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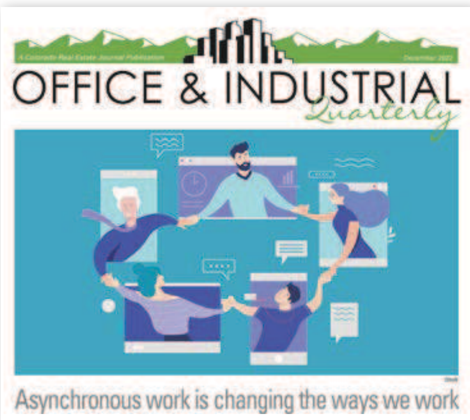
COLORADO REAL ESTATE JOURNAL

THE COMMUNICATION CHANNEL OF THE COMMERCIAL REAL ESTATE COMMUNITY DECEMBER 21, 2022-JANUARY 3, 2023

FEATURED



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Crescent Real Estate sells $180M portfolio

by Jenna Walters

COLORADO SPRINGS – Investment company **Crescent Real Estate** sold the final piece of a 1 million-square-foot office portfolio in Colorado Springs.

Since 2019, Crescent Real Estate has sold the 13-building portfolio as individual buildings or micro-portfolios to multiple buyers, and the last remaining building in the portfolio recently sold. The entire asset traded for an aggregate price of approximately $180 million. **Cushman & Wakefield's Aaron Johnson** and **Jon Hendrickson** represented Crescent Real Estate in the sale of the entire portfolio.

The recent sale of Epic One closed a 13-building portfolio deal Crescent Real Estate has been working on for several years.

The portfolio comprises Northrop Grumman at 3535 Northrop Grumman Point; Newport Centre One at 1670 N. Newport Road; the 59,763-sf office building at 1055 N. Newport Road; Patriot Park I, II, V, VI, VII along Space Center Drive and Technology Court; InterQuest I-IV along Federal Drive; and the most recent to sell – Epic One at 10807 New Allegiance Drive, purchased by an affiliate of Boston-based Albany Road Real Estate Partners for $31.72 million.

Aaron Johnson

"This portfolio comprises some of the most prestigious properties in the region that are all well-positioned in a constrained Class A market with minimal new construction and limited competition," said Johnson. "Colorado Springs is recognized as one of the most desired locations in the U.S. for aerospace and engineering and tech users and has proven resilient with solid fundamentals driven by increased leasing and activity. While still facing challenges like any other market, Colorado Springs is expected to continue its path of healthy recovery."

Crescent Real Estate acquired the portfolio in

Please see **Crescent,** *Page 12*

Thompson Thrift begins luxury MF project

by Jenna Walters

MONUMENT – **Thompson Thrift** is bringing a new luxury multifamily offering to Monument.

The developer is underway on Alta25, a 264-unit apartment community at 16218 Jackson Creek Parkway. **Studio M Architecture and Planning** is designing the project, which broke ground last month.

A rendering shows what Alta25 will look like upon completion.

Upon completion, Alta25 will encompass eight three-story buildings offering one-, two- and three-bedroom units. Averaging 987 square feet, the apartments will feature luxury finishes, including gourmet bar-kitchens with quartz countertops, tile backsplashes, stainless steel appliances, Alexa-compatible smart hubs to integrate all smart devices, smart thermostats and smart door locks, walk-in closets, full-size washers and dryers, and patio, balcony or private yard options.

Community amenities at the property will include a clubhouse, resort-style swimming pool, 24-hour fitness center, Amazon package hub, bike storage and workshop, grilling stations, an outdoor game area, electronic fire pit with a seating area, a dog park, and pet spa with a grooming station. Additionally, residents will have access to nearly 658,000 sf of retail and restaurants at the adjacent Monument Marketplace center.

According to **Josh Purvis,** managing partner at Thompson Thrift Residential, there is strong demand for luxury multifamily communities in the area, and Alta25 was designed to meet this need.

"We expect that Alta25 will provide an appealing rental option for residents desiring the style, luxury and convenience that ThompsonThrift communities feature," Purvis said.

Residents will begin moving into Alta25 upon its completion in 2025. ▲

INDUSTRIAL — LAST MILE

Navigating industrial: Stay agile in uncertain times

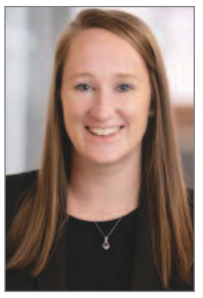
As developers, it's our job to create road maps for our partners, investors and properties. As we enter a new year, uncertainty seems to remain the constant. Interest rate hikes, supply chain disruption and increasing construction costs, as well as shifting post-pandemic consumer behavior, all require us to stay agile.

Despite these challenges, there are pockets of optimism across the industry. According to PwC's Emerging Trends in Real Estate 2023, aspects of the industry are "normalizing." JLL has reported in its Q3 2022 United States Industrial Outlook that "despite a loss of momentum in the macroeconomic environment, industrial market fundamentals remained sound."

While investors await clarity in the market, spreads have continued to compress, and consequently capital market assumptions are increasing, yet tenant demand for industrial space has remained steadfast. According to CBRE's U.S. Industrial Report for Q3 2022, supply is catching up with demand, but available space remains tight. In Denver, the total leasing volume transacted in the third quarter climbed to over 3.9 million square feet, the third highest quarterly total in the last five years. As a result, quarterly achieved rental rates in Denver increased 13.6% year over year.

Strategies for Success

■ **Build to suit.** Continued tenant demand for industrial space in Denver has created an uptick in build-to-suit opportunities, which elevated preleasing activity to 36.3% of all industrial space under development at the end of the third quarter. While investors may exhibit hesitancies in moving forward on speculative projects, build-to-suit opportunities offer predictability in a time of uncertainty. Cap rate expansion puts pressure on developer yield spreads, but rising rental rates and the elimination of downtime between construction completion and rent commencement can help maintain the necessary margin.



Cadie Crean
Development director, Confluent Development

■ **Build to meet the market.** While Denver has experienced larger tenant leasing activity (users over 150,000 rentable sf), specifically in the airport submarket over the last five years, the bulk of tenant leasing activity has remained 25,000- to 40,000-rsf users. Front-park, rear-load, 180-foot to 240-foot-deep buildings provide investors with the potential to capture the larger user, but the building design allows for demising that can accommodate the bulk of the demand. Designing buildings for long-term flexibility and adaptability, with increased clear heights, optimizing loading and improved interior lighting, help set your project apart. While the industrial demand remains strong, when it does slow, we typically see a flight to quality from both investors and users. Ensuring your project is designed to be recession resistant will be a key consideration moving forward.

> According to CBRE's U.S. Industrial Report for Q3 2022, supply is catching up with demand, but available space remains tight.

■ **Integrated team approach.** Having in-house entitlements and construction teams can be the difference-maker. Entitlements are a critical component to any successful development, and sites with no entitlement challenges are largely nonexistent. Being able to navigate projects that need to be rezoned, lifted from flood plains, or mitigated for flammable gas conditions require longer due diligence periods and experienced entitlements expertise. Construction management experts can work in conjunction with entitlements teams to craft phasing solutions, project designs and material selections to usher projects to fruition. Many municipalities are understaffed and, as a result, need developer cooperation from both entitlements and construction perspectives to streamline the project approval process.

Embrace the Future

Now is not the time to sit idle, especially when it comes to the industrial asset class. Consumer behavior is shifting to a culture of immediacy, which doesn't appear to be reverting backward anytime soon. As gas prices rise, logistics and distribution companies will continue to focus on more last-mile locations vs. larger, centralized spoke and hub systems. Population growth is chasing affordable housing, and, as a result, markets like Denver will experience suburban sprawl, creating more last-mile opportunities.

Investors and developers need to remain focused on positioning themselves to capitalize on a dynamic market through recession resistant strategies. Building projects that appeal to tenants focused on future growth, adaptability and sustainability will position the investment to outperform the competition. Don't build for today, build for tomorrow.▲

CCrean@confluentdev.com