. Experts project the population will grow to about 4.8 million people by 2040, net growth of more than 59.6 percent, or 1.8 percent per year.

A snapshot of the capital flows in 2014 clearly depicts the domestic and foreign investment activity we can expect to see in 2015 as a result of a booming economy.

As of third-quarter 2014, Denver experienced a total volume of approximately $1.65 billion in office investment sales activity throughout the metro region, slightly exceeding the transactional volume of $1.63 billion for the same period in 2013. With another $520 million already executed in the fourth quarter and approximately $110 million under contract, Denver's total transactional volume for office assets is forecasted to eclipse $2.2 billion for 2014. An average price per square foot of $190 surpasses historical highs while an average cap rate of 7.05 percent is the lowest recorded in the past six years, according to Real Capital Analytics. Values are verifiably increasing in Denver and foreign and domestic capital groups are certainly taking action.

Of the $1.65 billion that has been transacted so far in 2014, approximately $532 million, or 32 percent, has come from overseas capital, while cross-border domestic capital represents an additional 44 percent. Foreign investments account for 10 transactions in the Denver metro area, with Canadian capital taking credit for seven transactions for a sum of $390 million. Ivanhoe Cambridge, a Canadian-based firm, purchased a 40 percent interest in two landmark towers in the central business district, U.S. Bank Tower and Tabor Center, resulting in a $200 million transaction.

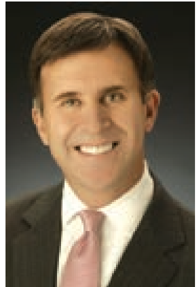
German capital also held a large presence in 2014 with approximately $133 million in activity. GLL Real Estate Partners, a German-based real estate fund management group, acquired the two Union Station wing buildings, the IMA North Wing Building and Antero South Wing building. Both buildings traded at a record-high price per sf of $602 and $601, respectively. While these two notable transactions were in the form of direct foreign investment, the larger contingency of foreign capital is generally performed through a U.S.-based adviser or operator. For foreign investors, operators and advisers provide an efficient way to identify potential investments and place capital, because money from overseas typically has multiple approval layers that are slow to react to domestic investment funds' timing.

Denver continues to hit the radar of many domestic and foreign investors who are looking to expand beyond the coasts in search of quality investment opportunities. There are more investors seeking real estate acquisitions than there are opportunities in the coastal cities, which gives Denver great exposure. Investors are recognizing the city's presence among primary real estate markets and have identified Denver as a market that offers the opportunity to achieve returns that exceed those realized in the gateway cities. With the economy's strength and promising outlook, Denver is bound to attract an even deeper pool of capital, domestically and globally.▲

Leasing Market

All signs point up for Colorado's office markets

The Front Range office market consists of 222.5 million square feet from Trinidad to Fort Collins/Greeley with a respectable overall vacancy rate of 9.9 percent. Overall Front Range vacancy rates have ticked down 120 basis points from a 10.7 percent vacancy rate at the start of 2014. Consider, too, the Front Range has 251 million sf of retail (with a 5.5 percent vacancy rate) and 340 million sf of industrial (with a vacancy rate of 4.7 percent). The overall 813 million sf of commercial real estate on the Front Range is healthy in all sectors with office product making up 27.4 percent of the overall commercial product. Construction cranes are the visible sign the market is healthy and ready for new product.



William B. Lucas
Senior vice president, principal, Cassidy Turley, Denver

	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION	AVERAGE ASKING RENT (ALL CLASSES)	AVERAGE ASKING RENT (CLASS A)
Submarket										
Aurora	294	8,674,645	4,173	1,000,177	11.6%	53,258	115,525	0	$17.47	$22.58
Boulder	664	11,351,168	68,456	492,563	4.9%	42,489	106,294	29,451	$22.98	$33.40
Capitol Hill / Midtown	665	8,792,090	15,063	323,806	3.9%	117,490	256,108	75,102	$20.86	$24.84
CBD	344	34,865,929	214,206	3,658,740	11.1%	457,601	646,595	754,578	$31.32	$33.14
Colorado Blvd / Cherry Creek	464	13,233,664	8,926	1,383,305	10.5%	5,547	352,922	296,090	$22.53	$24.92
Northeast	384	8,726,771	53,664	1,197,374	14.3%	59,613	(7,090)	0	$17.74	$22.83
Northwest	691	15,735,490	76,975	1,756,181	11.6%	59,613	180,119	47,830	$22.38	$26.81
Southeast	843	45,790,919	408,183	5,123,120	12.1%	51,276	59,626	463,500	$21.78	$25.04
Southwest	535	9,754,695	21,245	1,332,320	13.9%	(26,868)	61,145	0	$16.84	$25.92
West	705	13,590,107	16,724	1,796,672	13.3%	54,230	161,475	120,000	$19.73	$28.26
CLASSES										
Class A	306	59,983,263	506,875	6,768,487	12.1%	262,836	506,415	1,162,453	$28.47	
Class B	2,687	84,325,932	278,015	9,490,302	11.6%	619,023	1,308,714	624,098	$20.30	
Class C	2,224	18,998,039	49,061	1,075,324	5.9%	(10,780)	122,247	0	$16.27	
TOTAL	**5,590**	**170,515,478**	**887,615**	**18,078,429**	**11.1%**	**858,551**	**1,918,548**	**1,786,551**	**$23.07**	

Office asking rents converted to Full Service

A snapshot look at third-quarter 2014 office properties, by submarket and office class

Denver's central business district market overview includes Lower Downtown and the Platte Valley. The overall CBD consists of 34.8 million sf with a vacancy rate of 10 percent and average full-service rates of $31.87 per sf. Vacancy rates have declined 120 bps from 11.2 percent at the start of 2014, and lease rates have increased $1.17 per sf during the same time period.

The LoDo submarket is the strongest submarket in the state. At 8.6 million sf, the current vacancy rate is 6 percent. Average lease rates are $34.58 per sf. Currently four buildings are under construction in LoDo:

- 1601 Wewatta, 10 stories – 299,544 rentable sf
- 1401 Lawrence St., 21 stories – 311,015 rentable sf
- The Triangle Building, 1550 Wewatta, 10 stories – 242,807 rentable sf
- The Lab, 2420 17th St., four stories – 78,576 rentable sf

The 2015 CBD outlook is positive. All roads, rail lines, pedestrian and bike paths lead to Union Station. The opening of the train line from Union Station to Denver International Airport will be a significant game-changer for the area. The announcement of Whole Foods at 17th and Wewatta streets coupled with the construction of King Soopers at 20th Street and Chestnut Place further enhances, stabilizes and affirms the bullish outlook for downtown Denver.

Other proposed office developments include:

- Z Block, 1800 Wazee – 235,002 rentable sf
- A Block, 1881 16th St., five stories – 58,000 rentable sf
- Union Tower West, 1801 Wewatta St., 12 stories – 100,000 rentable sf
- Chestnut Building, 16 Chestnut Place, 18 stories – 547,199 rentable sf
- 1144 15th St., 38 stories – 640,429 rentable sf

Oil and gas companies are a significant driver of the downtown office market. With the recent decrease in the price of oil, it's conceivable these proposed developments will remain just that through 2015.

The southeast suburban office market runs along Interstate 25 from Interstate 225 to Lincoln Avenue and includes the Denver Tech Center, Greenwood Plaza, Panorama, Inverness and Meridian. The market consists of 45.7 million sf and has a vacancy rate of 11.8 percent. The SES market is diverse (telecom, health care, defense industry, engineering and financial industries) and active from small to large tenants. There are a significant number of large tenants (i.e., 70,000 sf or larger) currently in the market that are competing for, and will ultimately lease, the large blocks of available space. New construction includes CoBank Center, an 11-story, 276,000-rentable-sf building scheduled for completion in the fourth quarter. The SES submarket is ripe for speculative development, and potential new office developments include:

- Village Center DTC, 10 stories – 300,000 rentable sf
- One Belleview Station, 16 stories – 340,000 rentable sf
- Village Center Station II, 9 stories – 200,174 rentable sf
- The Madden – Palazzo Verdi II, 14 stories – 428,749 rentable sf

Northern Colorado, which consists of Fort Collins and Greeley, has 10.7 million sf of office space with a vacancy rate of 5.1 percent, down 70 bps from the 5.8 percent vacancy rate at the start of 2014.

The Northern Colorado economy is strong and robust with Weld County adding more than 9,000 nonfarm jobs in the past two years and Larimer County adding 11,000 jobs during the same time period. Weld County experienced a good part of its growth in the food processing and oil and gas sectors while Larimer County's growth is oriented toward health care, education, professional, scientific and technical industries. The strong economy will bode well for the Northern Colorado office market.

Southern Colorado, including Pueblo and Colorado Springs, has 30.9 million sf of office with a vacancy rate of 11.3 percent. While Pueblo's office vacancy has decreased 210 bps from the start of 2014, Colorado Springs' vacancy has increased 30 bps. Health care and transportation are primary growth industries in Pueblo with health care, finance and insurance, and technical services driving the Colorado Springs economy. The 2015 office forecast is modest but there is continued demand for office space.

Denver office market's net absorptions, asking rents and vacancies

The Western Slope has 2.8 million sf of office space from Durango to Craig boasting a modest vacancy rate of 5.3 percent. However, the vacancy rate has increased 140 bps, from a 3.9 percent vacancy rate at the start of 2014. Considering the Western Slope has 22.5 million sf of retail space (with a 4 percent vacancy rate) and 4.7 million sf of industrial (with a 6.6 percent vacancy rate), the overall 32 million sf of Western Slope commercial real estate is healthy. Western Slope office product represents less than 9 percent of the overall commercial market. With no new multitenant office construction planned, the coming year's outlook is positive.

The University of Colorado's Leeds School of Business released its report on the 2015 Colorado business economy outlook, which predicted a population "increase of 85,000, or 1.6 percent, for 2014; 89,000, or 1.7 percent, for 2015; and 93,000, or 1.7 percent, for 2016." By 2015, the report forecasts Colorado's population to reach 5.4 million. The unemployment rate, currently 5.8 percent, is predicted to continue to decrease through the year. With expanding companies, new jobs and an increase in population, the 2015 forecast for the Colorado commercial office sector looks strong.▲

Leasing Market

Northwest office market fundamentals look bright

The outlook for long-term growth in Denver's northwest submarket remains healthy. Overall economic improvements and stable demand from industries with strong employment growth are allowing landlords to maintain direct-asking lease rates at higher levels compared to other metro suburban submarkets. Increased activity in the northwest market has exemplified owners' abilities to maintain elevated rates during 2014.

The northwest posted positive net absorption of 188,442 square feet in the third quarter of 2014, due to increased new tenant/expansion occupancy and approximately 154,309 sf of tenant occupancies in Class A product. This is driven by a balance between current tenant expansions and new tenants in the market. Paralleling strong third-quarter absorption figures, 2014's positive net absorption figures reached 222,826 sf, the highest levels since year-end 2007.

Future positive absorption in the market will be driven by Exempla, currently at lease to expand in Oracle's campus by more than 100,000 sf and ICAT's signing of a 37,067 sf deal at 385 Interlocken. These tenant transactions exemplify growth and recovery in the submarket. Increased current activity, year to date, is bolstered by organic growth from existing tenants in the U.S. 36 corridor, including the previously mentioned tenants as well as Reed Group, Ball Corp., Epsilon, Biomet and Datalogix.

A strong labor pool, solid technology infrastructure, established amenity base and large office projects with ample parking continue to make the northwest submarket attractive to corporate users, particularly with technology-related businesses. The technology industry as a whole has displayed strong economic growth and employment has grown steadily in the sector, benefitting the office submarket. Although large corporate users remained cautious, the steady and continued improvement in corporate balance sheets, the strong performance of the tech industry and improving employment conditions are expected to drive improvements to office fundamentals in the northwest in 2015.

Frank Kelley
Senior vice president, CBRE, Denver

As activity gains momentum, the average direct-asking lease rates are expected to maintain current levels. The northwest's newer product and proximity to strong labor pools are the primary reasons its Class A product remained $2.90 per sf above Class A Southeast product, $7.49 per sf above Class A Colorado Blvd. Midtown product and $6.68 per sf above Class A West product. In contrast, cost-conscious tenants in the Boulder submarket are increasingly evaluating northwest options because Class A product in the northwest remains $7.88 per sf below Class A Boulder product.

In the third quarter, the overall average direct-asking lease rate on a full-service gross basis decreased to $23.97 per sf, down 2.3 percent quarter over quarter. Overall, the submarket observed a year-over-year decrease in asking lease rates of 2.8 percent; diverging from overall Denver market increases, but remaining at levels above other suburban markets following significant increases that occurred in 2012. Class A direct-asking lease rates decreased to $29.20 per sf, marking a 2.5 percent decrease quarter over quarter, and a 3.5 percent decrease year over year due to Class A availability and competition. Specifically, the large amount of space leased at EOS caused Class A rates to decrease, because a significant amount of quality space is no longer available. Class B space observed an increase in lease rates to $23.16 per sf, marking a 1.5 percent increase year over year.

Reflecting the strongest positive absorption of any Denver submarket in the quarter, direct vacancy decreased to 17.3 percent, a decrease of 246 basis points quarter over quarter and a decrease of 364 bps year over year. Momentum in direct vacancy decreases quarter over quarter and year over year is expected to continue in the final quarter of 2014 and into 2015 as multiple completed deals and active tenants execute deals and occupy space. While small users' activity continues to be resurgent, larger user activity gained momentum, a sign that larger users are starting to gain confidence from steady economic growth and the prospect of future economic growth.

At the end of 2013, strong investment office sales activity in the northwest was capped off with the owner-user purchase of 305 Interlocken (47,444 sf) by the U.S. Department of Agriculture. There were no investment sales in the northwest submarket in the first three quarters. Despite restrained activity in 2014, outside forces driving investment activity in the overall Denver office market (such as the low interest rate environment) and overall strong capital interest in the Denver market are expected to contribute to activity in the final quarter of 2014 and into 2015. Additionally, as prices continue to increase for core assets in Denver's downtown submarket, investors are looking outside the central business district towards suburban submarkets in order to find lower-priced assets with competitive returns. This trend is exemplified by the two notable projects on the market in the northwest: 385 Interlocken and Superior Point. Strong leasing activity in 2014 allowed landlords to stabilize assets in preparation for future investment activity.

As the only suburban submarket with speculative development in the last three years, the northwest saw demand outstripped by new supply, resulting in a challenging leasing environment for landlords. However, this new product provides large floor plates and the ability for new, efficient workspace planning, which is a requirement among many large corporate users. Further development will remain constrained until existing inventory in the market is absorbed.

It is predicted that future development in the submarket will be driven by build-to-suit activity rather than speculative development. Long-term growth possibilities stem from improvements to U.S. 36 (providing the infrastructure needed for adequate transportation), a strong labor force, improving amenity bases and well-located retail and residential developments. Headwinds such as lackluster macro-economic growth, a supply and demand mismatch and a developing infrastructure are finally subsiding in the region and 2015 promises to be a positive year for northwest office market fundamentals.▲

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Partnership. Performance.

Colorado Springs is positioned for 2015 growth

Colorado Springs' economic performance is fundamental to the state's expansion and consistently high national rankings, including being named as a top-three state for future job growth. With one of the fastest-growing metropolitan statistical areas last year, the Colorado Springs' MSA – composed of Teller and El Paso counties – has a population of 685,773. The office market measures 28 million square feet, and the largest submarket is the north Interstate 25 submarket, representing 12 million sf. The north I-25 Class A sector comprises 4.6 million sf. This submarket, which reached a high vacancy mark of 30 percent, today reflects a 22.1 percent vacancy rate. These numbers translate to the pipeline for new transactions remaining limited, with activity similar to the past several years.

Kent Mau
Executive managing director, Newmark Grubb Knight Frank, Colorado Springs

The Colorado Springs office market slowed during the first three quarters of 2014, after a busy end to 2013, and activity in the Class A market was very slow and uneven in 2014. In the third quarter, the Class A market posted positive, albeit flat, absorption of 43,000 sf; Class A vacancy stands at 21.6 percent compared with 18 percent at year-end 2013.

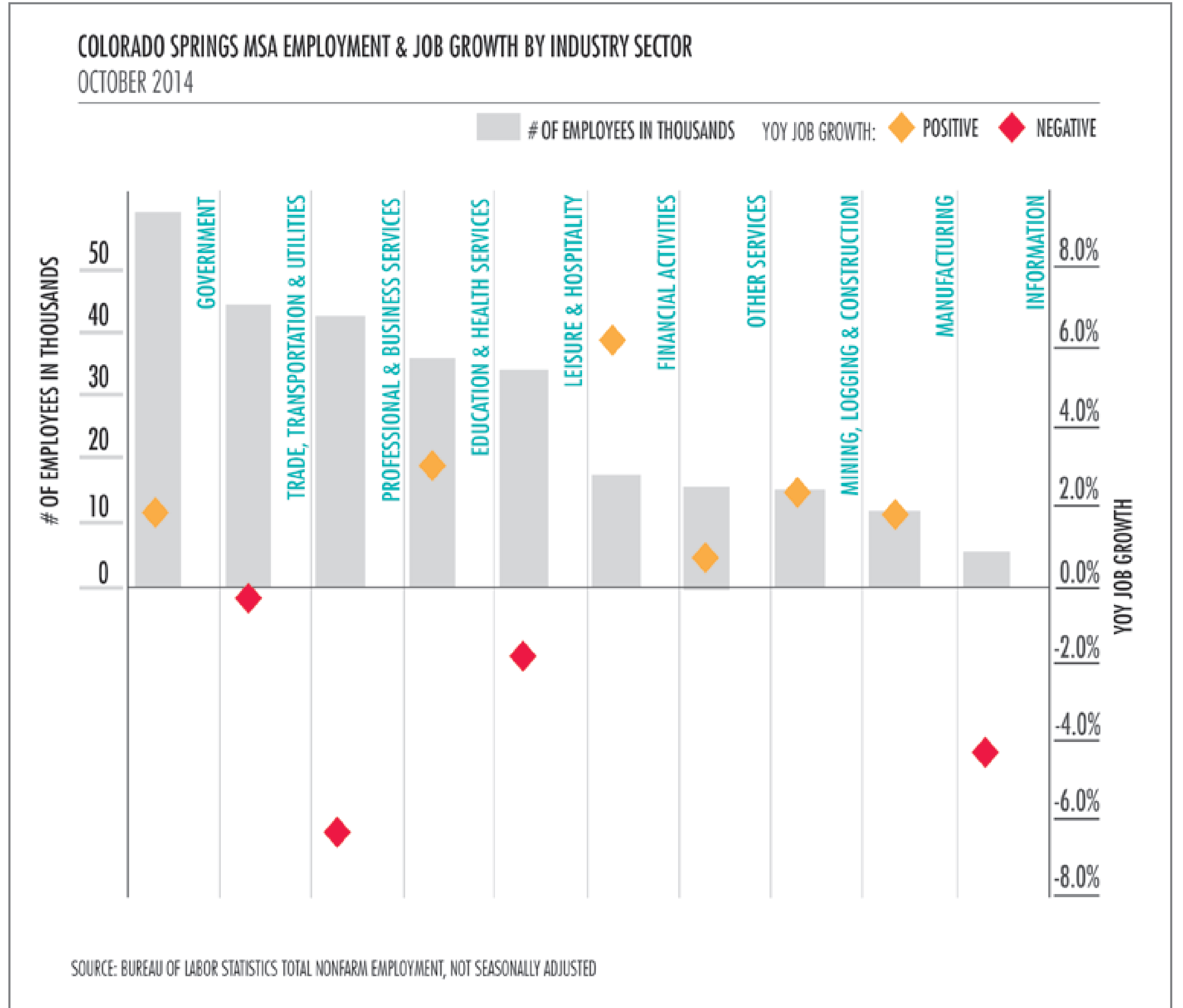
Leasing activity in the office market has been erratically slow since 2008. Vacancy created during the Great Recession (2008-2010) has slowly but consistently filled, bringing the market to a point where landlords are beginning to firm up and raise rates. While the slow recovery has frustrated owners and investors, smaller gains in the market continue to give reason for optimism: population growth, a diversifying employment market, an improving investment market, and significant increases in the retail and residential markets.

Colorado Springs' job growth in 2014 was well on the path to recovering to pre-2008 numbers and continued improvement is expected this year. Annual average job growth was positive in 2011-2013 and, after moderate growth in 2014, October unemployment was at 4.7 percent, which is significantly lower than the national rate of 5.8 percent. While the financial activities, education and health services, and mining,

COLORADO SPRINGS CLASS A OFFICE SUBMARKET COMPARISONS 3Q14

CBD	13	1,846,109	248,029	13.4%	5.8%	-8,031	-141,569	$14.93
NORTH I-25	57	4,646,702	1,026,613	22.1%	20.8%	61,203	-61,175	$12.49
SOUTHEAST	21	1,433,560	435,016	30.3%	24.7%	-10,446	-81,384	$11.27
TOTAL	**91**	**7,926,371**	**1,709,658**	**21.6%**	**18.0%**	**42,726**	**-284,128**	**$12.54**

How Colorado Springs compares to other Class A office submarkets



Colorado Springs employment and job growth by industry

logging and construction sectors experienced growth of 6.2 percent, 3 percent and 2.2 percent in October, respectively; the professional and business services, information, and leisure and hospitality sectors posted negative growth of 6.3 percent, 4.3 percent and 1.8 percent, respectively. The government sector, the largest employer in the market, posted 1.8 percent growth, the first increase since 2012. This positive trend, along with Colorado Springs' population influx, bodes well for 2015 and beyond.

Continued diversification of the Colorado Springs economy is an important positive indicator, and the area continues to attract the attention of many large companies involved in high tech, aerospace and defense, and information handling to customer service support functions. Additionally, there is a stable base of local companies that will help drive the economy through moderate growth.

The investment market is re-emerging and, as the economy continues to recover, the market feels as active as it has been since the downturn. The number of assets that are lender owned or controlled is decreasing, the largest of which is the Colorado Crossing project. The project was working through long bankruptcy proceedings for the past four years, and it looks like it will finally be resolved early this year.

Historically, Denver leads coming out of a soft market with Colorado Springs trailing by 18 to 24 months. The Denver market is currently very active with strong recovery and investment sales totals of $1.7 billion through third-quarter 2014. This is good news because Colorado Springs currently, and traditionally, provides better investment yields than Denver. Additionally, the spread between capitalization rates for Denver versus Colorado Springs is up to 150 to 200 basis points. Savvy investors will consider Colorado Springs a value alternative, increasing national speculator interest.

Colorado Springs' single-family housing market is leading resurgence in building activity for the area. The combined dollar value for commercial and residential permits totaled nearly $2 billion in 2013, setting a new record in El Paso County, and was expected to continue at a similar pace by year-end 2014. September home sales increased nearly 24 percent over sales for September 2013, the highest for any September since 2005. Home values are appreciating as well, with the median price of single-family homes sold in September 2014 standing at $253,000, almost $10,000 higher than one year ago.

The prognosis for Colorado Springs in 2015 is one of optimism and opportunity. In office leasing, Colorado Springs can expect absorption and lease activity to increase. The gains in lease absorption will be significantly positive and I predict we will cross 100,000 sf of absorption in 2015. Rental rates will climb in the multistory building first, then the 100 percent single-story office. If you are a landlord, your position will be significantly stronger during 2015. Both population and employment will help drive the rent increases. If you are an investor, there are and will be opportunities to increase portfolio returns. We will see strong volume in the office investment market.▲

Savvy investors will consider Colorado Springs a value alternative, increasing national speculator interest.

Leasing Market

Navigating Denver's central business district

For the past 20 consecutive quarters, Denver has seen an unprecedented rise in rental rates in downtown and suburban office markets. Currently, rents downtown are at record highs, with no clear relief in sight. For reference, the median asking rate for a central business district Class A space today is $33 per square foot, which represents an 18 percent increase from the previous cycle's low in 2009, when CBD vacancy hit 19 percent. Since then the CBD submarket has absorbed 2 million sf.

Hear me now, and believe me later: There is still value to be had in this historically hot office market. But first, some color.

The market has seen major upticks in the past, specifically between 2003 and 2007, when investment sales activity was at a then all-time high. During this period, when compared with today's landscape, we didn't see the level of demand and absorption, the changing dynamic of tenants in the market or the overall popularity of downtown Denver as a new home for companies (e.g., Ardent Mills, DaVita, Transamerica, On Deck Capital). Furthermore, historically low interest rates have given investors the confidence to "stretch" to acquire assets, driving values higher.

Since the previous cycle's trough in 2009, many factors have led to Denver's slow and steady climb to prominence. Activity in the energy sector improved with new oil and gas discoveries in the Bakken and Niobrara shale plays. Venture capital firms looked to place their money in startup companies, taking advantage of new developments in technology. Many of these employers who incubated in Boulder have moved to downtown Denver for a deeper talent pool (e.g., Send Grid, Rally Software). Amenities in the form of new restaurants, hotels and transportation gave businesses more to offer their employees. B-cycle and ride-sharing programs have made it easier to navigate the growing downtown area. And last, but certainly not least, the renovation of the historic Union Station put Denver on the global map as a major player in the competition for large corporate offices (e.g., IMA Financial, Antero Resources, First Western Trust, Hogan Lovells).

Andrew Blaustein
Managing director, Newmark Grubb Knight Frank, Denver

Similar to previous growth cycles, investors are finding great opportunity in the form of rent growth, and have begun to pick off the low-hanging fruit, sometimes even reaching for the tops of the trees, as evidenced by the sales of the two Union Station wing buildings for $600 per sf. There is now more than 1.4 million sf of speculative office product under construction downtown or will be by the middle of 2015. All of these new projects are commanding lease rates in the $45 per sf full-service neighborhood, which allows the existing buildings to "draft" off these prices and raise their own rates.

All of the above improvements spelled trouble for those tenants who basked in the glory of their relatively inexpensive overhead for the previous five years or so. In addition to the competitive hiring landscape facing most companies, they are now confronted with an even more daunting challenge: how to find a spot that won't inflate the second-largest expense item in the budget. We suggest the following eight considerations:

Matt Davidson
Managing director, Newmark Grubb Knight Frank, Denver

1. Rethink the way you approached office space in the past. Traditional industries, such as legal, financial services, oil and gas and even…ahem… commercial real estate houses, are finding new and creative ways to maximize efficiency, while keeping employees happy and engaged. Consider the value of a more open layout with less enclosed offices, more open and collaborative workspaces, and even hoteling options for those who spend less than 50 percent of their time in the office.

2. Keep an eye out for landlords who bought low, thus giving them the opportunity to "reach" for tenants that are currently occupying space in buildings that have recently sold at those higher value numbers.

3. If you're a technology firm or other Lower Downtown type, consider this – buildings in the central core and Uptown, which often are less expensive than LoDo, can create an environment that fosters creativity by tearing out ceiling grids and tiles, and installing new and clean spiral ductwork similarly found in the renovated warehouses. One traditional office building is taking a unique approach by adding a patio with pingpong tables and corn hole sets; another is adding a rooftop deck.

4. Believe it or not, the investment sales market could work in a tenant's favor by finding landlords who need to lock down that one last tenant before they put the building up for sale.

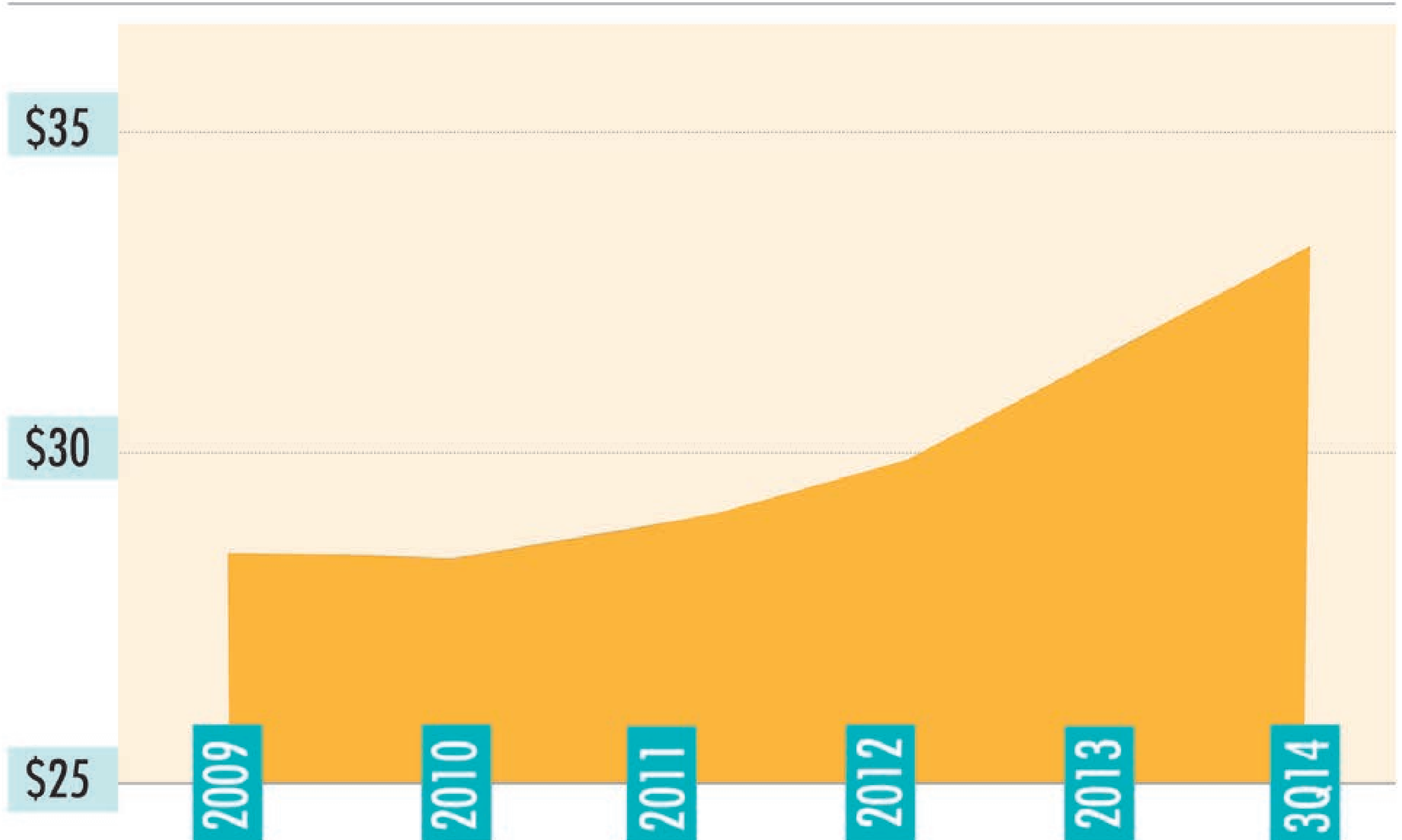
5. On that note, seek out landlords who have significant tenant turnover on the horizon and could use more stability.

6. If you don't absolutely need to be downtown, look to the periphery in areas such as the Golden Triangle, River North, Highlands, Santa Fe Arts District or other areas that offer more relief in the way of base rents, operating expenses and parking.

7. If you're a startup, keep in mind that landlords aren't thrilled about the prospect of dumping loads of money into building out space, so keep it simple, unless your investor is ready to come up with some form of a guarantee. Find space that can be re-used or re-purposed and still suit your needs. Get creative with flexible furniture that you can take with you along the way.

8. Most importantly, get into the market early and don't get caught scrambling at the last minute. It's a fast-moving environment with surprises around every corner.

In short, there are still compelling reasons for landlords to compete for tenants. Open your mind, protect your bottom line and leverage the expertise of those who do this on a daily basis.▲



Central business district Class A office historical median (full-service) rental rates

Top-tier law firms commit to downtown Denver

I believe downtown's thriving economy over the past few years has impacted top-tier law firms, who are committed to recruiting and retaining the best-in-class professionals in the region.

Home to more than 17,500 residents, downtown Denver has flourished over the past decade, witnessing a 142 percent residential spike since 2000. This drastic residential growth naturally resulted in a prevalent boom in business.

Between late 2009 and mid-2013, office vacancy in downtown Denver fell sharply from a high of 18.3 percent to 13.8 percent. With employment levels rising 4.5 percent and 1.4 percent in the first quarters of 2013 and 2014, respectively, office vacancies fell by an additional 1.2 percentage points between the third quarters of 2013 and 2014.

With more than 27 million square feet of office space and an additional 2,526,000 sf of office space currently planned or under construction, downtown Denver has the capacity to handle this spike in business and is attracting the young talent needed to sustain such growth.

As working professionals drive 31 percent of downtown Denver's economy, I'd like to take a closer look at the movement and activity in the commercial real estate sector – particularly the traction and success I've noticed involving law firms.

Only a couple of years ago, many law firms would be reluctant to sign long-term leases or expand in more locations. Now law-firm transactions downtown, including seven deals we've closed over the past year and a half, all suggest that law firms are an imperative component to the commercial real estate landscape.

Robert Link
Executive vice president and branch manager, Savills Studley, Denver

Recently ranked by Forbes as No. 4 best place for business and careers, the city's high quality of life, relatively affordable living costs and favorable environment for job seekers is a major draw for millennials between the ages of 20 and 34. This increase in a younger, talented workforce drives competition up among law firms, encouraging them to consider newer spaces that are convenient to public transportation and offer better amenities to attract the talent. Firms are taking advantage of various concessions and amenities along with the significant abatement paired with long-term leases in newer developments or redevelopment projects.

Two major downtown construction projects help reinforce the growth of the market and suggest why top-tier firms are finding opportunities to maximize on the thriving economy.

The law-firm leasing activity at 1401 Lawrence St. and 1801 California St. further substantiate the notion that law firms will continue to serve as important anchor tenants, even in new developments.

The development at 1401 Lawrence St. is a 290,000-sf, 21-story office tower with ground-floor retail and 347 parking spaces. Polsinelli signed a long-term lease for 86,664 sf of space at the property, becoming the first significant tenant to commit to the development. Polsinelli will move from 1515 Wynkoop St. and will gain parapet Interstate 25-facing signage at the new location, which is extremely important to the firm. This trend of brand recognition importance is an indication that recruitment and retention are becoming integral components in firms' business strategies in the upswing of the city's economy.

1801 California St., the former Qwest Tower, is undergoing a state-of-the-art redevelopment. It has successfully recruited big name law firm tenants, such as BakerHostetler, Butler Snow, Fairfield and Woods PC, and Merchant & Gould PC. Combined, these firms have leased 118,065 sf over the past 18 months.

The Wells Fargo building, however, was able to retain clients with enhanced concessions and abatement packages in order to stay relevant in the market. Faegre Baker Daniels LLP, Spencer Fane & Grimshaw LLP, and Fennemore Craig renewed last year for 96,000 sf on floors 31-34; 23,678 sf on the 20th floor; and 18,000 sf on the 24th floor of the property, respectively.

Additional law-firm activity in Lower Downtown includes the recent renewal and restructuring for Ritsema & Lyon PC for 22,181 sf of space at 999 18th St. The firm was offered an attractive concessionary package by the landlord in order to compete with nearby buildings. A new lease also was signed for MiletichCohen PC for 5,415 sf at 1660 Wynkoop St.

> With more than 27 million square feet of office space and an additional 2,526,000 sf of office space currently planned or under construction, downtown Denver has the capacity to handle this spike in business and is attracting the young talent needed to sustain such growth.

These examples signify the strength and growth of Denver's market and confirm the need for outstanding concessions and rapidly improving packages for tenants as regional and local law firms continue to compete for top talent and dynamic workplace environments.▲

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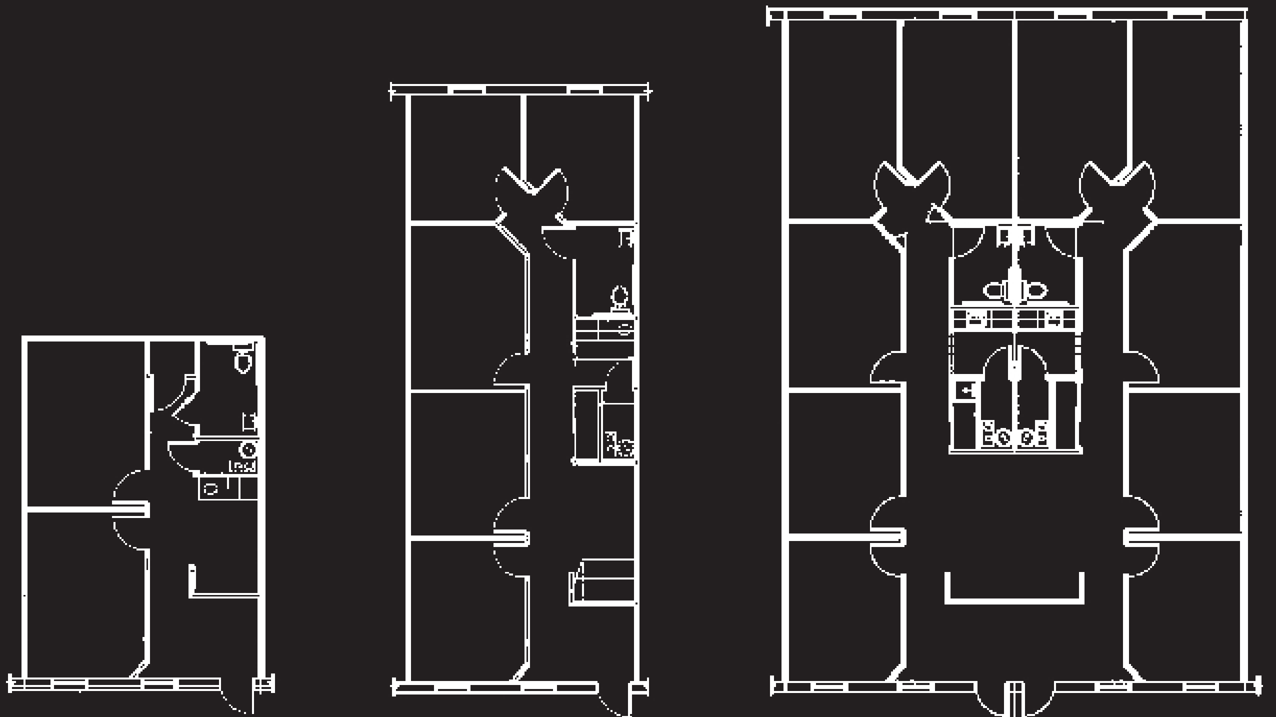

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Hot spots shift west in central downtown

Over the years, many cities have seen shifts to their central business districts, especially in regard to the area known as the "100 percent location." This location is also known as the 50-yard line or Main and Main.

Denver's office CBD has shifted over the last 30 years. The traditional 100 percent location generally was thought of as Denver's city center location at 17th and California streets. The majority of the office building inventory in this location was constructed during the late 1970s and early 1980s. In the mid-1980s, the 100 percent location shifted west to 17th Street and Lawrence Street after the completion of 17th Street Plaza and the Tabor Center complex. The addition of the baseball stadium brought numerous restaurants and entertainment facilities. Tenants wanting to attract younger employees decided to push further west to this area and many office buildings were constructed in the late 1990s through today. The red outline on the map indicates the shifted 100 percent location, while the blue outline represents the old location.

When the Denver Union Station redevelopment was announced in the early 2000s, more development was proposed both adjacent to and behind the station. These buildings typically were LEED-certified, state-of-the-art properties. In the Denver CBD, the revitalization of Union Station had a dramatic impact on the movement of the 100 percent location. In return, many developers and investors constructed new product in and around Union Station.

A few pioneering developers were early to the party and invested in this area, because they understood that upon renovation completion, the area would be attractive to tenants. This foresight paid off. Denver Union Station re-opened this year as a multimodal transportation hub offering new restaurants, nightlife, office space and a boutique hotel.

Further, with easy access to light rail, train and bus transportation, tenants, visitors and business customers can quickly access Union Station. When the east rail line is completed in 2016, it will provide direct access to Denver International Airport. This area captured record-setting office sales, low vacancy and some of the highest rental rates in the marketplace.

Office Rental Rates

To illustrate how the 100 percent location movement accelerated over the last 10 years, the top chart shows the asking rental rates of the old versus new locations, according to CoStar. This timeframe represents the point near the bottoming out of the market in the early 2000s, the run up through 2008, then the drop during the most recent recession, to the current time period. What is important to note is the overlapping of rates in the early 2000s with the old location reporting higher rental rates than the new location.

However, this quickly changed as the spread between the two locations grew dramatically in 2004. According to data collected by CoStar, the 10-year annual rental rate increases for the new 100 percent location was 6.9 percent in contrast to the old location at 5.2 percent annually. Further, current asking rates were reported to be $38.20 and $31.37 per square foot, respectively. This spread is continuing to increase as inventory is added to the new 100 percent location and investors and tenants continue to select this location.

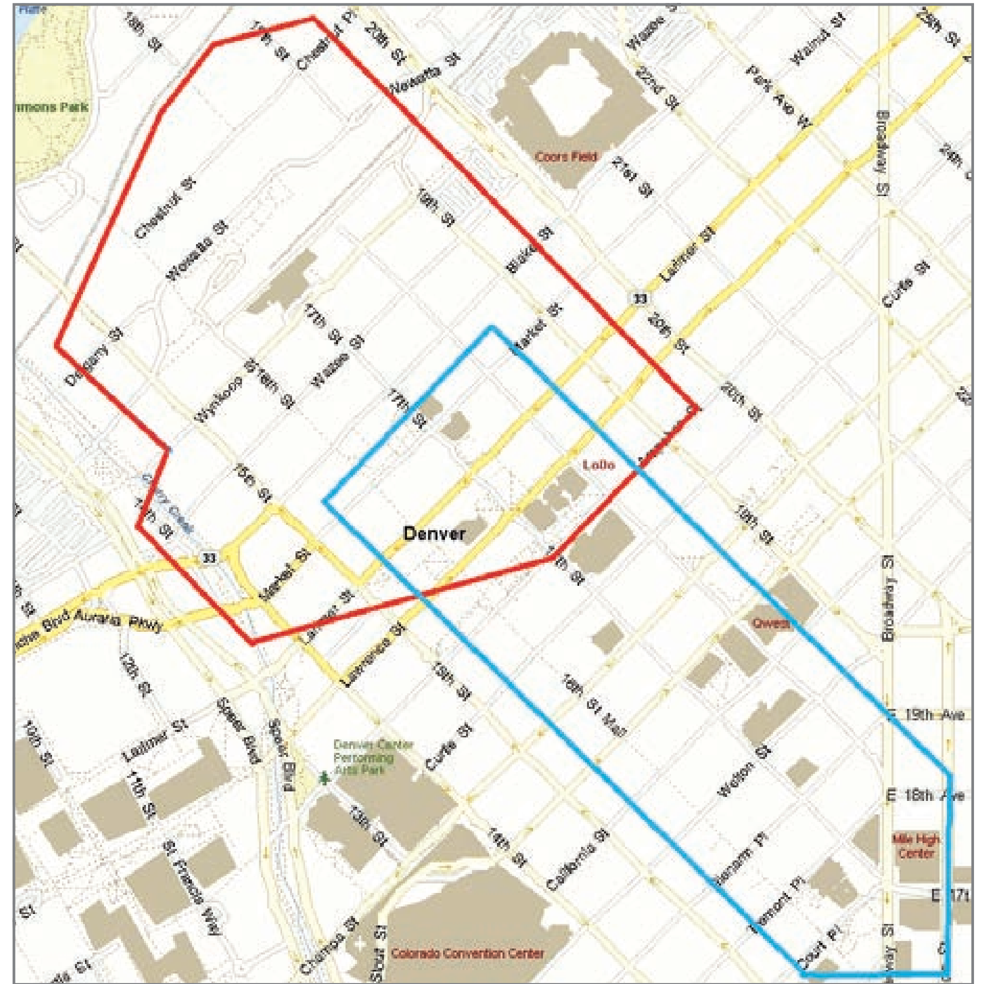
Justin J. Atwell, MRICS
Director, Integra Realty Resources, Denver

Office Sales

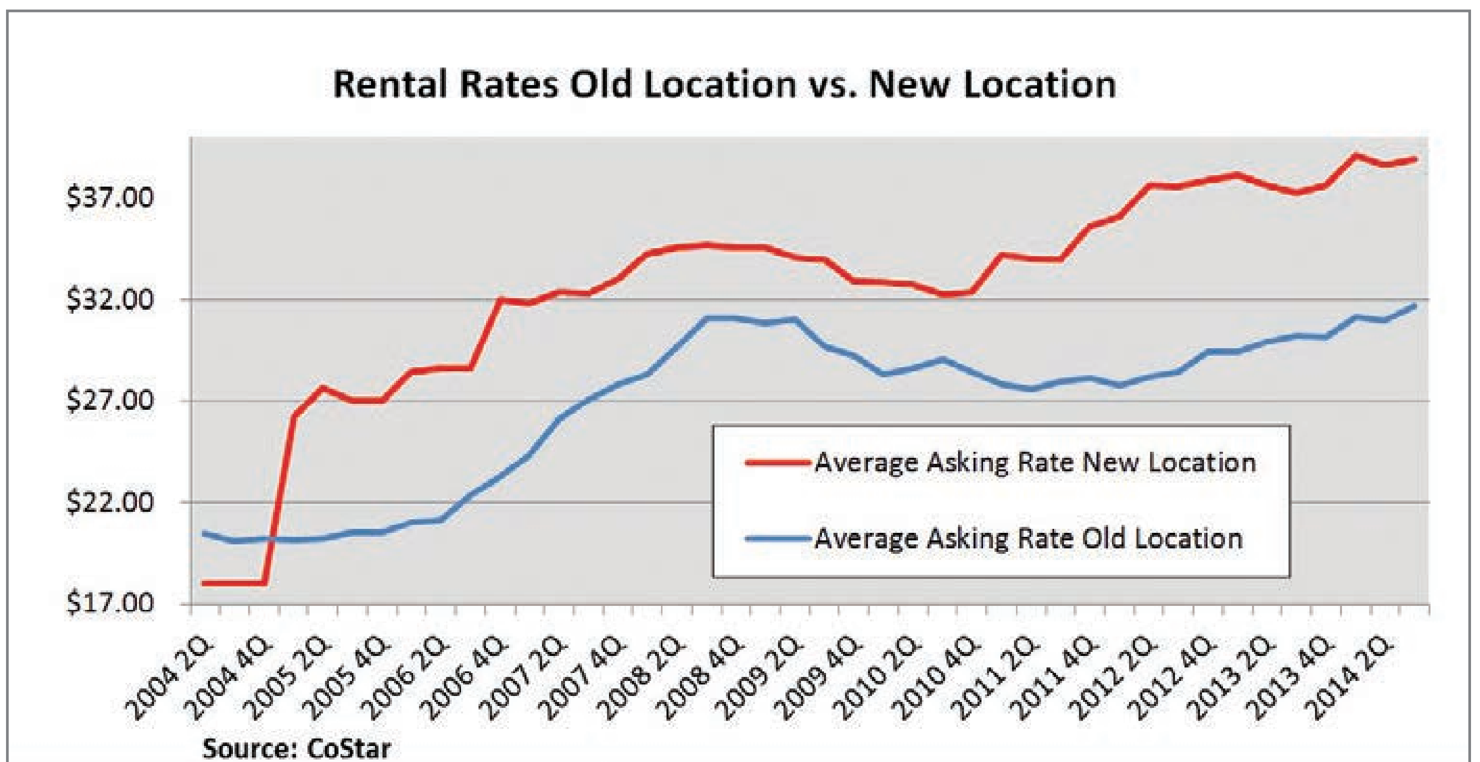
Significant capital is invested in both of these areas. Office transactions completed in 2013 (17 office property sales) and 2014 (14 office property sales) again support the shift of the 100 percent location. Most significantly, in early 2014, the Denver Union Station wing buildings sold to a Munich-based investor for a price of approximately $600 per sf, a record-setting amount for the Denver CBD. In contrast, sales that transacted in the old 100 percent location saw prices in the high $200s to low $300s per sf for the same time period, which is well below the reporting of the wing building sales.

The bottom chart shows price per sf for each location over the last five years as reported by CoStar. This information supports our findings.

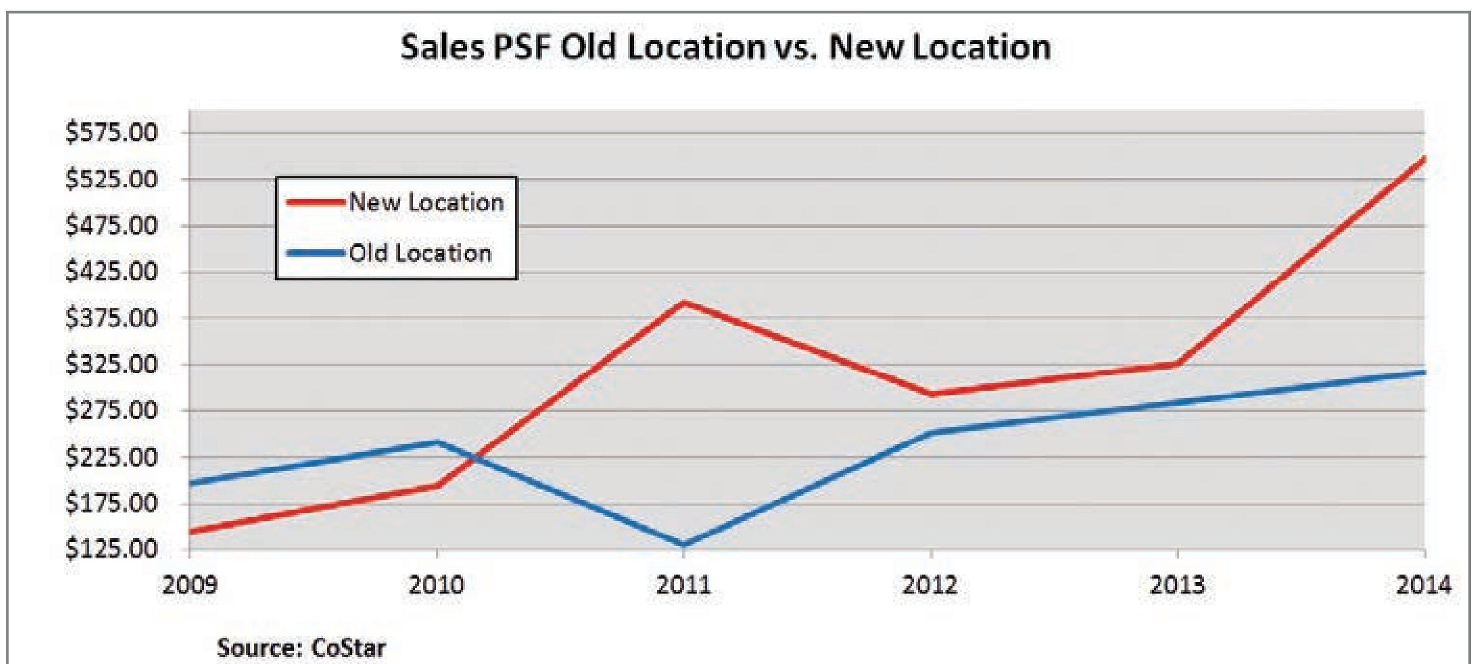
As demand for new office space continues in the Denver CBD, and tenants and investors wish to be located in new, transportation-based developments in the urban core should continue to see growth. This rising tide should lift the overall downtown market and continue to attract new and existing tenants and investors.▲



The red line represents the new 100 percent location in downtown Denver. The blue line represents the old location.



Rental rates at the two locations



Sale prices at the two locations

Market Driver

The energy industry's impact on office properties

by Michelle Z. Askeland

The energy industry is an important player in the Denver office property market in this post-recession cycle. Energy helped strengthen the overall office market by driving up lease rates and pushing vacancies lower, said Jessica Ostermick, CBRE director of research and analysis.

The total occupied footprint in downtown Denver of oil and gas companies is 4.45 million square feet, which is 20 percent of the occupied downtown market, she said. The year-to-date net energy sector absorption through the third quarter is 313,000 sf. Additionally, energy companies accounted for 12 percent, about 1.7 million sf, of all leasing activity in Denver since 2012. In 2014, year-to-date third quarter, energy leasing activity was 878,000 sf.

"The energy industry is well funded and includes all types of real estate," said Lindsay Brown, JLL senior vice president. "There is no industry that has a greater financial impact on our state at the moment."

The majority of Colorado-based energy firms are located in the downtown area. Numbers range from 70-plus percent to 90-plus percent of these businesses. The rest are mainly located in the Denver Tech Center.

According to CBRE's Energy Sector Trends Report from October, the downtown multitenant buildings with the highest concentration of energy occupiers are Granite Tower, Republic Plaza, World Trade Center II, 1700 Broadway, World Trade Center I and 1001 17th St. The largest energy tenants in Denver are Encana, Anadarko, Newfield Exploration, and Whiting Oil and Gas.

"If you look at other energy hubs, you'll see that major oil and gas tenants like high-profile locations with nice urban environments," said Ostermick. "They want the prestigious, premier property locations and buildings."

After experiencing a "lost generation" in the mid-1980s to early 2000s, when few young people went into the field, millennials are now joining the energy industry workforce in high numbers, Brown said.

One reason for Denver's popularity is its attractiveness to millennials. "When they're trying to recruit a petroleum engineer coming out of college, Denver is a very attractive city," said Brown. "It can be hard to compete with the big guys, so a lot of local companies are trying to do cool things with their company culture. You'll typically still see private offices, but now they're incorporating large open-area spaces, café-style break rooms, rooftop balconies or any outdoor space, and emphasizing their proximity to bars and restaurants."

Oil and gas companies are still predominantly private office environments, with the exception of some midstream companies, he said.

"[It's a] competitive job atmosphere so tenant-friendly amenities like quality restaurants and athletic clubs in close proximity are usually a plus," said Anthony D. Albanese, vice president of CBRE's energy facilities group. "They tend to have a bit of a herd mentality in locating near competitors/industry peers. Field service companies specifically like to be near their clients and exploration companies."

According to a December 2014 report, Research Rich Colorado, from the Colorado Energy Coalition, the state ranks ninth in fossil fuel employment concentration with 47,590 direct jobs, and ranks sixth in clean-tech employment concentration with 23,410 direct jobs.

"In 2014, the fossil fuel sector directly employed 47,590 people, and the clean-tech sector directly employed 23,410 people," the report said. "These 71,000 direct energy workers support an additional 179,540 indirect workers across the state, for a total of 250,540 energy industry employees statewide. The economic impact of these energy industry employees is $15.6 billion."

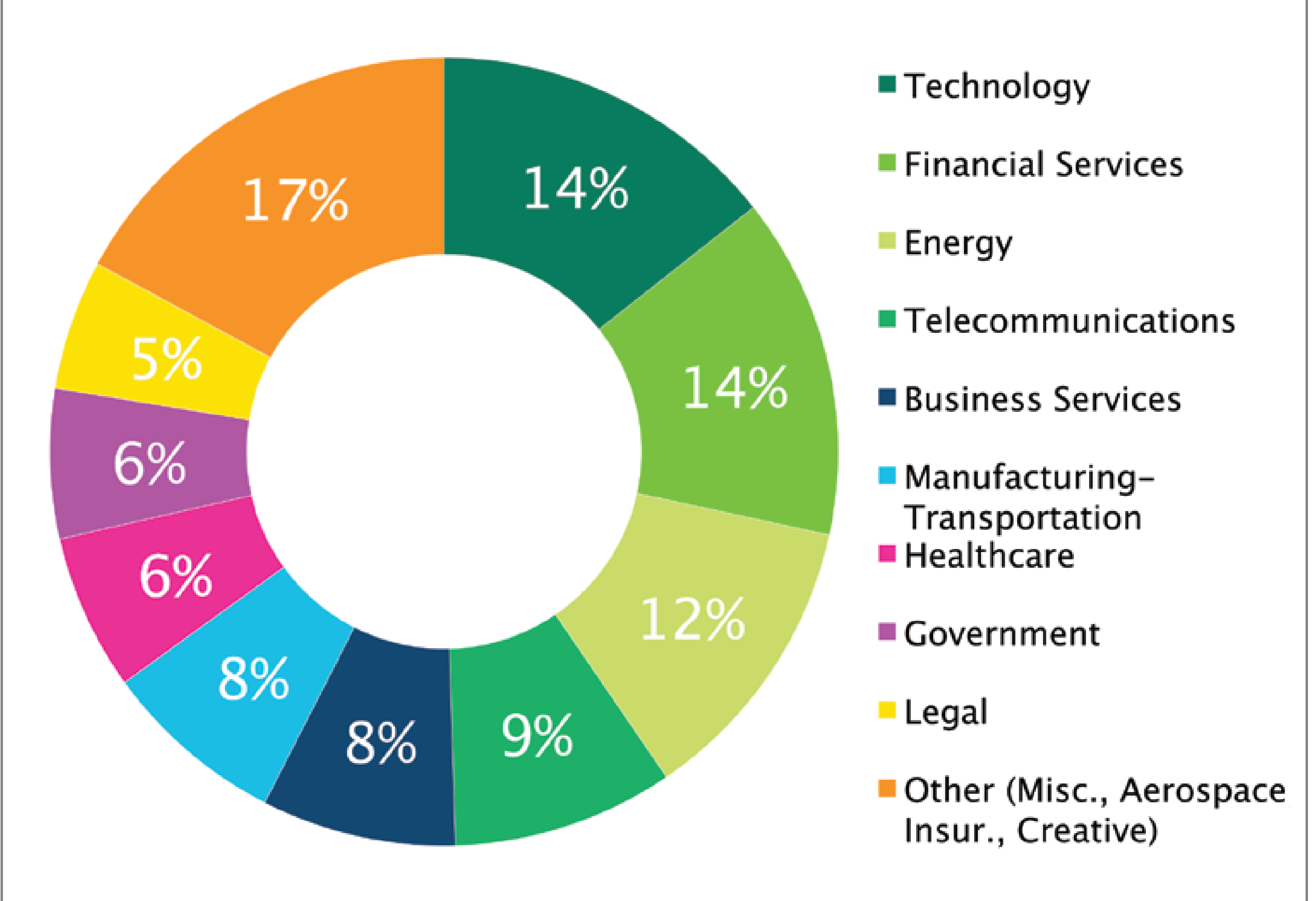
As Colorado's unemployment numbers continue to decrease, cultivating talent within the state is important, said Scott Prestidge, Metro Denver EDC energy director.

There are several higher-education schools – such as the Colorado School of Mines, Education Corporation of America's Ecotech Institute and the Center for Revolutionary Solar Photoconversion – that have strong academic programs specializing in these fields. Having schools and potential jobs in the same area helps with recruiting, said Lisa Strunk, Development Research Partners senior economist.

The jobs are competitive, which provides stability to the office market. Finding the right employee can require a lot of research, so the positions are fairly stable once a successful candidate is found. "You consistently hear, 'It took us two years to find a top-notch engineer,' so you know they're not just going to let them go because the price of oil is down for a few months," Brown said.

Another major impact the energy industry has on Colorado's office property market is referred to as a "halo effect." This takes into account all the other businesses that crop up to support the energy industry.

Many of these support services



Source: Energy Information Administration, CBRE Research

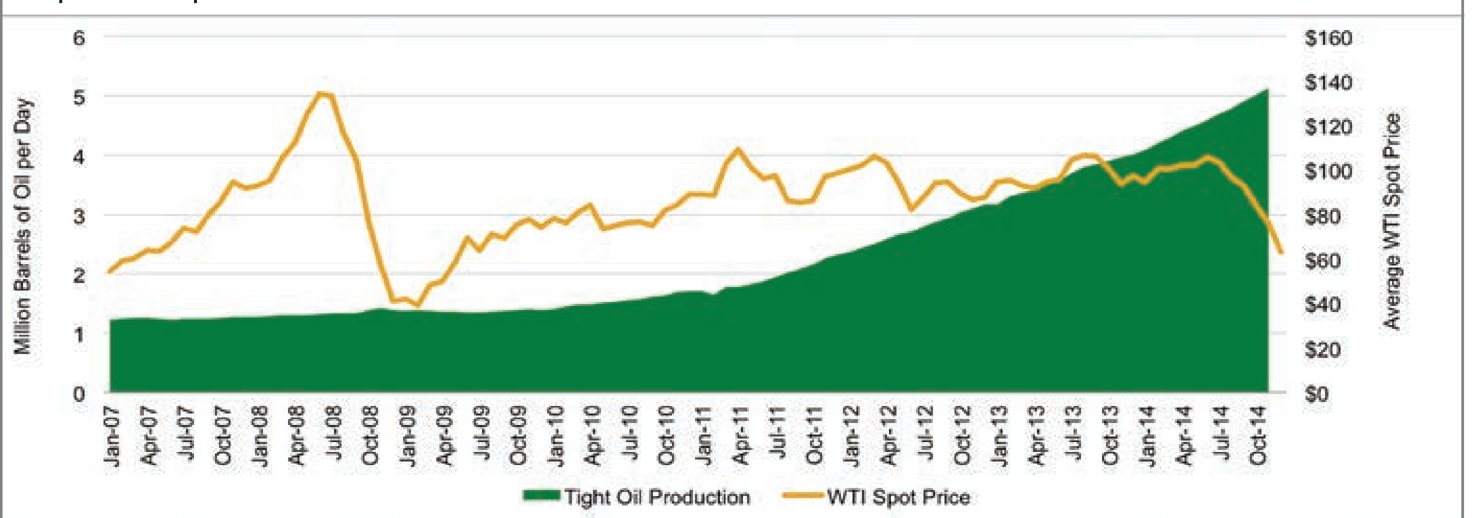
Leasing activity, which includes renewal and subleases that do not count toward absorption. Energy companies accounted for 12 percent of all leasing activity in Denver since 2012 through third-quarter 2014.

Denver rental changes when oil prices drop

Time Period	Oil Price Drop	Rent Change CBD
1985-1986	45% 2 years	15% drop 2 years
1990-1993	32% 3 years	19% **increase** – 3 years
1996-1997	42% drop – 2 years	6% **increase** – 2 years
2008	42% drop – 1 year	11% drop – 3 years

Source: Cresa

This type of drop in oil prices has happened four times in the past 30 years.



Source: Energy Information Administration, CBRE Research

Market Driver

move close to major energy headquarters, said Strunk. These positions include accounting, administrative, legal, engineering, consulting and financial services. A lot of growth in the CBD is related to these types of services, she said.

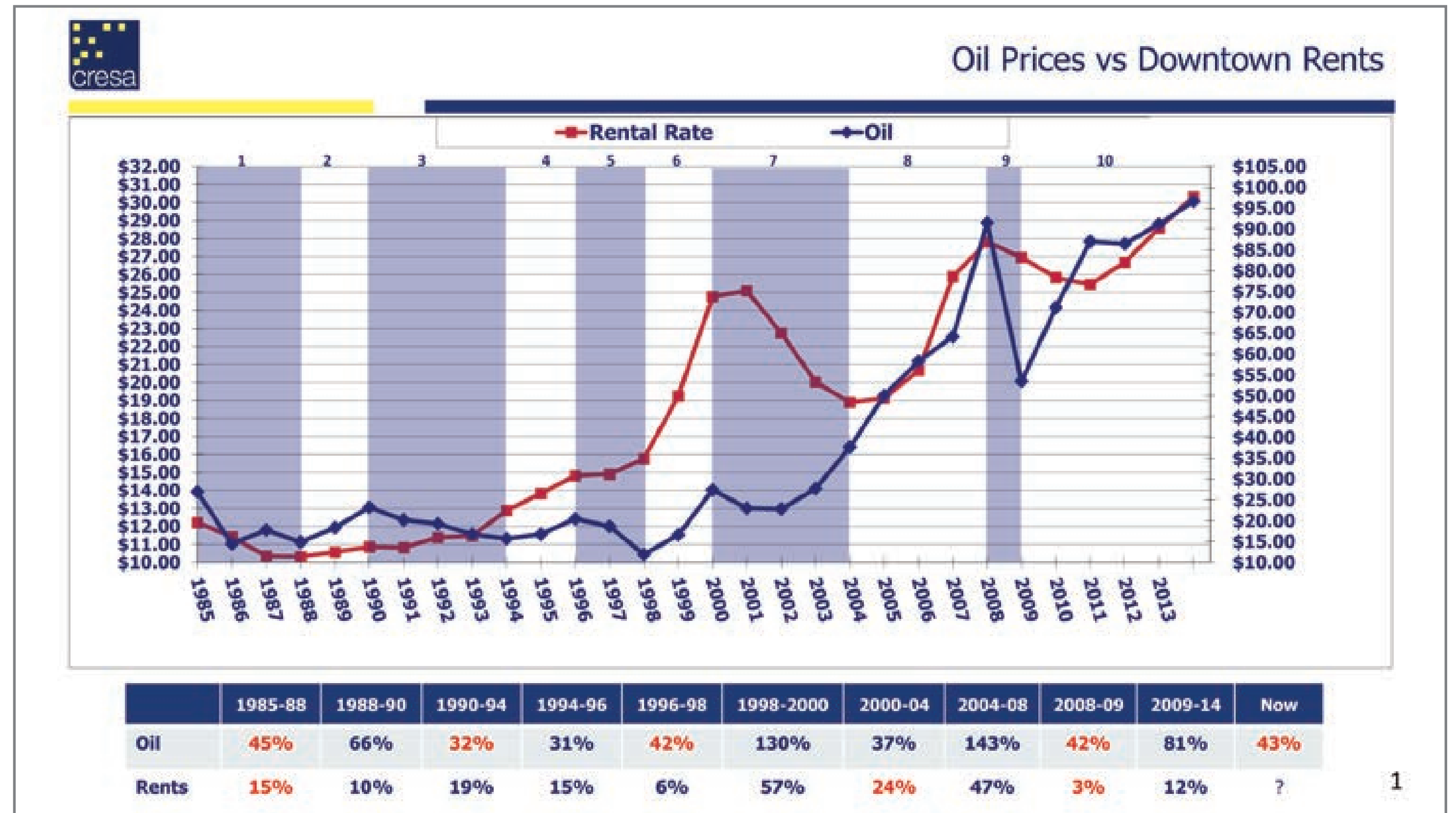
With the price of oil falling, something that has been happening since summer 2014, there may be a bit of slowing in the Colorado energy market. "If prices continue to fall or we don't see a rebound, we will probably see some softening in energy demand for office space," said Ostermick.

If prices fall below the break-even point for production, it will not be economical to keep producing at that level, she said.

"It's a double-edged sword, because, theoretically, when oil and gas is cheaper, it means energy rates are cheaper, which helps the economy," Brown said. "However, for Denver, that short-term gain might not be worth it because the oil and gas industry is a huge driver for employment."

This softening could eventually result in the office footprint not growing at the same pace or slipping slightly, but it would not disappear, Ostermick said. "It's been a great driver, and it's important to not be pessimistic regarding the office market environment. Denver has many other strong industries, including technology, health care and finance, that would absorb any freed space."

Sources agree that major changes in operation won't be seen anytime soon. "It's too early to tell, but the price can be low for months before anything happens," Brown said. "We're probably going to see slowing, but no major consequences too soon."



	1985-88	1988-90	1990-94	1994-96	1996-98	1998-2000	2000-04	2004-08	2008-09	2009-14	Now
Oil	45%	66%	32%	31%	42%	130%	37%	143%	42%	81%	43%
Rents	15%	10%	19%	15%	6%	57%	24%	47%	3%	12%	?

Oil prices and downtown Denver rental rates

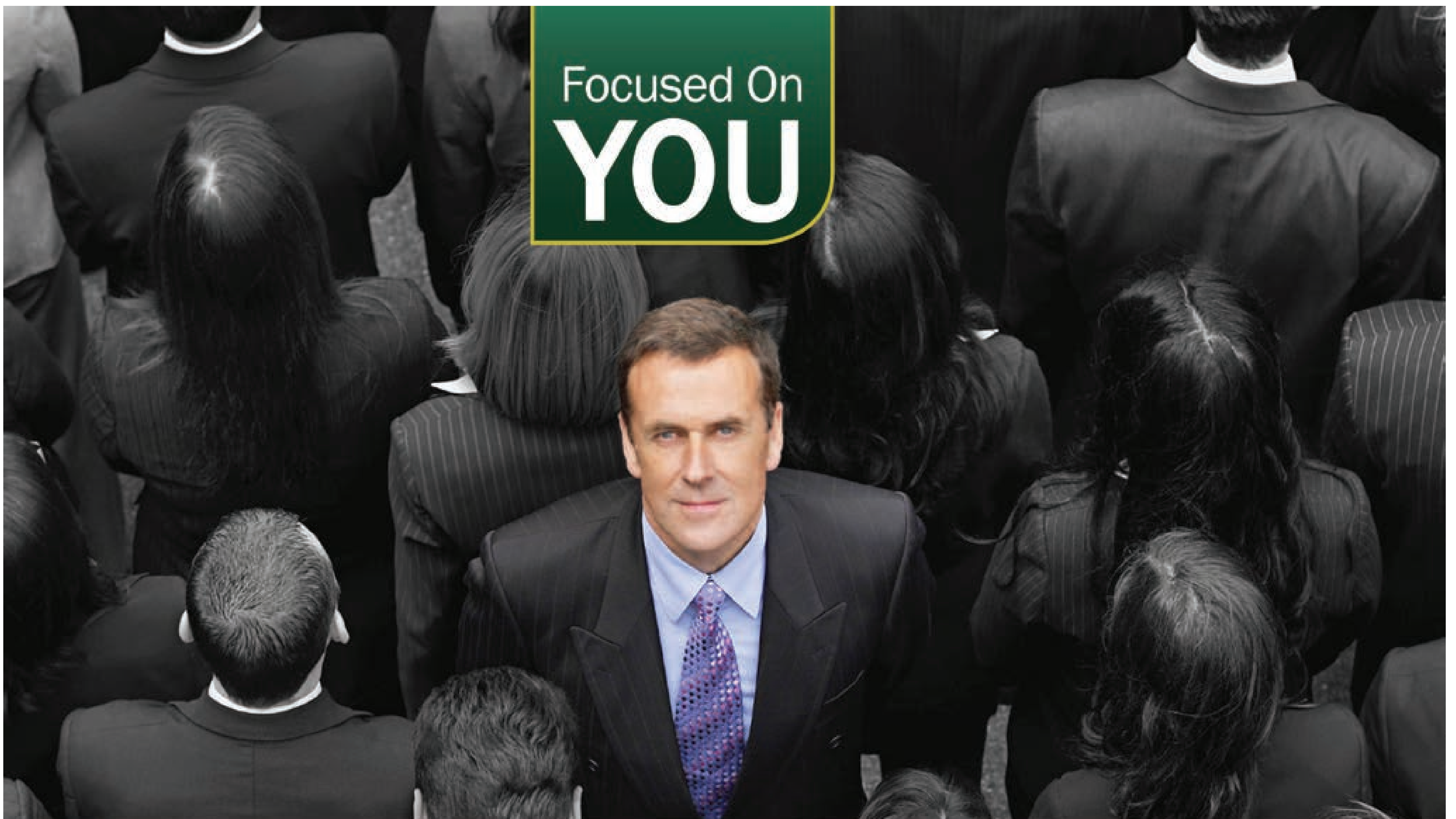
Additionally, oil and gas executives have been fairly conservative with their leases, build-outs and employee numbers, so major changes are not expected, said Brown.

"The Denver office market is strong because we have a lot of engines running at the same time," Ostermick said. "Energy prices and tenant demand trend together in Houston. But Denver is so diverse that we have other players that will offset any slowdown in the energy office demand."

Very few oil and gas companies own office properties. Most lease properties to meet their needs, Brown said. With all the oil and gas expansion this past cycle, leasing rates in downtown Denver have hit record highs. Now that the energy industry seems to be slowing, there may be more opportunities for others looking to lease office property downtown. "We're at the top of the arc now, but everything corrects itself eventually," he said.

According to a report from Cresa on oil prices and Denver rents, oil prices have dropped 43 percent since mid-year, from $114 to $65 a barrel. This type of drop has happened four times in the last 30 years, but only twice have rents dropped. In both cases, in 1985-1986 and 2008, rents dropped for three years in the 10 percent to 15 percent range. The other two times, in 1990-1993 and 1996-1997, rents went up.

The report states that while the cost of oil and rents do have some correlation, Cresa forecasts that major cuts wouldn't be seen in 2015, and most building owners are 90 percent leased without severe rollover issues in 2016 and 2017.▲



Parking

Denver parking supply – why less is more

"The way humans hunt for parking and the way animals hunt for food are not as different as you might think," said Tom Vanderbilt in "Traffic: Why We Drive the Way We Do."

As the development industry moves forward and properties in the downtown core are developed or redeveloped, the amount of parking space available in Denver's downtown is slowly decreasing. This is due to increased density, site limitations and new development standards. But is less parking in the urban core a bad thing? As a professional in the parking industry with an urban planning background, I don't think so. The parking supply in Denver is more than adequate to support residential and commercial growth for decades to come.

Justin Montgomery
Director of business development and special events, Douglas Parking, Denver

While everyone wants to pull up to a free parking space 20 feet from his or her office door, the reality is development of that nature is not conducive to a healthy urban environment. Research supports that "the common practice of requiring a minimum number of parking spaces to be attached to a new development – a requirement in a majority of American cities – can inhibit development, fragment the city, and make traffic worse by suppressing people's ability to walk, bike or take transit," according to Tom Breen, UConn Today. The seas of parking available in the shopping centers of AnySuburbTown, USA, are doing nothing but wasting land, encouraging automobile use and disconnecting their communities.

To help combat the negative effects of excess parking, conscious cities (like Denver) have reversed these parking requirements by only allowing a maximum number of parking spaces to be developed rather than requiring a minimum. In Lower Downtown, for instance, this generally equates to one off-street parking space per each residential unit or 750 square feet of gross floor area for nonresidential buildings (to simplify a more complex Denver zoning code). Developers don't mind, because when parking requirements are reduced the total costs of construction decreases. Keep in mind, the estimated cost to develop an underground parking garage is roughly $100,000 per parking stall.

According to a September 2013 report from the Downtown Denver Partnership, there are approximately 44,000 off-street parking spaces throughout downtown Denver and more than 115,000 employees. Some of these off-street surface lots are either currently being developed, slated for development or available for developers to purchase. While there might not be a one-to-one conversion of surface parking to garage parking when a site is developed, parking is still being created as more companies and people move into downtown. In most cases, parking is added to the new projects but not necessarily the same amount that existed predevelopment.

Infill development and reduced parking requirements are healthy for an urban core. More and more downtown employees are using alternative modes of transportation to commute, especially young professionals from the millennial generation, and these trends will continue. Driving downtown is not necessary when there are other viable options available, including RTD, B-cycle, personal bicycles and walking. These options have increased over the last five years and will continue to evolve as the city and county is set to update its transportation plan next year and will explore ways to help fill gaps in service.

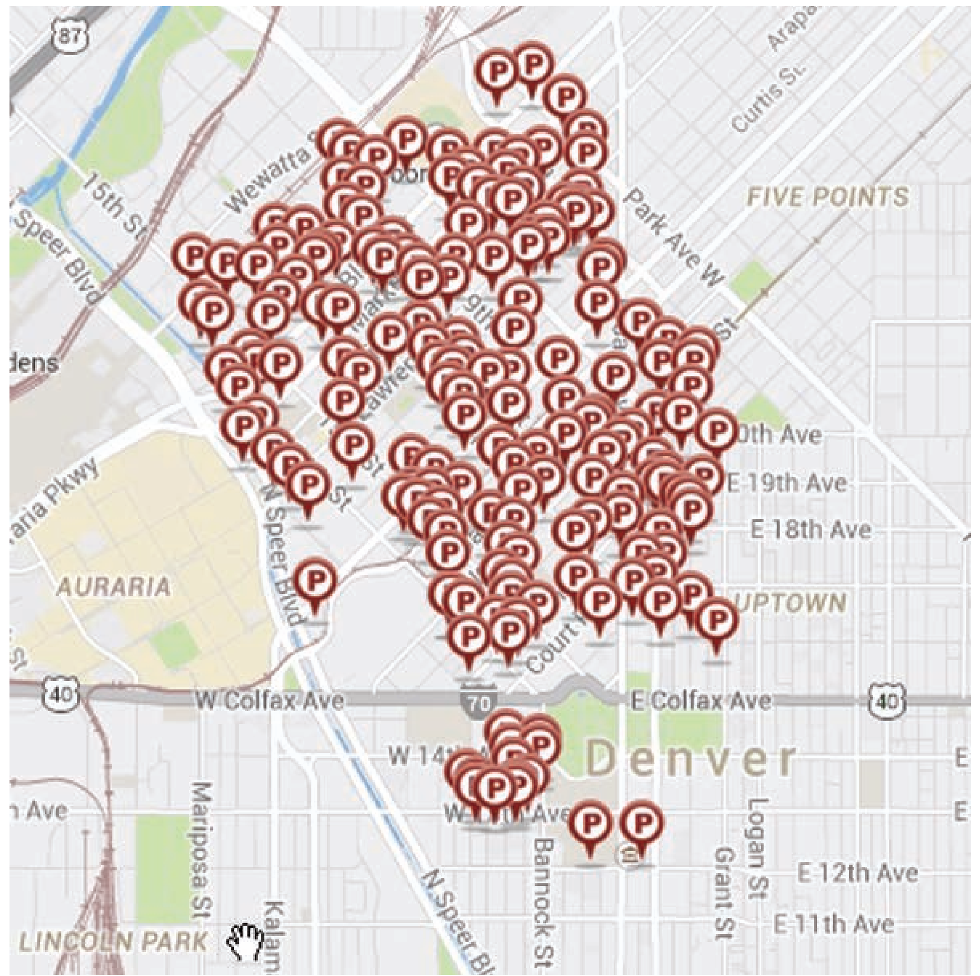
Take a look at what other, denser cities like San Francisco and Seattle are doing. Some new developments are not allowed to develop parking at all or are restricted to a minimal amount. In both cases, the local governments are evolving their parking management approaches by using performance-based parking and real-time occupancy information to show drivers where and how much parking is available at participating facilities.

Performance-based parking is a strategy that Denver could use to help regulate the supply of on-street parking. Credited to UCLA Professor Donald Shoup, author of "The High Cost of Free Parking," the concept of performance-based parking is to adjust the price of on-street parking according to the demand of each block. The goal is to always have at least one or two spaces free on the busiest blocks, in order to alleviate the traffic congestion caused by people hunting for parking.

To Denver's credit, its Strategic Parking Plan is helping the situation by promoting bicycle and car sharing and assisting private valet parking companies, but more could and should be done in the form of real-time parking guidance (smartphone applications) and performance-based parking rates.

Parking is a vital element of transportation and land use planning, and given our car-obsessed culture in America, automobile ownership is not going away any time soon. Discussions by urban planners, developers and city officials about the "dilemma of parking" are taking place and will continue as Denver grows, but we have more than enough parking spaces currently to go around. Private parking companies help property owners and commercial developers plan and manage their parking supply efficiently. And we've yet to see the parking demand in Denver reach a point where we have to valet stack park at our locations to cover every available square inch with a car, which is a common practice in larger cities.

So regarding the parking supply in Denver – less is more. Less parking equates to more people using alternative modes of transportation, which is better for the environment. Having fewer cars on the roads creates a more bicycle friendly and walkable downtown, which is better for pedestrians. And less people in their cars allows for more social interaction in the public realm, which is better for our community.▲



Source: Downtown Denver Partnership

Garages and surface lots in downtown Denver

Real-time signs used in downtown Seattle are tied into an application monitoring available parking.

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Amenities

Rendering by Design Workshop

Bike stations and secure storage are becoming must haves in the central business district

Continued from Page 1

version of these features. A building must either go all out, or it's not worth doing, said Johnson. For example, the workout areas must be really tremendous, with showers and locker rooms. The bike storage must be indoors and fully secure.

Some buildings are now touting proximity to B-cycle or light-rail stations and other forms of public transportation as an amenity in and of itself.

"You must be providing an Ecopass and a locked, secure area for bikes," said Phillip Infelise, Cresa Denver national director of project and facility management. "If you don't have that, you're really not recruiting."

Another feature that is gaining popularity quickly is outdoor space. Since the 1980s, architects in Colorado have tried to incorporate balconies and other outdoor spaces into building designs, said Bridges. However, these balconies were often built off corner offices, which limited, and often times restricted, who used them.

"Now a lot of clients are looking at rooftops as possible ways to offer outdoor space," Bridges said.

Several new buildings are incorporating patios into their design and there are about five or six smaller LoDo buildings that feature useable rooftops, said Johnson.

Newmark Grubb Knight Frank is working with Canadian developer First Gulf, out of Toronto, on the 1401 Lawrence St. project. "Our experience in our recent urban developments is that people are really attracted to this concept of indoor-outdoor space as an amenity," said John MacNeil, First Gulf president. "Our goal was to bring that feature to our Denver project at 1401 Lawrence Street."

The building at 1401 Lawrence St. will have two indoor-outdoor areas. One is already leased and will be on the 22nd floor. A second patio will be on the ninth floor, with the plans still evolving. The ninth-floor patio will offer unobstructed views of most of the city skyline, said Jeff Castleton, the project's listing agent with NGKF. A fitness facility with showers and lockers also will be on the ninth floor.

Patios present a prime opportunity for hosting and socializing, both of which help create the community feel that many companies want. The Starbucks concept of a "third place" is also presenting itself in a variety of ways to create this social environment. These communal places recognize the power of a change of scenery, said Johnson.

"It's not the office and not the home, but a third space; even though it's within the building, it's not in the office proper," said Bridges.

Updated lobbies are also beginning to reflect a more relaxed, social vibe. Everyone in the building can use these conversational areas. Some buildings offer Wi-Fi to guests, while others feature fully wired workstations.

"One other thing we're seeing in the nondowntown markets is a lot of office properties with really large lobbies – often with courtyards, water features, planting beds, etc.," said Bridges. "We're seeing those things come out, and the space changing into areas for tenants by providing amenities like breakout spaces and loungy spaces where employees can go to get out of the specific office, but still be in the general building."

The increase of mixed-use tenants on the first floor of office buildings is often included for tenant convenience. Coffee shops and cafes are a definite must have; and other mixed-use anchor businesses, such as restaurants, dry cleaners and banks, are gaining popularity.

"We had a huge law firm client, and they had a Starbucks in their lobby," Johnson said. "They said, 'Wherever we move, that building better have one in the lobby.' So obviously a coffee shop is important. People love to get that jolt, and love having a convenient place to meet."

Rendering by Kieding

Workstations and conversational areas are increasingly important in lobby areas

The Lawrence building is planning for a restaurant tenant that is ideal for business lunches, with the possibility of having a quicker grab-and-go offering as well. The owner is also considering a potential bank branch as one of the anchors and a coffee shop, said Castleton. In other buildings, it's not uncommon to see dry cleaners, child care and other retail.

"A deli is important, especially in a suburban environment," said Infelise. A few places are beginning to offer meals to take home, which allows employees to put their meal request in whenever and pick it up on their way home.

This convenience factor is one reason why many buildings have started considering their surroundings as potential amenities. In addition to proximity to a light-rail station, nearby restaurants and bars are a plus. This is especially valuable when recruiting from the millennial generation, which tends to seek the urban environment for both work and play. Locations near hotels is another important amenity for tenants who have a lot of visiting guests, as well as easy access to entertainment, including the theater, movies, museums or retail.

One amenity that has been standard for a while, but takes on a lot of different names, is a wellness room. In addition to wellness, it's been referred to as a mothers' room, a quiet room, a nap room or, in places where mixing religion and work isn't as taboo, a prayer room, said Bridges.

"Typically in Denver, it's a room with a dimming-light feature and a calming, quiet environment with quiet views or soothing artwork," she said. "Sometimes there is a subtle sign somewhere in the room that recognizes the direction of Mecca," for example.

Other amenities can come in the form of building upgrades. It is currently a landlord's market in the Denver area, so buildings are able to charge more for rent without offering as many amenities and upgrades. However, because the market is competitive, that threshold is always changing.

Current upgrades include state-of-the-art automation. A variety of features are covered under this, from elevator dispatching systems to lighting preferences, which can dim or brighten depending on the amount of sunlight coming in.

Many tenants are interested in a building's sustainability efforts. While some are interested in a LEED-certified building, others want areas for recycling, or to feature reused materials or to take advantage of natural daylight. Some new buildings, like the one on Lawrence Street, are even considering charging stations for electric cars in their parking lots.

"Most clients want buildings built toward LEED standards, even if they don't plan to go through with the whole certification process," Bridges said.

While the newest amenities are always in flux, the office properties market caters to many niches. From there, it's a constant bettering game from one property to the next.▲

The 1401 Lawrence St. building will feature an outdoor patio on the ninth floor. The first eight floors will be covered parking.

Rendering by Design Workshop

The Triangle, at 1550 Wewatta St., will feature a public plaza outside the building.

Design

Create community: Collaboration will follow

When speaking to prospective clients about their pending assignments, we routinely hear, "We want space that is collaborative." It's one of the most common descriptors used when discussing a workplace vision.

While most business leaders seem to want collaboration, many presume that it is the solution to the evolving workplace. Often they aren't sure how to achieve it. Collaboration is just one of many positive results of a grander objective.

The focus should be more on community, which is defined as "a condition of having certain attitudes and interests in common, or a group of people sharing a common understanding." Collaboration and community have some commonalities, but creating community is a higher cause, and businesses that succeed in creating community within their organizations are the ones that will be most successful in the coming years.

We recently attended a meeting of our One Global Design partners where we listened to Sean Kelly, a millennial CEO and chief humanist for Healthy Markets. He described four recurring sociological cycles, or eras, in terms of social order (from high to low) and how we define ourselves: as individuals or part of a larger group.

In the current 100-year generation, the recurring cycles began with high social order. Strong institutions and

Owen Leslie, AIA, NCARB, LEED AP
Principal, Acquilano Leslie Inc.

weak individualism saw the rise of the Silent Generation. The boomers represent an "awakening" era and a shift toward individual focus. Gen X represents an "unraveling" era with an entrepreneurial mind and the highest individual focus. The rising millennials are the fourth cycle and represent a "crisis" era, or a turning back toward social order by focusing away from the individual, back toward the group.

Historically, in the fourth era there is high demand for social order. They are coming of age in a time of uncertainty and have a desire for common purpose. Their focus is on being part of a larger group versus on themselves as individuals.

In five years, millennials will constitute 50 percent of the workforce. There seems to be awareness in most businesses of this rising tide. A lot has been written about millennials, and much of that is not favorable for business engagement, commitment and continuity. We believe it doesn't have to be that way, and that good design can help generate a committed group. If half of your workforce will be in this age group, then you should understand how to engage them. If you can create a sense of

Drew Marlow, AIA, LEED AP
Principal, Acquilano Leslie Inc.

community within your organization, you are fulfilling the desire for identifying with a larger group, which leads to commitment.

So, how do you create community and reap the benefits of an engaged, committed workforce? While other factors beyond design contribute to community, design and the resulting sense of place and belonging is a major contributor. There are a few responses that rise to the top for us when designing to promote community and enhance culture.

First, it requires an acknowledgement that the workplace is becoming more social, and that's OK. Create places (not "spaces") that function for both work and social interaction. Work is an active part of social life.

Second, the line between work and home is blurring. Create comfort in the workplace. Third, there is less space dedicated to individuals and more allocated to group spaces. There is also a trend toward visibility. It is important to "see and be seen."

Lastly, there is a desire for variety in the daily work experience that requires mobility. Mobility, which requires technology integration, promotes interaction. Up to 80 percent

of interaction may be unplanned. Design destinations and create surprise and opportunities for collision and interaction.

Those businesses that plan well now for the rising "We Generation" will be the most successful in the next 25 years.

"It's not good design that is expensive, mediocrity is what's expensive," said J. Irwin Miller, Cummins' former CEO and patron of modern architecture.

Over the lifecycle of a building or lease, for most businesses the largest expense is people. When people enjoy their daily experience, feel a part of something larger and are committed to the mission, you'll be amazed at the outcome. By creating community, collaboration will follow.▲

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Design

The evolution of workplace: Embrace choice

If you've been in the workforce for any length of time, you might have seen or worked in what I often refer to as a "legacy" workspace: nondescript environments that by their lack of character offend no one while at the same time don't engage anyone either. Today we are currently experiencing a feast for the senses and a boon to productivity as workplaces are undergoing a major makeover. In this article, we review why these changes came about and the benefits that have resulted, as well as how the next generation is shaping what to look forward to in the future workplace experience.

Tish Kruse
Director of workplace strategy, IA Interior Architects, Chicago

If you take a look at workplaces today, you can observe many aspects that have transformed over time. By working with a broad range of corporate clients, we've found that environments have evolved in five key ways:

1. Comfort is a given – supporting health and well-being by addressing ergonomics, encouraging movement throughout the day and making the workplace inviting.

2. Collaboration is in demand – the ability to work with others easily whether virtually or face to face in a variety of settings.

3. Concentration is just as important as collaboration – the ability to work uninterrupted or focused heads down.

4. Communication about who the organization is – conveying the work, brand and culture of the company.

5. Community connection – fostering employee relationship to the organization.

Several trends have significantly influenced these changes. The first is that technology resources abound in today's workplace. Corporations have long recognized that technology freed us from the desk and the phone, allowing us to work from almost anywhere inside and outside the office. The second is a focus on health and wellness. Employers have become more attuned to understanding that healthy minds and bodies positively contribute to the bottom line. And the third is the simple statement of "good design is good business." Both Apple and Target in recent years have trumpeted this with their quality products and attractive design features. Good design makes a difference in the workplace too.

A common thread links all of these trends: the proliferation of choice. As consumers in an ever-evolving economy, we demand it. We purchase products and services that suit our preferences and often can be tailored to meet our needs. Successful companies have figured out how to provide choice by being responsive to societal changes. The workplace is no different.

We want choice in where we work, how we work and when we work. Corporate real estate executives, facility managers, designers, real estate providers, furniture manufacturers, engineers and technology developers, among others, are all in the midst of figuring out what that means as we continue to develop a way of working that is more in sync with how humans are most productive. Flourishing workplaces listen to their customers – the employees – and that listening is influencing the workplace experience. The following are a couple examples of spaces we've created with clients that demonstrate the kinds of workplace experiences employees want.

The LinkedIn headquarters embraces an office environment that exudes energy and promotes connections. *Eric Laignel*

LinkedIn is paying attention to its employees, and the office spaces are shaped by the impact of its millennial workforce. LinkedIn's key driver for new spaces was to connect its professionals and make them more productive and successful. The ideal workspace was designed to engage employees and visitors, increase excitement, instill a pride of place, and inject and reinforce the LinkedIn brand. The mission was to develop a space that reflects these key design drivers: smart and professional but not stuffy; personal, quirky and engaging; linking the past to the present; and bridging the generations of business professionals through thoughtful design.

Whirlpool employees span four generations in its North American headquarters. With goals of enabling innovation, increasing efficiencies and fostering faster decision making, the workplace was transformed into an open environment with no private offices and many spaces to meet. The focal point is a hub with an open stair connecting all floors and incorporating various kinds of meeting spaces, touch-down zones, and cafés to exude energy and promote connections with each other.

The millennials were born between 1980 and 1994, and over the next 20 years they will surpass 40 percent of the workforce. Their influence is already shifting the approach to our workplaces and it will continue to shift.

Millennials see the office as a place to engage and connect with people, reinforcing the need to incorporate collaborative space. Technology is expected to keep up to speed, but that doesn't mean they don't put a high value on face to face – they do. They prefer the office generally as more residential in look and feel as it becomes an extension of the home environment. They expect flexibility in when and where to work both in and outside the office. With a dislike of the "top-down" leadership style, they expect the office environment to eschew displays of hierarchy. And they want to be where the action is. Urban areas are strongly preferred so work and play retain a close proximity.

We continue to push the perceived and real boundaries to create workplace experiences that align with the business and foster employee engagement and effectiveness. For every organization, the culture, agility and work processes influence their workplace. Whatever role you play in the workplace evolution, know that it will keep changing.▲

Comfort is crucial because it supports health and well being. *Paul Morgan*

Design

CASE STUDY: Denver Art Museum's administration building catalyzes creativity and productivity

The Denver Art Museum's new administration building is one of the most striking office structures and interior spaces anywhere in Colorado, yet beauty was secondary to the pursuit of something far more pragmatic for Denver-based Roth Sheppard Architects. Tasked with designing a building that would catalyze productivity, creativity and collaboration while blending into Denver's iconic Civic Center Cultural Campus, the designers created a jewel, both inside and out, that is also a highly productive workplace.

Cynthia Kemper
Principal, Marketekture, Denver

Built by Saunders Construction and completed in 2014, the three-story, 50,000-square-foot building on Bannock Street houses an expansive space that heightens staff collaboration while honoring the building's surrounding architectural icons. Located on Denver Art Museum property (formerly used for staff parking) directly west of the Daniel Libeskind-designed Hamilton Building, and just south of the Allied Works Architecture-designed Clyfford Still Museum, the building welcomes the museum's 100-plus employees, including administration, curators and others, and allows for greater cross-campus interaction. Today, its clean, modernist interior spaces drive staff creativity and productivity, while the structure's nuanced exterior quietly completes Denver's Cultural Complex. In addition to staff offices and workspaces, the privately funded $11.5 million project also contains a research library for scholars and collection storage.

In the beginning, the project presented a number of interesting conceptual challenges that required countless meetings and untold design changes on the part of Jeffrey Sheppard, AIA, Roth Sheppard's cofounder and design principal, and project architect Tim Politis, AIA. These challenges included:

- Design a building that is visually compatible with the aesthetic divergence of three surrounding iconic museum buildings while maintaining a sense of timeless elegance.
- Maximize useable square footage while keeping the building's overall height below that of the Clyfford Still Museum.
- Locate approximately 18,000 sf of air-conditioned art and library storage within the 50,000-sf building, with the remainder allocated to about 100 staff members, interns and support space.
- Provide flexible-use collaborative meeting areas, workspaces and open plan work environments (in lieu of typical fixed conference rooms and private offices) that will allow all departments to actively engage in critical work.
- Maximize interior daylight while minimizing glare.
- Meet sustainable and LEED standards for energy efficiency, recycling content and overall environmental impact.
- Maximize shared-use storage and "chance encounter" zones (versus individualized storage and traditional circulation systems).
- Design an interior environment that visually speaks to the creative nature of the staff, the work being accomplished and the museum's art culture.

Workstations encourage the use of desks as work zones and not as storage or group meeting space.

The building was designed to encourage staff movement around the building, creating more opportunities for collaboration and synergistic encounters.

The end result, designed and constructed in less than a year, is a space that offers a blank slate for the highly creative processes that bring exceptional offerings to the citizens of Denver and beyond. The building's simple, modernist workspaces and highly flexible gathering places create a calm, open and innovative environment for staff to visualize, ideate and plan upcoming events, curators to conceptualize new exhibitions, and historians to conduct research in an efficient and time-effective way. Centralized storage within a second-floor wall art mosaic of books and publications allows for downsized individual workstations, which encourages the use of desks as work zones and not as storage or group meeting spaces. As a result, staff moves around the building throughout the day creating more opportunities for collaboration and synergistic encounters.

"We purposely designed the building from the inside out to meet our stated goals while challenging the traditional 'central core' office approach by locating the private, enclosed offices along one wall," said Sheppard. "This opened up the building's center, or heartbeat zone, to become multiuse collaborative areas for teams working on upcoming events, shows, museum activities and programs."

Through the use of sliding, translucent glass panels that can be repositioned to create one large open space or divided

into two or four smaller meeting areas, a highly functional, yet flexible and collaborative space was created. The remaining walls are made of a tack-board material and/or erasable marker boards.

"The heartbeat zone is surrounded by just a few interior private offices while significant open plan work areas around the building's perimeter provide the interior with an overall feeling of expansiveness, thus promoting a collaborative and transparent work environment," said Sheppard.

The museum's desire for greater departmental transparency, along with several other factors, also provided the basis for the intentional "blueness" of the interior color palette. A blue hue was selected because it establishes a timeless sense of calm while stimulating alertness relative to workers' circadian rhythms. Research shows that the blue range within the color spectrum of natural light is prevalent during early daylight hours, thus brain activity can be enhanced by supplementing blue light as the day unfolds. For this reason, color-controlled blue LED lights – designed to increase in intensity as the day extends into evening (as natural light's blue spectrum decreases) – were installed in the three-story atrium space.

A raised roof with clerestory windows and a vertical three-story light well running the length of the building functions as the major vertical circulation to connect all departments and the research library. It draws daylight into the full depth of the interior. Directly on axis with the stair landings at each level are views into the collaborative heartbeat zone and staff break areas on the two upper floors. The research library, with individual work nodes for formal research, is also positioned adjacent to the light well.

The museum's research library uses a high-density mobile storage system to reduce its required size by 50 percent. The library also receives natural light from the three-story atrium while visually transforming the lower level into a dynamic research environment with workstations and a large inset curved lounge area under the stair landing.

"Our new building's open floor plan provides team members with optimal working and meeting spaces to inspire creativity and capitalize on the amazing talent we have at the museum," said Cathey McClain Finlon, a member of the Denver Art Museum's board of trustees and a leader on the project. "We also expect it to add new foot traffic throughout the Golden Triangle neighborhood, generating positive economic impact to the area."

Beyond the building's front entrance on Bannock Street, museum patrons are welcomed into the "culture" of the art world. Here the administrative departments and staff connect to the institution's broader vision via an open, integrated office environment with views of the Hamilton and North Buildings to the east. The main entrance, as well as a dedicated staff entrance on the east side of the building, converge at the three-story atrium and vertical circulation zone, symbolically and physically offering everyone the same experience as they enter and move through the building.

"The new office building unites our campus and infuses the Golden Triangle neighborhood with the energy of more than 100 creative people," said Christoph Heinrich, Frederick and Jan Mayer director of the Denver Art Museum "The full spectrum of museum employees is now inspired by our world-class collections, eating lunch together and working in a space that encourages cross-campus collaboration."▲

A blue hue runs throughout the office to establish a sense of calm while stimulating alertness relative to workers' circadian rhythms.

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Design

Sleeping giants and aging assets are everywhere

"Sleeping giants" are not fairy tale creatures or historic architectural icons like the Empire State building in New York City or the Wells Fargo Building in Denver. Sleeping giants in corporate real estate are the vast stock of older, more prosaic buildings dominating our skylines. Sleeping giants are valuable building assets that struggle to compete as cities change around them and new buildings enter their markets, luring away prime tenants.

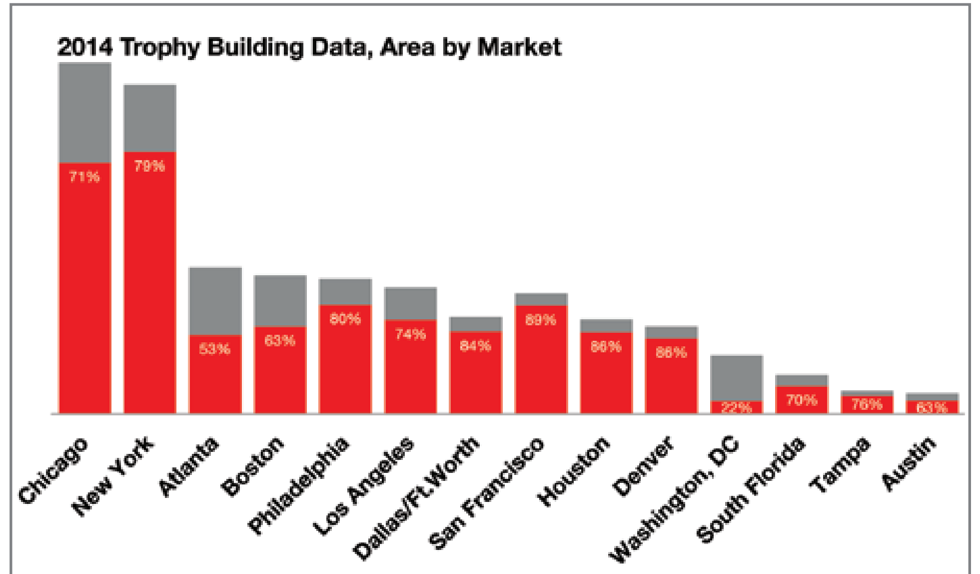
Jamie Flatt
Associate principal, Page. Page has offices throughout the country, including Denver.

What these buildings have in common, given their age, is that they were built before a large number of form-giving developments in building technology were introduced. Before, for example: Ethernet was standardized in 1983; cellular telephones were introduced in 1984; the Internet backbone was created in 1992; the U.S. Green Building Council was established and underfloor air systems were incorporated into signature projects in 1993; and building automation systems emerged around 2000.

These buildings were planned and designed for a traditional idea of the corporate office environment, well before Richard Florida chronicled the rise of the creative class of workers in 2002 and pop culture lambasted the drudgery of high-walled cubicle environments in movies like "Office Space" and "The Incredibles," not to mention the ubiquitous Dilbert comic strip from the mid-1990s.

These buildings have very little of the amenity infrastructure to help them compete with the redefined workspace led by creative 21st century firms like Google, which went public in 2004. That same year, Google's free-spirited approach to workspace was widely published and won numerous design awards.

To illustrate the scale of aging asset inventory across the country, we analyzed building data across 14 key U.S. corporate real estate markets. We built our analysis from JLL's Spring 2014 US Skyline Review. The buildings represent the top-quality urbanized office micromarkets in each city. We graphed today's buildings by year completed since 1950 to show that the vast majority of our current multitenant office buildings were in place by 1990, which was 25 years ago. This building landscape is familiar to us, we can see it down many streets in Denver, and this is the opportunity to reposition assets facing our industry.



Seventy percent or more of the 2014 trophy-building stock in 10 of the 14 markets was in place by 1989.

While new office tower construction is exciting, the bigger and more enduring story lies in understanding how the buildings in the background must reposition themselves to remain relevant. The bottom line is that aging assets become candidates for repositioning when there is evidence that investment will result in higher occupancy, increased rental rates and a positive return on the investment.

Asset Considerations

Key considerations for asset owners contemplating repositioning their aged assets are the current and desired market position of the space, timing, potential revenue and approach.

Market position in corporate real estate is often described by class. In Denver, there is a large inventory of Class A buildings, with a small subset identified as Class AA. When an owner believes an asset has potential to perform like a Class A or AA property, but knows that the asset is widely considered a Class B building by the local market, improving that market perception of the building can be a primary driver of a repositioning investment.

Timing is a crucial factor. First, consider the duration the property will be held and resulting window for improved returns to materialize. Some repositioning investments will impact revenues more quickly than others. Second, when new buildings are coming on line that may compete for desirable tenants, strategic repositioning projects can take advantage of relatively short delivery cycles and beat a ground-up construction project to market. Finally, a major vacancy can trigger repositioning, offering both incentive to improve leaseability and simplified construction.

Revenue concerns often trigger repositioning. To justify the investment, asset owners must believe that material increases in rental rates can be achieved and the building will be leased more quickly. Alternatively, doing nothing may risk a reduction in rental rates over time, and increased difficulty leasing up vacant space. Yet revenue forecasting models are limited. Predicted return on any investment is based upon best-guess assumptions and may change as unanticipated factors impact market conditions.

Key to effective repositioning is to take a fresh look at the property. Asset insiders may find it difficult to imagine all the viable possibilities. A design competition can be a great tool to solicit ideas before finalizing the project scope and selecting a design team. Offering payment helps to ensure that design firms will dedicate their best resources, and setting up the competition brief with minimal guidance from the owner can free designers to generate unexpected visions for the project.

Releasing Value

Through experience across numerous repositioning projects, we have identified 10 key approaches to pinpoint and unlock trapped asset value.

1. Ask local experts – People most familiar with the building are a great resource for ideas and possibilities. Beyond the owners, leasing agents, property managers and facilities team, we find it beneficial to reach out to people in the market such as brokers and tenants who interact with the property from the outside and offer a broader view of prospective tenant perception and market demand.

2. Quantify anecdotal trends – Follow up on informal conversations by quantifying relevant trends in your market. One approach is to compare development activity on a timeline to highlight relationships and illustrate dynamics unique to your market. Tracking the changes in downtown Denver over time highlights the role of residential development. Hotel room availability has grown dramatically over the last decade, but the number of residential units downtown has been growing steadily since the early 1990s. While almost half the inventory of multitenant office space in Denver was built by 1985, unlike many cities that are only now seeing growth from that base, the Denver market has steadily added office properties since 2005.

3. Investigate market dynamics – Competitive data is available from numerous sources and can be used to understand what the key competitive drivers are in a particular market and identify assets that may be poised for repositioning. Plotting the trophy buildings in downtown Denver on a graph sorted by direct rents shows a fairly large spread in Class A rents across the market (from about $24-$45 per sf). Surprisingly, the properties identified as Class AA do not command the highest rents in the market.

This observation invites a closer look at market competitiveness. A quick re-sort to separate the buildings by location within downtown adds clarity. Grouped first by location, then sorted by rent, the Class AA buildings rise to the top in the core commercial area group. While buildings are much larger and the scale of building inventory is far greater in the core commercial area, the average direct rent for the Lower Downtown/Central Platte Valley buildings (about $38) is greater than

Downtown Denver Direct Rents

Building	Direct Rental Rate per Square Foot
Colorado State Bank	$24.00
1660 Lincoln	$25.00
Colorado Plaza Tower I	$26.50
1670 Broadway	$27.00
Dominion Towers	$27.00
Civic Center Plaza	$27.00
Denver Place	$27.50
707 17th Street	$28.00
1700 Broadway Office	$28.00
Denver Newspaper Agency	$28.00
World Trade Center Tower I	$29.00
World Trade Center Tower II	$29.00
410 17th Street	$30.00
Granite Tower	$30.50
1999 Broadway	$30.50
Independence Plaza	$31.00
555 17th Street	$31.00
U.S Bank Tower	$31.40
1125 Seventeenth Street	$31.50
Johns Manville Plaza	$32.00
Park Central	$32.00
1401 Seventeenth Street	$32.00
1331 Seventeenth Street	$32.30
1601 Wewatta Street	$32.50
1001 17th Street	$33.00
1801 California	$33.00
1755 Blake Street	$35.00
Millennium Financial Center	$36.50
1899 Wynkoop	$37.50
Wells Fargo Center (Class AA)	$37.75
Seventeenth Street Plaza (Class AA)	$37.95
1515 Wynkoop Street	$38.00
16 Market Square	$38.00
1401 Wynkoop Street	$39.00
1400 Wewatta Street	$39.00
SugarCube	$39.50
Tabor Center (Class AA)	$40.00
Republic Plaza (Class AA)	$40.50
1900 Sixteenth Street (Class AA)	$42.00
16M	$42.50
Union Station North Wing	$43.75
1800 Larimer (Class AA)	$44.50
One Union Station	$45.00

Direct Rental Rate per Square Foot; Class AA Buildings

Source: JLL US Skyline Review, Announced Projects

Existing Class A multitenant buildings, sorted from least to greatest rents

that commanded by 83 percent of the space in the core commercial area. This suggests that there is upside tolerance in the market if sleeping giants in the core commercial area can successfully reposition themselves.

4. Understand location and context – Aging assets sit in dynamic urban environments. Changes to the urban context over the life of an asset often provide new sources of value. Many cities have introduced or extended transit pathways through developed areas such as Denver did with the 16th Street Mall. Assets that are close to new transit may realize value from rethinking their connection to the street and pedestrian access.

Similarly, when major destination buildings have been inserted into existing urban fabric near an aged asset, owners can capitalize on the activated street environment with improved or incremental ground-level retail. Like Denver, many cities are actively improving their connection to natural features like rivers, lakes and even bayous. Older buildings with proximity to these features may realize value by opening up views or access to the new attraction.

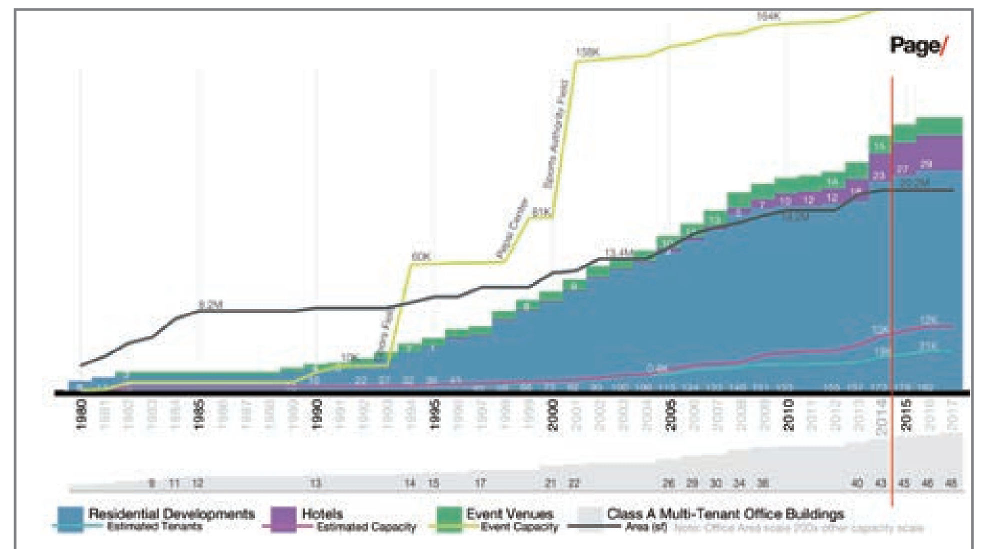
5. Deconstruct asset performance – Often some parts of an asset perform consistently better than others. Three-dimensional visualization tools can help to understand patterns in persistent vacancies. Identifying space that underperforms in its current configuration or program suggests opportunities to unlock value by repurposing the space. Incorporate market differentiating tenant amenities or reset as a multipurpose asset, introducing residential or large impact retail.

6. Engage immediate partners – Aging assets can increase the reach and impact of repositioning investment by proactively coordinating with surrounding initiatives. Local streetscape improvements can be leveraged to add value, and urban revitalization efforts that target public space can dramatically increase nontenant traffic around a building while simultaneously making the location more attractive for tenants.

7. Establish the foreground – Key to taking advantage of the urban context is attention to how the asset meets the street. By activating plaza space, an asset can achieve improved recognition and prominence as a place and destination within the city. Careful attention to the public realm has made major urban destinations out of the foreground of many corporate office buildings nationwide.

8. Optimize brand identity – While the physical foreground of an asset can shape experience of the place and increase relative value in a market, many buildings also establish a brand identity through name identification with a particular neighborhood or address. In the 14 markets studied, 55 percent of the trophy buildings are identified by their address on a specific street. Including place names, 70 percent of trophy buildings are branded by their notable urban location.

9. Choreograph tenant experience – Additional asset value can be unlocked by focusing on the details of tenant experience. While the street-facing grand lobby appearance matters, the tenant pathway from parking or transit, often through a secondary entry and up into lease space, impacts how it feels to work in the property. Also consider the potential views from tenant space. Accessible roof decks and balconies can offer dramatic perspectives onto the urban scene, and even inaccessible spaces can be fine tuned to improve the view tenants have onto them.



Downtown Denver development since 1980 and projected

10. Tailor design solution – Material and product selection is shaped by a specific point in time. Key to tailoring the design solution for an effective repositioning are to recognize the time or timelessness of materials, consider how enduring a specific trend or approach will prove, and determine how much intervention is required to achieve a substantive difference in asset perception.

Scale of Opportunity

Specific repositioning strategies vary by building and market, but we calculate that the opportunity is enormous. While Chicago and New York represent almost 40 percent of the national trophy building stock, 70 percent or more of the trophy buildings across 10 of the 14 markets we studied are at least 25 years old. The opportunity to unlock value through strategic repositioning is local and national. Put another way, 66 percent of buildings representing 73 percent of rentable area across major U.S. markets fall in this category.

If older assets are repositioned to their respective current market mean lease rates, an additional $330 million in annual rent could be garnered. In Denver, the 23 buildings in the commercial core designated as Class A have a weighted average direct rent in the $29-$30 per sf range. If each of those buildings repositioned to improve their lease rate just to the overall market average (about $33), the annual rental increase could be more than $40 million.

The newly constructed trophy buildings are wired with Wi-Fi and broadband, power dense, sustainable, efficient, VOC-free, daylight penetrated, flexible, amenity rich and work-life supporting. The question aging-asset owners have to ask themselves is: How will I unlock the trapped value in my asset and remain competitive?▲

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Developer Spotlight

How Denver Tech Center changed office parks

Innovation is not always associated with commercial real estate development. But that didn't stop three developers – George Wallace, John Madden and George Beardsley – from turning suburban Denver into a national pioneer in office park master planning and development.

The notorious George Wallace was the founder and creator of the Denver Tech Center. His land assembly and master-planning skills initiated the vision for what has become one of the more vibrant and comprehensive office parks in the country. In the 1950s, with a desire to create an area where people could live and work comfortably, Wallace bought 40 acres between Interstate 25, Valentina Street and Prentice Avenue. With that, the Denver Tech Center was born. By 1965, Wallace had acquired nearly 1,000 acres.

Soon to follow was the creative and entrepreneurial John Madden, who pioneered the west side of I-25 in Greenwood Village, when there was nothing but horse properties and old farms. Belleview and I-25 was an outpost on the southern extremities of Denver. The next interchange was not until the remote County Line Road, where Inverness would follow as the next major office park development under the leadership of George Beardsley.

All three of these men were innovators ahead of their time. They had vision, courage and a keen sense for development that helped shape Denver's economy since the 1960s. The developers pursued their own respective zoning and entitlements, and, as the market advanced, so did the developments.

Following their own instincts and aesthetics led to respective successes. Beardsley is remembered for his strong belief in the balance of development with land conservation, while Madden is known for his blend of art, architecture and landscape. With individual flair, each office park has a distinct legacy and reputation that is largely connected to the founders of each park.

J Madden
Co-chairman, director of development, John Madden Co., Greenwood Village

The innovations transformed the high desert Plains of Denver into one of the most revered suburban office park assemblages in the country. Before the Urban Land Institute was mature enough to be a resource for development, developers learned from each other by taking the best practices and applying them to their respective developments.

These men individually, and at times collectively, initiated comprehensive land development strategies that introduced water conservation, infrastructure funding, mass transit options, recreation, entertainment, culture and a wide variety of lifestyle features distinct to their own office parks. Over the last 40-plus years, the southern I-25 corridor evolved into the office park development handbook. Collaborations with special improvement districts, water and sanitation districts and inter-governmental agreements, strict development covenants, and a focused eye on aesthetics were all intelligently assembled in the pursuit of creating lasting values, as well as a place for people to enjoy where they worked.

The development progress over the decades became more sophisticated with national office building, retail and housing developers placing their stakes in each of these parks. As growth moved south, so did the creation of yet another formidable office park: Meridian. Meridian was master planned under the skilled team of the Denver Tech Center ownership. Meridian advanced the lessons learned from the original office park developments and crafted a well-conceived extension of this proven trend.

Each of these office parks has individual style and appeal. Inverness consists mostly of low- to mid-rise office buildings and the Inverness Hotel, as well as a golf course, restaurants and some retail. In the Tech Center, Greenwood Plaza is mostly low- and mid-rise office buildings, alongside the Greenwood Athletic and Tennis Club as well as mixed-use development consisting of high-rise buildings and Fiddlers Green Amphitheater. DTC is the most diverse and versatile south suburban office park due to its distinct mix of low-, mid- and high-rise office buildings, retail, service, single and multifamily residential, hospitality, hotels, education and recreation facilities.

Each park attracts a group of office users that select one geographic location over the other for their own specific reasons, which created a competitive environment that permeates today.

The progressive growth of the southern I-25 corridor generated an expansion in all phases of development, including public transportation, expansive residential developments and retail centers of all types. The Regional Transportation District's light rail took decades to go from concept to reality, but today anchors each of the I-25 office parks with strategically placed stations. Centennial Airport is one of the country's busiest private aviation airports, which caters from the sophisticated corporate fleets to the private aviation enthusiasts. Dove Valley is the home of the Denver Broncos, which adds even more caché to this remarkable economic engine.

Park Meadows mall was a natural progression for southern I-25 corridor's ever-growing market. This regional upscale shopping center was a magnet for a wide variety of other lifestyle retail, which eventually drew the iconic Ikea to this market.

Well-planned and strategic growth continues. The prestige of this submarket has a national presence and reputation for the quality of the development, as well as the value of the real estate assets. School districts flourish, housing developments remain strong, sales tax collection continues to grow and the focus on the high quality of life continues to lead the way.

The southern I-25 corridor still will feel the impacts of a recession, like anywhere else, but the market has demonstrated remarkable resilience and ability to recover over the decades. National developers and corporate headquarters are the norm today. It took decades to get to this point and progress continues at an impressive rate.

This corridor may have taken a different course if it had not been for the vision, creative energy and appetite for risk exhibited by the original developer pioneers of Wallace, Madden and Beardsley. Their pioneering spirit has forever altered the real estate landscape of the south metro area, which has created billions of dollars of value.▲

The lobby plan for the JM Plaza, a proposed office property in Greenwood Village, is one example of the ever-growing market.

Final Thoughts

Examining tenant improvement allowance myths

There is a widening gap in today's market between tenant improvement allowances and overall fully loaded project costs. Tenants everywhere are being squeezed into a higher out-of-pocket cost cavern.

Far too often we hear tenants say, "Our project costs are covered in the TI allowance and we should have to spend little out of pocket." Unfortunately that little white lie may have come from an overly aggressive listing broker who was marketing the space. We should cringe when we hear this myth because, in the majority of cases, that tenant has been seriously misled. I want to reveal some of the TI allowance myths and bring forward the realities, examining the local impacts from 2012 into 2015.

Phillip A. Infelise
National director, project and facilities management, Cresa, Denver

Let's assume that typical TI allowances historically have been in the range of $4-$5 per square foot, per year, or $35 to $50 on a long-term deal. (This doesn't appear to be changing much in the 2013-2015 period.) Midrange tenant construction costs ranged from $35-$50 over the last few years, with those costs jumping significantly in 2014. It is likely this trend will continue into mid-2015. Full-service rents in Class A buildings ranged from $24-$45 over the same time frame.

For ease of reference, I included theoretical cost comparisons for modest projects and enhanced projects in 2013 and 2015. Moreover, I created a factor for comparison of the total tenant improvement out-of-pocket costs to the level of average full-service rents (TI/rent factor), which I will call the TIRF. As the TIRF increases from 2013-2015, the gap widens to the detriment of the tenant.

• **Myth One:** The project costs will be covered by the TI allowance.

Reality: This refrain is often heard, and the myth is easily dispelled. Note that the word "all" doesn't appear in front of project costs. In a typical model, we would assume approximate design fees of $4 per sf and basic construction costs of $45. Even with the average TI allowance of $40, the tenant is coming out of pocket a bit.

However, when all other necessary project costs – including technology, furniture and equipment, relocation, administrative and miscellaneous costs – are included, that same tenant pays much more out of pocket. Often this is to the tune of $48 per sf for a modest project and $95 per sf for an enhanced one, after deducting the TI costs. Those are not small numbers; but realistic ones.

• **Myth Two:** As the costs to build and complete my space grow, so will the TI allowances, thus balancing my out-of-pocket costs.

Reality: If one looks at the real numbers on these typical projects and compares that to the increase in full-service rents, the myth is dispelled. If you look at a category-budget breakdown on a typical midlevel tenant build-out and relocation project, in most markets, the TI allowance appears to cover TI construction and design and possibly a little more. As the direct build-out costs move higher or lower, the TI allowance usually moves up or down with it, so it stays in the same relative range in potential out-of-pocket costs.

However, dynamics in the Denver market over the last few years tell a different story. Increased construction costs are not being offset by similar increases in improvement allowances.

A real-life example can supplement the story told in the adjacent charts. One tenant built out a modest space to its requirements in 2012 with a TI construction cost of $36 per sf and a TI allowance of $40 per sf. Building virtually the same space in late 2014/early 2015 is now going to cost $52 per sf against the same tenant improvement allowance of $40. This gap is an increase in out-of-pocket cost to the tenant. Moreover, the rents moved from about $28 per sf to $32 per sf, so the TIRF worsened for the tenant as well.

A note on TI construction cost increases – direct cost increases appeared modest in 2012-2013 at about 3.5 percent per annum. 2014 jumped another 7 percent to 8 percent. We expect this trend to continue into 2015, and then for it to level in 2016. All in all, that means costs really did increase about 15 percent between 2012 and 2014, although fees and indirect costs held fairly steady.

• **Myth Three:** As the costs to build and complete my space grow, landlords will be pressured to increase TI allowances to remain competitive.

Reality: They won't because they simply don't need to do this. The market dynamics and the pressures on space, particularly in the central business district, allows the landlord to rightfully hold to its typical average allowances, in spite of rising construction costs. Simple basics of supply and demand at work here.

		2013	2015
1	Design & Engineering	$4.00	$4.00
2	Tenant Build-Out	$40.00	$52.50
3	Cable, Phone, Data, A/V	$12.00	$14.00
4	FFE (partial new/re-use)	$22.00	$22.00
5	Other Soft Costs	$10.00	$11.00
6	Sub-Total	$88.00	$104.00
7	(Less TI Allowance)	($40.00)	($40.00)
8	Total Out-of-Pocket	$48.00	$64.00
9	Average FS Rents	$24.00	$26.00
10	Adjusted TIRF	2.00	2.46

Costs for modest-quality design in 2013 and 2015

		2013	2015
1	Design & Engineering	$5.00	$6.00
2	Tenant Build-Out	$55.00	$78.00
3	Cable, Phone, Data, A/V	$25.00	$28.00
4	FFE (all new products)	$34.00	$40.00
5	Other Soft Costs	$12.00	$14.00
6	Sub-Total	$131.00	$166.00
7	(Less TI Allowance)	($45.00)	($45.00)
8	Total Out-of-Pocket	$86.00	$121.00
9	Average FS Rents	$30.00	$40.00
10	Adjusted TIRF	2.86	3.03

Costs for an enhanced-quality design in 2013 and 2015

At least through 2015, TI construction costs will continue to rise and tenants will continue to suffer from the widening gap and the increased TIRF.

• **Myth Four:** A $40 TI allowance is actually $40, and the tenant will benefit by reducing its costs by the $40.

Reality: In most cases, the landlord will stipulate a landlord management fee of 3 percent to 5 percent, which effectively takes that money from the tenant and returns it to the landlord's pocket. Unless a tenant representative and their project management can negotiate otherwise.

The conclusion is that the tenant's bottom line is continuously at a greater risk. We need to stop perpetuating the myths and deal with the realities. However, there is some good news, albeit in small doses, from the tenant's perspective. For example, contractors are holding to local market traditional fees and overhead, and design firms have not pressured for upward movement in their fees. Also, innovations in furnishings, such as height adjustability, that were once considered innovative and costly, are becoming more reasonable as volume is driving competitive pricing.

Tenants are staring into an abyss where more of their own dollars are required to create modern workplaces that meet the demands of their workforce. Tenants need to have very accurate conceptual budgets upfront as they prepare for new space and fully understand their net-cost exposure. Landlords won't be much help since they don't need to be responsive in this area. Because tenant investment translates to increased recruitment, retainage, productivity and satisfaction, it is an investment worth making.▲

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October 7	September 16	September 23

AD SPECIFICATIONS

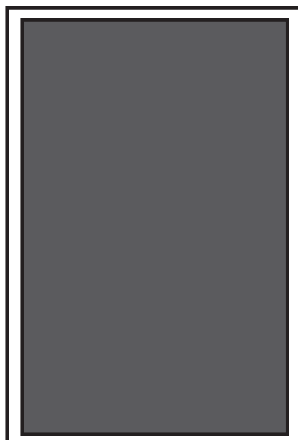
- E-mail a high resolution, press ready PDF file to Jennifer Steidley at jsteidley@crej.com
- All images within the ad should be 300dpi or greater at full size; All fonts should either be embedded in the PDF document, or converted to outlines
- Full-color ads should be setup using CMYK process color; Spot colors should be setup using CMYK build. A list of available spot colors can be found at http://www.signatureoffset.com/helpful-resources.html

AD DIMENSIONS

2 PAGE SPREAD

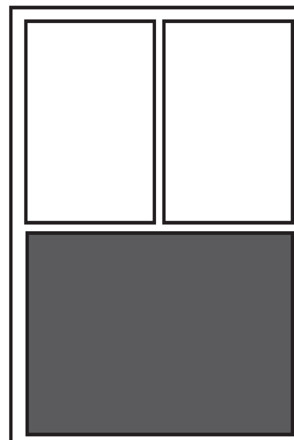
21.5"w x 15.5"h

FULL PAGE



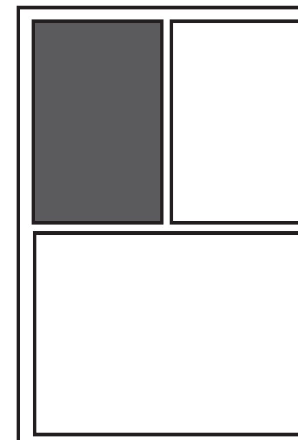
10.25"w x 15.5"h

1/2 PAGE H



10.25"w x 7.25"h

1/4 QUAD



5"w x 7.25"h

To reserve ad space, please contact Jon Stern at jstern@crej.com or 303-623-1148
For editorial content, please contact Michelle Askeland at maskeland@crej.com or 303-623-1148

2015 CONFERENCE SCHEDULE

All of the following events will be held at The Inverness Hotel & Conference Center, 200 Inverness Drive West, Englewood, CO 80012, from 7:15 am to noon.

January 29 — **Development and Construction Summit & Expo**
(350 attendees anticipated)

February 3 — **Industrial (& Data Centers) Conference & Expo**
(350 attendees anticipated)

February 19 — **12th Annual Property Management Conference & Expo**
(500 attendees anticipated)

March 3 — **Multifamily Owners & Managers Conference & Expo**
(650 attendees anticipated)

March 17 — **Senior Housing & Care Conference & Expo**
(500 attendees anticipated)

April 14 — **Hotel & Resort Conference & Expo**
(350 attendees anticipated)

April 21 — **Healthcare & Medical Office Buildings Conference & Expo**
(500 attendees anticipated)

June 11 — **Retail (& Restaurant) Conference & Expo**
(500 attendees anticipated)

September 1 — **Land & Development Conference & Expo**
(500 attendees anticipated)

October 1 — **Office Summit & Expo**
(500 attendees anticipated)

November 3 — **Commercial Interior Architecture & Design Conference & Expo**
(400 attendees anticipate)

2015 CONFERENCE EXHIBITOR & SPONSORSHIP LEVELS

PLATINUM EXHIBITOR $2,500

All food (continental breakfast, snacks, etc.) or beverage (coffee, tea, juice, water, soda, etc.) service will be offered at your booth
The opportunity to briefly address the audience – Platinum sponsorships are offered on an **EXCLUSIVE** basis (i.e., no one else in your primary line of business may address the audience)
Your logo will appear on all event advertising, as well as PowerPoint recognition at the event
Booth space at the event
Mailing list of all attendees
Four complimentary tickets to the event (value of $75 each)

GOLD EXHIBITOR $2,000

The opportunity to briefly address the audience – Gold sponsorships are offered on an **EXCLUSIVE** basis (i.e., no one else in your primary line of business may address the audience)
Your name will appear on the event registration page on www.crej.com and will be linked to your company website
Your logo will appear on all event advertising, as well as PowerPoint recognition at the event
Booth space at the event
Mailing list of all attendees
Four complimentary tickets to the event (value of $75 each)

SILVER EXHIBITOR $995

Booth space at the event
Your logo will appear on all event advertising, as well as PowerPoint recognition at the event
Mailing list of all attendees
Three complimentary tickets to the event (value of $75 each)

BRONZE EXHIBITOR $795

6-foot tabletop space at the event
Your name will appear on all event advertising, as well as PowerPoint recognition at the event
Mailing list of all attendees
Two complimentary tickets to the event (value of $75 each)

CORPORATE SPONSOR $595

Your logo will appear on all event advertising; as well as PowerPoint recognition at the event
Flyer or brochure to be placed in each attendee's bag
Mailing list of all attendees
Two complimentary tickets to the event (value of $75 each)

EVENT BAG LOGO SPONSOR $495 *(limited to three)*

Your logo will appear prominently displayed on each attendee's bag
Mailing list of all attendees
Two complimentary tickets to the event (value of $75 each)

EVENT BAG INSERT SPONSOR $395

Flyer or Brochure to be placed in each attendee's bag
One complimentary ticket to the event (value $75)
Mailing List of all attendees

For more information on these events, please contact Jon Stern at 303-623-1148 or e-mail jstern@crej.com

Pinnacle Real Estate Advisors is pleased to announce 200 Columbine in Cherry Creek is over 80% pre-leased.

19,156 RSF of Class A office space remains available on floors 2 & 3.

OCCUPANCY JUNE 2015

CAMBIAR INVESTORS

8th Floor

7th Floor LEASED

6th Floor LEASED

5th Floor LEASED

4th Floor LEASED

3rd Floor 6,375 RSF Available

2nd Floor 12,781 RSF Available

1st Floor RETAIL - LEASED

WESTERN DEVELOPMENT GROUP

www.250Columbine.com

200 COLUMBINE

An exclusive pre-leasing opportunity in Cherry Creek North, at Second Avenue and Columbine Street.

For more information, contact:

Jeff Caldwell
JCaldwell@PinnacleREA.com | 303.962.9536

Blake Holcomb
BHolcomb@PinnacleREA.com | 303.962.9568

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- Maintenance/Technical Support
- Property Management
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4690 TABLE MOUNTAIN DRIVE SUITE 200, GOLDEN
Asking Price: $1,850,000
Suite Size: 10,668 SF
Marc Lunde | Howard Schmidt | Chris Sharp

970 YUMA STREET, DENVER
Asking Price: Contact Broker
Building Size: 21,027 SF
Jonathan Schneider | Ross Ethridge

130 SKI HILL ROAD, BRECKENRIDGE
Asking Price: $3,550,000
Building Size: 17,288 SF
Jonathan Schneider | Ross Ethridge

17600 E. EXPOSITION DRIVE, AURORA
Lease Rate: $6.50 - $7.50/SF NNN
Space Available: Up to 28,960 SF
Lowrey Burnett | Justin Rayburn | Howard Schmidt

19201 E. MAINSTREET, PARKER
Lease Rate: $13.00 - $20.00/SF FSG
Space Available: 580 - 3,500 SF
Justin Rayburn | Howard Schmidt

7921 SOUTHPARK PLAZA, LITTLETON
Lease Rate: $15.50 - $16.50/SF FSG
Space Available: 10,131 SF (divisible)
Justin Rayburn | Chris Sharp

1900 16th Street, Suite 1300, Denver, CO 80202
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For a complete list of our listings visit:
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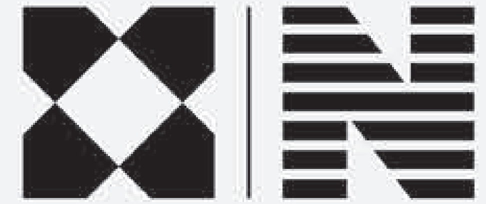
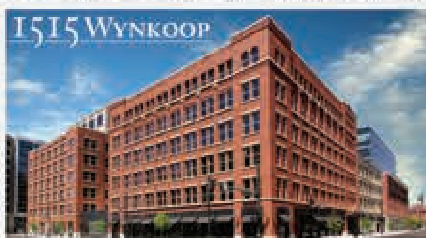
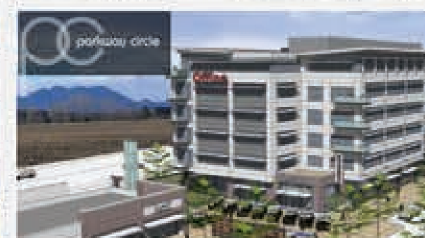
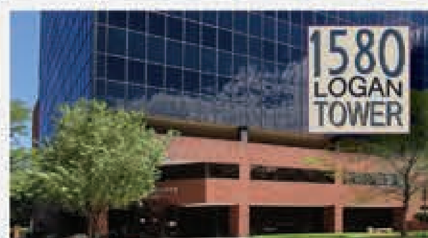
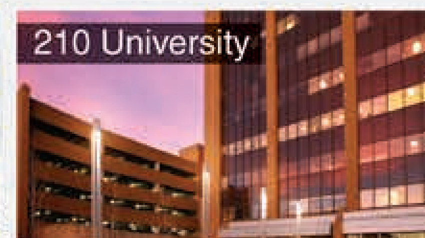


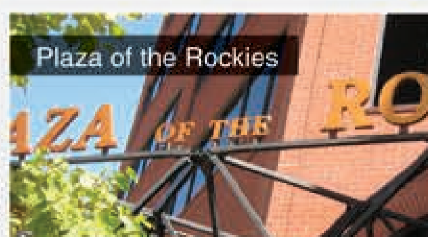
Newmark Grubb Knight Frank











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