

OFFICE TRENDS FOR FALL 2019

Vacancy Rate	↑	9.4%
Net Absorption	↓	5,792 SF
Rental Rates	↑	\$27.50/SF
SF Delivered to Market		389,114 SF
SF Under Construction		3,492,474 SF
Sales Volume (\$)	↑	\$965,401,314
Average Sales Price (\$/SF)	↔	\$235.68/SF

Source: CoStar Analytics

RETAIL TRENDS FOR FALL 2019

Vacancy Rate	↑	4.5%
Net Absorption	↑	(83,924) SF
Rental Rates	↔	\$21.94/SF
SF Delivered to Market		117,973 SF
SF Under Construction		1,935,067 SF
Sales Volume (\$)	↓	\$390,873,494
Average Sales Price (\$/SF)	↑	\$221.33/SF

Source: CoStar Analytics

INDUSTRIAL TRENDS FOR FALL 2019

Vacancy Rate	↑	4.9%
Net Absorption	↓	781,904 SF
Rental Rates	↑	\$9.42/SF
SF Delivered to Market		2,839,047 SF
SF Under Construction		4,137,343 SF
Sales Volume (\$)	↓	\$333,039,018
Average Sales Price (\$/SF)	↑	\$123.10/SF

Source: CoStar Analytics

RECESSION? PREPARING RETAIL ASSETS FOR 2020

By Cory Dulberg, Retail Broker, NAI Shames Makovsky

The Denver retail market is hot! When is it going to cool off? This is what Denver retail landlords are asking their brokers as we near 2020.

From my institutional retail clients, to local ownership groups, a question I get the most these days is, "The economy in Denver is booming, how long is it going to last, and what does this all mean for my retail asset?" My response to this question includes several factors, starting with a look at the current state of the local and national economy.

Denver has been riding the same economic surge that our country has been on for the last 10 years. As of July 2019, U.S. economic growth became the longest in history, hitting its 121st consecutive month of expansion, according to a report from Metro Denver Economic Development Corporation.

Our city has consistently outperformed the national average for both employment and population growth over the past 10 years. As an example, between May 2018 and May 2019, employment in Colorado rose 1.8 percent, adding 48,200 workers and the national level employment increased over the same period by 1.5 percent.

Denver has been on the radar as a top market nationwide and is no longer an emerging market. Denver has emerged. When discussing the Denver market with retailers, I no longer need to try and convince them that Denver is not a cow town. I tell them to come put their boots on the ground in Denver and let the city's energy speak for itself.

Record amounts of capital continue to be placed into the Denver market from national and international investors. Job growth, in-bound migration, and the expansion of Denver's urban transit system are all major contributing factors.

Looking at future forecasts, most economists indicate that the U.S. will begin to enter a recession at some point during 2020. Predictions of upcoming economic slowdown vary widely and are subject to international tariffs, geo-political pressures, potential domestic interest rate fluctuation, and uncertain national employment growth.

How will this impact Denver's retail market? Undoubtedly, Denver will have the same recessionary pressures that the rest of the country will experience, but I predict it will be less dramatic than some of the secondary markets in the country. Denver's economic fundamentals remain very strong.

There are other factors Denver retail landlords should consider as we approach 2020.

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Tenant Mix, Exposure, Saturation

Landlords should be aware of their retail tenant mix and be cognizant of the exposure they may have should a recession occur. Denver, like other major markets, has experienced rapid expansion of retail tenants in fitness, food and beverage, and entertainment. Denverites have no lack of these options. If someone has enough energy, every day of the week a Denver resident could choose to workout at a different boutique gym, dine and drink with friends at one of our many award-winning restaurants, bars, and breweries, and then head to an exciting entertainment venue to end the night, without repeating retail vendors. That's incredible!

However, in some trade areas throughout Denver, category saturation is becoming apparent. Not all these concepts will weather the slow-down as well as others. Heavy category competition and poor operations will expose a retailer's weaknesses. As a result, landlords with these types of tenants need to be more alert to gross occupancy costs relative to tenant sales, as well as their tenants' credit/balance sheets. Which types of tenants are in your retail asset?

Product Type and Location

Top performing anchored suburban assets, sites located within the urban core, as well as transit-oriented sites, will fare better than unanchored suburban strip centers, which

will be most impacted. These assets continue to reinforce the daily customer traffic generation that is more critical than ever for a retailer's success. Leasing activity and vacancy levels in Denver reflect this. To achieve high occupancy levels, unanchored suburban strip centers will be further forced to rely on tenants with lower credit, discounted rent, or seek alternative nontraditional retail uses such as office/community space. What kind of retail asset do you have?

Internet and E-Commerce

The internet and e-commerce will not be the detriment of all retail. There is no doubt that retail, similar to co-working in the office market, is evolving. Restaurants are steeped in competition with online food delivery to see who can deliver food the fastest to the consumer. Grocery stores are under the same pressure. Those retailers that can provide speed, quality, and an amazing customer experience will continue to be successful, despite the internet. The gap of those that do not adjust to our changing retail climate will continue to widen. How are your retail tenants adjusting to this change?

As we get closer to 2020 and begin to experience potential economic headwinds, keep these factors in mind. I predict the Denver retail market will continue to shine but its retail landlords should be observant and prepared for whatever level of recession we may experience. Are you prepared?

BROKERAGE

Featured Listings



CHERRY CREEK NORTH

28,625 SF / TOP 3 FLOORS OFFICE AVAILABLE

2944 East 1st Avenue, Denver, CO 80206

PROPERTY TYPE	OFFICE
AVAILABLE SF	9,498 - 28,625 SF
LEASE RATE	\$36.00/SF NNN
BROKERS	Ana Sandomire 303-565-3029 Peter Knisely 720-881-7534

- Highly visible, modern office building at the corner of 1st Avenue & Milwaukee Street in Cherry Creek
- Available space can be leased separately or all together
- Building features include floor-to-ceiling windows, high ceilings, and an attached parking garage
- Unbeatable location with immediate access to more than 90 restaurants, shopping, fitness, spas, and much more
- Building signage with prominent 1st Avenue visibility
- Parking at \$135/mo/unreserved and \$200/mo/reserved

PERFECT SPACE FOR A CREATIVE OFFICE USER



7600 East 1st Place, Denver, CO 80230

PROPERTY TYPE	Office/Retail
BUILDING SF	23,276 SF
SALE PRICE	\$6,000,000
BROKERS	Dorit Fischer 303-565-3025 Hayden Hirschfeld 303-565-3048

RARE SERVICE BUILDING W/ FENCED YARD



4909 Fox Drive, Denver, Colorado 80216

PROPERTY TYPE	Industrial
AVAILABLE SF	27,224 SF on 2.9 AC
LEASE RATE	\$15.00/ SF NNN
BROKER	Paul Kahn 303-565-3034

PROPERTY MANAGEMENT



Mark Katz

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While hard to imagine, the Shames Makovsky Property Management Team has begun preparing 2020 Operating Budgets for the properties that we manage.

The budgeting process is quite involved and there are numerous considerations that go into preparing a budget. Far before the income and expense data is entered into our system, the following items need to be addressed:

On the revenue side:

- All existing leases that expire in the coming year need to be analyzed with the leasing staff to arrive at budget assumptions which address whether or not the tenant is projected to renew its lease and what are the projected rental rates, tenant finish costs, commission expenses and any lease concessions. A similar analysis needs to be done to arrive at realistic projections for any new leases anticipated at the property.

On the expense side, the property manager must:

- Work with their existing vendors to obtain information concerning proposed rate increases as well as the need to increase or decrease each individual service provided at the property.
- Talk with the property's insurance agent and property tax appeal groups to target those expense figures for the upcoming year.

- Carefully inspect the property and work with key vendors (roofers, HVAC companies, landscapers, asphalt/concrete vendors, etc.) to insure that capital improvement projects needed in the upcoming year are properly budgeted. This process will address repairs and capital improvements on an immediate, short-term, and long-term basis.
- Review the property's debt structure (if applicable) as it is important to note if the mortgage's interest rate, amortization or impound structure adjusts in the upcoming year.
- Analyze funds projected to be distributed to ownership which is the culmination of the income and expense items listed above.

This data is needed in order to compute expense pass-thru amounts to tenants and the calculation of management and asset management fees. Internally, every budget is carefully reviewed by the property manager as well as the property management accounting team and property management controller.

Once our internal review is complete, the budget is ready to be presented to the property owner for discussion, review, analysis and any final adjustment. Once finalized, the budget is ready for final approval by the property owner and our property management team then prepares to implement the budget on January 1st.

Budgeting is a very detailed and important operational process and is a valuable tool for property ownership and management and serves as a key guideline to assess and measure a property's performance.

SIGNIFICANT COMPLETED TRANSACTIONS

SALES/PURCHASES

Buyer	Seller	Sale Price	SF	Address	City	Broker(s)
INDUSTRIAL						
Flywheel Capital, LLC	Yosemite Management, LLC	\$4,200,000	79,800	1400 Yosemite Street	Aurora	Paul Kahn
4775 Holdings LLC	Frozen, Inc.	\$1,800,000	9,780	4850 E. 39th Avenue	Denver	Byron Johnson, Evan Makovsky, Dorit Fischer, Hayden Hirschfeld
4950 E 56th Ave, LLC	Titco, LLC	\$1,350,000	6,250	4950 E. 56th Avenue	Commerce City	Paul Kahn
OFFICE						
RC Holdings 1, LLC	Twin Street, LLC	\$3,050,000	5,875	1444 Blake Street	Denver	Ana Sandomire, Kiley Crews
Linda Anne Petrie Bunch	JHK, LLC	\$1,300,000	3,200	320 Santa Fe Drive	Denver	Joey Gargotto
LAND						
12th & Bannock, LLC	Golden Triangle Development II, LLC	\$5,568,750	20,609	1151 & 1199 Bannock Street	Denver	Trent Rice, Evan Makovsky, Connor Donahue
12th & Bannock, LLC	Synergic Resources, LLC	\$1,795,000	6,004	1145 Bannock Street	Denver	Trent Rice, Evan Makovsky, Connor Donahue
RETAIL						
JP Morgan Chase Bank, N.A.	S & G Realty Company	\$3,500,000	3,177	2310 E. Colfax Avenue	Denver	Sandy Feld, Jake Malman
Carbat, LLC	J & J Financial, LLC	\$2,000,000	9,411	5400 Federal Boulevard	Denver	Sandy Feld, Jake Malman, Evan Makovsky
5 Points Real Property, LLC	AYRE WP, LLC	\$1,450,000	2,300	2844-2848 Welton Street	Denver	Haroun Cowans
Arville, LLC	Terrono LLC	\$1,350,000	5,650	501 E. County Line Road	Littleton	Todd Snyder

LEASES

Type	Tenant	SF	Address	City	Broker(s)
INDUSTRIAL					
New	Atco Structures & Logistics, Inc.	12.81 Acres	2550 Laredo Street	Aurora	Paul Kahn
New	Steelcase, Inc.	85,253	3503 N. Windsor Drive, Unit A	Aurora	Paul Kahn
New	BrandSafway Solutions, LLC	26,950	6000 E. 58th Avenue	Commerce City	Paul Kahn
New	Magic Fish, LLC	10,000	5297 Vasquez Boulevard	Commerce City	Peter Wycoff
New	Cobild Co.	9,144	4900-4934 Lima Street, Ste 4912	Denver	Paul Kahn
New	Vocational Development Group, dba InBloom Autism Services	7,720	12503 E. Euclid Drive, Ste 55	Centennial	Dax Gitcho
New	Ledge, LLC	6,255	4429-4435 Glencoe Street, Ste 4433	Denver	Sandy Feld, Jake Malman
Renewal	Stone Select	4,864	730 S. Jason Street, Unit 12	Denver	Peter Wycoff
OFFICE					
New	Pay Simple, Inc. dba EverCommerce	50,125	3601 Walnut Street, Ste 400	Denver	Todd Silverman, Paul Cattin
Expansion	Lee & Brown, LLC	16,777	3801 E. Florida Avenue, Ste 202 260	Denver	Peter Knisely, Todd Silverman, Paul Cattin
New	The Village Workspace, LLC	10,250	7173 S. Havana Street, Ste A-600	Centennial	Todd Silverman, Paul Cattin
New	Fivetran, Inc.	9,233	1401 Zuni Street, Ste 302	Denver	Dorit Fischer, Hayden Hirschfeld
New	Lyft, Inc.	7,328	1623-1631 Blake Street, Ste 100	Denver	Ana Sandomire, Kiley Crews
New	Norwich University	7,100	901 Auraria Parkway, Ste 300	Denver	Ana Sandomire, Kiley Crews
New	Vantage Data Centers Management Company, LLC	6,047	100 Fillmore Street, Ste 610	Denver	Ana Sandomire, Peter Knisely
Renewal	Seneca Equity Partners, LLC	5,829	1430 Wynkoop Street, Ste 200	Denver	Trent Rice, Todd Snyder, Connor Donahue
Renewal	STS Services, Inc.	5,341	7995 E. Prentice Avenue, Ste 211E	Greenwood Village	Peter Knisely
Renewal	Koda Resources management, LLC	5,338	1404 Larimer Street, Ste 300	Denver	Ana Sandomire, Kiley Crews
Renewal	Perella Weinberg Partners Group LP	5,186	1623 Blake Street, Ste 200/250	Denver	Ana Sandomire, Kiley Crews
Renewal	Mieco, Inc.	4,519	12110 N. Pecos Street, Ste 270	Westminster	Peter Knisely, Jake Malman
Renewal	Bright Stores, Inc.	3,144	1430 Larimer Street, Ste 200	Denver	Ana Sandomire, Kiley Crews
New	Room 5280, LLC	3,000	1525 Market Street, Ste 100A	Denver	Ana Sandomire, Kiley Crews
Expansion	Fivetran, Inc.	2,237	1401 Zuni Street, Ste 204	Denver	Dorit Fischer, Hayden Hirschfeld
New	Arapahoe County Government (Sheriff's Office)	2,072	58 Inverness Drive East, Ste 210	Englewood	Peter Knisely, Jake Malman
RETAIL					
New	Northern Colorado Community Urgent Care, P.C.	3,237	1420 SW 10th Street, Ste 1159	Loveland	Bill Maher
New	Eva Wei Li, LLC, dba En Vogue Massage	2,500	8006 E. Arapahoe Road, Ste 130	Centennial	Dax Gitcho
Renewal	Ginza Sushi & Grill, Inc.	2,425	2104 S. University Boulevard	Denver	Cory Dulberg
New	JFJ Landmark, LLC	2,409	5425 Landmark Place, Ste F-107	Greenwood Village	Todd Silverman, Paul Cattin
New	Gallerie Quilt LLC	2,236	1216-1218 Washington Street, Ste 1216	Golden	Sandy Feld, Jake Malman
New	Fladebo Pure Barre, LLC	1,381	62 Founders Parkway, Unit A	Castle Rock	Cory Dulberg
New	Dragon Cloud, LLC	1,370	7355 Ralston Road	Arvada	Dax Gitcho
New	Little Heyday LLC	1,301	1800 Wazee Street, Ste B-2	Denver	Dorit Fischer, Hayden Hirschfeld