OFFICE PROPERTIES



Bowen Studios New office buildings are placing a greater emphasis on access to the outdoors. At Civica Cherry Creek, a rooftop terrace is a primary amenity for office building tenants.

Standout trends among new office properties

by Michelle Z. Askeland

Access to outdoor space, parking and fitness centers are the most popular amenities new office buildings are offering in Denver, according to data collected from many of the properties under construction or recently completed in the metro area. Inside is snapshot of these findings, but first, a few words on the noticeable trends.

The most popular amenity among new buildings is some type of out-

door space. Twelve of the properties – 75 percent – listed an outdoor area among its amenities. These ranged from the rooftop decks at 1401 Lawrence, Civica Cherry Creek, Industry RiNo Station and Inova Dry Creek II to the landscaped patios and terraces at Flight, 169 Inverness and 1144 Fifteenth Street. Granite Place offers a Wi-Fi-enabled outdoor area while One Belleview Station and 50 Fifty feature open-air courtyards. Two – Colorado Center Tower 3 and Riverview – even tout fire pits in their outdoor areas.

In addition to accessing the outdoors, there seems to be a greater emphasis on natural daylight and nice views from within the confines of the office. Floor-to-ceiling windows, unobstructed and panoramic views, and access to natural daylight throughout a building were just a few of the ways developers are addressing this growing tenant demand.

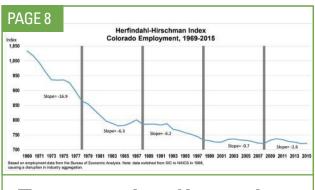
In fact, 50 Fifty features two twin lightwells that aim to "deliver natural light to almost every corner of

the interior," the property's website said. The lightwells will reduce energy costs and provide internal open spaces that can be used for social events, meetings and art exhibits. "The impact of these two lightwells on the building cannot be overstated," the website said.

Natural daylight is an integral part of creating workspaces that foster well-being, a building component measurement on the rise in new

Please see Page 14

INSIDE



Economic diversity

Has economic diversity reduced the volatility in real estate construction cycles?



Modern workplaces

Support for employee well-being guides Cushman & Wakefield's Denver office move.



Parking strategies

New technologies for parking garages can offer buildings greater efficiencies and ease.

CONTENTS -

Debunking the myth of the suburban office downfall Lindsay Gilbert

U.S. 36 corridor's office market gains momentum 6

Can economic diversity reduce cycle volatility?

Toby Kropp, Brian Lewandowski and Thomas Thibodeau

How smart campuses are permeating office product Howard Feingold

What traditional spaces can learn from co-working Michael Berretta 12

Office project roundup
Michelle Z. Askeland

Colorado's office evolution quickens pace Steve Billigimeier

Navigating the complex world of GSA leasing Chad Becker 22

Building design strategies for a sustainable future $$_{\mbox{\scriptsize Jon Gambrill}}$$

3 financial firms break away from traditional design Sarah Zales

Considerations for acoustic, AV upgrades Alex McGregor 20

Tips to implement new parking technologies Andrew J. Vidor

——Letter from the Editor——

The complexities of our low unemployment rate

he unemployment rate in Colorado decreased in April to 2.3 percent, which is the lowest unemployment rate since the state began data collection in 1976, according to the Colorado Department of Labor and Employment. Since the beginning of the year, the unemployment rate

has decreased from 3.3 to 2.3 percent.

This rate is the lowest in the nation. The national unemployment rate is declining as well, sitting at 4.4 percent in April.

Coming in below the national rate is nothing new for our state – the last time the national labor market was tighter than Colorado's was in February 2004. However, as headlines are increasingly warning, an unemployment rate this low might not be best for the economy's long-term health.

"A rate this low – well beneath its natural equilibrium – calls into question the efficiency of the state economy," said the JLL May 26 Chart of the Week. "A shortage for skilled workers (particularly in white-collar sectors) could further slow office market absorption during the quarters ahead, as employers are increasingly squeezed to find available talent."

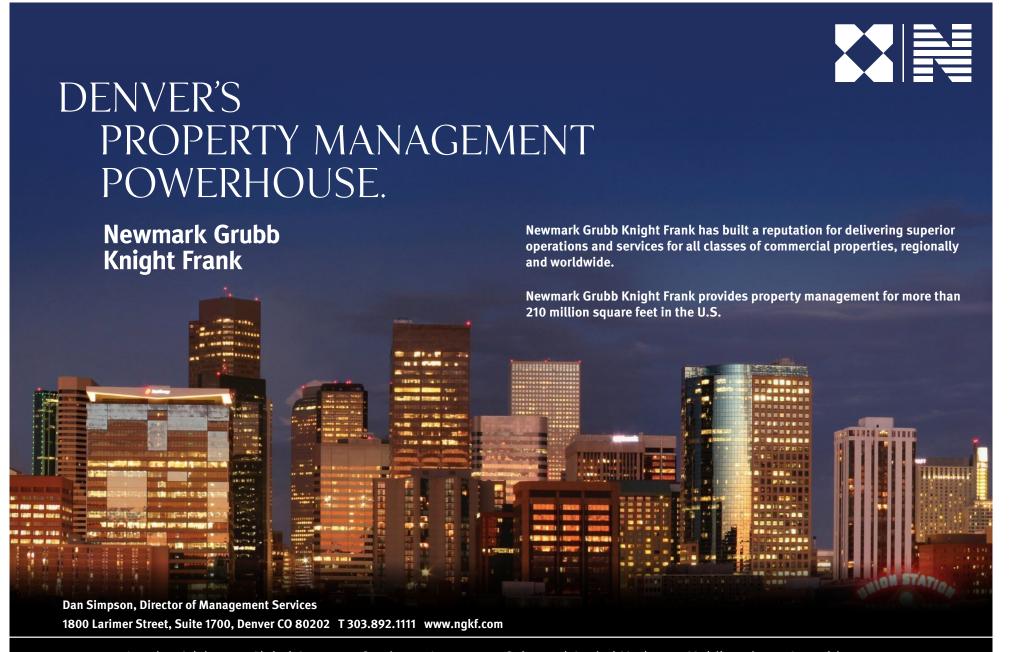
In early June, the New York Times ran an article titled, "We May Be Closer to Full Employment Than It Seemed. That's Bad News." In it, author Neil Irwin opines, "The May job numbers raise a depressing possibility: that this is as good as it will get for the United States labor market."

With Colorado and Denver's unemployment rates even lower than the national average, it's certainly something to be mindful of in the coming months. Slow wage growth and a lack of skilled labor are weak spots in our economy, with the latter already making its mark on the construction side of real estate.

However, on the ground, these fears haven't permeated the market yet. Office lease rates in Denver are reaching all-time highs, thanks to new construction, with rates averaging \$26.31 per square foot in the first quarter, according to CBRE research. The first quarter marked the 23rd-consecutive quarterly increase and a 4.8 percent increase year over year.

This issue's cover story and subsequent office roundup highlights 16 office projects under construction in the Denver office market – just a portion of the nearly 5 million sf under construction throughout the region. If you're working on a large office project that wasn't included, please reach out. I'd love to hear from you.

Michelle Z. Askeland maskeland@crej.com 303-623-1148, Ext.104





Market Update———

Debunking the myth of the suburban office downfall

ou can't drive more than one block in downtown Denver without your view being interrupted by a towering crane. All the new construction concentrated within a few square miles - combined with popular lore that millennials exclusively prefer urban environments – is causing many real estate industry observers to feel less than bullish about suburban office product. However, a report from CBRE Research released last month found that the so-called "downfall of the suburban office sector" might be highly exaggerated.

The U.S. suburban vacancy rate is near a prerecession low, according to the North America Suburban Office Trends Spring 2017 report. The market has been tightening since the end of the Great Recession, benefiting from improving demand and low overall levels of new supply compared with previous cycles.

The case in Denver is unique, however. Although nationally suburban office construction completions are down, Denver is tied for the third-mostactive suburban market in terms of office construction underway, tying with Seattle and Northern Virginia. In fact, Denver represents 6 percent of the total U.S. suburban office construction underway across the nation.

Nationally, suburban office construction completions averaged 29 million square feet per year in 2015 and 2016, compared with previous cyclical peaks of 67 million sf in 2008 and 95 million sf in 1999. In Denver, however, suburban developments account for 65 percent of Denver's total 5 million sf of office space currently under construction (as



Lindsay Gilbert
Vice president,
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transaction
services, CBRE,
Denver

of first-quarter 2017). The reason why development remains strong in Denver's suburbs is primarily rent growth. Research found that the suburban office construction still taking place is concentrated in a small number of leading markets where rent growth is strong enough to justify development.

For example, Denver's southeast office market recorded an all-time high overall direct average asking lease rate in the first quarter, reaching \$24.77 per square foot full-service gross, up 15.3 percent over the post-recession quarterly average.

In addition to office rent growth, Denver's suburbs also are benefitting from in-migration and the expansion of the light-rail transit system.

Over 95,000 office-using jobs have been added to the Denver metro since 2010. The surge in office employment is projected to continue over the next few years as Denver offers a high quality of life and lower cost of living compared to tier-one office markets.

In terms of transit, last year the Regional Transportation District opened the University of Colorado A Line, running from Union Station to Denver International Airport, and the B line with service to Westminster. RTD launched the R line servicing Aurora earlier in 2017, and the organization plans to further expand with the opening of the G line to Wheat Ridge later this year. RTD's FasTracks program also

has proposed plans for future service to areas including Thornton, Broomfield, Louisville, Longmont, Parker and Highlands Ranch. Expanding transit access to the suburbs is a labor equalizer – making it easier for suburban companies to compete for top talent against urban-based employers.

Developers have been strategic in targeting new office projects on the expanded transit lines. Some of the most notable transit-oriented developments in the area are taking place along the southeast light-rail line.

Beginning at the Belleview light-rail station at the entrance to the Denver Tech Center is One Belleview Station – a recently completed 318,000-sf Class AA office tower developed by Prime West. The building is part of a 42-acre mixed-use development surrounding the station. Minutes away is 50 FIFTY, an 185,000-square-foot Class AAA office tower by Corum Real Estate Group, which broke ground last fall and is scheduled to deliver in summer 2018. Moving to the next stop down the lightrail line, Alberta Development Partners has proposed plans and is working with the community to develop a 24-acre mixed-use project at Orchard station. Finally, the next adjacent lightrail stop is Arapahoe at Village Center station, home to the future Granite Place at Village Center, which includes a 300,000-sf energy-efficient office tower by Granite Properties and Confluent Holdings. Construction on the first of two phases at Granite Place will complete this year and is 100 percent leased.

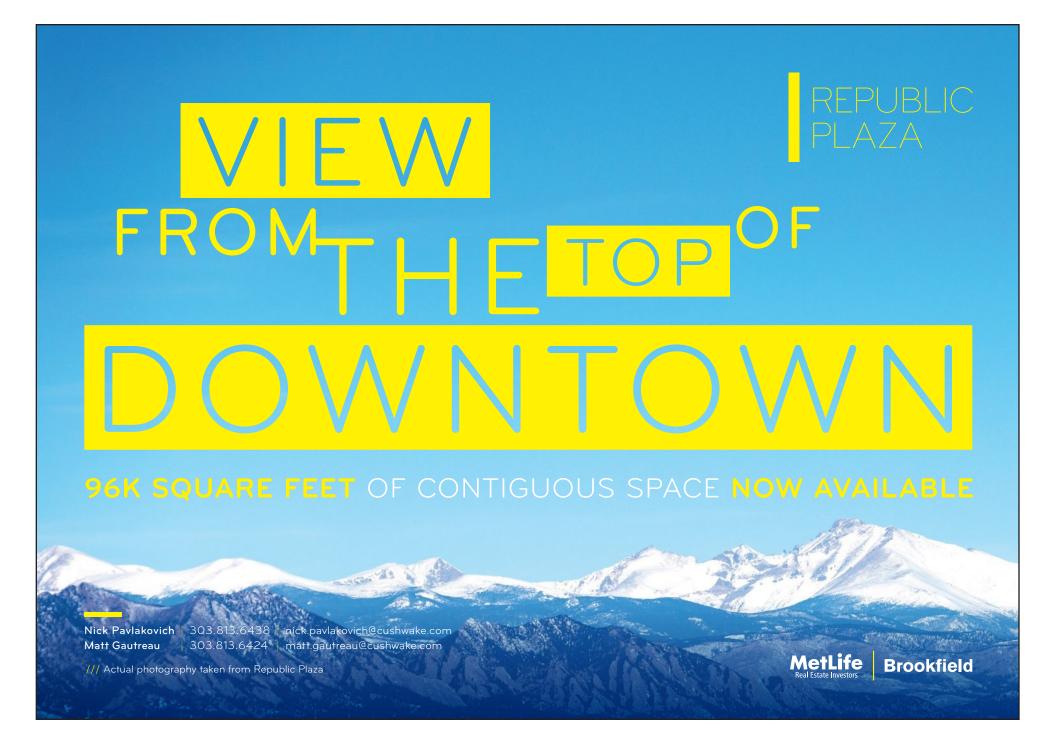
When speaking about the downfall of America's suburbs, many place it in direct contrast to a vibrant downtown office market. Our analysis,

however, found the U.S. suburban market strengthening in comparison to downtowns. For example, while nationally suburban office vacancy remains higher than downtown office vacancy, the gap is shrinking in many markets across the country and actually has reversed course in Denver. Here, suburban office vacancy dropped 50 basis points from 12.2 percent in fourth-quarter 2015 to 11.7 percent in fourth-quarter 2016. In comparison, downtown Denver's office vacancy rate rose during the same time frame, up 40 basis points from 12.8 to 13.2 percent.

Although deliveries of spec construction likely will increase vacancy in Denver's suburban office markets this year and next, this will create opportunities for tenants to better position themselves in the market. Demand from large corporate users, particularly in the financial services, telecommunications and health care industries, is expected to steadily absorb the new supply over time.

Nationally, the suburban vacancy rate has not increased for 27 consecutive quarters through fourth-quarter 2016 and stands at 14.1 percent. The suburban market has registered positive absorption for 27 consecutive quarters as well, underscoring its consistent improvement since early 2010.

We expect suburban office growth to be moderate in the next few years but believe the market still has room to run. Places like Denver are particularly well poised, where suburban rent growth, continued inmigration and an expanding transit system give developers the confidence to invest in suburban office projects.





U.S. 36 corridor's office market gains momentum

s businesses in Boulder expand and the Lower Downtown, Platte Valley and River North districts in Denver continue to flourish, the U.S. Highway 36 corridor – the artery between the two bookends continues to attract a growing demand for available office space.

As a result, office development along the corridor can barely keep pace with companies searching for a location that allows for affordable quality product as well as the ability to tap multiple labor pools. The cost to lease a new Class A office building in the Interlocken/ Outerlocken area can be upward of 30 percent less expensive than new construction in Boulder and in the hip areas in downtown Denver. And while projects located on the bookends provide a popular setting, in a "gritty cool" environment that appeals to many millennials, they lack the easy access and efficiencies that office buildings along the corridor provide.

See as evidence the successful lease up of office buildings recently completed or under construction at Arista (located along the corridor at the Regional Transportation District's transit station in Broomfield). For example, 8181 Arista Place, an approximately 90,000-square-foot office building that was built on spec and completed in third-quarter 2016, is already 94 percent leased. This mixed-use building has only two retail restaurant spaces still available. Its sister building, 8001 Arista Place, is 90 percent leased, and a third office building, 8383 Arista Place, soon will change phase from concept to full



Vice president, Jones Lang LaSalle,

Given its central location, the 36 corridor is capturing both Boulder and Denver tenants, and the pace has been accelerating over the past 18 months. In order to accommodate the excess demand, over 250,000 sf of new speculative office space is under construction. Needless to say, developers are bullish on the

corridor's office market and its economic sustainability.

Not too long ago, it was a significant challenge to attract growing Boulder companies to sites south of Interlocken. Corporate heads wanted the image and attraction associated with Interlocken's campus setting, but typically were hesitant to consider options any further south – and thus further from Boulder County – than the Wadsworth exit. Today, similar companies are growing more familiar with the quality development being built along the corridor, south of Interlocken and closer to Denver's central business district.

With millennials taking over the workforce, recruitment is the No. 1 driver behind real estate decisions. This has pulled the epicenter of activity on the corridor closer to Denver, as increased multifamily density and an increased millennial population has created a primary recruitment pool on the north end of downtown Denver.

In response, the city of Westminster is planning to redevelop what was once



Joe Heath Vice president, Jones Lang LaSalle,

the Westminster Mall into the city's future downtown. The need to focus on recruitment isn't going to pass any time soon, given the metro's growing population, consistent in-migration and working age cohort.

According to our research, metro Denver boasts the

nation's fourth-highest share of educated millennials and more than one in five of all area residents are aged 20 to 34. Of Denver's 2.8 million people, more than three in every five people fall within the working age population. Perhaps most indicative of our area's magnetism is the sheer number of people migrating here. The most recent data shows that some 107 new residents moved into Denver every day for the past three years.

In addition to speculative development, the U.S. 36 corridor is home to a significant number of build-to-suit projects.

Any tenant looking for more than 50,000 sf has an extremely limited number of options. With construction costs placing build-to-suit opportunities on par with current rental rates for existing Class A properties on the corridor, companies are opting for custom

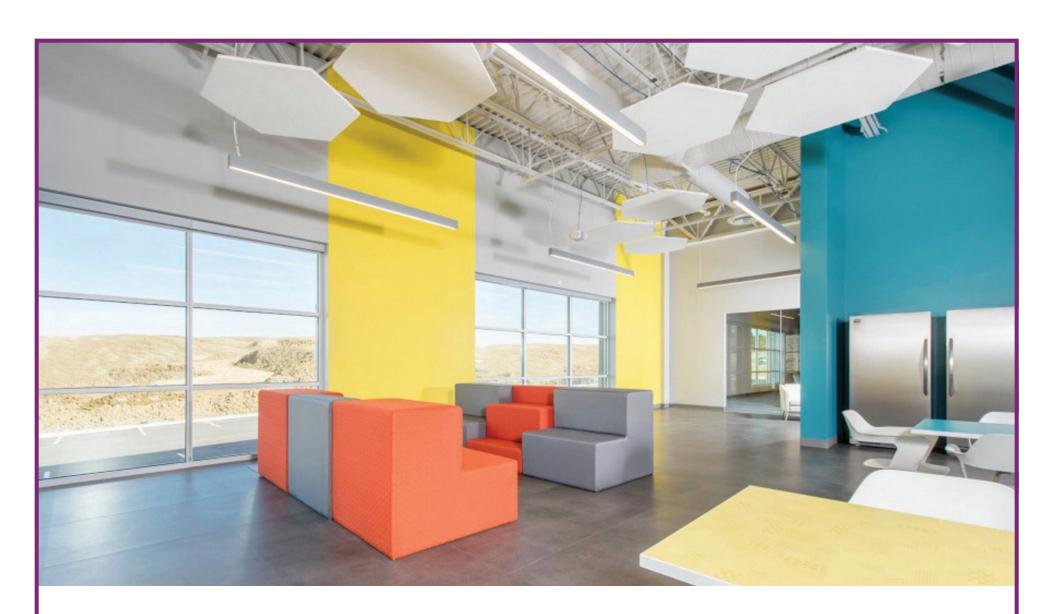
Some of the notable companies that have made the decision to take the build-to-suit route include The Partners Group, a real estate firm that is building an 80,000-sf office building, with the ability to add another 125,000 sf to accommodate future growth; Viega, a German plumbing equipment manufacturer, which is planning a 180,000-sf office building; and Swisslog, a manufacturer of tubing-transport products for the health care industry, which is planning a 60,000-sf facility.

With the aforementioned increase in activity and current lack of supply, coupled with rising rates at each bookend, rental rates at existing office buildings along the corridor have been steadily increasing and are expected to continue increasing for the foreseeable

Tenants (particularly large tenants) see the writing on the wall and are choosing to extend their existing leases early and often for longer terms. By doing so, they likely are avoiding the sticker shock that comes with even higher rates that are on the distant horizon. Savvy users see how tight the market has grown compared to historical norms.

Our research shows the submarket's vacancy rate at or below 14 percent for the last eight consecutive quarters; you have to go back more than 15 years for anything remotely comparable in terms of vacant space on the market.

All in all, the U.S. 36 corridor is no longer simply a drive-by zone for those doing business in Boulder or downtown Denver. Rather, it has become a "landing zone" for companies that have found locations to flourish and grow, while avoiding the steep costs associated with having an office address in one of the two anchor cities.







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ON THE MARKET

Quintiles Building

Property Sale 239,366 SF Office Overland Park, KS



CLOSED MARCH 2017

Flatiron Park

17-Property Sale 711,010 SF Office Park Boulder, CO



CLOSED MARCH 2017

Tiffany Square

Property Sale 184,219 SF Office Colorado Springs, CO



CLOSED FEBRUARY 2017

Cascade

Sale/Financing 348,760 SF Class A Office Centennial, CO



CLOSED JANUARY 2017

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Acquisition Financing 492,799 SF Class A Office Denver, CO



CLOSED OCTOBER 2016

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Can economic diversity reduce cycle volatility?

conomic diversity could be one of the defining factors in commercial real estate and apartment construction cycles in Colorado. Economic diversity measures how financial activity is spread across different industries. When employment is spread across all sectors, it is considered economically diverse. The more dependent a local economy is on a few sectors, the more sensitive it becomes to economic shocks. The question is whether the volatility in Colorado's commercial real estate and apartment construction cycles have been reduced as the Colorado economy has become more diversified.

Like most states, the composition of Colorado's employment base has changed dramatically over the past five decades. The state's employment base grew from about 1 million jobs in 1969 to nearly 3.6 million jobs in 2015. During this period, the state's economic base shifted from about 25 percent of



Toby Kropp Undergraduate student, Leeds School of Business, University of Colorado Boulder

total jobs in goodsproducing sectors to about 14 percent. While the goodsproducing industries have accounted for 260,000 additional jobs over this period, the services sectors accounted for about 2.3 million new employment.

In 1969, the top five industry sectors in Colorado accounted for nearly 60 per-

cent of the jobs. Government positions led the economic base with nearly 23 percent. By 2015, the top-five industries accounted for less than 50 percent of total employment in Colorado, with government jobs falling to just 13.4 percent of the total. In addition, the retail trade industry was replaced by health care in the top-five employment sectors



Brian Lewandowski Associate director, Business Research Division, University of Colorado Boulder

One way to measure economic diversity is through the Herfindahl-Hirschman Index, commonly referred to as HHI, a measurement that collapses the percent of employment in each industry sector to a single number. A lower HHI score is evidence of more diversity, whereas a higher score indi-

cates less economic diversification. The accompanying chart provides the HHI annually for Colorado for the 20 major industry sectors reported by the U.S. Census Bureau over the 1969 through 2015 period.

Between 1969 and 2015, the Colorado economy became substantially more diverse. The HHI was 1,033 in 1969 and, by 2015, the HHI decreased to 722. The



Thomas Thibodeau Academic director, Real Estate Center, University of Colorado Boulder

HHI chart separates this timeframe into 10-year periods starting in 1969 in order to gain some insight into the rate of change in economic diversification over time. By connecting these points, we can indicate a noticeable change in the slope of the line as each period continued. The majority of state's economic

diversification occurred during the early part of this period, from 1969 to 1979. Since the turn of the century there has not been much change in economic diversity

So, what does all of this mean for the income-producing property construction cycle? The growth in jobs that require bricks and mortar certainly have benefited the commercial real

1969 Top 5 Sectors

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Government	22.9%		
Manufacturing	11.9%		
Retail Trade	11.9%		
Other Services (Except Public Administration)	6.6%		
Accommodation and Food Services	5.7%		
TOTAL	59%		

2015 Top 5 Sectors

Government	13.4%
Retail Trade	9.3%
Health Care and Social Assistance	9.1%
Professional, Scientific, and Technical Services	8.9
Accommodation and Food Services	7.9%
TOTAL	48.6%

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The employment concentrations in the top-five employment sectors in 1969 and in 2015. The employment base has changed dramatically in the last five decades.



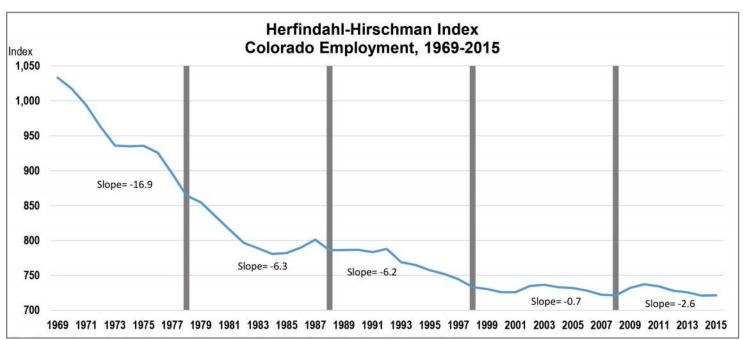
Market Analysis

estate business. Colorado added more than 1.2 billion square feet of income-producing property between 1969 and 2015, including apartments, hospitals and other health treatment, hotels and motels, office and bank buildings, stores and restaurants, and warehouses.

The second chart illustrates the annual amount of new construction on a per capita basis (to account for the increase in population) between 1969 and 2015. The chart is divided into the same time periods as the previous HHI graph.

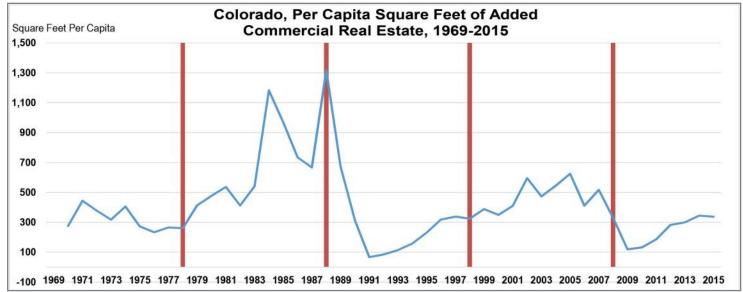
The chart indicates substantial volatility in Colorado's income property construction cycles with a significant increase in construction activity following tax reform in the early 1980s. The construction activity during this time was generated by altering depreciation rules for income properties from 40-year, straight-line depreciation to the 15-year accelerated cost recovery system. By the mid-1980s there was a significant decrease in construction activity – in part because of reverting back to a longer-life, straight-line depreciation schedule and falling oil prices when \$60 a barrel in December of 1985 dropped to \$30 a barrel by February 1986. Another significant decrease in the property construction cycle happened between 1988 and 1991 during the savings-and-loan

Our detailed analysis looked at how Colorado's economic diversity had potentially affected the commercial real estate and apartment construction cycles. In the end, the data suggests that any benefits associated with increases in economic diversity have been overwhelmed by other factors like economic shocks and significant changes to Federal tax policies from outside the state.



University of Colorado

One way to measure economic diversity is through the Herfindahl-Hirschman Index, commonly referred to as HHI, a measurement that collapses the percent of employment in each industry sector to a single number.



University of Colorado

Annual amount of new construction on a per capita basis – to account for the increase in population – between 1969 and 2015.

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-Market Trends—

How smart campuses are permeating office product

echnology is required by all businesses today to remain competitive. Smart campuses and smart buildings are being developed as a necessity to attract companies and the millennium workers. To keep pace in the real estate market, it will become necessary to provide the benefits of interconnectedness and intelligent devices and systems.

• What is a smart campus? A smart campus extends the evolutionary technologies behind the internet of things and smart buildings, allowing developers and tenants to reap the benefits of their investment in technology.

The internet of things represents the increasingly connected nature of people, equipment, devices and sensors. This interconnectedness enables smarter management, situational awareness and optimization in ways previously not possible.

Smart buildings use automated processes to control operational systems such as heating, ventilation, lighting, access control and security, integrating connectivity for companies, people and services.

A smart campus is the next evolutionary step in this process, extending the management domain beyond the building and thus increasing the potential for efficiencies, automation and optimization. Common components of a smart campus include:

- Smart sensors.
- Security cameras and devices.



Howard Feingold President, Technology Plus Inc., Denver

- Access control.
- Digital signage (digital wayfinding and advertising).
 - Smart lighting.
- Heating, ventilating and air-conditioning systems.
- Traffic sensors.Movement sen-
- sors.
 Parking space sensors.
- Utility monitor-

ing and management.

- Weather monitoring.
- Smart network infrastructure.
- Ubiquitous Wi-Fi.
- High-speed connectivity.
- Distributed access systems and cellular microcells.

Real-time information from connected systems, devices and sensors can be collected and analyzed. Actions or devices can be controlled algorithmically – with or without human intervention. Notifications and warnings can be generated as needed. And as data accumulates, adjustment via learning and optimization becomes possible. The result is improvement in safety, delivery of services, energy efficiencies, environmental benefits, maintenance and more.

• How does a smart campus work? In a smart campus, the interconnected devices and systems work together. Street lighting can be managed in real time. At dusk, or during a storm that darkens the sky, lights can be turned on automatically. But when there is no activity on the streets and campus (i.e., no people and vehicles), the lights can be turned down to save energy and decrease light pollution.

Security camera analysis algorithms can detect objects in courtyards or streets and notify security, facilities maintenance and cleaning staff for further review. The use of shared resources such as meeting rooms and event spaces may be dynamically coordinated and reserved. Digital signage that is used for advertising also might be used for mass notification in an emergency or during other important events, even providing evacuation instructions. The same signage might be capable of providing digital wayfinding or weather updates when required.

The wealth of data generated and correlated allows for analysis that can improve the delivery of services. For example, pedestrian traffic data from the same sensors that inform the lighting decisions may be used to optimize the distribution of waste receptacles and reduce litter. Analysis of long-term data from these and other sensors may indicate a shift in security patrols or staffing. Data from parking lots can inform the need for additional parking, surplus parking or perhaps a shuttle during peak hours. Patterns of heat anomalies from other

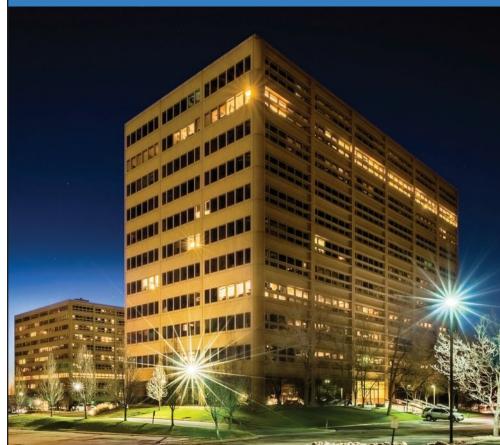
sensors might indicate an investigation for proactive maintenance. Access to real-time situational data can improve the effectiveness of security, maintenance and even emergency responders.

Smart campus technology can help reduce environmental impact by reducing waste and increasing efficiency. The same efficient, automated control of lighting that reduces the electric bill also will reduce light pollution. Smarter and more proactive management of assets and resources (water, energy, assets, waste management) can increase efficiency and operational savings.

 What is necessary to enable a smart **campus?** Connectivity is the basis for a smart campus. For redundant connectivity, the campus should have a minimum of two geographic entrances into the campus. The service providers should connect to different central offices or data centers. The campus should have at least two different service provider connections to the campus. The network infrastructure should be designed with consideration for future expansion. A flexible design will ensure the network is adaptable as requirements inevitably change

A smart campus, when planned properly, will be positioned to meet present expectations – but even more importantly, is positioned to meet future technology and internet of things capabilities.







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Joe Larkin, CCIM Instructor **CE Credits**

CCIM Core Course: CI-101: Financial Analysis

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Lunch & Learn - Legislative

When: June 28th 11:30 AM - 1:30 PM *Location:* Colorado Bar Association, Denver CO

Instructor: John Logan, Laff Gordon Bennett Logan PC

CE Credits







When: August 22nd 11:30 AM - 1:30 PM Location: Marcus & Millichap, Denver CO

Deals & Drinks

When: August 3rd 5:00 PM - 7:00 PM *Location:* Del Frisco's Grill-Rooftop Patio, Denver CO

BLOOMFIELD



Commercial Property Tour/Deals & Drinks

When: October 5th 12:00 PM - 5:00 PM (Tour) 5:00 PM - 7:00 PM (Deals & Drinks) Location: Dairy Block, Rino and Cherry Creek, Denver CO

00 McWHINNEY



-Market Trends-----

What traditional offices can learn from co-working

ny space that helps makes social connections easier is a real estate and market opportunity. As more connections are made online, we are trying to bring connections to life through meaningful office and community planning. In the U.S., individuality often is promoted as a key to success, which certainly bears true in many cases. Yet, success does not happen in a vacuum. Success is, in part, thanks to the connections and the resources you have access to and the advice you receive along the way.

Co-working spaces not only benefit members, but also serve as a resource to the surrounding community. Denver is no exception as people here are looking for new ways to connect, grow and be inspired. We are proud of the partnerships we are helping to foster among entrepreneurs, and we love the thriving business ecosystem we've been welcomed into. We love watching people connect daily over coffee or the newest Netflix series, and over time we've seen these relationships grow, but it's a delicate balance. Too much chatting can pull us away from the task at hand, but many times collaborative interactions can help build a better business strategy.

How and where people work has dramatically shifted over the past decade, ushering in new spaces where digital nomads can thrive. The paradigm shift toward flexible working has left the traditional real estate model obsolete for many in the workforce. Flexible workspaces enable workers to find the space that best suits their needs.

We are trying to make the workplace a destination. While our design is inno-



Michael Berretta Vice president network development, Americas, Regus, Atlanta

vative, the main goal is to create collaborative, dynamic and growing communities. We believe that success breeds more success. Following are things we've learned that could be adopted by all office environments.

• Collaboration emerges from activities and community events. Office space does not have to

be stagnant or limited in scope. Afterhours events are welcome ways to get to know your surrounding neighborhood. Co-working spaces encourage social interactions, but that doesn't mean traditional office spaces can't provide programming or collaborative events for their community.

These events can be used as a means to introduce locals to the idea of our spaces. As an example, at each of our Spaces centers we invite local artists to showcase their work at a monthly "First Friday" event for clients and the community. Artists can sell their work while tenants enjoy meeting other creatives and local residents. It's fun and it personalizes the experience of both creating art and working in an office building. These events often lead to larger partnerships between our tenants, the artists and other entrepreneurs who attend.

• Events are opportunities to network and for tenants to market themselves. A community manager encourages real engagement and collaboration by

networking. These managers are the first to introduce entrepreneurs that walk through our doors and actively seek out fun and innovative ways to get them interacting.

These events range from outdoor yoga led by a local fitness studio to an information session for entrepreneurs and start-ups on how to build a branded website. It's quite common to overhear clients making connections or giving an elevator pitch at these events. Lots of our clients are looking for feedback on their test product or advice on where and how to softlaunch an app, for example, and these events can provide a sounding board.

• Flexible design helps clients share ideas and synergies. Aside from the communal elevator, professionals based in traditional office space can miss out on the potential for idea sharing and learning from colleagues who operate in different departments and are at varying stages of their careers.

Traditional offices looking to encourage a sense of community and communication among employees can consider introducing a flexible work area such as a shared patio or informal seating area to help foster conversation, brainstorming and relationships between colleagues.

• Remote offices are not going away. Larger, global brands are posting up new satellite offices each day. Remote offices are beneficial to the overall professional community, including larger corporations, by providing employees the flexibility of operating remotely, which in turn helps companies expand into new markets and increase brand awareness.

According to Harvard Business Review, telecommuters are more productive and more engaged than those in the office. This means there are opportunities to create collaborative hubs in both urban centers and in suburbia. While telecommuters may enjoy their streamlined workflow working remotely, humans are naturally social and having a place to interact with others to share conversations and resources is attractive to this growing population. The inherent flexibility offers solutions for companies to better utilize their space and their employees' time. It's important to recognize that this trend will only continue to grow and remote offices can segue into larger opportunities for us as brokers and property managers.

• Work is no longer a place you go, it's something you do. The birth of coworking sprang from the demand for more relaxed, flexible and inviting environments to create and innovate. The workplace should be an inviting destination that offers interesting and relevant ways of networking and fostering a greater sense of collaboration. The goal is not about the office space; it's about allowing work to fit more seamlessly into our lives, to make work a place to socialize, develop and expand.

Life isn't just about the connections you make online. Pulling people away from their screens can be a good thing for creativity and for engagement. We want the Fortune 500 company to learn from the startup and we want the benefits of this relationship to expand outside the office and into the community.





Office Properties Quarterly - Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES/SPREADS	LTV/COVERAGE	TERM	AMORTIZATION	FOCUS	TRENDS
LIFE INSURANCE COMPANY	Insurance premiums Annuity and GIC sales	Non-Recourse Longer-term fixed rate loan	160-200 bps over the comparable US Treasuries	• Up to 65% LTV • 1.35x Minimum DCR	5-30 Years	25-30 Years	Downtown, urban locations Multi-tenant, traditional floor plates Top tier tenants (local, regional & national) Major metro areas	Many of the life insurance companies will be more selective on office properties in 2017 Most competitive at lower to moderate leverage with strong sponsors Flexible prepayment penalties available for small pricing premium (5-10 bps) At right leverage (~55%) lenders can do Interest Only Staying away from single-tenant exposure
CONDUIT (CMBS)	Sales of mortgage- backed securities through public markets	Non-Recourse Longer-term fixed rate loan	250-300 bps over the greater of US Treasuries or SWAPS	• Up to 75% LTV • 1.25x Minimum DCR • 8.25% Minimum Debt Yield	5, 7 & 10 Years	30 Years	Downtown office Class B suburban office Single-tenant with structure Secondary/Tertiary Markets	Spreads have widened ~50 bps since 2Q 2016 Most competitive at higher leverage in secondary and tertiary markets 10 years interest-only under 60% LTV 5 years interest-only under 65% LTV
BANK	Corporate Debt Deposits	Recourse (some non-recourse available) Shorter-term fixed and floating rate loans	200-300 bps over bank cost of funds	• Up to 75% LTV	Up to 7 Years Fixed	Interest Only to 25 Years	All office assets Value-add with repayment gauranty Secondary/Tertiary Markets	Standards are tightening for Sponsors with no deposit relationship Most competitive for Sponsors with established banking relationships and strong borrower history that are willing to accept recourse Establishing a deposit relationship is becoming a requirement Primarily recourse loans, with non-recourse available to strong sponsors at low leverage More flexible (open) prepayment terms
DEBT FUND / BRIDGE LOAN	Private Capital Institutional Capital	Non-Recourse Shorter term bridge loans for acquisition and/or repositioning	LIBOR + 350-600 bps (some w/ floors)	• Up to 85% LTC • Going-in 1.0x DCR	1 - 5 (3+1+1)	Interest Only	Value-Add Transactions Recapitalizations	Pricing depends on leverage level, property quality, and Sponsor strength
MEZZANINE/ PREFERRED EQUITY	Private Capital Institutional Capital	Junior financing secured by a pledge of, or participation in ownership interest	Mezzanine 8%-12%	• Up to 85% LTC • 1.10x DCR	2 - 10	Interest Only (in most cases)	All office assets Value-Add Transactions Recapitalizations	Preferred equity offers higher funding than mezzanine, but at a higher cost Minimum investment is typically \$5MM but can start as low as \$1MM when paired with senior position

Essex Financial Group - Recent Office Transactions



100 St. Paul Denver, CO \$52,000,000 Permanent Loan Life Insurance Company



Lyric Centre Houston, TX \$48,000,000 Permanent Loan CMBS



200 FillmoreDenver, CO
\$10,700,000 Permanent Loan
Life Insurance Company

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-Market Trends————

Continued from Page 1

properties. However, when it comes to building certifications, LEED is still king.

Half of the properties listed a LEED certification goal as an important building feature. For example, 16 Chestnut is targeting LEED Platinum; 1144 Fifteenth Street, One Belleview Station and 50 Fifty are targeting LEED Gold; and Civica Cherry Creek as well as Inova I and II are targeting LEED Silver. Riverview will feature a large, two-story living "green wall" in its lobby in addition to LEED certification. Other properties listed the importance of sustainably designed and operated buildings.

Another component of a healthy workplace is a fitness center, which nine of the properties feature. Locker rooms and showers also are becoming a must-mention amenity. Complementing fitness centers is bike storage, which almost all of the offices with fitness centers offer in addition to many of the other respondents that don't have on-site gyms.

With fitness and bike storage becoming must-haves, properties are going above and beyond to distinguish themselves. For example, Colorado Center Tower 3 will offer fitness classes exclusively available to tenants and 50 Fifty will feature a bike mechanic's station. The amount of space available for bike storage is increasing as well. Riverview proudly promotes its one bike space per 1,000 sf ratio, which equates to indoor parking space for 200 bikes.

While priority for bike storage is increasing, car parking needs are not disappearing. The overwhelming majority listed private parking as an important amenity. It was the

second-most-common amenity after access to the outdoors. Not surprisingly, the further south we went, the higher the ratio of parking spaces to rentable square feet. For example, Riverview, a 213,713-sf office property under construction on Platte Street, offers a covered parking ratio of 1.67 spaces per 1,000 rentable sf. Meanwhile, 169 Inverness, a 115,895-sf office property located in the Inverness Business Park, offers four spaces per 1,000 sf.

Similarly, the further south we go, the lower the rental rates become. Of those that shared cost information, rental rates range from lowto mid-\$30s per sf for downtown spaces to mid- to high-\$20s per sf for SES properties. Project costs ran the gamut – from the \$190 million 16 Chestnut to \$50 million Flight.

Likewise, proximity to public transit was a top amenity for those properties located near light-rail stations. All seven of the properties located in the DTC – 169 Inverness, Granite Place, 50 Fifty, One Belleview Station, Charter Communications headquarters, and Inova Dry Creek I and II - as well as Industry RiNo Station listed the light rail as a key amenity. It was common for these properties to list the duration and path of the walk to each station. Going one step further, One Belleview Station's lobby will display light-rail schedules on its touchscreen directory, and 50 Fifty mentioned the Call-n-Ride program available every 15 minutes in addition to it being a 7-minute walk to the station. The Inova campus will provide a dedicated shuttle to transport employees to the Dry Creek light-rail station.

Not surprisingly, many of the properties also highlighted their



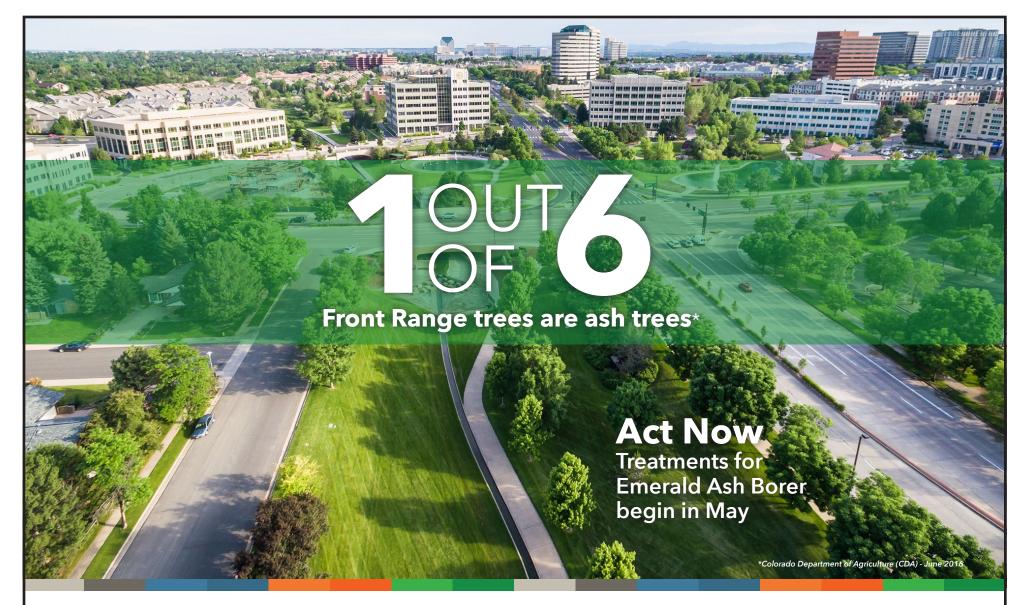
Colliers International

Designated collaborative spaces are gaining popularity, as seen in this rendering for part of the first-floor at Granite Place.

surroundings as important amenities to future tenants. The most prevalent was access to surrounding retail and restaurants. Obvious retail neighborhoods include Lower Downtown, Union Station and Cherry Creek North. Several others are part of master plans, which will offer immediate access to many amenities. These include Flight, which will have access to the entire Taxi campus, Colorado Center Tower 3, part of the Colorado Center development, and One Belleview Station, part of a 42-acre mixed-use development surrounding the Belleview light-rail

Other surrounding amenities gaining popularity were access to biking and walking paths as well as proximity to hotels.

While there were common themes among these new projects, there also were several unique amenities. For example, 169 Inverness features designated food truck parking, and offices at Flight feature garage doors opening up to terraces and the largest privately developed green roof in Colorado. Civica Cherry Creek will have a concierge service and a private library space, while 1144 Fifteenth Street will offer 24/7 security. Industry RiNo Station is pet friendly and features a rec area and nest room. Building infrastructure, such as high-speed traction elevators, state-of-the-art heating, ventilating and air-conditioning systems, fiber backbone and Wi-Fi connectivity were among other notable amenities.





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-Market Roundup-

Following is a roundup of 16 office properties around Denver that are either recently completed or under construction. Buildings were required to be around 100,000 square feet or larger and needed to be predominantly office space. Each property was asked to submit

information on its status, size, location, project partners and cost.

Of the responding properties, seven are located within downtown

Denver, seven are in the suburban southeast submarket and two are
in between (Cherry Creek and Colorado Boulevard).

16 Chestnut



East West Partner

Status: Under construction, scheduled to be completed in late

2018. Only committed tenant is DaVita, which is leasing

81 percent of the space.

Size: 430,000 sf, 250 feet tall

Location: 16 Chestnut Place in the Union Station neighborhood.

The building fronts both 16th and 17th streets.

Project Gensler, BuildMark, Saunders Construction, East West

Partner: Partners and Invesco Real Estate

Cost: \$190 million project

50 Fifty DTC



Clutch Design Studio

Status: Under construction, targeting late-spring 2018 completion with occupancy late-summer 2018.

Size: 185,000 sf, 12 stories – six stories of office over eight

stories of parking

Location: 5050 S. Syracuse St. in the Denver Tech Center

Project Corum Real Estate Group, Rise Commercial Real Estate

Partner: Advisors and Clutch Design Studio

169 Inverness



CBRE

Status: Under construction, scheduled to deliver in the fourth

quarter.

Size: 115,859 sf, four floors

Location: 169 Inverness Drive West in the Inverness Business

Park, south of East Dry Creek Road

Project CBRE, Trammell Crow Co., Artis REIT and Fentress

Partner:

1144 Fifteenth



Studio 216

Status: Under construction, to be completed first-quarter 2018. As of now, 37 percent is leased; notable tenants include

As of now, 37 percent is leased; notable tenants include Optiv and Gates.

Optiv and Gates

Size: 670,000 sf, 38 floors

Location: Between Arapahoe and Lawrence streets, and 14th and

15th streets, in Denver's central business district

Project Pickard Chilton Architects, Hines and JLL

Partner:

-Market Roundup

1401 Lawrence



Russ Pence, Core Cinepix

Status: Recently completed. The property is 71.5 percent

leased. Tenants include Polsinelli Shughart Inc., Cushman & Wakefield, Stifel, Nicolaus & Company Inc.

and CoBiz Financial.

22 stories, consisting of 306,000 total leasable sf, including 8,000 sf of first-floor retail/restaurant space. Size:

Floors 2-7 are covered parking.

Location: 1401 Lawrence St. in Midtown, on the edge of Lower

Downtown within the CBD

Project First Gulf Corp., The Beck Group, Cushman & Wakefield

Partner: and Newmark Knight Frank

Cost:

The building cost approximately \$435 per sf to build. Rental rates range from \$32 to \$34 per sf triple net.

Charter Communications Headquarters



Status: Under construction, February delivery. Charter

Communications will be the sole tenant.

Size: 306,000 sf, 12 stories

Location: Interstate 25 and South Fiddlers Green Circle in the

southeast suburban submarket, located at the Village Center Station transit-oriented development

Shea Properties, Newmark Knight Frank, BurkettEUA Project Partner: (interior for tenant), Davis Partnership Architects (core

and shell for developer), and Adolfson & Peterson

Construction

The Circa Building



Open Studio Architecture

Under construction, spring completion Status:

Size: 97,247 sf

Location: 1615 Platte St., in the Platte submarket

Unico Properties, Open Studio Architecture, Swinerton Project

Partner: Builders and JLL

Civica Cherry Creek



Bowen Studios

Status: Under construction, first-quarter 2018 delivery

112,000 rentable sf Size:

Location: Cherry Creek North, Fillmore Street between Second

and Third avenues

Schnitzer West, Davis Partnership Architects, Guess and Project

Pinnacle Real Estate Advisors

-Market Roundup-----

Colorado Center — Tower 3



Tryba Architects and Lincoln Property Co.

Under construction, summer delivery Status:

Size: 229,670 sf, 16 stories - eight floors of office space,

ground-floor retail and covered parking

Location: South Colorado Boulevard and Colorado Center Drive,

in the Colorado Boulevard and Interstate 25 submarket

Lincoln Property Co., ASB Real Estate Investments, Tryba Project

Architects and JE Dunn Construction Partner:

Cost: \$80 million project; rental rates are between \$26 and \$30

per sf triple net

Flight



Dynia Architects

Under construction. The primary tenant will be Status:

Boa Technology, which is leasing 100,000 sf for its

headquarters.

140,000 sf, four floors, approximately 40 offices and Size:

shared conference rooms

Location: On Ringsby Court, just off of 38th Street, on the Taxi

campus in River North

Dynia Architects, gkkworks, Vertix Builders and Zeppelin Project

Partner: Development

\$50 million to build; \$35 per sf for larger spaces with a tenant improvement allowance; \$2,000 to 3,000 Cost:

monthly rent for smaller spec suites

Granite Place at Village Center



Colliers International

Status: Completing construction, 100 percent leased to two

tenants

299,654 rentable sf, 10 floors Size:

Location: Cross streets are South Willow Drive and South

Yosemite Street in Greenwood Village

Granite Properties, Confluent Development, BurkettEUA Project Partner:

(interior), Open Studio Architecture (core and shell) and

Colliers International

Cost: Rental rates are \$24 to \$26 per rentable sf net

Industry RiNo Station



Newmark Knight Frank

Under construction, November delivery. The property Status:

is 30 percent leased to three tenants - Velocity Global, Cloud Elements and Feldmann Nagel LLC.

Size: 152,000 sf

Location: Walnut and 38th streets in the River North submarket

Clarion Partners, Qfactor, Industry Denver and Newmark

Partner: Knight Frank

-Market Roundup

Inova Dry Creek



Status: Delivered in the first quarter. Comcast is the sole tenant.

Size: 211,000 sf, five stories

Location: South Havana and East Geddes in the southeast

suburban submarket; part of a master-planned

development

United Properties, Newmark Knight Frank, Principal Real Estate Investors, Powers Brown Architecture and Proiect Partner:

Adolfson & Peterson Construction

Inova Dry Creek II



United Properties

Under construction, January delivery Status:

222,070 sf, four stories Size:

Location: South Havana and East Geddes in the southeast

suburban submarket; part of a master-planned

development

United Properties and Principal Real Estate Investors Project

Partner:

One Belleview Station



Michelle Meunier Photography

Status: Recently completed

Size: 318,000 sf, 15-story building including four levels of

Location: Situated at the northwest corner of Belleview Avenue

and Quebec Street. The building is part of a 42-acre mixed-use development surrounding the Belleview

light-rail station.

Project Prime West, Goldman Sachs, Front Range Land and

Partner: Development, Cushman & Wakefield, The Weitz Co. and

Riverview at 1700 Platte



Status: Under construction, with completion scheduled for firstguarter 2018. BP Lower 48 has leased 67 percent of the

building.

213,713 gross sf. The building is a four- and five-story Size: building connected by a LINK Structure, plus two levels of underground parking (338 spaces)

Location: 1700 Platte St., located along Platte Street, facing the street to the northwest and the Platte River to the

Trammell Crow Co., Clarion Partners/CalSTRS, Saunders **Project** Construction Co., Tryba Architects, CBRE (office leasing Partner:

and property management) and Legend Partners (retail

southeast.

Approximately \$90 million project; rental rates Cost:

quoted \$32 to \$34 per sf, triple net

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06.23 Annual Golf Classic

06.29 DL Bike Project Tour

07.11 Mid Year Forecast

08.16 Winter Classic Hockey

09.15 Community Makeover

10.10 Commercial Real Estate Conference

10.19 Winter Classic Curling

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RINO BIKE BAR TOUR on JUNE 29

Join the Developing Leaders for a fun, interactive, bike tour with scheduled stops at the newest developments and hottest bars popping up in Denver's hippest neighborhood - RiNo.

No skill necessary—attendees will be pedaling the route on "bike bars" from 5:00 pm to 7:00 pm on June 29. Watch our website for more details and registration information!

REGISTRATION: WATCH NAIOP-COLORADO.ORG · REGISTRATION OPENS SOON

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Is Denver's thriving economy sustainable? Come hear the latest forecast for retail, office, land, industrial, and investment markets from Denver's leading Brokers and invited economist at our Annual Mid Year Forecast! Please not extended event time from 7:00 am to 9:15 am!

Special Guest Presenters include:

- BRUCE JAMES, Moderator—Brownstein Hyatt Farber Schreck, LLP
- CHRIS COWAN—ARA, A Newmark Company (Land)
- SHANE OZMENT—ARA, A Newmark Company (Multifamily)
- JON WEISIGER—CBRE, Inc. (Retail)
- TJ SMITH—Colliers International (Industrial)
- TIM RICHEY—CBRE, Inc. (Investment)
- MATT GAUTREAU Cushman & Wakefield (Office)
- ADAM SANDS—FirstBank (Capital Markets)

Mark you calendars for Tuesday, July 11 am $\,$ at The Ritz-Carlton, Denver.

 $\label{eq:REGISTRATION: Visit NAIOP-COLORADO. ORG for details.}$

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Colorado's office evolution quickens pace

enver's affinity for open space defines much of our culture, attracting those who appreciate the meld of city and outdoor living. The influx of new talent choosing Denver continues to drive the resurgence of development throughout the city. And what's being developed is swiftly adapting to our changing workforce and Denver's unique landscape.

I see this dynamic evolution first-hand through my work representing tenants seeking local space. As our industries and companies continue to evolve – chiefly to attract and retain talent – the pendulum finally swung from the traditional to the modern workplace.

Since people are working differently now, companies of all sizes are rethinking how to support these changes, and it's no longer just the progressive, early stage technology companies. Firms increasingly are redesigning their spaces to contain fewer private offices and cubicles with more open and collaborative areas.

Competition for talent is the primary motivator triggering this shift. No matter the industry, technology has transformed people and operations. As companies build out their IT capabilities, allowing 24/7 connectivity from anywhere with internet access, requirements in the type, size and functionality of space have all been impacted significantly.

Finding the right balance is the key. With the development and implementation of a workplace



Steve
Billigimeier
Executive
managing director
and executive
board member
of the National
Tenant Advisory
Group, Cushman &
Wakefield, Denver

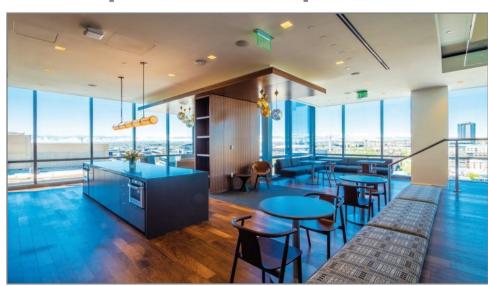
strategy, a true understanding of a company's culture, operations and goals can be the basis of how its space is developed.

Ideally, a new or redesigned workspace supports employees' wellbeing, creativity and engagement. We had this in mind when we recently relocated our Denver office from 1515 Arapahoe Street to 1401 Lawrence Street,

overlooking Larimer Square. As we do for clients, we focused on how to best accommodate amenities important to our people with an open-space concept. Attention was devoted to ensuring we included the various space types needed for our people to thrive, which includes well-placed breakout and meeting rooms lining the inner wall of open office space.

This focus on workplace strategy has become more commonplace, and it's an important consideration for tenants seeking to revitalize or secure space.

I recommend that my clients always start with a budget, because not everyone is going to invest more than \$100 per square foot on tenant improvements, furniture, audio/video and technology. There's a trend toward creative, collabora-



Russ Pence, Core Cinepix

Cushman & Wakefield recently moved to a new office, 1401 Lawrence Street, and designed the workspace to supports employees' well-being, creativity and engagement.

tive space but, at the end of the day, it's not cheap to do, especially if it involves new equipment and furniture. Once a client has defined budget parameters, we look at what can be done.

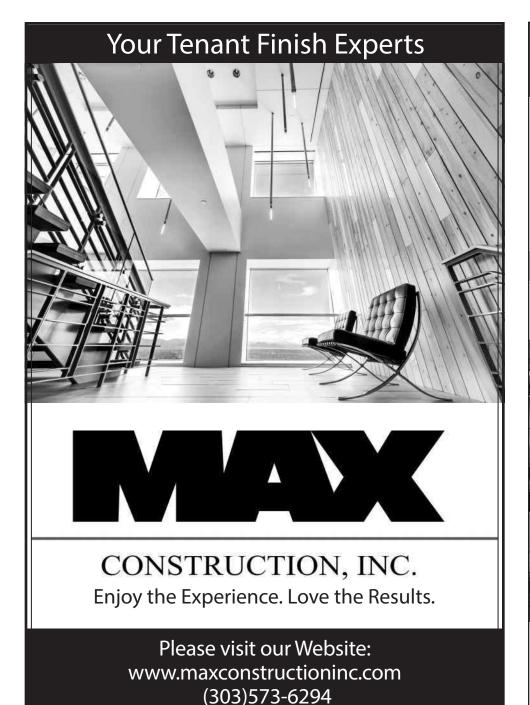
Construction costs have continued to escalate. Since 2010, TI construction costs are up 50 percent, and currently there is 3.7 million sf of office construction underway in Denver. This affects corporate tenants because the supply of quality move-in ready office spaces is limited in a market with 10.8 percent direct vacancy, making TI build-out projects increasingly necessary. Landlord TI allowances don't always cover full TI project costs. Consequently, corporate tenants can be

faced with capital expenditure costs to complete their interior construction projects. It's a study in running all the numbers, weighing those variables and boiling it down.

Then it's time to get creative with the office space and ways to go from there. We look at the bells and whistles available – the cool things companies can do – while being smart on how we design the space and ensuring fluidity in the layout.

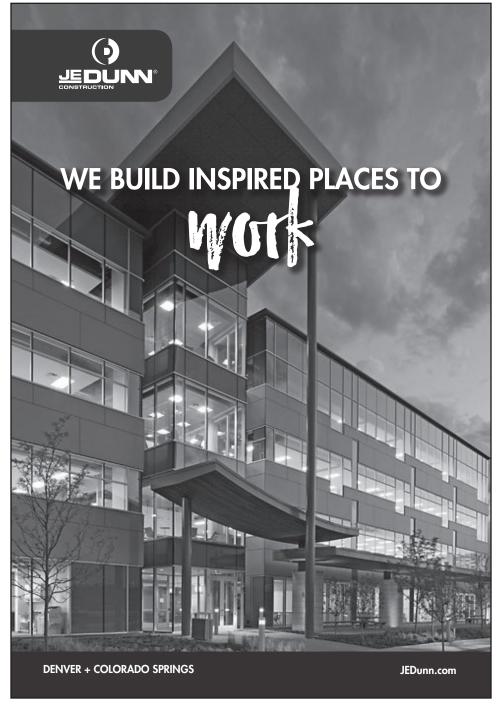
We also consider why people love Denver, its spectacular vistas and natural amenities. Connectivity to the outdoors is important here, which translates into proximity to parks and trails, bicycle conveniences

Please see 'Billigimeier,' Page 32











——Leasing Insights————

Navigating the complex world of GSA leasing

s someone who spent 11 years working in the "belly of the beast" at the General Services Administration and now working on the outside helping others obtain and maintain GSA tenants, I am uniquely qualified to speak on this topic. And speak I do, in a very honest manner. The pursuit of GSA tenants is not always easy – that is a fact – but if you are ignoring this substantial piece of the commercial real estate pie, you are not doing your building any favors. Yes, the challenges are real, but the opportunities greatly outweigh them.

The primary challenge you have to overcome when leasing to GSA tenants is that you need to completely forget everything you know about commercial real estate leases. Simple, right? Think you know what tenant improvements mean and how they are calculated? If you haven't read Section 3 of the new GSA Global Lease, then you would be wrong. Think demolition is a TI cost? Read Section 3. Lessors own these costs as part of the shell offer. Taxes and insurance are covered through common area maintenance or operating rent, right? Not in GSA's world.

The financial structure of a GSA lease is unlike anything else in the commercial market. You must understand this before you can successfully navigate a GSA lease procurement. While the primary



Chad Becker
Principal, Arco Real
Estate Solutions,
Golden

cost drivers that are unique to GSA leases are clearly written in black and white, if you do not take the time to familiarize yourself with the GSA lease, then you can easily short yourself a significant amount of money relative to the size of the

deal. You must read the lease!

Lessors also will need to be aware that they will be signing the GSA lease as written and without negotiated language changes in the vast majority of cases. And the language they are agreeing to is incredibly tenant friendly. Essentially, the GSA lease is half real estate instrument and half insurance policy for the government.

The next challenge to overcome is one of patience. GSA generally will not execute a lease in one month and then occupy the space three months later. GSA's internal target for requirements development through lease execution is 36 months prior to the current lease's expiration.

Granted, a great deal of that time is consumed by GSA working with its client agency prior to GSA going to the market, in an effort to determine what the client needs. However, that internal metric should tell you something about the pace at which GSA and its tenant agencies move. To be clear, GSA employees are not lazy nor slow themselves. They simply are doing commercial real estate leasing with one arm tied behind their back. For every form that a lessor must complete, GSA must execute and review about five times more. Add to the paperwork all the internal reviews, audits, trainings and headquarters' inquiries these individuals face, and the amount of leases GSA executes in a given year becomes impressive.

Despite these challenges, there are plenty of reasons you should care about GSA leasing as a Colorado broker or building owner. GSA data from March includes the following statistics:

- \$126.8 million GSA's annual rent spent in Colorado; nationally, GSA spends \$5.6 billion annually.
- 5 million Rentable sf occupied by GSA tenant agencies in Colorado; nationally, GSA tenants occupy just under 190 million rentable sf.
- 185 Number of GSA leases around Colorado; nationally, GSA holds 8,185 leases.

Based on these three stats, it is obvious that GSA is a major player in the Colorado real estate market and one that shouldn't be ignored. Visit www.arcorealestatesolutions. com/GSA-CO for an interactive map of all the GSA leases in Colorado, including expiration dates, square footages and more.

At this point, you are pondering a few questions:

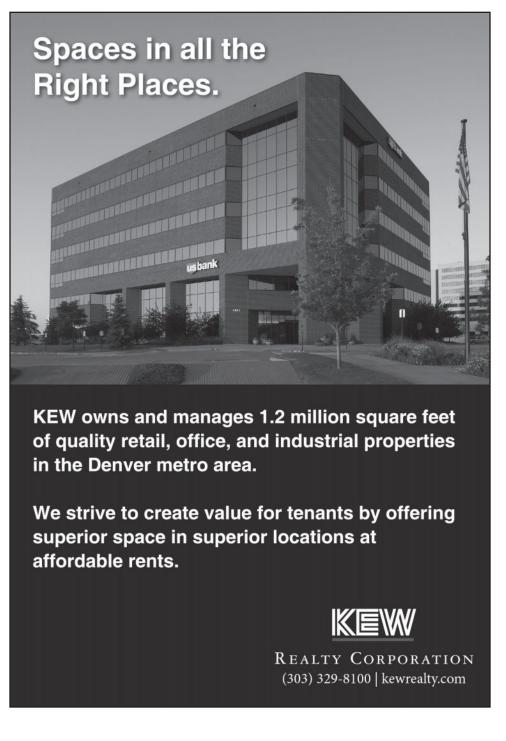
- 1. Where do I find out about GSA lease opportunities?
- 2. What buildings are right for GSA leases?
- 3. How do I go about obtaining a GSA lease?

The first one is easy. Register on www.fbo.gov. This is where GSA advertises upcoming lease opportunities. Class B office and retail buildings are great candidates for GSA leases. Class B typically is modern enough to meet GSA's minimum requirements and can do so at a rate that is highly competitive. With all the conversation surrounding the future of retail brick and mortar, perhaps some GSA leases

could make a suitable play.

Obtaining a GSA lease can be complex and this is where expertise is a driving factor. You must be familiar with the GSA Global Lease and the request for lease proposal. The request for lease proposal is your roadmap for participating in a GSA procurement. The proposal will tell you how to become "technically acceptable" to the government, but the real magic is in the financial proposal. Just remember, it is not necessarily about your offered rate. The successful offerors know that it comes down to the present value of your offer. If this sounds like too much work, you can reach out to one of the niche brokers out there who specialize in GSA leasing.▲









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cross the globe, the impact of climate change is bringing environmental resilience front and center, underscoring the impact we have on the environment. Design is being redefined by sustainability. As architects, interior designers and urban planners embedded in our local communities, we continually are evolving our practice to help our cities become more resourceful, resilient and regenerative.

How we approach the design of our buildings makes a difference. The building sector is the largest contributor of carbon emissions, accounting for 30 percent globally. For this reason, design is an integral part of a climate change solution. Using research and innovation, we can target energy efficiency and lower emissions, from city-scaled approaches to how we plan our workspaces. Design can significantly bolster our climate impact strategy, supporting healthier communities and enhancing tomorrow's livable cities.

Recognizing design's impact, we signed the Paris Pledge for Action in 2015, committing to the sustainable transformation of our global built environment at every project scale. Our firm also has been a participant in AIA's 2030 Commitment for almost 10 years, focusing on the operational energy consumption of the built environment with a goal of eliminating fossil fuel consumption by 2030. As a firm, we have designed over 110 million square feet of LEED certified projects.



Jon Gambrill, AIA, NCARB, LEED AP Managing director and principal, Gensler, Denver

LEED is a preeminent green building certification program used worldwide. Developed by the U.S. Green Building Council, LEED provides a set of rating systems for the design, construction, operation and maintenance of green buildings, homes and neighborhoods, for building owners and operators to be

environmentally responsible and use resources efficiently.

In May, our downtown Denver office became the first LEED certified interiors project in Colorado to achieve the LEED v4 CI rating, the newest version of the LEED green building program from the U.S. Green Building Council. This isn't just a first for Colorado, it also marks a major shift from the previous LEED rating system, increasing baseline efficiencies and redefining material selections.

To meet the certification criteria, our team of designers developed a detailed understanding of the new requirements to apply them to our new workspace. In addition to this great achievement, the Gensler-designed Westin Hotel and Transit Center at Denver International Airport achieved LEED Platinum certification; our 19-story 16 Chestnut office building project is precertified at the Platinum level; and our One



Ryan Gobuty

In May, Gensler's Denver office became the first LEED certified interiors project in Colorado to achieve the LEED v4 CI rating, the newest version of the LEED green building program from the U.S. Green Building Council.

Belleview Station office building is on target to achieve LEED Gold sta-

According to Rick Fedrizzi, CEO and founding chair of the U.S. Green Building Council, this new LEED v4 certification heralds the next era for the built environment, with an emphasis on stronger energy performance, better materials and increased water efficiency. In essence, LEED v4 raises the bar substantially. To meet new compliance requirements from U.S. Green Building Council, our design team

overcame challenges presented from the building infrastructure to become one of the most sustainable workplaces in Denver. Key features include sustainable LED lighting with motion sensors, low-emitting materials, energy- and water-saving equipment, and interior plantscaping.

In additional to these types of features, across Colorado we're seeing rapidly accelerating interest in the incorporation of health and wellness

Please see 'Gambrill,' Page 32





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3 financial firms break away from traditional design

ompanies increasingly are viewing the workplace as an extension of their brand, representing their unique culture, offerings and goals as opposed to a purely utilitarian concern. In highly competitive industries, such as technology, the work environment has long been seen as an essential competitive differentiator and part of the total brand image. However, in our work as commercial interior designers, we are seeing this shift in perception more and more among traditional industries.

Financial firms, in particular, historically have employed a traditional, conservative, high-end aesthetic. While this setting may have conveyed stability and success to previous generations, in order to be competitive today, there's a movement to design spaces for the expectations and work styles of a new generation of employees while also supporting increased brand awareness. What that means is that there is no longer one "typical" look for a financial firm.

To see this reality in action, look no further than Denver's Cherry Creek neighborhood. With a strong history of supporting Denver's financial industry, Cherry Creek is undergoing a transformation from an economic hub for traditional firms to a new frontier for a younger demographic who feels few ties to old-fashioned office aesthetics.

Three financial firms – Capital Value Advisors, Platte River Equity and Life Line Financial Group – are



Sarah Zales, AIA Associate, Elsy Studios, Denver

using (and have used) this momentum to establish themselves in the competitive landscape. Their workplaces are designed to reflect their unique brand, culture and offerings with the goal of attracting top clients and employees.

 Establishing brand voice. When each of these firms set out to create new, modern workplaces, we were there to offer guidance and expertise. At the heart of each company's design was its brand – the space had to be an expression of who they were as a company. When done well, a company's workplace can serve as one of the most effective brand management tools, speaking to what the company values and what sets

CVA's entire model is built on doing things differently, so its design needed to reflect modernity and an entrepreneurial spirit while also conveying the appropriate gravitas for its business. We accomplished this by creating a rustic, comfortable and open hospitality lounge in the middle of the space. which is surrounded by private

As a multifamily office dedicated to helping families build generational freedom, Life Line wanted a space that would reflect its vibrant



Charles White, Charles White Photography

Capital Value Advisors wanted to create a space where the company could entertain clients and celebrate transactions, leading to a that space feels more like an upscale bar than a stuffy office space.

personality, commitment to camaraderie and - most importantly family. The design had to instantly put clients at ease. To achieve this, we added a living room and café where clients can come in, relax and be taken care of like at home. The firm also wanted the space to prominently feature its colors, particularly purple, to subtly reinforce the brand.

• Identifying space goals. There is no one-size-fits-all approach to design, even for firms within a particular industry, because business goals, client needs and employee

work styles can vary so widely between companies. In these three instances, each company required a tailored approach to designing an environment that would meet their specific goals.

Breaking the mold of a traditional investment bank environment, CVA wanted to create a space where the company could entertain clients and celebrate transactions. The solution? A custom-designed collaboration piece used to visually unite various areas of the office and

Please see 'Zales,' Page 32



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Considerations for acoustic, AV upgrades

ithin office environments, acoustics, audiovisual and security elements can be an overwhelming task to manage. New technologies bring new design considerations, which means in addition to the standard problems that arise, careful consideration during the design process is needed.

There have been many recognizable trends in recent corporate office design that impact acoustics. These include the transition from enclosed offices to more open, collaborative spaces, the removal of ceilings to expose the underside of building structure, as well as the inclusion of activity/amenity spaces, either within the tenant fit-out or provided by the building owner for all tenants. These activity spaces range from a simple place to watch television to locations with pingpong and billiard tables, fitness and exercise areas, video games and bowling alleys.

Although these areas can provide a much-needed reprieve from office work and promote relaxation, rejuvenation and team building, they also require special attention so that the noise and vibration associated with any of the amenity activities does not interfere with the workers who are concentrating or communicating in meetings.

Isolation of airborne noise from these activities requires a wellthought-out location. For example, this location is either separated by solid and continuous wall



Alex McGregor Associate, business development, Shen Milsom & Wilke LLC, Denver

construction or located such that the sound travels a very circuitous path with strategically located sound absorption between the activity space and the working areas to dampen the sound as it travels.

Even more problematic, and often overlooked, is the vibration that is

generated by aerobics, rhythmic exercise machines and dropping of weights (including bowling balls.) These forces can result in noise and vibration disturbances in other areas in the building, especially when located on upper floors. Specialized construction such as upgraded floor stiffness, floating floors supported by springs or rubber isolators, and resilient floor finishes can be implemented to help reduce the vibration transfer and allow the deadline-driven worker to concentrate without distraction.

While acoustic design is driven by the functions within a building, planning for audiovisual systems within amenity spaces can vary widely based on the needs of the users. Many amenity spaces make use of digital signage for information delivery, TV shows, building notifications, live weather updates or security notifications. This signage can be as simple as a flat-

screen television connected to a small form-factor computer with a cycling PowerPoint-type presentation listing upcoming events and information or more elaborate interactive displays with the ability to simultaneously feature a broadcast TV channel while also showing locally generated text information pertinent to the users. With the immense variety of options, it is key to understand how the end user will use this technology to communicate to building tenants and plan accordingly.

A typical approach for digital signage design will include providing the infrastructure to support the physical weight of the display and its mount. Similarly, electrical infrastructure for power, data and broadcast television services (antenna, cable or satellite) all should be coordinated for its placement to be concealed by the installed display.

Finally, in any workplace environment, safety and security should be considered of upmost importance, including traditional single-entity office buildings or multitenant-style corporate facilities. Proper assessment during the planning stage is key; with security infrastructure design, it helps to mitigate security risk factors. Ultimately a successful security program will protect valuable assets including staff, visitors, physical facility and critical infrastructure as well as monetary and intellectual data assets.

A major portion of most tenant

buildings is access-control systems. In addition to convenience for card holders, an access-control system offers a multitude of advantages, including programmable controlled access, door scheduling, visitor management, centrally managed database, user audit trails, integration with video events and reduction of lost hard keys. This can involve contactless access credentials, traditionally consisting of access key card or key fob devices. However, these devices may be less secure and more susceptible to "card cloning," which is a severe security risk to an organization.

To mitigate this risk, many companies are moving to smartphones for security access. Soon smartphone mobile access credentials likely will become main stream. This technology is available now as an option from many card-reader manufacturers, either in the form of Bluetooth or near-field communication wireless transmission protocol. Is it safe? Absolutely! Mobile access credentials employ multilayer authentication by combining current key card security encryption with the additional security protections inherently built into smartphones. This type of trend is something to consider and plan for in future design and upgrades.

Whether it is security, audiovisual or acoustics, the aim should be to plan appropriately and to understand the larger goals of the clients to mitigate the risk of redesign in the near or far futures.▲

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Tips to implement new parking technologies

he way we think about the parking experience, particularly for our customers, tenants and property owners, is changing. This is a result of a flood of new technologies that can be used to manage the parking system. Specifically, these new technologies are transforming the way our tenants and customers find, access and pay for parking. Office real estate professionals, property managers, owners and operators can leverage technology capable of managing a parking system to its full potential. The technology systems are commonly referred to as car park management systems.

• Parking guidance systems. One technology quickly taking hold in the industry – and rightfully so – is parking guidance systems. This technology no longer requires a parker to drive up and down every aisle looking for the last open space. Today, wired and wireless sensors can monitor usage of individual parking spaces throughout the facility to determine where open parking is available. That information is then wirelessly communicated and displayed via LED signage at key locations prior to entering the facility, and then once again inside the facility, typically at the end of individual parking lanes. These signs direct parkers to the open spaces. A red/green light is used over each parking stall to easily indicate whether each space is full or open.

Mobile applications are being integrated with these systems to provide real-time parking availability information in advance of



Andrew J. Vidor Parking consultant, Walker Parking Consultants, Greenwood Village

drivers arriving at their destination. Imagine leaving for an event downtown and knowing which parking facilities have available parking, as well as the parking rate you can expect to pay. This provides a much more convenient experience for customers using your facil-

ity and provides owners with an opportunity to reach out directly to prospective customers before they arrive.

 Parking access and payment **strategies.** Today, property managers can utilize a variety of technological tools that permit them to operate more efficiently, effectively and profitably, while providing better service to parkers. One area of parking that has particularly benefited from technological innovation is access and revenue control. Integration of mobile payment platforms have been added into parking access and revenue control systems over the last few years. With other technology, parking operators can send customers a QR code, which can be use to enter and exit the parking system in advance of their arrival. Another technology option is to have the ability to pay for parking with a version of a mobile wallet. These capabilities significantly reduce cash handling, staffing and supply costs.

Selecting the Appropriate Technology

The many parking technologies on the market vary vastly in their intent, functionality, style, cost and purpose. The technology is evolving at a rapid pace – and that can be overwhelming, especially if your parking system needs an upgrade. Not to mention that parking is only one piece of a busy real estate professional's day-to-day responsibility.

Upgrading parking technology is best broken down into three steps:

 Identify the technology strategy. The most important step in the process is identifying the technology strategy that's appropriate for your parking operation. Because there are so many technologies related to parking on the market, this can be a daunting task. Before a technology is selected, the property manager, owner or operator needs to understand what problem needs to be solved and identify what opportunities can result from deploying a new parking technology. After defining the problems and opportunities, you can search the available technologies to determine which will best fit your needs.

• **Design the system.** Not all technologies are plug and play and made to fit your operation out of the box. You must determine and identify the specific interfaces with other key systems, such as employee identification, validation programs and the various nuances of your operation. These elements must be incorporated into the design of the system, in advance of the system being procured. These requirements should be clearly



Walker Parking Consultants Wired and wireless sensors can monitor use of individual parking spaces throughout the facility to determine where open parking is available. That information is then wirelessly communicated and displayed via LEĎ signage at key locations.

defined so potential vendors can price the integration with the overall technology cost.

 Procurement and installation. In many cases, there are multiple manufacturers and vendors who can provide the solution. It's best to identify who they are and allow them to quote the project. A clearly defined scope and pricing sheet will allow you to review the quotes on an "apples-to-apples" basis. A technology upgrade also should

Please see 'Vidor,' Page 32



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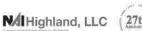
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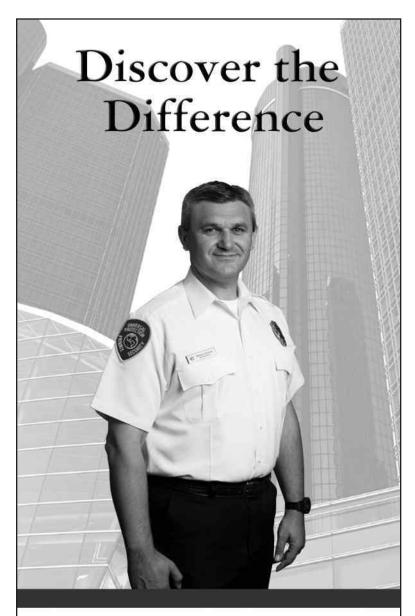
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Continued from Page 20

and shower/changing facili-

Denver has long been home to traditional industries such as oil and gas, but these more traditional sectors have been apprehensive to jump on the latest workplace strategy trends. However, we're starting to see a few examples like British Petroleum's recent move to a new building on Platte Street. The company chose to pay significantly more to locate one of its business unit's North American headquarters within a new

mixed-use building in an area that's predominantly tech focused instead of locating in one of the more traditional high-rises in the central business district where the majority of the oil and gas industry is located. I believe this is a sign that the majority of our culture is in agreement that the siloed workspaces are a thing of the

Building and implementing a workplace strategy based on data can help avoid the pitfalls of allowing the pendulum to swing too far – each company is unique and the amount and type of space

cannot be dictated by what's trendy or for the comfort of just a few. In some instances, every wish-list amenity can be fully funded by reducing the square footage that's leased. In other instances, a business is better supported with more private office and breakout space. Such study and analysis can lead to significant savings in both rental costs and employee attrition.

We in Denver have the location. And we're getting much better at understanding how to respect and creatively utilize our unique landscape.

Gambrill -

Continued from Page 24

concepts, including active workplace design, flexible space design, access to the outdoors and choice in the work environment. These health and wellness design strategies are leading to happier and healthier people, which equate to more efficient and productive employ-

The bottom line is this, sustainable and well-being design makes sense for business. According to the U.S. Green Building Council, 61 percent of corporate leaders believe that sustainability leads to market differentiation and improved financial performance.

Today's tenants understand this and are looking for the benefits that sustainably focused spaces have to offer. LEED certified buildings are demonstrating increased recruitment and retention rates and increased productivity benefits for employers. For this reason, green buildings typically realize higher lease rates than their competition of up to 20 percent above average. By bringing the good in, like clean air and access to daylight, and keeping the bad out, such as harmful chemicals found in paints and finishes, LEED creates healthy spaces, and buildings that optimize wellbeing are becoming more important than ever.

Furthermore, from 2015 to present day, LEED certified buildings are estimated to generate as much as \$1.2 billion in energy savings, almost \$150 million in water savings, over \$700 million in maintenance savings and over \$50 million in waste savings.

Sustainable design is changing the way we think about how buildings and communities are planned, constructed, maintained and operated. Creating resilient and regenerative workspaces, buildings and communities is one of the most important challenges we face, but also an enormous opportunity that we need to capitalize on.

Zales –

Continued from Page 26

create a central gathering space. Capitalizing on the fun factor of the company, this space feels more like an upscale bar than a stuffy office space.

Platte River Equity incorporated elements that reflected its commitment to quality and timelessness, designed to foster collaboration and make clients feel at home. This office has private offices along the exterior with mahogany portals and office fronts that are juxtaposed with a more modern core office space. The main circulation loop is a wide, modern art gallery.

 Reflecting company culture. Each of these clients also recognized the importance of the workplace in enhancing and supporting their unique cultures.

CVA's new space features a rustic, but modern, look and feel that encapsulates a professional, comfortable environment. The design incorporates both headsdown private workspaces and room to entertain.

Life Line's design empha-



Ron Johnson, Studio 3301

Platte River Equity's main circulation loop is a wide, modern art gallery.

sizes vibrancy and warmth, featuring larger-than-life details and a progressive use of mixed metals. Communal spaces accommodate work and socializing for clients to meet in an informal way.

Platte River Equity features a rich neutral backdrop for the display of an extensive collection of fine art, warm woods, upgraded finishes, authentic materials, as well as a strategic use of color and lighting. This design is fitting of well-respected,

seasoned investors who are trusted in the community.

Getting to the heart of a client's brand and goals is always an exciting challenge in the design process, and it's even more so as we see different industries embracing change. Ultimately, we anticipate more industries will follow as they realize their workplace is one of their most important tools in attracting and retaining talent by conveying brand identity, values and goals.▲

Vidor -

include communication to your tenants, customers and staff – including education on the new technologies and their benefits and

impacts - well in advance of installation and implemen-

If completed properly, this three-step process will give your parking customers a more pleasant parking experience and make your day-to-day management of the parking system more efficient and effective. If it seems like a daunting task (and it is), ask a parking professional to assist you.

Continued from Page 29