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Colorado real estate: then and now

On the occasion of the 20th anniversary of the Colorado Real Estate Journal, we thought it would be appropriate and interesting to reflect upon some of the more significant changes and developments in Colorado's real estate industry over the last two decades. Although the state was a markedly different place in the early 1990s, it is easy to see how the foundations that existed and the projects that were envisioned then have enabled Colorado to grow into one of the leading states in the nation for business and quality of life.

While the major international news of 1992 included the formation of the Russian Federation and the European Union, domestically citizens were more captivated by the trial of the officers accused of beating Rodney King as well as the election of Bill Clinton. In the Centennial State, people were more focused on the passage of the Taxpayer Bill of Rights (TABOR), the dedication of the last portion of Interstate 70 through Glenwood Canyon and, perhaps to a lesser extent, rumors about the role John Elway may have played in the firing of Broncos head coach Dan Reeves.

In the intervening 20 years, Colorado has experienced a tenacious rate of population growth, according to statistics provided by Metro Denver Economic Development Corp. In 1992 the population was about 2 million in the metropolitan Denver area and 3.5 million statewide. Today, those populations have grown by more than 40 percent to more than 2.8 million people in the metro area and 4.9 million statewide, far surpassing the national population growth rate of 21 percent over the same time period. The total labor force in the state has grown by almost 50 percent. Contrary to what many might think, however, net migration to the state has slowed. Colorado's net in-migration was 76,000 residents in 1992 but has settled to around 37,000 per year for the last five years.

Over the last 20 years, increases in the cost to lease real estate have been even more impressive, or distressing, depending on which side of the transaction one is on. According to an analysis provided by Newmark Knight Frank Frederick Ross, office lease rates for A and AA properties in the central business district averaged around \$13 per square foot in 1991. Those rates have steadily climbed since then by 121 percent to around \$28.75 per sf now, far exceeding the 65 percent change in the Consumer Price Index over that same period. Office vacancy rates in 1991 were about 23 percent and have been lower every year since, hovering at around 17 percent in 2011. The tech boom coincided with the lowest office vacancy rate over the last 20 years - about 5 percent in 2000.

After the tech bubble deflated, real estate prices steadily recovered. According to transaction data compiled by Cassidy Turley Fuller Real Estate, sales prices in the CBD bottomed out at \$108 per sf in 2002 and then reached a high of \$222 per sf in 2011. That equates to a 106 percent



Michael Strand, Esq.
Associate, Snell & Wilmer LLP, Denver

increase compared with a 25 percent increase in the CPI over that same time. Wide swings in capitalization rates also coincided with the tech bubble, reaching a low of just 3.8 percent in 2001 and then topping out at 9 percent in 2002.

With some numerical highlights and lowlights laid out, let's take a quick look at four transformative real estate projects that were completed in the last 20 years that helped to turn the Denver metropolitan area into a national model for cities looking to cultivate economic growth while attracting both new businesses and a high-quality work force.

■ **Coors Field.** When the Rockies played their first two seasons at the old Mile High Stadium, LoDo was still a dark and largely unpopulated part of downtown, struggling to pursue a redevelopment dream of city planners and local entrepreneurs. LoDo vacancy levels hovered around 50 percent and almost one-third of the buildings in the area had been foreclosed upon. With its completion in time for the 1995 season, Coors Field helped to spark a rebirth of LoDo from a modern-day skid row to a vibrant cultural, retail and residential neighborhood. Today, Coors Field is the anchor of the LoDo community and a continued catalyst for urban renewal in the downtown area. LoDo's restaurants, galleries, boutiques, hotels and other offerings make it one of the most exciting and vital districts in the state.

■ **Colorado Convention Center.** Not long after the convention center originally opened in 1990, city leaders recognized the center's inadequacy to serve demand and subsequently expanded the center amid much controversy, using unique and creative public financing vehicles. The 2004 expansion cost nearly \$340 million, and the center now consists of 2.2 million total sf, 584,000 sf of exhibit space, 100,000 sf of meeting rooms, 85,000 sf of ballroom space and a 5,000-seat theater. The centrally located center also includes its own light-rail station and a pedestrian bridge linked to the Denver Performing Arts Complex. Today, the center plays host to more than 400 events annually, anchoring the redevelopment of the 14th Street corridor into a vibrant mixed-use area of downtown.

■ **Stapleton and Denver International Airport.** Stapleton Airport, with its six runways and five concourses, was the region's airport and a hub to three airlines: Frontier, Continental and United. The region eventually outgrew Stapleton's capacity, and elected officials along with the Denver Metro Chamber of Commerce mounted an effort as a part of Denver's "Imagine a Great City" campaign to pursue a new airport of international

significance. The proposed location of the new airport was far enough away from downtown to cause significant controversy and also was partially in Adams County, requiring unprecedented intergovernmental cooperation to achieve this impossible dream. Opening in 1995, DIA is now the fifth-busiest airport in the country and the 10th-busiest in the world. The 4,700-acre former Stapleton Airport subsequently was transformed into an international, award-winning model for the redevelopment of urban infill - a transformative master-planned, mixed-use community. The Stapleton community is now home to about 12,000 residents, a town center, several retail and office centers and is one of the best-selling master-planned developments in the country, according to recent media coverage.

■ **Denver Union Station and FasTracks.** In the early 1990s, Denver Union Station and the Central Platte Valley were home to a deteriorating railroad station in a struggling area of Lower Downtown, and the valley was a yet-unrealized redevelopment dream in the eyes of city planners and its new owners. Today, this area is the core of the FasTracks mass transit system, the largest simultaneous construction of a mass transit system in U.S. history, with the redevelopment of the DUS area within the CPV as the hub of the FasTracks wheel. More than 1,000 apartment units alone are planned for the mixed-use, transit-oriented redevelopment of the CPV, with many apartments and condominiums already completed and occupied within mixed-use neighborhoods that connect to DUS and LoDo via pedestrian bridges and walkways. The FasTracks mass transit system master plan includes approximately 50 transit-oriented developments along the eight light- and commuter-rail lines extending in all directions throughout the metro area, emanating from DUS.

The vision of developers and lenders and the pragmatic mindset of local and state governments have helped realize each of these projects, as well as countless others, that have moved Colorado forward into a business-friendly region with a quality of life unparalleled in the Rocky Mountain West. These projects have helped Colorado to achieve steady growth over the last 20 years, while avoiding some of the economic disasters that have befallen other states. That growth, as well as the state's natural beauty and moderate climate, have helped to make Denver the top metropolitan area for relocating adults ages 25 to 34, according to a recent study by the Brookings Institution. Denver is now consistently ranked among the top 10 places to live, and Colorado as a whole maintains a healthy rate of growth and an unemployment rate that is lower than the national average. Real estate professionals can only hope that the next 20 years are as exciting as the last. ▲