

OFFICE TRENDS FOR 3Q18

Vacancy Rate	↓	9.9%
Net Absorption	↑	1,148,010 SF
Rental Rates	↑	\$26.85/SF
SF Delivered to Market		93,388 SF
SF Under Construction		4,587,710 SF
Sales Volume (\$)		\$527,180,996
Average Sales Price (\$/SF)	↑	\$238.20/SF

Source: The CoStar Office Report - Third Quarter 2018

RETAIL TRENDS FOR 3Q18

Vacancy Rate	↓	4.6%
Net Absorption	↑	433,337 SF
Rental Rates	↑	\$18.59/SF
SF Delivered to Market		269,784 SF
SF Under Construction		2,268,825 SF
Sales Volume (\$)		\$244,184,654
Average Sales Price (\$/SF)	↑	\$147.63/SF

Source: The CoStar Retail Report - Third Quarter 2018

INDUSTRIAL TRENDS FOR 3Q18

Vacancy Rate	↑	4.9%
Net Absorption	↑	399,459 SF
Rental Rates	↓	\$9.14/SF
SF Delivered to Market		1,020,426 SF
SF Under Construction		9,071,837 SF
Sales Volume (\$)		\$465,795,967
Average Sales Price (\$/SF)	↑	\$109.26/SF

Source: The CoStar Industrial Report - Third Quarter 2018

ALL EYES ON U.S. CAP RATES AMID INTEREST RATE HIKES

Preliminary data shows U.S. cap rates were flat-to-down in the third quarter of 2018 despite eight Federal Reserve interest rate increases since the end of 2015. Investors have been anticipating cap rate increases for some time now – almost hoping for increases in some cases. It hasn't happened yet.

Office cap rates hit 6.7% in Q3'18, up 10 bps from Q3'17, though the trend is largely flat given the mix of what sells each period. Cap rates for the hotel, apartment, and industrial properties were down from a year earlier, though only on the order of 10 to 20 bps. For the industrial sector, the trend through 2018 has been flat, as most of the drop was in late 2017.

The only property sector that has exhibited a measurable increase in cap rates is the retail sector. Cap rates for retail properties averaged 6.5% in Q3'18, though were closer to the 6.4% range in 2016.

Cap rates have been stable this year despite the increases in the target range of the fed funds rate because changes in the long end of the yield curve matter more for real estate pricing. Cap rates have been mostly stable this year, in line with the stability of the 10yr UST. Since February the 10yr UST moved in the 2.8% to 3.1% range. With that stability, cap rates were stable and deal volume was growing slightly.

The jump past the 3.2% range for the 10yr UST since the start of October has investors on edge again. Is it finally time? Will cap rates finally adjust upward in a meaningful way? Perhaps, but I suspect changes will not be seen even in the Q4'18 figures. Sales volume may adjust before pricing assumptions.

Looking at the trend in commercial property sales through Q3'18, if Q4'18 follows the patterns set earlier in the year then sales volume for 2018 may be 10% higher than that for 2017. However, without that stable range on the 10yr UST, the forces driving investment activity may change.

With a higher interest rate environment buyers may return to a sense of caution and desire price adjustments before jumping into new investments. Owners of properties will be hesitant to accept higher cap rates when they look back at comparable properties that have sold over the last few quarters. In combination, buyers and sellers may move further apart on price expectations.

(Source: Real Capital Analytics. By Jim Costello. (www.rcanalytics.com/usct-preview-q3-18/))

PROPERTY MANAGEMENT



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Now that we are in fall it is time for all property owners and managers to address a number of items at their properties in preparation for the upcoming winter months. Addressing these items in a pro-active manner should help to minimize or eliminate those annoying, damaging and often expensive problems that might occur.

Among the items that should be addressed are:

- Have all irrigation systems properly winterized and irrigation back flow devices removed, if possible, and stored for the winter (to prevent theft)
- Disconnect all exterior hoses and shut off valves
- Clean all roof gutters, down spouts and parking lot drainage grates of fallen leaves and debris
- Check caulking around windows and doors to prevent cold air and moisture from entering the space

- Have all swamp coolers properly winterized
- Make sure that heat of at least 60 degrees is set in all vacant spaces
- Turn off water in vacant spaces at the sinks and lavatories
- Establish a removal and ice mitigation plan for all walkways and drive areas. Pay specific attention to all North facing areas. Have extra supplies (shovel, broom, ice melt) on site
- Consider heat tape installation on North facing gutters and downspouts to mitigate ice build-up
- Establish a plan for removal of excessive snow from roof areas (especially flat roofs) to minimize increased weight.

Contact your team of professional vendors to assist with these items. By walking the interior and exterior of your properties with your landscapers, snow removal vendor, maintenance engineer, and HVAC vendor and viewing your properties with the mindset of “what might become a problem and how do we prepare for it” you will be proactively addressing and preparing your’ property for the winter season.

BROKERAGE



Evan Kline

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Over this past quarter we have been involved in several major office lease transactions both as a landlord representative and a tenant representative. The dynamics of the office market have shifted dramatically and there has been a marked increase in the number of people who work remotely. With the advances in technology, today’s workforce can conduct their business almost entirely online. However, smart employers are doing all they can do to continue offering their employees a space in which they enjoy working. More and more offices are utilizing innovative space and the latest technology to lure workers back into the office.

Some of today’s trends in office amenities include;

- **On-site child care.** Flexibility and work life balance are both tremendous factors when people are deciding where to work.

- **Pet friendly environments.** More and more offices today are becoming pet friendly, allowing employees to bring their pets to work with them.
- **On-site fitness.** On site fitness centers allow employees to be more active and more efficient, leading to better overall health and fewer sick days – a cost savings to employers.
- **On-site restaurants.** In addition to having healthier food choices, employees also appreciate the convenience and ease of having options on site.

No matter the industry, it is important to keep a finger on the pulse of what workers are looking for. As these trends continue to emerge and develop, it’s likely the lines will continue to blur between office space, gathering space, and boutique hotels.

Featured Listings

INDUSTRIAL BUILDING W/ PAVED FENCED YARD



4650 Steele Street, Denver, CO 80216

PROPERTY TYPE	Industrial
AVAILABLE SF	110,562 SF
LEASE RATE	Contact Broker
BROKER	Paul Kahn 303-565-3034

NAI Shames Makovsky announces its largest sale of the quarter at 4650 Steele Street, Denver, CO consisting of 110,562 SF for \$7,175,000. NAI Shames Makovsky's Paul Kahn represented the Buyer, CAGSPI 4650, LLC, and has also been retained for the leasing of the property.

The industrial building is ideally located on Vasquez Boulevard with immediate access to I-70 & Colorado Boulevard. After the completion of the CDOT I-70 East Redevelopment Project, 4650 Steele Street will be one of the largest properties and closest in proximity to the newly lowered highway, making it a premier industrial site in Denver.

The property features a 5T bridge crane, 100KVA transformer at 480 volts, and separate 8" feeds for sprinkler system. There is approximately 12,000 SF of office space included and 10,500 SF mezzanine space (which is not included in the square footage).

GHOST BUILDING OFFICE/RETAIL FOR LEASE



**800 18th Street
Denver, CO 80202**

PROPERTY TYPE	Office
AVAILABLE SF	13,611 SF
LEASE RATE	Contact Broker
BROKERS	Darrin Revious 303-565-3016 Ana Sandomire 303-565-3029 Kiley Crews 720-881-7542

PENTHOUSE SUITE AVAILABLE FOR SUBLEASE



**1720 S. Bellaire Street
Denver, CO 80206**

PROPERTY TYPE	Office
AVAILABLE SF	8,602 SF
LEASE RATE	Contact Broker
BROKERS	Ana Sandomire 303-565-3029 Peter Knisely 720-881-7534

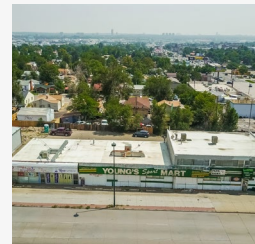
RESTAURANT / RETAIL BUILDING NEAR RINO



**186 E. 45th Avenue
Denver, CO 80216**

PROPERTY TYPE	Retail
AVAILABLE SF	2,600 SF
LEASE RATE	\$17.00 - \$21.00/SF NNN
BROKER	Joey Gargotto 720-881-7540

PRIME HIGH-TRAFFIC REDEVELOPMENT SITE



**270 S. Federal Boulevard
Denver, CO 80219**

PROPERTY TYPE	Mixed-Use
BLDG/LAND SF	10,950 SF / 24,809 SF
SALE PRICE (PRICE/SF)	\$1,350,000 (\$123.30 Bldg / \$54.40 Land)
BROKERS	Todd Silverman 303-565-3031 Paul Cattin 303-565-3030

Top Brokerage Producers for Third Quarter 2018

Congratulations Paul, Dorit, Hayden, Darrin and Ana!



Paul Kahn



Dorit Fischer



Hayden Hirschfeld



Darrin Revious



Ana Sandomire

SIGNIFICANT COMPLETED BROKERAGE TRANSACTIONS

LEASES

Type	Tenant	SF	Address	City	Broker(s)
INDUSTRIAL					
New	WEL LLC	30,302	4721 Ironton Street, Building A	Denver	Matt Emmons
Renewal	Nippon Express U.S.A., Inc.	29,578	5301 E. Peoria Street, Unit C	Denver	Matt Emmons
New	Shinesty, Inc.	21,800	5755 N. Washington Street, Unit B	Denver	Byron Johnson, Evan Makovsky
Renewal	DogLife, Inc.	5,199	555 Alter Street, Unit 19C	Broomfield	Matt Emmons
New	Chipotle Mexican Grill, Inc.	4,000	2080 W. Barberrry Place, Unit B	Denver	Darrin Revious, Ana Sandomire, Kiley Crews
OFFICE					
Renewal	Verint Americas Inc.	20,097	12110 N. Pecos Street, Ste 300	Westminster	Peter Knisely, Jake Malman
New	Turner Construction Company	7,511	1401 Zuni Street, Ste 301	Denver	Dorit Fischer, Hayden Hirschfeld
New	Coachman Energy Partners, LLC	7,215	6501 E. Belleview Avenue, Ste 300	Denver	Trent Rice, Connor Donahue
New	Mile High Early Learning Center	5,972	1799 Pennsylvania Street, 4th flr	Denver	Dorit Fischer, Hayden Hirschfeld
New	Entitlement & Engineering Solutions, Inc.	4,977	501 S. Cherry Street, Ste 300	Glendale	Darrin Revious, Ana Sandomire, Kiley Crews
New	MBS Opco, LLC	4,100	2935 Larimer Street, Ste 2C	Denver	Darrin Revious, Ana Sandomire, Kiley Crews
New	Ascent Energy, LLC	3,950	1125 17th Street, Ste 410	Denver	Trent Rice, Connor Donahue
Renewal	RezStream, LLC	3,898	3801 E. Florida Avenue, Ste 800	Denver	Todd Silverman, Paul Cattin
New	Horizon Resources III Holding LLC	2,719	2150 W. 29th Avenue, Ste 500	Denver	Trent Rice, Connor Donahue
New	Procare Software, LLC	2,708	5690 DTC Boulevard, Ste 540E	Greenwood Village	Peter Knisely
New	Jason A. Marquez, LLC	2,529	950 S. Cherry Street, Ste 508	Denver	Trent Rice, Connor Donahue
RETAIL					
New	WellHaven PetHealth CO, LLC	5,256	2306-2314 E. 6th Avenue	Denver	Dax Gitcho
New	All Out, LLC	3,970	3853-3855 S. Broadway	Englewood	Todd Snyder, Cory Dulberg
New	Spirit Leatherworks, LLC	3,490	1800 Wazee Street, Ste I-1	Denver	Dorit Fischer, Hayden Hirschfeld
New	Birds of a Feather Ltd.	3,125	1526 Blake Street, Ste 100	Denver	Darrin Revious, Cory Dulberg, Kiley Crews
Renewal	Knead Bakery	2,905	6530 Wadsworth Blvd, Ste 100/170	Arvada	Sandy Feld, Jake Malman
Renewal	Pederson Family Martial Arts LLC	2,637	16255 W. 64th Avenue, Unit 4	Arvada	Bill Maher
New	Locker Fit Lifestyle Union Station, LLC	2,597	1709 Chestnut Street, Ste R-2	Denver	Cory Dulberg, Dorit Fischer, Hayden Hirschfeld
New	Peet's Coffee, Inc.	2,468	1709 Chestnut Street, Ste R-1	Denver	Cory Dulberg, Dorit Fischer, Hayden Hirschfeld
New	BDCI, LLC dba OsteoStrong	1,850	7400-7490 S. University Boulevard, Ste 7448	Centennial	Bill Maher
New	The Local Butcher, LLC	1,600	2234-2242 Oneida Street, Ste 2240	Denver	Todd Snyder
Renewal	U.S Government	1,550	6530 Wadsworth Boulevard, Ste 235	Arvada	Sandy Feld, Jake Malman
New	Gabrielle Pleazure Williams	1,402	2299-2231 Larimer Street, Ste 200	Denver	Darrin Revious, Cory Dulberg, Kiley Crews
New	Warby Parker Retail, Inc.	1,337	1800 Wazee Street, Ste 1805-100	Denver	Dorit Fischer, Hayden Hirschfeld
New	Floyd's 99-Colorado, LLC	1,300	1709 Chestnut Street, Ste R-3A	Denver	Cory Dulberg, Dorit Fischer, Hayden Hirschfeld

SALES/PURCHASES

Buyer	Seller	Sale Price	SF	Address	City	Broker(s)
INDUSTRIAL						
Streech Properties, Inc.	Steele 70, LLC	\$7,175,000	110,562	4650 Steele Street	Denver	Paul Kahn
ExtractionTek Sales LLC	Delkevic US, LLC	\$1,950,000	20,261	2190 W. Bates Avenue	Englewood	Matt Emmons, Paul Kahn
Lucky Fortune Cookies, LLC	Kut Kut Holdings Group, LLC	\$1,265,000	8,000	2080 W. Barberrry Place	Denver	Darrin Revious, Ana Sandomire, Kiley Crews
OFFICE						
Casa Grande 1009, LLC	Credit Union Strategic Partners, Inc.	\$4,700,000	23,577	1009 Grant Street	Denver	Dorit Fischer, Hayden Hirschfeld
RETAIL						
Brick&Mortar, LLC	Five Points Plaza, LLC	\$6,000,000	16,563	2736-2804 Welton Street	Denver	Haroun Cowans, Todd Snyder
2650 18th Street LLC	Founders Ridge LLC	\$5,300,000	18,023	335 Barranca Drive	Castle Rock	Darrin Revious, Ana Sandomire, Kiley Crews
KRF Post, LLC	Second and Broadway, LLC	\$3,050,000	4,821	141 Broadway	Denver	Sandy Feld, Jake Malman
All Sacred Holdings, LLC	Patrick Nichols Associates, LLC	\$1,450,000	7,205	7700 W. 44th Avenue	Wheat Ridge	Todd Silverman, Paul Cattin
LAND						
PR III Broadstone Uptown LLC	Mile High Early Learning Center	\$4,550,000	24,829	1780 N. Marion Street	Denver	Dorit Fischer, Hayden Hirschfeld
Westside Line, LLC	Madison 165, LLC	\$1,800,000	9,583	159-165 Madison Street	Denver	Evan Makovsky
Westminster Leased Housing Associates I, LLLP	Home Place Land & Cattle Co., Inc.	\$1,625,000	218,453	10050 Wadsworth Boulevard	Westminster	Darrin Revious, Ana Sandomire, Kiley Crews
Westminster Leased Housing Associates I, LLLP	McKay Tech Center Partners, LLP	\$375,000	56,802	10100 Wadsworth Boulevard	Westminster	Darrin Revious, Ana Sandomire, Kiley Crews