

Video

ULI Colorado: Emerging Trends in Real Estate 2022

Date: February 15, 2022

00:04:58 --> 00:05:01: Good morning everyone. We're probably going to get it started

00:05:01 --> 00:05:02: in about 5 minutes.

00:05:02 --> 00:05:06: I know you guys aren't used to seeing human beings

00:05:06 --> 00:05:07: and so you're excited,

00:05:08 --> 00:05:10: but we're going to get started about 5 minutes.

00:06:36 --> 00:06:39: Alright, thank you everyone. Good morning,

00:06:39 --> 00:06:42: good morning. My name is Milton.

00:06:42 --> 00:06:44: I'm the new ULI director

00:06:44 --> 00:06:49: of Colorado. I want to welcome you to our

00:06:49 --> 00:06:52: emerging trends 2022 event. Thank you so

00:06:52 --> 00:06:55: much for joining us. Thank you for the folks who

00:06:55 --> 00:06:56: are joining us virtually.

00:06:56 --> 00:06:59: For the folks who joining us in person.

00:06:59 --> 00:06:59: Thank

00:06:59 --> 00:07:04: you for your flexibility. I appreciate you being willing as

00:07:04 --> 00:07:07: we navigated changing circumstances.

00:07:07 --> 00:07:10: Truthfully, that was like the second week of my job,

00:07:10 --> 00:07:10: so I

00:07:10 --> 00:07:13: don't think I'd have anything valuable to say to you

00:07:13 --> 00:07:13: anyway,

00:07:13 --> 00:07:15: so worked out for me,

00:07:15 --> 00:07:16: but

00:07:16 --> 00:07:17: want to thank our title,

00:07:17 --> 00:07:17: sponsor

00:07:17 --> 00:07:20: I Newmark. I want to say thank our annual sponsor

00:07:20 --> 00:07:21: or Denver South.

00:07:21 --> 00:07:24: You all support represent

00:07:24 --> 00:07:26: your understanding of just how

00:07:26 --> 00:07:28: important these types of events are,
 00:07:28 --> 00:07:31: both for connecting for understanding,
 00:07:31 --> 00:07:33: what's forward, looking. Right, so I want to thank you.
 00:07:34 --> 00:07:35: I want to thank our panelists.
 00:07:35 --> 00:07:37: We got a great group.
 00:07:37 --> 00:07:39: These are experts in the field who give us an
 00:07:39 --> 00:07:41: understanding of what they see.
 00:07:41 --> 00:07:44: But more importantly, they're going to give us understanding
 of
 00:07:44 --> 00:07:46: what leadership looks like in this space.
 00:07:46 --> 00:07:49: I also wanna thank my board.
 00:07:49 --> 00:07:52: I want to thank Ferd my chair.
 00:07:52 --> 00:07:54: I want to also thank Michael,
 00:07:54 --> 00:07:56: my predecessor. I joke all the time.
 00:07:56 --> 00:07:58: I had to order some new feet
 00:07:59 --> 00:08:01: from Amazon to try his shoes.
 00:08:01 --> 00:08:03: They're telling me with supply chain
 00:08:03 --> 00:08:05: issues it'll be like 8 or 12 weeks.
 00:08:05 --> 00:08:05: So
 00:08:06 --> 00:08:10: I'll let you guys know how that works.
 00:08:10 --> 00:08:12: So I want to thank my staff.
 00:08:12 --> 00:08:15: They've been incredible. I think you all know without them
 00:08:15 --> 00:08:17: this this doesn't happen.
 00:08:17 --> 00:08:17: So thank you,
 00:08:17 --> 00:08:19: Madeline. Thank you, Mary Ann,
 00:08:19 --> 00:08:22: who's joining us virtually. Thank you so much for the
 00:08:22 --> 00:08:23: opportunity.
 00:08:23 --> 00:08:26: Thanks for the the brilliant people who selected me.
 00:08:26 --> 00:08:30: Uhm? Sorry. I just wanna you know.
 00:08:30 --> 00:08:32: Note, you probably got a chance.
 00:08:32 --> 00:08:36: Maybe to look at my bio you stalked me on
 00:08:36 --> 00:08:37: LinkedIn.
 00:08:37 --> 00:08:39: My background, I've been
 00:08:39 --> 00:08:42: fortunate to be a public servant my entire career.
 00:08:42 --> 00:08:43: And
 00:08:43 --> 00:08:45: I take that job very seriously,
 00:08:45 --> 00:08:49: and that's a mission. And right now my services to
 00:08:49 --> 00:08:49: you,
 00:08:49 --> 00:08:52: my members, to the state of Colorado,
 00:08:52 --> 00:08:55: to my hometown, had an opportunity to go by my
 00:08:55 --> 00:08:55: house
 00:08:55 --> 00:08:56: that I grew up in.

00:08:56 --> 00:08:58: It looks exactly the same.
 00:08:58 --> 00:09:02: Which is odd because nothing else does in the state,
 00:09:02 --> 00:09:05: and so it's been a privilege to be a part
 00:09:05 --> 00:09:06: of ULI.
 00:09:06 --> 00:09:10: It's funny, I was coming from the city of Atlanta.
 00:09:11 --> 00:09:12: I had members annually
 00:09:12 --> 00:09:15: Atlanta. Told me OK, we're going to get you plugged
 00:09:15 --> 00:09:16: into you like Colorado.
 00:09:16 --> 00:09:18: We really want you to be really involved.
 00:09:18 --> 00:09:22: I took that seriously so it is a pleasure to
 00:09:22 --> 00:09:25: be in front of you all as a pleasure to
 00:09:25 --> 00:09:27: have you all with us today.
 00:09:27 --> 00:09:30: We've got an incredible event this morning.
 00:09:30 --> 00:09:34: Thank you Andy. I'm extraordinary looking forward to what
 you
 00:09:34 --> 00:09:35: see and what you tell us.
 00:09:35 --> 00:09:37: I had a chance to peek at the slides.
 00:09:37 --> 00:09:39: I know I'm in good company.
 00:09:39 --> 00:09:41: All of you guys get excited about charts and graphs.
 00:09:41 --> 00:09:43: This is your time. It's it's.
 00:09:43 --> 00:09:46: It's going down. So without further ado,
 00:09:46 --> 00:09:49: I'm going to turn this over to Kevin McCabe with
 00:09:49 --> 00:09:51: Newmark and he's going to lead us through our program.
 00:09:51 --> 00:09:57: Thank you, Kevin. Thank you Fred.
 00:09:57 --> 00:09:58: Please please.
 00:10:01 --> 00:10:04: That that no stop. Sit down,
 00:10:05 --> 00:10:08: that's really nice, but go ahead and sit.
 00:10:08 --> 00:10:12: Want to welcome everybody everybody that's here also
 welcome everybody
 00:10:12 --> 00:10:13: that
 00:10:13 --> 00:10:14: is joining us virtually.
 00:10:15 --> 00:10:16: For those of you online,
 00:10:16 --> 00:10:18: don't adjust your monitor. This is
 00:10:18 --> 00:10:19: as good as it gets.
 00:10:21 --> 00:10:23: I'm proud to be the moderator again this year.
 00:10:23 --> 00:10:27: I'm also proud to represent the 175 men and women
 00:10:27 --> 00:10:30: that work for Newmark in Colorado.
 00:10:30 --> 00:10:33: Very happy to be a sponsor of this event.
 00:10:33 --> 00:10:37: I'm also very proud to serve on the Executive committee
 00:10:37 --> 00:10:38: of ULI Colorado.
 00:10:38 --> 00:10:41: Any of you that are in the room and aren't
 00:10:41 --> 00:10:42: members become members.

00:10:42 --> 00:10:45: Rod Rodney will make you one by the end of
 00:10:45 --> 00:10:46: the day.
 00:10:46 --> 00:10:48: But but the you get out of it what you
 00:10:48 --> 00:10:49: put into
 00:10:49 --> 00:10:51: it. And it's a terrific staff.
 00:10:51 --> 00:10:54: It's a terrific group. I
 00:10:54 --> 00:10:57: also served with my friend Bruce O'Donnell on the Business
 00:10:57 --> 00:10:59: Development Committee,
 00:10:59 --> 00:11:00: which sounded really
 00:11:00 --> 00:11:02: cool when they got me to do it,
 00:11:02 --> 00:11:02: but
 00:11:02 --> 00:11:05: then I found out that what that meant was I
 00:11:05 --> 00:11:07: called people and asked them for money.
 00:11:07 --> 00:11:09: And so anybody in the room that I've called and
 00:11:09 --> 00:11:10: asked for money.
 00:11:10 --> 00:11:12: If you've given money, thank you.
 00:11:12 --> 00:11:14: If you have not, I'll catch you before
 00:11:14 --> 00:11:15: you get your lunch.
 00:11:16 --> 00:11:20: So at at Newmark, our role is to advise our
 00:11:20 --> 00:11:21: clients.
 00:11:21 --> 00:11:22: We are a service provider.
 00:11:22 --> 00:11:26: We don't put our capital at risk like so many
 00:11:26 --> 00:11:29: of you do and our job is to advise whether
 00:11:29 --> 00:11:30: it's in brokerage,
 00:11:30 --> 00:11:32: all aspects of brokerage, property management,
 00:11:32 --> 00:11:38: facilities management, project management. And it's really
 our active participation
 00:11:38 --> 00:11:42: in you like Colorado is one of the biggest reasons
 00:11:42 --> 00:11:45: we can be sure that the advice we're giving our
 00:11:45 --> 00:11:49: clients is spot on and nobody wants advice on the
 00:11:49 --> 00:11:54: past you can go to probably 100 different websites and
 00:11:54 --> 00:11:55: find historical data,
 00:11:55 --> 00:11:59: but really, the value that you add
 00:11:58 --> 00:11:59: you add
 00:11:59 --> 00:11:59: to
 00:11:59 --> 00:11:59: to
 00:11:59 --> 00:11:59: your
 00:11:59 --> 00:11:59: your
 00:11:59 --> 00:12:00: clients
 00:11:59 --> 00:12:00: firm. You
 00:12:00 --> 00:12:03: add to your investment committee
 00:12:03 --> 00:12:03: what is

00:12:03 --> 00:12:03: is
00:12:03 --> 00:12:03: around
00:12:03 --> 00:12:04: try
00:12:03 --> 00:12:04: the corner,
00:12:04 --> 00:12:04: to
00:12:04 --> 00:12:04: what's
00:12:04 --> 00:12:08: see coming next. And that is why we're here today.
00:12:09 --> 00:12:11: So we have a great panel of local experts
00:12:11 --> 00:12:14: that we'll get to in a little bit.
00:12:14 --> 00:12:17: But first, I'd like to invite Andy Warren to
00:12:17 --> 00:12:18: come up to the stage.
00:12:18 --> 00:12:23: Andy is director of real estate research for PwC.
00:12:23 --> 00:12:26: He's also the Co editor in chief of the actual
00:12:26 --> 00:12:27: report.
00:12:27 --> 00:12:29: And I have this bound and I carry it with
00:12:29 --> 00:12:31: me because it takes me a long time to read
00:12:31 --> 00:12:33: it and I have to look up a lot of
00:12:33 --> 00:12:36: the big words. But we're very happy to have Andy
00:12:36 --> 00:12:36: back,
00:12:36 --> 00:12:39: so Andy will take us into the macro.
00:12:39 --> 00:12:42: He's got some comments on Colorado and then we'll have
00:12:42 --> 00:12:43: our local panel up.
00:12:43 --> 00:12:48: So welcome Andy. Wait wait wait wait wait wait.
00:12:50 --> 00:12:53: He gets applause. It's out of Rodney.
00:12:53 --> 00:12:54: That's it,
00:12:55 --> 00:12:59: yeah? No thank you. Thank you Kevin and Kevin got
00:12:59 --> 00:13:04: the right idea with the emerging trends report I've this
00:13:04 --> 00:13:07: is my ninth year of working on it and you
00:13:07 --> 00:13:09: go through it and we spend months putting it together.
00:13:09 --> 00:13:12: But I highly suggest reading it in small bits and
00:13:12 --> 00:13:15: pieces and maybe not right before you go to bed
00:13:15 --> 00:13:18: because it's it's can get pretty deep at times.
00:13:18 --> 00:13:22: Well it's it's 2022 and if there was any advantage
00:13:22 --> 00:13:27: to needing to move the event from January to now,
00:13:27 --> 00:13:29: I think it's the fact that.
00:13:29 --> 00:13:31: As we expected, when we put the report together last
00:13:31 --> 00:13:32: fall,
00:13:32 --> 00:13:36: we would have changes and I feel like maybe now
00:13:36 --> 00:13:40: we really are on the precipice of starting 2022.
00:13:40 --> 00:13:43: Kind of the way we expected it the way people
00:13:43 --> 00:13:45: expected it when we talked to them in the summer,
00:13:45 --> 00:13:46: getting ready for this year.

00:13:47 --> 00:13:48: And that's kind of reflected
00:13:48 --> 00:13:49: in the sentiment. You know,
00:13:49 --> 00:13:52: we ask everybody every year how do you feeling next
00:13:52 --> 00:13:55: year is going to be compared to the year before?
00:13:55 --> 00:13:56: Or is it going to be better going to be
00:13:56 --> 00:13:57: worse?
00:13:57 --> 00:13:58: Going to be the same?
00:13:58 --> 00:14:00: The last few years have been a little tricky.
00:14:00 --> 00:14:05: You know, going into 2020 didn't expect what we got,
00:14:05 --> 00:14:08: but you know it, it was what it was going
00:14:08 --> 00:14:08: into 2021.
00:14:08 --> 00:14:11: People were a little more muted in how they thought
00:14:11 --> 00:14:13: the year would turn out,
00:14:13 --> 00:14:16: but how many in the room really feel like 2021
00:14:16 --> 00:14:19: was a lot better than you thought it was going
00:14:19 --> 00:14:19: to be.
00:14:19 --> 00:14:22: And that's kind of, I think when we looked at
00:14:22 --> 00:14:23: the numbers for 2022,
00:14:23 --> 00:14:26: a little bit of a surprise is how strong.
00:14:29 --> 00:14:34: For the next slide. Is how strong the overall outlook
00:14:34 --> 00:14:34: was,
00:14:34 --> 00:14:36: and you know? In the nine years I went back
00:14:36 --> 00:14:37: and looked at the history.
00:14:37 --> 00:14:40: I think it was the highest number of people that
00:14:40 --> 00:14:42: expect the next year to be good to excellent that
00:14:42 --> 00:14:43: we had ever had.
00:14:43 --> 00:14:46: You know, 84% on a national level.
00:14:46 --> 00:14:48: If Colorado, you're even more confident,
00:14:48 --> 00:14:51: which is interesting given that you know not one of
00:14:51 --> 00:14:55: the markets that was beaten down terribly by the pandemic.
00:14:55 --> 00:14:57: But you know, things did slow down,
00:14:57 --> 00:15:00: but it looks good, very optimistic,
00:15:00 --> 00:15:03: you know, extremely positive. I haven't been to an event
00:15:04 --> 00:15:06: yet where the local response is.
00:15:06 --> 00:15:08: You know are below the national average,
00:15:08 --> 00:15:10: so I think the groups that are having events tend
00:15:10 --> 00:15:11: to be a little more positive.
00:15:11 --> 00:15:12: They want to hear good news.
00:15:12 --> 00:15:15: The ones that are below just want to move on
00:15:15 --> 00:15:16: to 2023,
00:15:16 --> 00:15:18: but it looks but it looks good and you know,
00:15:18 --> 00:15:21: I, I think I've mentioned this before that the 1%

00:15:21 --> 00:15:23: that I always think it's going to be 4 to
00:15:23 --> 00:15:24: abysmal the next year.
00:15:24 --> 00:15:28: Is about 16 people. They say that every year 2020
00:15:28 --> 00:15:31: they were riding high because there was like 32 people.
00:15:31 --> 00:15:33: They thought it was going to be worse,
00:15:33 --> 00:15:36: but now we're back down to that 1%.
00:15:36 --> 00:15:39: The 16 people and none of them are from here,
00:15:39 --> 00:15:41: so none of you in the room probably think things
00:15:41 --> 00:15:42: are going to be worse next year.
00:15:44 --> 00:15:46: Does that mean there's nothing to worry about?
00:15:46 --> 00:15:49: And that's not exactly true,
00:15:49 --> 00:15:51: so we ask what people are concerned about.
00:15:51 --> 00:15:55: Surprisingly, epidemics and pandemics isn't number one,
00:15:55 --> 00:15:56: it's kind of down level.
00:15:56 --> 00:15:57: It's still on the top ten.
00:15:57 --> 00:16:00: It'll be interesting to see how many years it takes
00:16:00 --> 00:16:01: that to drop off,
00:16:01 --> 00:16:04: because it does. We had an Ebola scare a few
00:16:04 --> 00:16:06: years ago and it stayed kind of up there for
00:16:06 --> 00:16:07: a while,
00:16:07 --> 00:16:09: but it's still there. We're still worth thinking about it,
00:16:09 --> 00:16:13: but it really comes down to kind of availability and
00:16:13 --> 00:16:15: cost labor availability.
00:16:15 --> 00:16:20: Labor cost materials. Same thing with both of those.
00:16:20 --> 00:16:22: Those problems are here. Those problems were here.
00:16:22 --> 00:16:25: I've talked about those by the last four years.
00:16:25 --> 00:16:26: You know we were worried about labor.
00:16:26 --> 00:16:28: Then we had the great resignation,
00:16:28 --> 00:16:31: so we had four or five million people drop out
00:16:31 --> 00:16:33: of the labor force summer slowly coming back.
00:16:33 --> 00:16:35: But it's gonna take a while,
00:16:35 --> 00:16:36: so those are the concerns.
00:16:36 --> 00:16:39: Now that considerable list. It's a little different,
00:16:39 --> 00:16:42: you know this was put together late summer,
00:16:42 --> 00:16:45: early fall. Yeah, people thought you know what could happen
00:16:45 --> 00:16:48: with inflation with the amount of stimulus that was going
00:16:48 --> 00:16:50: into the system we we were having this,
00:16:50 --> 00:16:53: you know, kind of the supply chain issues.
00:16:53 --> 00:16:55: Driving up costs trying to find labor,
00:16:55 --> 00:16:59: but it wasn't quite front of mind as it's turned
00:16:59 --> 00:17:01: into over the last three months,
00:17:01 --> 00:17:03: so I think that's more of an issue if we

00:17:03 --> 00:17:04: ask this question today,

00:17:04 --> 00:17:06: we'd see that go up much higher.

00:17:06 --> 00:17:09: Same thing with interest rates and cost of capital.

00:17:09 --> 00:17:12: Now that's the conversation. How higher interest rates going to

00:17:12 --> 00:17:12: go?

00:17:12 --> 00:17:14: What's that going to do to real estate?

00:17:14 --> 00:17:15: Where is it going to fall in there?

00:17:15 --> 00:17:18: So those are kind of issues that we're talking about

00:17:18 --> 00:17:18: now people.

00:17:18 --> 00:17:21: They're things we're going to be dealing with in 2022.

00:17:21 --> 00:17:24: No question. Don't know how far they'll go into 2023

00:17:24 --> 00:17:25: that they'll be issues,

00:17:25 --> 00:17:27: but even though we're very optimistic,

00:17:28 --> 00:17:33: we're not blindly optimistic. Out of the supply chain concerns

00:17:33 --> 00:17:36: this is kind of newer data and kind of see

00:17:36 --> 00:17:40: that chart on your left is kind of the cost

00:17:40 --> 00:17:44: of freight skyrocketing. Not going to come down fast anytime

00:17:44 --> 00:17:47: soon until we see problems issued.

00:17:47 --> 00:17:49: The other thing is kind of the impact on business,

00:17:49 --> 00:17:53: it's delays and deliveries and supply chain concerns and what

00:17:53 --> 00:17:54: that's doing.

00:17:54 --> 00:17:57: We get a number this morning where producer prices are

00:17:57 --> 00:17:58: up almost 10%

00:17:58 --> 00:18:01: year over year, 1% for January.

00:18:01 --> 00:18:02: So we're still going up.

00:18:02 --> 00:18:05: We haven't peaked yet or it's gonna be so it's

00:18:05 --> 00:18:06: gonna be a problem.

00:18:06 --> 00:18:09: Can I have an impact on different businesses as it

00:18:09 --> 00:18:11: different property types as we go forward?

00:18:13 --> 00:18:14: That's kind of here,

00:18:14 --> 00:18:16: you know, when we asked the people I said it

00:18:16 --> 00:18:17: was a little early in this process,

00:18:17 --> 00:18:22: but you know, and emerging trends for the last.

00:18:22 --> 00:18:26: Yeah, probably 7 years has been saying that interest rates

00:18:26 --> 00:18:28: would go up moderately.

00:18:28 --> 00:18:30: No. One usually says substantially,

00:18:30 --> 00:18:32: but we're starting to see that kind of move.

00:18:32 --> 00:18:33: And as we look at,

00:18:33 --> 00:18:35: you know, kind of inflation going up.

00:18:35 --> 00:18:38: That's new. We weren't expecting inflation.

00:18:38 --> 00:18:42: Then your Treasury commercial mortgage rates all expected

to go

00:18:42 --> 00:18:43: up in 2022.

00:18:43 --> 00:18:47: To some extent, you know nobody is expecting a huge

00:18:47 --> 00:18:48: increase.

00:18:48 --> 00:18:51: But we don't know. Other thing is what will that

00:18:51 --> 00:18:54: do to cap rates when we're looking at equity capital

00:18:54 --> 00:18:54: rates?

00:18:54 --> 00:18:57: There's a lot of cushion right now over historical spreads

00:18:57 --> 00:18:58: over the 10 year Treasury.

00:18:58 --> 00:19:00: Is that going to be enough to kind of keep

00:19:00 --> 00:19:03: value steady so there's some things you know that are

00:19:03 --> 00:19:04: going to be with us,

00:19:04 --> 00:19:06: but All in all, doesn't look like anything that will

00:19:06 --> 00:19:08: derail the market this year.

00:19:10 --> 00:19:12: The trends this year were kind of unique in the

00:19:12 --> 00:19:14: fact that we had a trend that's kind of the

00:19:14 --> 00:19:15: new age of uncertainty,

00:19:15 --> 00:19:18: but other trends kind of contribute to that.

00:19:18 --> 00:19:20: So we kind of put all the trends in the

00:19:20 --> 00:19:24: kind of three themes in this age of uncertainty is.

00:19:24 --> 00:19:27: Not referring to the uncertainty that we've all dealt with

00:19:27 --> 00:19:30: for years or your entire career because real estate is

00:19:30 --> 00:19:31: not a given business,

00:19:31 --> 00:19:32: we don't know every impact.

00:19:32 --> 00:19:35: We don't know all the variables that go in exactly

00:19:36 --> 00:19:37: and we perform a lot of stuff.

00:19:37 --> 00:19:39: But this is kind of new and kind of new

00:19:39 --> 00:19:42: things that we haven't dealt with before,

00:19:42 --> 00:19:43: but we'll have an impact.

00:19:43 --> 00:19:47: But aren't you know something that can completely be

00:19:47 --> 00:19:49: managed.

00:19:47 --> 00:19:49: We're more confident than we were a year ago.

00:19:49 --> 00:19:52: You know, this is the first time during the pandemic

00:19:52 --> 00:19:53: we asked this question.

00:19:53 --> 00:19:57: Do you feel confident making long-term strategic decisions?

00:19:57 --> 00:19:58: This year you know 69%

00:19:58 --> 00:20:01: do versus the 44% last year,

00:20:01 --> 00:20:04: so I think we're getting we're getting more comfortable with

00:20:04 --> 00:20:04: it.

00:20:04 --> 00:20:07: We're learning the new way things work and we feel

00:20:07 --> 00:20:10: like we can make adjustments going forward.

00:20:10 --> 00:20:13: Colorado, even a little more confident.

00:20:13 --> 00:20:17: 79% of the respondents feel more confident than they did
00:20:17 --> 00:20:17: a year ago,
00:20:17 --> 00:20:19: and you know, kind of think it was in the
00:20:19 --> 00:20:20: paper this morning.
00:20:20 --> 00:20:24: You know construction values for last year or not quite
00:20:24 --> 00:20:25: 2019 levels,
00:20:25 --> 00:20:27: but very close. That shows confidence,
00:20:27 --> 00:20:30: so you're moving forward. Somebody is making decisions for
a
00:20:30 --> 00:20:31: longer term.
00:20:33 --> 00:20:36: Canada, what brings us uncertainty is are we going to
00:20:36 --> 00:20:38: be dealing with this kind of?
00:20:38 --> 00:20:41: Pandemic influence is going on.
00:20:41 --> 00:20:44: We put this together, started doing the presentations in early
00:20:44 --> 00:20:45: November,
00:20:45 --> 00:20:47: rolling right along. Very good.
00:20:47 --> 00:20:48: Usually take a little break during Thanksgiving.
00:20:48 --> 00:20:51: What happens the day after Thanksgiving?
00:20:51 --> 00:20:53: There's a new variant discovered.
00:20:53 --> 00:20:58: Two weeks later. Starting spread throughout the country.
00:20:58 --> 00:21:01: Get to January. That's why we're here now in February,
00:21:01 --> 00:21:04: because this happened now I I really need to go
00:21:04 --> 00:21:07: through and get the slide that shows is kind of
00:21:07 --> 00:21:09: peaked and we're headed back down again.
00:21:09 --> 00:21:12: So maybe we're the peak each time.
00:21:12 --> 00:21:15: Maybe it only throws us off course for shorter period
00:21:15 --> 00:21:18: of time because we're getting better at dealing with it,
00:21:18 --> 00:21:20: but we may be dealing with this for awhile,
00:21:20 --> 00:21:22: so this is one of those new areas of uncertainty
00:21:22 --> 00:21:25: and kind of the impacts that it has each time.
00:21:25 --> 00:21:29: Fortunately, they've been similar and we've gotten better at
adjusting
00:21:29 --> 00:21:30: to them.
00:21:30 --> 00:21:33: Nothing to say that we might get something that throws
00:21:33 --> 00:21:35: us for a little bit more of a curve,
00:21:35 --> 00:21:37: like a Russian invasion of Ukraine.
00:21:37 --> 00:21:41: Another piece of uncertainty that we weren't talking about
when
00:21:41 --> 00:21:42: we put the report together.
00:21:42 --> 00:21:44: What does that do to supply chains?
00:21:44 --> 00:21:46: What does that do to energy costs?
00:21:46 --> 00:21:48: Things like that are all going to be there,
00:21:48 --> 00:21:51: so we're in a little bit more of an uncertain

00:21:51 --> 00:21:53: world going forward.

00:21:53 --> 00:21:55: Two other trends that kind of fit with this kind

00:21:55 --> 00:21:55: of uncertainty theme?

00:21:55 --> 00:21:58: Is this. The pandemic didn't hit every mark at the

00:21:58 --> 00:21:59: same and I'll.

00:21:59 --> 00:22:03: I'll show some examples of that related to Denver.

00:22:03 --> 00:22:07: Hit other markets much harder property types differently.

00:22:07 --> 00:22:10: So it'd be a little unrealistic to think that the

00:22:10 --> 00:22:12: recovery was going to be the same everywhere.

00:22:12 --> 00:22:15: It's going to be a little disjointed going forward.

00:22:15 --> 00:22:17: And the second one relates to capital.

00:22:17 --> 00:22:18: Looks like everybody wants in.

00:22:18 --> 00:22:21: We had a trend to year or so ago about

00:22:21 --> 00:22:23: there is no alternative.

00:22:23 --> 00:22:25: Well, it's not now. It's not now.

00:22:25 --> 00:22:28: There is no alternative now it's fear of missing out.

00:22:28 --> 00:22:31: Everybody is looking at putting money in real estate.

00:22:31 --> 00:22:33: Not necessarily the worst situation,

00:22:33 --> 00:22:37: but it does bring with it more uncertainty and challenges

00:22:37 --> 00:22:40: that we maybe haven't dealt with before.

00:22:40 --> 00:22:41: This is kind of the you know,

00:22:41 --> 00:22:43: kind of that pandemic outlook can you.

00:22:43 --> 00:22:46: Denver is the Orange Line you ask and this just

00:22:46 --> 00:22:48: looks their employment in 2019.

00:22:48 --> 00:22:51: Kind of going into the pandemic index to 100 and

00:22:51 --> 00:22:54: you kind of see kind of see the drop from

00:22:54 --> 00:22:57: where you know Denver held up a little better than

00:22:57 --> 00:23:00: the US. The recovery? Yeah,

00:23:00 --> 00:23:01: kind of about the same pace,

00:23:01 --> 00:23:03: but then it began to accelerate a little bit faster

00:23:04 --> 00:23:06: and then going forward it's going to outperform.

00:23:06 --> 00:23:07: So this is one of the markets,

00:23:07 --> 00:23:10: the lucky ones where the city is above.

00:23:10 --> 00:23:14: There are markets that are more dependent on.

00:23:14 --> 00:23:16: Tourism there may be a little lower than that.

00:23:16 --> 00:23:18: Haven't seen people come back yet,

00:23:18 --> 00:23:20: so it's going to be interesting to see how this

00:23:20 --> 00:23:21: all kind of works out,

00:23:21 --> 00:23:25: but right now it looks like the pastry recovery is

00:23:25 --> 00:23:26: there for the Denver Co.

00:23:26 --> 00:23:32: Market and that it probably maintained that forward momentum going

00:23:32 --> 00:23:33: forward.

00:23:33 --> 00:23:36: Property types right? The best example of markets getting hit differently.

00:23:36 --> 00:23:37: Industrial, was there a pandemic?

00:23:37 --> 00:23:40: Oh that's what caused us to build more fulfillment centers.

00:23:40 --> 00:23:43: Everybody wanted to buy things online.

00:23:43 --> 00:23:44: We changed the way we did things strong demand across all aspects of industrial.

00:23:44 --> 00:23:48: You go down to the bottom,

00:23:48 --> 00:23:50: which is retail. These are these are ranked by how people in the survey.

00:23:50 --> 00:23:51: Perceived the outlook for 2022 from favorable to less favorable.

00:23:51 --> 00:23:54: Retail, you know you have to close doors.

00:23:54 --> 00:23:55: You have to can't be open.

00:23:55 --> 00:24:00: Then you see. Kind of the restructuring and that really led to some interesting comments and I would say the in person interviews that we had.

00:24:00 --> 00:24:03: The retail sector is probably more positive than they've been in five years.

00:24:03 --> 00:24:06: They saw some of these problems worked out.

00:24:06 --> 00:24:09: They saw omnichannel solutions that really worked and that they're

00:24:09 --> 00:24:12: going to keep so that side looks good.

00:24:12 --> 00:24:14: We've seen stores start to open again.

00:24:14 --> 00:24:17: Maybe in different locations than they would have been before,

00:24:17 --> 00:24:18: but they're there and that kind of fits for all the property types.

00:24:18 --> 00:24:20: You gotta move down the list housing still very strong.

00:24:20 --> 00:24:24: When do we have a recession?

00:24:24 --> 00:24:26: And then we have single family housing supply drop to record low levels,

00:24:26 --> 00:24:29: prices and virtually every market or as high as they've ever been multifamily.

00:24:29 --> 00:24:31: I think there was about a 22nd period where people worried about what was going to happen during the pandemic.

00:24:31 --> 00:24:33: You know what's going to happen?

00:24:33 --> 00:24:34: Nobody's going to pay their rent.

00:24:34 --> 00:24:38: There's going to be, you know, a wash out of that.

00:24:38 --> 00:24:39: Didn't happen at 20 seconds.

00:24:39 --> 00:24:42: Didn't happen at 20 seconds.

00:24:42 --> 00:24:44: Didn't happen at 20 seconds.

00:24:44 --> 00:24:47: Didn't happen at 20 seconds.

00:24:47 --> 00:24:48: Didn't happen at 20 seconds.

00:24:48 --> 00:24:51: Didn't happen at 20 seconds.

00:24:51 --> 00:24:54: Didn't happen at 20 seconds.

00:24:54 --> 00:24:55: Didn't happen at 20 seconds.

00:24:55 --> 00:24:56: Didn't happen at 20 seconds.

00:24:56 --> 00:24:58: Didn't happen at 20 seconds.

00:24:58 --> 00:25:00: Didn't happen at 20 seconds.

00:25:00 --> 00:25:02: Didn't happen at 20 seconds.

00:25:02 --> 00:25:04: Went over student housing was my favorite one.
 00:25:04 --> 00:25:06: We talked to people, all student housing,
 00:25:06 --> 00:25:07: you know, no one is going to go to college.
 00:25:07 --> 00:25:10: Who would have thought the 20 year old kids would
 00:25:10 --> 00:25:12: rather go live in an apartment at college and take
 00:25:12 --> 00:25:13: classes online,
 00:25:13 --> 00:25:16: then stay in their parents basement.
 00:25:16 --> 00:25:19: It's unfathomable, so it kind of worked through that too
 00:25:19 --> 00:25:20: as well,
 00:25:20 --> 00:25:25: housing, yeah, or hospitality. Another sector hit very hard,
 00:25:25 --> 00:25:26: but once we were allowed to travel,
 00:25:26 --> 00:25:28: we showed that we wanted to,
 00:25:28 --> 00:25:30: so that's kind of working slot office.
 00:25:30 --> 00:25:32: We'll talk about that in a little bit.
 00:25:32 --> 00:25:34: Maybe still some questions there,
 00:25:34 --> 00:25:37: not the first property type we worried about,
 00:25:37 --> 00:25:40: but maybe the one that may have more lingering change
 00:25:40 --> 00:25:42: than we had anticipated going forward.
 00:25:44 --> 00:25:48: Transaction volume all this capital you know we looked at
 00:25:48 --> 00:25:49: 2019,
 00:25:49 --> 00:25:53: which everybody that's been involved remembers was a
 tremendous year.
 00:25:53 --> 00:25:54: It was a very good year.
 00:25:54 --> 00:25:58: Well, guess what? 2021 was even better so we had
 00:25:58 --> 00:25:58: the drop.
 00:25:58 --> 00:26:02: We're back up. People are buying property everywhere.
 00:26:02 --> 00:26:04: Kind of. Think of it now when I look at
 00:26:04 --> 00:26:06: these numbers together looking at all the some of the
 00:26:06 --> 00:26:08: reports from real Capital Analytics,
 00:26:08 --> 00:26:11: you know Denver now is a top 20 global city
 00:26:11 --> 00:26:14: for global destination of capital.
 00:26:14 --> 00:26:17: So capitals coming from everywhere people are buying,
 00:26:17 --> 00:26:19: it's not just industrial, it's bounced back.
 00:26:19 --> 00:26:23: The other industrial apartments certainly are leading in most
 markets,
 00:26:23 --> 00:26:26: but it's also. People are buying retail,
 00:26:26 --> 00:26:28: people are buying office. They're also buying hotels.
 00:26:31 --> 00:26:34: A lot of conversation about alternative asset types.
 00:26:34 --> 00:26:38: I don't think we had a single conversation where somebody
 00:26:38 --> 00:26:41: did not use the two words life science that is
 00:26:41 --> 00:26:42: at the forefront.
 00:26:42 --> 00:26:44: Everybody is very interested in life science.

00:26:44 --> 00:26:46: How can I invest in life science?

00:26:46 --> 00:26:50: So that's their datacenters. We see what happens when everybody

00:26:50 --> 00:26:50: works remotely.

00:26:50 --> 00:26:52: We need more data center capacity.

00:26:52 --> 00:26:55: So a lot of conversation and getting into these property types.

00:26:55 --> 00:26:55: Problem is these are specialized property types.

00:26:55 --> 00:26:58: It's not easy for everybody to get into even you

00:26:58 --> 00:27:00: know some core funds are limited to how much they

00:27:00 --> 00:27:03: can put in.

00:27:03 --> 00:27:04: To them, special expertise is required.

00:27:04 --> 00:27:07: Certain markets have to have,

00:27:07 --> 00:27:09: you know the talent, the capital to be able to

00:27:09 --> 00:27:12: have a life Science Center.

00:27:12 --> 00:27:14: So we're going to see that kind of evolve,

00:27:14 --> 00:27:15: but I think what we will see over the next

00:27:15 --> 00:27:18: few years is this conversation about we're no longer for

00:27:18 --> 00:27:22: asset types is our core.

00:27:22 --> 00:27:23: We may see more of these as we get more

00:27:23 --> 00:27:26: history and learn how they behave and how to invest

00:27:26 --> 00:27:29: in them.

00:27:29 --> 00:27:29: And then the problem when these become considered poor

00:27:29 --> 00:27:32: asset

00:27:32 --> 00:27:32: types,

00:27:32 --> 00:27:34: do we begin to see even more capital?

00:27:34 --> 00:27:36: Available to invest in them,

00:27:36 --> 00:27:38: so now might be the window of opportunity for all

00:27:38 --> 00:27:40: some of these alternatives,

00:27:40 --> 00:27:43: because once the more capital gets their hands on the

00:27:43 --> 00:27:44: idea of I can get into this asset class.

00:27:44 --> 00:27:46: We'll see it begin to flow there,

00:27:46 --> 00:27:48: but it also offered offers opportunities,

00:27:48 --> 00:27:50: especially in markets that are growing that have the ability

00:27:50 --> 00:27:54: to,

00:27:54 --> 00:27:54: you know, meet the needs of some of these property

00:27:54 --> 00:27:56: types.

00:27:56 --> 00:27:57: Medical offices on there. I don't think medical office to

00:27:57 --> 00:28:00: me is a little bit of a,

00:28:00 --> 00:28:01: you know, maybe more mainstream before I know most.

00:28:01 --> 00:28:05: Institutions kind of consider a core,

00:28:05 --> 00:28:06: but more interest in it.

00:28:06 --> 00:28:08: It's kind of the money that was raised.

00:28:08 --> 00:28:11: It's kind of the money that was raised.

00:28:11 --> 00:28:12: It's kind of the money that was raised.

00:28:12 --> 00:28:15: Remember all that money that was going to go into
00:28:15 --> 00:28:15: distressed assets?
00:28:15 --> 00:28:18: We went into the pandemic and it was all raised
00:28:18 --> 00:28:20: and we thought OK and then ready to pull the
00:28:20 --> 00:28:20: trigger.
00:28:20 --> 00:28:23: And wow, where's the distress?
00:28:23 --> 00:28:25: There wasn't as much of it as we anticipated.
00:28:25 --> 00:28:27: Sure, there was some, but not enough,
00:28:27 --> 00:28:31: but this way. So now we've got \$230 million sitting
00:28:31 --> 00:28:34: on the sidelines looking for a home waiting to be
00:28:34 --> 00:28:35: deployed.
00:28:35 --> 00:28:38: Bad news is we have \$231 billion waiting to be
00:28:38 --> 00:28:38: deployed.
00:28:38 --> 00:28:41: The good news is it's not being forced into the
00:28:41 --> 00:28:41: market.
00:28:41 --> 00:28:44: Yeah, you know we're still being very rational and looking
00:28:44 --> 00:28:45: at opportunities,
00:28:45 --> 00:28:47: and that's a good sign you know,
00:28:47 --> 00:28:48: and they're still raising money.
00:28:48 --> 00:28:52: You know, probably not going to raise back to the
00:28:52 --> 00:28:55: 2019 level in 2021 when the final.
00:28:55 --> 00:28:58: Data is available. It's going to be up there so
00:28:58 --> 00:29:00: the interest in the asset class is growing.
00:29:00 --> 00:29:03: The interest in where to invest is growing in terms
00:29:03 --> 00:29:06: of property types and the interest in where to put
00:29:06 --> 00:29:09: that money is growing in terms of geographic locations.
00:29:12 --> 00:29:14: It's kind of from the survey as we kind of
00:29:14 --> 00:29:16: ask people you know acquisition.
00:29:16 --> 00:29:17: They think we may be a little oversupplied.
00:29:17 --> 00:29:20: That's the good thing about that money sitting on the
00:29:20 --> 00:29:21: sidelines right now.
00:29:21 --> 00:29:23: In case we do need it.
00:29:23 --> 00:29:26: Development in a little little lower not nearly don't feel
00:29:26 --> 00:29:28: it's quite as over as by,
00:29:28 --> 00:29:30: but this hasn't been, you know,
00:29:30 --> 00:29:32: it's been a little bit of a challenge to develop
00:29:32 --> 00:29:35: at this point to get approval through all the closed
00:29:35 --> 00:29:37: offices to get plans approved.
00:29:37 --> 00:29:40: Get financing all that kind of working out,
00:29:40 --> 00:29:43: but right now the markets don't look too bad in
00:29:43 --> 00:29:46: terms of where people feel like if there's capital available
00:29:46 --> 00:29:47: for debt equity.

00:29:47 --> 00:29:48: Kind of each of those,
 00:29:48 --> 00:29:51: but not so much that they're worried about.
 00:29:51 --> 00:29:53: You know we're doing something.
 00:29:53 --> 00:29:57: Foolish again, we're not 2006 2007 at this point.
 00:29:59 --> 00:30:04: Where's it coming from? Some new players private equity?
 00:30:04 --> 00:30:09: Foreign capital private investors much very active in these markets
 00:30:09 --> 00:30:09: now,
 00:30:09 --> 00:30:12: so it's not just the institutions that are looking to
 00:30:12 --> 00:30:13: put money out.
 00:30:13 --> 00:30:15: You can get debt from different sources.
 00:30:15 --> 00:30:17: You know non financial institutions,
 00:30:17 --> 00:30:22: debt funds, mortgage rates all looking to put money out
 00:30:22 --> 00:30:22: so.
 00:30:22 --> 00:30:25: As the number of players rise and the number of
 00:30:25 --> 00:30:27: alternatives of where to get capital go up,
 00:30:27 --> 00:30:29: this is going to you know it'll be challenging.
 00:30:29 --> 00:30:32: It will also offer opportunities for people that are involved
 00:30:32 --> 00:30:33: in these looking to place money,
 00:30:33 --> 00:30:37: so it's going to be a very interesting 2022 as
 00:30:37 --> 00:30:41: we kind of see what the new normal looks like,
 00:30:41 --> 00:30:43: but how much this money sticks around as we go
 00:30:43 --> 00:30:45: into the rest of the decade?
 00:30:47 --> 00:30:50: Flexibility. That's kind of the next theme that we had
 00:30:50 --> 00:30:54: out of our trends and flexibility got to refers to
 00:30:54 --> 00:30:55: the idea of the idea.
 00:30:55 --> 00:30:58: You know that we could do things the way we
 00:30:58 --> 00:30:58: want to do.
 00:30:58 --> 00:31:01: When we were working remotely,
 00:31:01 --> 00:31:02: we shopped and we wanted to.
 00:31:02 --> 00:31:05: We shopped how we wanted to could either go out
 00:31:05 --> 00:31:07: or you could buy online.
 00:31:07 --> 00:31:08: We got used to doing things differently.
 00:31:08 --> 00:31:10: Movies were no longer first run,
 00:31:10 --> 00:31:13: movies were no longer available only in theaters.
 00:31:13 --> 00:31:15: You could watch them on your TV,
 00:31:15 --> 00:31:17: so we've gotten used to this.
 00:31:17 --> 00:31:19: And the big surprise has been.
 00:31:19 --> 00:31:22: How well some of it worked.
 00:31:22 --> 00:31:26: How long it took us to get tired of some
 00:31:26 --> 00:31:26: of it,
 00:31:26 --> 00:31:30: and then how that we're kind of blending.

00:31:30 --> 00:31:34: The two things together going forward.

00:31:34 --> 00:31:36: Trends from that work anywhere.

00:31:36 --> 00:31:41: Office reset happening. We are seeing things differently.

00:31:41 --> 00:31:43: Work anywhere, live anywhere. If I can work anywhere,

00:31:43 --> 00:31:46: will I still be able to live anywhere I want

00:31:46 --> 00:31:47: to?

00:31:47 --> 00:31:48: A lot of people took advantage of that,

00:31:48 --> 00:31:51: and then they finally is proptech not going to talk

00:31:51 --> 00:31:54: a lot about Prop tech because it probably changed from

00:31:54 --> 00:31:56: the time I got here this morning at 9:30.

00:31:56 --> 00:31:59: It's evolving very quickly. While we did see was that

00:31:59 --> 00:32:00: it worked,

00:32:00 --> 00:32:02: so it's hit a certain level of maturity.

00:32:02 --> 00:32:06: You'd think of the amount of technology that was applied

00:32:06 --> 00:32:09: to the multifamily industry in terms of leasing apartments.

00:32:09 --> 00:32:11: You could lease an apartment without ever.

00:32:11 --> 00:32:14: Hey ever seen it or ever talking to everybody face

00:32:14 --> 00:32:16: to face they saw how well that worked so when

00:32:16 --> 00:32:19: we talked to people in that industry now they're thinking

00:32:19 --> 00:32:22: OK we can take some of those people that we're

00:32:22 --> 00:32:24: doing that face to face work and they can now

00:32:24 --> 00:32:26: go do back office work.

00:32:26 --> 00:32:29: All of our face to face will be enhancing tenant

00:32:29 --> 00:32:30: experience.

00:32:30 --> 00:32:33: So we're changing. We're doing things differently and that's

00:32:33 --> 00:32:34: going

00:32:34 --> 00:32:35: to continue.

00:32:35 --> 00:32:36: There's still going to see money going into that.

00:32:40 --> 00:32:41: It's not that different

00:32:41 --> 00:32:43: from the people that really like remote work and the

00:32:43 --> 00:32:46: people who think everybody needs to be in the office.

00:32:46 --> 00:32:48: They kind of look at these options that people think

00:32:48 --> 00:32:51: you know they feel more productive 'cause you don't have

00:32:51 --> 00:32:51: to get up,

00:32:51 --> 00:32:53: get ready and drive in.

00:32:53 --> 00:32:56: Trade off, maybe it's a little harder to collaborate.

00:32:56 --> 00:32:59: People aren't right there, you know the balance,

00:32:59 --> 00:33:01: the work life balance is certainly good,

00:33:01 --> 00:33:03: but that is a negative connotation too.

00:33:03 --> 00:33:06: When you, you know are when you work from home,

00:33:06 --> 00:33:08: that's great. When your home is your work,

00:33:08 --> 00:33:10: it gets a little more complicated.

00:33:10 --> 00:33:14: People feel burnout. Don't know quite what to do,
00:33:14 --> 00:33:16: so we'll see some kind of fading back from that.
00:33:16 --> 00:33:17: And then they they like the options.
00:33:17 --> 00:33:19: It's got another word for flexibility.
00:33:19 --> 00:33:22: We like the option of being able to do what
00:33:22 --> 00:33:23: we want to.
00:33:23 --> 00:33:27: One you know interesting story from the whole work from
00:33:27 --> 00:33:27: home was.
00:33:27 --> 00:33:32: The traffic numbers and most of these downtown metros
00:33:32 --> 00:33:33: bounce
00:33:33 --> 00:33:37: back.
00:33:33 --> 00:33:37: Well before. Office occupancy return to the same levels so
00:33:38 --> 00:33:41: people weren't going downtown to work,
00:33:41 --> 00:33:43: but they were still going downtown and I talked to
00:33:43 --> 00:33:46: somebody I was curious about that 'cause I couldn't quite
00:33:46 --> 00:33:49: understand why that would be but then realize well people
00:33:49 --> 00:33:51: are sitting there and they get up and run errands
00:33:51 --> 00:33:53: and they're going and doing things so they're out on
00:33:53 --> 00:33:53: the roads.
00:33:53 --> 00:33:55: We do like to get out.
00:33:55 --> 00:33:59: Lost connections, you know, kind of a negative from how
00:33:59 --> 00:34:00: we do work.
00:34:00 --> 00:34:03: And you know building your network and knowing people and
00:34:03 --> 00:34:06: just having that feeling like you're part of an organization.
00:34:06 --> 00:34:08: If you're working remotely all the time.
00:34:09 --> 00:34:10: Gonna change a lot.
00:34:10 --> 00:34:14: You know this is from a PwC survey on workers.
00:34:14 --> 00:34:17: You know, pre pandemic 5%
00:34:17 --> 00:34:18: of people were in the office.
00:34:18 --> 00:34:21: You know, have five people spent 5%
00:34:21 --> 00:34:26: of their time outside of the designated workspace post
00:34:26 --> 00:34:28: pandemic?
00:34:28 --> 00:34:30: Think that'll be somewhere in that 20%.
00:34:28 --> 00:34:30: So we're going to have that flexibility.
00:34:30 --> 00:34:32: But what's that flexibility going to look like?
00:34:32 --> 00:34:35: And that's this is where we get so interesting.
00:34:35 --> 00:34:39: Three seems to be the magical number everybody we talked
00:34:39 --> 00:34:43: to talk to somebody who's a strong proponent of remote
00:34:43 --> 00:34:43: work.
00:34:43 --> 00:34:45: How many days do you think you want to work
00:34:45 --> 00:34:45: remotely?
00:34:45 --> 00:34:49: Well, three or four? Talk to somebody who thinks everybody
00:34:49 --> 00:34:51: should be in the office all the time.

00:34:51 --> 00:34:55: Bomb a day should people be in be in the
00:34:55 --> 00:34:56: Office 3 or 4.
00:34:56 --> 00:34:59: So we're kind of we're gonna kind of think just
00:34:59 --> 00:35:02: naturally evolved to that three day model won't be the
00:35:02 --> 00:35:04: same three day model.
00:35:04 --> 00:35:06: You know, there are many many different variations,
00:35:06 --> 00:35:09: and I'm sure you all have different variations of what
00:35:09 --> 00:35:11: those three days look like.
00:35:11 --> 00:35:13: In the survey, we asked people one of the main
00:35:13 --> 00:35:16: reasons for going to remote workforce and one of the
00:35:16 --> 00:35:18: top ones was to reduce my office footprint.
00:35:18 --> 00:35:20: Well then you talked to some may go.
00:35:20 --> 00:35:23: Well, we're going to have everybody in the office on
00:35:23 --> 00:35:23: Tuesday,
00:35:23 --> 00:35:26: Wednesday, Thursday. I'm not sure how you're going to
reduce
00:35:26 --> 00:35:29: your footprint when the same number of people are coming
00:35:29 --> 00:35:30: in every day at the same time,
00:35:30 --> 00:35:32: but you know, it'll kind of it'll.
00:35:32 --> 00:35:33: It'll work its way out as people.
00:35:33 --> 00:35:36: No one has suggested they're going to have everybody in
00:35:36 --> 00:35:36: the office Monday,
00:35:36 --> 00:35:41: Friday. But that seems to be off the table,
00:35:41 --> 00:35:42: so we haven't seen that yet.
00:35:42 --> 00:35:46: You can kind of see most people feel like that
00:35:46 --> 00:35:46: at least 75%
00:35:47 --> 00:35:49: of workers will be in the office three days a
00:35:49 --> 00:35:50: week.
00:35:50 --> 00:35:51: This is an interesting one.
00:35:51 --> 00:35:53: Whoops, I didn't go back one.
00:35:53 --> 00:35:56: You know, Denver is a little higher on that.
00:35:56 --> 00:35:58: This is kind of a an economy and and it
00:35:58 --> 00:35:59: does vary.
00:35:59 --> 00:36:03: When you think of you know the industry mix and
00:36:03 --> 00:36:04: the people here,
00:36:04 --> 00:36:06: you know, I think the see a little bit more
00:36:06 --> 00:36:07: people being in the office.
00:36:07 --> 00:36:09: Maybe not all the time,
00:36:09 --> 00:36:11: but they do. You know so that 100%
00:36:11 --> 00:36:12: remote work that you know?
00:36:12 --> 00:36:16: Maybe somebody who moved here from New York for the
00:36:16 --> 00:36:16: pandemic.

00:36:16 --> 00:36:18: You know, if they stay here,
 00:36:18 --> 00:36:20: they may, you know, be coming to an office,
 00:36:20 --> 00:36:21: so I think that's a little different.
 00:36:21 --> 00:36:24: That's this is one of the few markets where I've
 00:36:24 --> 00:36:28: seen that much of a differential between that back in
 00:36:28 --> 00:36:29: the office number.
 00:36:29 --> 00:36:31: So what about office space need then if I have
 00:36:31 --> 00:36:33: fewer people are going to be in the office.
 00:36:33 --> 00:36:36: People generally feel like will need less space.
 00:36:36 --> 00:36:38: Another area where Denver is a little bit different.
 00:36:38 --> 00:36:41: You know, Denver feels like you could see 20%.
 00:36:41 --> 00:36:44: Almost think we could see an increase in office space.
 00:36:44 --> 00:36:48: That's part of that. And when I talk about what
 00:36:48 --> 00:36:51: people want in office now is they want more space.
 00:36:51 --> 00:36:54: They want collaborative space. They want space where the
 people
 00:36:54 --> 00:36:56: in the office can collaborate with the people who aren't
 00:36:56 --> 00:36:57: in the office.
 00:36:57 --> 00:36:59: So the amenity war that we talked about a few
 00:36:59 --> 00:37:00: years ago.
 00:37:00 --> 00:37:03: Didn't go away. It's kind of shifted focus.
 00:37:03 --> 00:37:06: The idea idea now is not to entice you to
 00:37:06 --> 00:37:09: stay in the office forever and never go home.
 00:37:09 --> 00:37:11: The idea is to get you to come to the
 00:37:11 --> 00:37:14: office in the 1st place so people are looking for
 00:37:14 --> 00:37:15: a different set of amenities,
 00:37:15 --> 00:37:18: but they're still still want new space and we see
 00:37:18 --> 00:37:21: that in the numbers the leasing rates of new space.
 00:37:21 --> 00:37:23: It's being delivered the plans for new space.
 00:37:23 --> 00:37:25: So if there's a loser in this,
 00:37:25 --> 00:37:27: it could well be kind of.
 00:37:27 --> 00:37:29: You know, some of that space that may have been
 00:37:29 --> 00:37:30: struggling by.
 00:37:30 --> 00:37:33: We haven't seen the big bargain.
 00:37:33 --> 00:37:36: Shopping, I'm going to move from A to B because
 00:37:36 --> 00:37:37: prices are down.
 00:37:37 --> 00:37:38: Somebody made the you know,
 00:37:38 --> 00:37:42: kind of made the comment about well when people are
 00:37:42 --> 00:37:46: there talking to prospective tenants they get a lot of
 00:37:46 --> 00:37:46: OK.
 00:37:46 --> 00:37:47: I want to use less space,
 00:37:47 --> 00:37:50: but I'm OK paying the same amount I was paying

00:37:50 --> 00:37:53: before and I'm willing to pay up for newer space,
00:37:53 --> 00:37:55: different amenities to kind of go with it,
00:37:55 --> 00:37:57: so it's going to be an interesting year and this
00:37:57 --> 00:37:59: is one that I think it'll take at least a
00:37:59 --> 00:37:59: year.
00:37:59 --> 00:38:03: May take two years to kind of see where companies
00:38:03 --> 00:38:05: fall with this back office.
00:38:05 --> 00:38:07: We're now once again, you know everybody who's going to
00:38:07 --> 00:38:09: be back in the office by September.
00:38:09 --> 00:38:11: And then we're going to be back in the office
00:38:11 --> 00:38:12: by January now.
00:38:12 --> 00:38:15: I think I saw one they said March 14th,
00:38:15 --> 00:38:16: so we'll see if those return to the office.
00:38:16 --> 00:38:19: They start filtering in and then we get back to
00:38:19 --> 00:38:21: that and then see how it works.
00:38:21 --> 00:38:25: As people get through that period.
00:38:25 --> 00:38:27: Another one is business travel.
00:38:27 --> 00:38:29: That's a big one. I put that question along with
00:38:29 --> 00:38:32: the hospitality is will we go back to business travel
00:38:32 --> 00:38:33: the way we did and you know?
00:38:33 --> 00:38:36: And this year survey you know 57%
00:38:36 --> 00:38:39: think they will travel less than they did in 2019
00:38:39 --> 00:38:42: and the main reason is we have learned the technology.
00:38:42 --> 00:38:46: You know the people attending through zoom today like the
00:38:46 --> 00:38:47: idea of that flexibility.
00:38:47 --> 00:38:50: I think some of the travel that we used to
00:38:50 --> 00:38:52: do that we felt obligated to do.
00:38:52 --> 00:38:55: We now realize we can do more efficiently.
00:38:55 --> 00:38:59: Then we could before, with the use of technology,
00:38:59 --> 00:39:00: so we'll probably see some of that drop.
00:39:00 --> 00:39:02: Now the people that think.
00:39:02 --> 00:39:05: Business travel is going to go up that 8%
00:39:05 --> 00:39:07: think they need to do it 'cause they need to
00:39:07 --> 00:39:08: see people face to face.
00:39:08 --> 00:39:11: You know they need to either rebuild relationships that have
00:39:11 --> 00:39:13: slipped during the pandemic or get out there and get
00:39:13 --> 00:39:14: new relationships.
00:39:14 --> 00:39:17: Those are things that the people that think they're going
00:39:17 --> 00:39:19: to reduce travel are still going to do so.
00:39:19 --> 00:39:21: We're still going to see people do it.
00:39:21 --> 00:39:24: You know business meeting travel may change a little bit
00:39:24 --> 00:39:26: as we kind of get through this as to who's

00:39:27 --> 00:39:29: doing what and do I go to as many meetings?

00:39:29 --> 00:39:31: Do I go to fewer meetings?

00:39:31 --> 00:39:33: Do I pick out? I come more selective?

00:39:33 --> 00:39:36: So business travel is going to be a little bit

00:39:36 --> 00:39:38: more of an adjustment similar to office,

00:39:38 --> 00:39:41: probably along the same trajectory as people get back to

00:39:41 --> 00:39:42: going to the office.

00:39:42 --> 00:39:44: Then they get back to seeing how they're going to

00:39:44 --> 00:39:44: travel.

00:39:47 --> 00:39:49: So if I can do all this flexibility,

00:39:49 --> 00:39:51: can I live anywhere you know this area?

00:39:51 --> 00:39:54: I'm sure you all know somebody who either came back

00:39:54 --> 00:39:57: during the pandemic or was planning to come back.

00:39:57 --> 00:39:58: Or here they're thinking OK.

00:39:58 --> 00:40:01: I want to be in a nice area because I

00:40:01 --> 00:40:01: can.

00:40:01 --> 00:40:04: I can enjoy it and I can work from anywhere.

00:40:04 --> 00:40:06: I'm not as tired to my work.

00:40:06 --> 00:40:09: It's going to be important going forward and it's going

00:40:09 --> 00:40:13: to be important for a reason that we've talked about

00:40:13 --> 00:40:15: before and that's attracting labor.

00:40:15 --> 00:40:19: The labor force we got to get people into where

00:40:19 --> 00:40:20: they want to be,

00:40:20 --> 00:40:24: and it's kind of shifted kind of that competition.

00:40:26 --> 00:40:27: These are kind of the top ten

00:40:27 --> 00:40:30: markets in this year's emerging trends and you kind of

00:40:30 --> 00:40:33: see what's kind of happened here as we've seen that

00:40:33 --> 00:40:35: shift to the southeast.

00:40:35 --> 00:40:37: A lot of people moved down there for,

00:40:37 --> 00:40:39: you know, various reasons they were moving there before

00:40:39 --> 00:40:40: the

00:40:39 --> 00:40:40: pandemic,

00:40:40 --> 00:40:43: but they really went down there during the pandemic.

00:40:43 --> 00:40:46: Yeah, we gotta see Florida and Tennessee without state

00:40:47 --> 00:40:47: income

00:40:47 --> 00:40:47: tax.

00:40:47 --> 00:40:51: You know, incentives to lure companies taxes continues to

00:40:51 --> 00:40:55: draw

00:40:51 --> 00:40:55: people into two markets in the top ten there Denver's

00:40:55 --> 00:40:56: number 12,

00:40:56 --> 00:41:00: you know, typically a market that's been in the top

00:41:00 --> 00:41:01: 10.

00:41:01 --> 00:41:03: I would say maybe part of the reason that maybe

00:41:03 --> 00:41:04: a little bit out of it.

00:41:04 --> 00:41:08: Maybe that global idea that you know now you're global

00:41:08 --> 00:41:08: city,

00:41:08 --> 00:41:10: so you're competing against the different set.

00:41:10 --> 00:41:13: Some of our top ten markets are still fairly small

00:41:13 --> 00:41:16: when you think about the size of the investable universe.

00:41:16 --> 00:41:20: Right, but the next 10 on here and had the

00:41:20 --> 00:41:20: 20.

00:41:20 --> 00:41:22: Then you begin to really see the mountain region in

00:41:22 --> 00:41:23: the West kind of fill out.

00:41:23 --> 00:41:26: You know Salt Lake City kind of joins Phoenix and

00:41:27 --> 00:41:28: Denver and that area.

00:41:28 --> 00:41:29: Some of the California market,

00:41:29 --> 00:41:33: San Diego, Orange County, or kind of in that top

00:41:33 --> 00:41:33: 20.

00:41:33 --> 00:41:35: So we're seeing a little bit of a shift.

00:41:35 --> 00:41:37: We've got, I think in the top 24 markets in

00:41:37 --> 00:41:39: the mountain region when you include Salt Lake City,

00:41:39 --> 00:41:42: Boise, Denver and then Phoenix.

00:41:42 --> 00:41:45: So we're spreading around. People are looking at different

00:41:45 --> 00:41:48: markets,

00:41:48 --> 00:41:51: they're more comfortable. What these markets and we said

00:41:51 --> 00:41:54: this

00:41:54 --> 00:41:57: for years when we were looking at the long,

00:41:57 --> 00:41:58: you know, economic trend, economic expansion is that

00:41:58 --> 00:42:01: people get

00:42:01 --> 00:42:04: comfortable when they have time to learn something we

00:42:04 --> 00:42:05: hadn't

00:42:05 --> 00:42:07: seen a reversal.

00:42:07 --> 00:42:08: Now it's here. Now you add in the flexibility of

00:42:08 --> 00:42:10: you can attract workers without the jobs actually being there.

00:42:10 --> 00:42:13: It's even better.

00:42:13 --> 00:42:14: And that's part of the the

00:42:14 --> 00:42:18: advantages of Denver. You know,

00:42:18 --> 00:42:20: people are a little hesitant to go back to the

00:42:20 --> 00:42:22: gateway markets,

00:42:22 --> 00:42:24: more densely populated tech center people are focusing on

00:42:24 --> 00:42:26: tech.

00:42:26 --> 00:42:29: That was the results today.

00:42:29 --> 00:42:31: The amount of money that's being invested intact by the

00:42:31 --> 00:42:33: hedge funds and private equity firms,

00:42:33 --> 00:42:35: it's being released. That's growing.

00:42:35 --> 00:42:37: It's driving development in these markets.

00:42:30 --> 00:42:31: And let's face it, suburban.
 00:42:32 --> 00:42:34: Office is no longer a dirty word.
 00:42:34 --> 00:42:35: People are kind of thinking,
 00:42:35 --> 00:42:37: you know, OK, you know this is going to be
 00:42:37 --> 00:42:37: a ballot.
 00:42:37 --> 00:42:41: I don't. CBD isn't going to go away.
 00:42:41 --> 00:42:42: There's still going to be a market for that,
 00:42:42 --> 00:42:44: but you know, now you're looking at kind of an
 00:42:44 --> 00:42:45: interaction between the two.
 00:42:45 --> 00:42:47: Do I have some of my office in the CBD?
 00:42:47 --> 00:42:50: Do I have more in the suburbs and do I
 00:42:50 --> 00:42:54: like these markets where that's achievable without a 2 hour
 00:42:54 --> 00:42:54: commute?
 00:42:54 --> 00:42:56: We've got to mix that together.
 00:42:56 --> 00:42:57: And it's at that biggest part.
 00:42:57 --> 00:43:01: Slower population growth concerns everyone in the country
 has.
 00:43:01 --> 00:43:05: I think I've I've done about 25 of these presentations
 00:43:05 --> 00:43:08: and only one market where I looked at those numbers.
 00:43:08 --> 00:43:11: Was the projection for growth in this next decade higher
 00:43:11 --> 00:43:12: than it was in the previous
 00:43:12 --> 00:43:15: decade? And that's kind of
 00:43:15 --> 00:43:17: the same here. You know,
 00:43:17 --> 00:43:20: very strong growth. 2010 to 2020.
 00:43:20 --> 00:43:23: Great growth compared to the nation during the pandemic,
 00:43:23 --> 00:43:26: people were coming here. They didn't flee a lot of
 00:43:26 --> 00:43:28: markets were negative during that period.
 00:43:28 --> 00:43:32: Next decade, everybody's lower population growth and
 Denver is a
 00:43:32 --> 00:43:33: little slower.
 00:43:33 --> 00:43:37: Still double the US. So still getting the same size
 00:43:37 --> 00:43:39: of the OR the size of the pie,
 00:43:39 --> 00:43:44: but not as much as possibly used to going forward.
 00:43:44 --> 00:43:47: So it's going to be important to get those people
 00:43:47 --> 00:43:50: here so that they can continue to grow the economy,
 00:43:50 --> 00:43:53: whether they were here or working for somebody in New
 00:43:53 --> 00:43:55: York or Chicago or San Francisco.
 00:43:55 --> 00:43:57: Or they're here working for a Colorado company.
 00:44:00 --> 00:44:02: What's all this in migration
 00:44:02 --> 00:44:03: kind of done and this is kind of this is
 00:44:03 --> 00:44:05: a trend that we're going to talk about a little
 00:44:05 --> 00:44:06: bit later.

00:44:06 --> 00:44:08: We'll leave a lot of this to the panel,
00:44:08 --> 00:44:12: but is this this whole pressure that people moving inputs
00:44:12 --> 00:44:12: on housing?
00:44:12 --> 00:44:14: And he kind of look at some of these numbers,
00:44:14 --> 00:44:17: and some of those markets in the Southeast are doing
00:44:17 --> 00:44:17: quite well.
00:44:17 --> 00:44:21: This is from the UL Easter Williger Institute that the
00:44:21 --> 00:44:22: housing attainability,
00:44:22 --> 00:44:25: so it's the percent of housing in the market that's
00:44:25 --> 00:44:26: affordable to somebody.
00:44:26 --> 00:44:29: A household of four, making 120%
00:44:29 --> 00:44:31: of the average median income.
00:44:31 --> 00:44:36: Gonna see you know. 69.8%
00:44:36 --> 00:44:38: in Charlotte. So that's a very favorable number.
00:44:38 --> 00:44:41: The Texas markets are pretty strong.
00:44:41 --> 00:44:44: Denver is a little less affordable for somebody moving in.
00:44:44 --> 00:44:45: Part of that, you know,
00:44:45 --> 00:44:47: is you've had a lot of people moving in.
00:44:47 --> 00:44:51: You know. Housing development costs aren't cheap,
00:44:51 --> 00:44:54: so they stay high. That could be a deterrent to
00:44:54 --> 00:44:58: new inmigracion when people have the ability to go other
00:44:58 --> 00:44:58: places.
00:44:58 --> 00:45:01: It's like I said, it's a national problem.
00:45:01 --> 00:45:02: You know there's some here.
00:45:02 --> 00:45:04: The one thing when I looked at these numbers,
00:45:04 --> 00:45:06: they also have a number that looks at multifamily and
00:45:06 --> 00:45:09: the multifamily numbers are much more favorable.
00:45:09 --> 00:45:12: I think there is 93 affordable units to somebody in
00:45:12 --> 00:45:15: that kind of that similar income range for every 100
00:45:15 --> 00:45:16: households,
00:45:16 --> 00:45:18: so not as tight as it could be.
00:45:18 --> 00:45:19: It's not one for one,
00:45:19 --> 00:45:21: but it's much better than some
00:45:21 --> 00:45:24: other markets. And that gets
00:45:24 --> 00:45:26: to our recognition trend which
00:45:26 --> 00:45:27: is. These
00:45:27 --> 00:45:29: are trends that I've
00:45:29 --> 00:45:31: talked about before you've heard other.
00:45:31 --> 00:45:34: You know trends, speakers talk about them going forward,
00:45:34 --> 00:45:36: but. During the pandemic we took a little bit of
00:45:36 --> 00:45:38: a different take on some of these as we were
00:45:38 --> 00:45:39: looking at them.

00:45:39 --> 00:45:45: They either got a little rise in expectations,
 00:45:45 --> 00:45:46: looking at them a little different way,
 00:45:46 --> 00:45:49: maybe looking at different solutions going forward,
 00:45:49 --> 00:45:51: but they're you know they're going to be important.
 00:45:54 --> 00:45:55: And the first one was kind of the housing crisis.
 00:45:55 --> 00:45:56: You know, as I mentioned,
 00:45:56 --> 00:46:00: we were worried about the multifamily industry when you
 couldn't
 00:46:00 --> 00:46:02: throw out people who were paying their rent.
 00:46:02 --> 00:46:04: But we also had the other side of it,
 00:46:04 --> 00:46:07: where we saw a lot of eviction moratoriums,
 00:46:07 --> 00:46:09: but in place we saw a lot of money made
 00:46:09 --> 00:46:12: available to help people with their payments great.
 00:46:12 --> 00:46:15: Needed to be done. Worked very well in a lot
 00:46:15 --> 00:46:16: of places.
 00:46:16 --> 00:46:17: Also saw a lot of hiccups.
 00:46:17 --> 00:46:20: It's a very. It's a challenge to get that accomplished,
 00:46:20 --> 00:46:23: and I think we saw that and what maybe put
 00:46:23 --> 00:46:26: a different perspective on it was when we saw housing
 00:46:26 --> 00:46:28: inventory drop to record low levels.
 00:46:28 --> 00:46:32: So this idea, which we've talked about before that we
 00:46:32 --> 00:46:36: don't have enough supply is really kind of the issue.
 00:46:36 --> 00:46:37: But that you know, OK,
 00:46:37 --> 00:46:38: we don't have enough supply.
 00:46:38 --> 00:46:42: Simple problem solved. Well, how do you get that supply?
 00:46:42 --> 00:46:45: And that's become more and more of the conversation now
 00:46:45 --> 00:46:47: that I think we've seen,
 00:46:47 --> 00:46:48: even though we still see,
 00:46:48 --> 00:46:54: you know. Rent limits put in place around the country.
 00:46:54 --> 00:46:57: We're still trying different matters to fit this,
 00:46:57 --> 00:46:59: but it's a little bit more.
 00:46:59 --> 00:47:02: I think it's positive that we now think realize that
 00:47:02 --> 00:47:04: it's kind of truly a supply issue.
 00:47:04 --> 00:47:08: Retrofitting the cityscape, you know.
 00:47:08 --> 00:47:10: Suddenly people like the suburbs again,
 00:47:10 --> 00:47:13: like in this kind of the the urbanization of the
 00:47:13 --> 00:47:16: suburbs that we've talked about because if anybody went to
 00:47:16 --> 00:47:19: a suburb they wanted the same amenities that they had
 00:47:19 --> 00:47:21: in the urban core, so they wanted the restaurants,
 00:47:21 --> 00:47:24: the entertainment, access to transit.
 00:47:24 --> 00:47:26: Now we're kind of looking at a little differently.
 00:47:26 --> 00:47:29: You know, some of these gateway cities put in things

00:47:29 --> 00:47:33: like outdoor dining facilitated expanding that closed streets to make

00:47:33 --> 00:47:34: areas more walkable.

00:47:34 --> 00:47:37: Looking at putting in more green space so the urban

00:47:37 --> 00:47:39: core now is suburbanized.

00:47:39 --> 00:47:41: Offering some of the amenities you could get at the

00:47:41 --> 00:47:41: suburbs.

00:47:42 --> 00:47:45: A lot of conversation around the idea of providing outdoor

00:47:45 --> 00:47:47: meeting space in offices.

00:47:47 --> 00:47:48: We like the idea of,

00:47:48 --> 00:47:50: you know, we want to be able to get outside,

00:47:50 --> 00:47:52: even in the office, so that's kind of changing.

00:47:52 --> 00:47:56: Some of that may be bolstered by the infrastructure bill

00:47:56 --> 00:47:57: will help this along.

00:47:57 --> 00:48:00: I guess that it's not a question of either or

00:48:00 --> 00:48:02: people are still going to be in the urban core,

00:48:02 --> 00:48:04: but now people are going to be in the suburbs

00:48:04 --> 00:48:05: too,

00:48:05 --> 00:48:07: and we're going to begin to see those groups kind

00:48:07 --> 00:48:08: of intermingle,

00:48:08 --> 00:48:11: maybe a little more. Or the ones who are doing

00:48:11 --> 00:48:13: the occupying may change.

00:48:13 --> 00:48:15: And then finally climate change.

00:48:15 --> 00:48:16: Something that I, you know,

00:48:16 --> 00:48:19: you're very familiar with. Kind of the things we've seen

00:48:19 --> 00:48:20: happen over the last few years.

00:48:20 --> 00:48:22: Well, it used to be show up in the news

00:48:22 --> 00:48:24: cycle once every five years now.

00:48:24 --> 00:48:24: Seems like

00:48:24 --> 00:48:25: we talk about every year.

00:48:26 --> 00:48:27: So the conversations

00:48:28 --> 00:48:30: that we had during the interviews were a lot around

00:48:30 --> 00:48:32: the idea of what do I do about this?

00:48:32 --> 00:48:35: How do I position myself for this?

00:48:35 --> 00:48:39: Should I you know, underwrite properties differently in

00:48:39 --> 00:48:40: different parts

00:48:39 --> 00:48:40: of the country?

00:48:40 --> 00:48:42: Most people say they're doing something,

00:48:42 --> 00:48:45: but they don't know exactly what yet.

00:48:45 --> 00:48:48: And so there's going to be a lot of discovery

00:48:48 --> 00:48:49: as people discuss.

00:48:49 --> 00:48:52: How do we do this right for our own risk

00:48:52 --> 00:48:53: management?

00:48:53 --> 00:48:55: For our own returns? For our own investors?

00:48:57 --> 00:48:59: It's kind of the I put this up because

00:48:59 --> 00:49:00: we didn't have this at.

00:49:00 --> 00:49:01: You know, they talked about it for months.

00:49:01 --> 00:49:04: It wasn't released. We released the report.

00:49:04 --> 00:49:06: Finally got an infrastructure bill.

00:49:06 --> 00:49:08: The percentages in those chevrons.

00:49:08 --> 00:49:11: There are the percent that people in the survey said

00:49:11 --> 00:49:13: would be good for real estate,

00:49:13 --> 00:49:15: so it's good to see that money was allocated each

00:49:15 --> 00:49:16: of those categories.

00:49:16 --> 00:49:18: Kind of transportation. Clearly the big one,

00:49:18 --> 00:49:22: even down to climate change mitigation.

00:49:22 --> 00:49:26: Technology getting broadband expanded, so that's a good sign,

00:49:26 --> 00:49:29: so we have something that now is going to benefit

00:49:29 --> 00:49:30: and I think.

00:49:30 --> 00:49:32: Oh, it's been four or five years we've been talking

00:49:32 --> 00:49:35: about the need for infrastructure to improve real estate.

00:49:35 --> 00:49:38: And now we have actually have a plan.

00:49:38 --> 00:49:39: Won't be. It won't be immediate.

00:49:39 --> 00:49:41: It's going to be one of those things that takes

00:49:41 --> 00:49:43: time to get it implemented to get the money out.

00:49:43 --> 00:49:45: But a positive sign going forward.

00:49:45 --> 00:49:47: And finally, on this climate change deal,

00:49:48 --> 00:49:50: the ESG which we've talked.

00:49:50 --> 00:49:53: Is there anybody in the room who doesn't know what

00:49:53 --> 00:49:54: ESG stands for?

00:49:54 --> 00:49:57: And hasn't heard probably heard it 10 times this morning

00:49:57 --> 00:49:58: before you came in.

00:49:58 --> 00:50:00: It's being talked about everywhere.

00:50:00 --> 00:50:02: But now I think we're really we ask the question

00:50:02 --> 00:50:04: in the survey for the first time.

00:50:04 --> 00:50:08: Do you take ESG principles into account when you're making

00:50:08 --> 00:50:12: investment and develop or investment and operational decisions?

00:50:12 --> 00:50:13: 82% of people said they did,

00:50:13 --> 00:50:15: so they're thinking about it.

00:50:15 --> 00:50:18: Unfortunately, only 48% said they were doing it because of

00:50:18 --> 00:50:20: tenant and investor requirements,

00:50:20 --> 00:50:22: so that area is still kind of up in the

00:50:22 --> 00:50:24: air as to whether people are requiring it.

00:50:24 --> 00:50:27: And 52% are doing it for risk management.

00:50:27 --> 00:50:30: Kind of gets back to that conversation we had about

00:50:30 --> 00:50:30: how.

00:50:31 --> 00:50:33: What should I do? How should I measure it?

00:50:33 --> 00:50:34: How do I report it?

00:50:34 --> 00:50:37: And can we get to an industry standard so everybody

00:50:37 --> 00:50:38: can take advantage of it,

00:50:38 --> 00:50:40: but it's on it's front of mind for everyone.

00:50:40 --> 00:50:42: Everyone is kind of thinking about it.

00:50:42 --> 00:50:44: We'll see more pressure for it.

00:50:44 --> 00:50:47: We talked about it last year a little bit more

00:50:47 --> 00:50:50: on the social side that hasn't slipped any that's still

00:50:50 --> 00:50:50: in place.

00:50:50 --> 00:50:55: People are still doing implementing plans to improve.

00:50:55 --> 00:50:57: That and measure it and make sure they're doing

00:50:57 --> 00:51:01: a good job. The one thing we

00:51:01 --> 00:51:06: do know is these temporary adjustments we made in 2020.

00:51:06 --> 00:51:09: To prepare for the pandemic at that time when we

00:51:09 --> 00:51:10: interviewed people,

00:51:10 --> 00:51:11: thought, yeah, we'll get through this.

00:51:11 --> 00:51:12: We'll go back to the way it

00:51:12 --> 00:51:15: was. I think the realization

00:51:15 --> 00:51:17: now is we're not going back these changes that we

00:51:17 --> 00:51:18: put in place.

00:51:18 --> 00:51:21: The ones that work we're going to keep.

00:51:21 --> 00:51:23: Because they worked, they do things better.

00:51:23 --> 00:51:26: We're going to see things change so 60%

00:51:26 --> 00:51:29: of the people feel like we're not going back to

00:51:29 --> 00:51:30: the way it was.

00:51:30 --> 00:51:34: Up from 40% a year ago.

00:51:34 --> 00:51:35: So

00:51:34 --> 00:51:35: get there. Like I said,

00:51:35 --> 00:51:36: we

00:51:35 --> 00:51:36: it feels like

00:51:36 --> 00:51:38: now. Or maybe we can start 2022 so we we

00:51:38 --> 00:51:41: kind of went through this to find out what people

00:51:41 --> 00:51:43: thought they would or wouldn't do.

00:51:43 --> 00:51:45: After we got through the pandemic.

00:51:46 --> 00:51:47: The first one is I won't accept invitations

00:51:47 --> 00:51:49: to gatherings. I don't want to go to.

00:51:50 --> 00:51:52: So we now have the building excuse

00:51:52 --> 00:51:53: that I'm worried about my health.

00:51:53 --> 00:51:54: I don't have to go to.
 00:51:55 --> 00:51:59: Answer is 56th birthday. So so thank you for
 00:51:59 --> 00:52:00: coming because I know you wouldn't if you didn't want
 00:52:01 --> 00:52:01: to be here.
 00:52:03 --> 00:52:04: Will stay home from work
 00:52:04 --> 00:52:06: when I'm sick well or will I go to the
 00:52:06 --> 00:52:08: office when I'm sick if I work at home?
 00:52:08 --> 00:52:09: I don't know how that works,
 00:52:09 --> 00:52:12: but I think that's a good thing because that'll probably
 00:52:12 --> 00:52:14: cut down on cold and flu season going forward.
 00:52:15 --> 00:52:16: I won't blow up birthday candles.
 00:52:19 --> 00:52:20: You think that's funny that you stop and think
 00:52:20 --> 00:52:23: about how birthday candles get blown out in the whole
 00:52:23 --> 00:52:23: process?
 00:52:23 --> 00:52:23: Why
 00:52:23 --> 00:52:25: did we ever start that?
 00:52:25 --> 00:52:25: Whose
 00:52:25 --> 00:52:29: idea was that? I will be glad that the rats
 00:52:29 --> 00:52:32: have gone back to the alleys.
 00:52:33 --> 00:52:34: Now you should be happy
 00:52:34 --> 00:52:37: that this doesn't ring a bell for you because I've
 00:52:37 --> 00:52:39: been in a number of cities where the story on
 00:52:39 --> 00:52:42: the news before my presentation was the rat infestations in
 00:52:42 --> 00:52:46: the neighborhoods because they've left the alleys because
 the restaurants
 00:52:46 --> 00:52:47: are closed.
 00:52:47 --> 00:52:49: So we need to get the restaurant business back up
 00:52:49 --> 00:52:50: so the rats can go back.
 00:52:50 --> 00:52:53: The last one was in Washington DC and my question
 00:52:53 --> 00:52:53: was
 00:52:53 --> 00:52:55: how do they tell? But it's kind of kind of
 00:52:55 --> 00:52:56: getting to the
 00:52:56 --> 00:53:00: point where. That'll be good news.
 00:53:00 --> 00:53:02: I think I found one story about rats on Denver
 00:53:02 --> 00:53:04: and it was from like four or five years ago,
 00:53:04 --> 00:53:06: probably in this district that they had some,
 00:53:06 --> 00:53:09: but it wasn't related to the restaurants closing and the
 00:53:09 --> 00:53:09: final one was.
 00:53:09 --> 00:53:11: I won't wear pants.
 00:53:12 --> 00:53:12: And
 00:53:12 --> 00:53:14: it was kind of OK.
 00:53:14 --> 00:53:14: You

00:53:14 --> 00:53:16: read the rest that aren't athletic wear.
 00:53:17 --> 00:53:19: So I think our idea we're happy to go back
 00:53:19 --> 00:53:20: to the office three days
 00:53:20 --> 00:53:22: a week, but we're going to be comfortable when we're
 00:53:22 --> 00:53:23: there,
 00:53:23 --> 00:53:26: so we're not that the idea of completely dressing up
 00:53:26 --> 00:53:27: is gone.
 00:53:27 --> 00:53:29: So with that, that's 2022.
 00:53:29 --> 00:53:32: I'm going to say thank you for giving me the
 00:53:32 --> 00:53:34: opportunity to share this in February,
 00:53:34 --> 00:53:37: when it's a little warmer than it was in January,
 00:53:37 --> 00:53:39: and give it back to Kevin so you can kind
 00:53:39 --> 00:53:40: of get the local input,
 00:53:40 --> 00:53:42: which I think fits very well with kind of the
 00:53:42 --> 00:53:43: trends we've seen today.
 00:53:43 --> 00:53:44: So thank you very much.
 00:53:51 --> 00:53:54: Thanks Andy, great job and Andy isn't going anywhere.
 00:53:54 --> 00:53:56: We're going to have him back up here later for
 00:53:56 --> 00:53:57: the Q&A portion.
 00:53:57 --> 00:53:59: So at this time with the panelists,
 00:53:59 --> 00:54:02: join me up onstage and just pick a seat.
 00:54:02 --> 00:54:07: Any seat. Andy, you mentioned people that decline invites
 and
 00:54:07 --> 00:54:09: and use a pandemic as an excuse.
 00:54:09 --> 00:54:10: I I can tell you,
 00:54:10 --> 00:54:12: we've seen it in our firm,
 00:54:12 --> 00:54:13: not in Denver, of course,
 00:54:13 --> 00:54:15: but people that say I can't come back to the
 00:54:15 --> 00:54:17: office 'cause I don't want to be in that environment.
 00:54:17 --> 00:54:20: Problem is, they then go post on social media.
 00:54:20 --> 00:54:24: What what they do all weekend and it doesn't really
 00:54:24 --> 00:54:26: doesn't really tie in.
 00:54:26 --> 00:54:29: So here's our agenda. We're now going to move into
 00:54:29 --> 00:54:31: the micro a little bit,
 00:54:31 --> 00:54:33: but to introduce this crew.
 00:54:33 --> 00:54:36: Each of them is going to spend a few minutes
 00:54:36 --> 00:54:39: introducing themselves who they're with,
 00:54:39 --> 00:54:43: and then really what they see around the corner in
 00:54:43 --> 00:54:44: their field of expertise.
 00:54:44 --> 00:54:47: And after that we're going to have Q&A.
 00:54:47 --> 00:54:49: I've got plenty of questions,
 00:54:49 --> 00:54:51: but we also have microphones out there,

00:54:51 --> 00:54:54: so don't be shy. Those of you in the room,
00:54:54 --> 00:54:58: virtually. I'm sorry we don't have a system to to
00:54:58 --> 00:54:59: get your questions,
00:54:59 --> 00:55:02: but people in the room hope we get to all
00:55:02 --> 00:55:03: of them so.
00:55:03 --> 00:55:07: One introduce our panel. So first we have we have
00:55:07 --> 00:55:09: Brian Rosport.
00:55:09 --> 00:55:12: Brian is the executive director of Housing Colorado.
00:55:12 --> 00:55:17: We have Scott Rathbun. Scott is president of apartment
appraisers
00:55:17 --> 00:55:18: and Consultants,
00:55:18 --> 00:55:22: Inc. There's nothing going on in multifamily so that'll be
00:55:22 --> 00:55:22: good.
00:55:22 --> 00:55:26: Becky stone. Becky is a principle and also leads the
00:55:26 --> 00:55:30: resort and hospitality practice for Oz architecture.
00:55:30 --> 00:55:33: We have John Jugal he is there.
00:55:33 --> 00:55:34: I knew he'd show up.
00:55:34 --> 00:55:38: John Jugal is a vice chairman with Newmark and also
00:55:38 --> 00:55:42: helps head up the Western Region capital markets for
Newmark.
00:55:42 --> 00:55:44: After John we have Megan Turner,
00:55:44 --> 00:55:50: chronic Feld. Megan is a VP of Industrial Development at
00:55:50 --> 00:55:51: Primewest,
00:55:51 --> 00:55:54: so look to get a good perspective from her on
00:55:54 --> 00:55:58: the supply chain and industrial development.
00:55:58 --> 00:56:00: And last but not least,
00:56:00 --> 00:56:04: Leon Mcbroom. Leon is a senior managing director with the
00:56:04 --> 00:56:06: Denver Capital Markets.
00:56:06 --> 00:56:07: He's also Denver Capital Markets,
00:56:07 --> 00:56:11: Co head for JLL. So we're going to kick it
00:56:11 --> 00:56:11: off.
00:56:11 --> 00:56:13: I'm going to step out of the way so we're
00:56:13 --> 00:56:15: going to start with Brian Brian.
00:56:15 --> 00:56:16: Take it away.
00:56:17 --> 00:56:20: Thanks Kevin, my name is Brian Rosberg looking at that
00:56:20 --> 00:56:23: picture I've I realized that I need a new headshot,
00:56:23 --> 00:56:28: 'cause I've shaved and I've had eye surgery so.
00:56:28 --> 00:56:32: Since then, so please excuse the the difference there just
00:56:32 --> 00:56:34: a little bit about housing Colorado,
00:56:34 --> 00:56:37: we believe that access to safe,
00:56:37 --> 00:56:40: stable and affordable housing is key to the health and
00:56:40 --> 00:56:42: vibrancy of our communities,
00:56:42 --> 00:56:46: and so we work in a number of ways to

00:56:46 --> 00:56:48: make sure that we,
00:56:48 --> 00:56:53: as a state are working towards affordability for some of
00:56:53 --> 00:56:55: our most vulnerable residents.
00:56:55 --> 00:56:59: So we do kind of two big things we.
00:56:59 --> 00:57:02: Educate our membership so we remember based
organization.
00:57:02 --> 00:57:05: I know I see a couple few of our Members
00:57:05 --> 00:57:06: here,
00:57:06 --> 00:57:11: so thank you for me not having to call you
00:57:11 --> 00:57:13: to beg for money.
00:57:13 --> 00:57:16: I know membership dues are being paid up now,
00:57:16 --> 00:57:19: but thank you to those who are here and have
00:57:19 --> 00:57:23: paid so we do education for our membership.
00:57:23 --> 00:57:27: We that takes the form of a number of different
00:57:28 --> 00:57:29: opportunities.
00:57:29 --> 00:57:31: Throughout the year webinars forums,
00:57:31 --> 00:57:36: things like that, but then we have a big conference
00:57:36 --> 00:57:39: in the fall that brings together.
00:57:39 --> 00:57:43: This year I was 650 people to talk about housing
00:57:43 --> 00:57:45: and affordable housing.
00:57:45 --> 00:57:48: The other part of our work in probably where I'll
00:57:48 --> 00:57:51: be spending a lot of time today as our advocacy
00:57:51 --> 00:57:51: work.
00:57:51 --> 00:57:55: So we work at the state Capitol just across the
00:57:55 --> 00:58:00: street working to advocate for policies that encourage the
production
00:58:00 --> 00:58:03: and preservation of affordable housing.
00:58:03 --> 00:58:07: We talked a lot about production and not so much
00:58:07 --> 00:58:08: about preservation.
00:58:08 --> 00:58:09: A lot of the time,
00:58:09 --> 00:58:15: but. That is a key element of the affordable housing
00:58:15 --> 00:58:16: equation,
00:58:16 --> 00:58:18: so we're we do that.
00:58:18 --> 00:58:20: Work in in terms of,
00:58:20 --> 00:58:22: you know, one of the prompts that we had was
00:58:22 --> 00:58:25: what does leadership look like in the affordable housing
space?
00:58:25 --> 00:58:29: I think you know. Leadership is definitely.
00:58:29 --> 00:58:37: Working on the front edge of identifying opportunities for
development.
00:58:37 --> 00:58:43: Identifying opportunities for preservation and identifying
opportunities for advocacy.
00:58:43 --> 00:58:47: This year we have an unprecedented amount of money that's

00:58:47 --> 00:58:50: going to be allocated for affordable housing at the state
00:58:50 --> 00:58:51: legislature,
00:58:51 --> 00:58:55: and we're really looking forward to the ways in which
00:58:55 --> 00:58:57: that that money gets spent,
00:58:57 --> 00:59:00: and so I'll leave it there for now.
00:59:00 --> 00:59:03: But I appreciate the opportunity to be here and to
00:59:03 --> 00:59:04: be with you all.
00:59:04 --> 00:59:04: Great
00:59:04 --> 00:59:06: thank you for being here with us.
00:59:06 --> 00:59:08: We've got a panel of unabashed capitalists.
00:59:08 --> 00:59:11: So it's great to have somebody that can help us
00:59:11 --> 00:59:12: remember.
00:59:12 --> 00:59:14: There's still a lot of work to do that doesn't
00:59:14 --> 00:59:14: get taken care of,
00:59:14 --> 00:59:15: so next
00:59:15 --> 00:59:18: Scott. Hi everybody, my name is Scott Rathbun and I
00:59:18 --> 00:59:22: am the president of apartment appraisers and consultants.
00:59:22 --> 00:59:26: You are all probably used to hearing from Carrie Bruttig.
00:59:26 --> 00:59:27: Carrie is my partner now
00:59:28 --> 00:59:29: and we are slowly
00:59:29 --> 00:59:33: moving him towards retirement. I think he's moving slowly,
00:59:33 --> 00:59:35: much more slowly than he'd like to be moving toward
00:59:35 --> 00:59:36: retirement.
00:59:36 --> 00:59:39: But I like having him around so just know that
00:59:39 --> 00:59:42: everything I'm saying here has the carry stamp of approval.
00:59:42 --> 00:59:45: We talk all the time.
00:59:45 --> 00:59:49: Long story short, the description that there is about a
00:59:49 --> 00:59:54: 22nd period where we were worried about multifamily is
00:59:54 --> 00:59:55: accurate there was,
00:59:55 --> 00:59:59: you know, April of 2020 shutdowns were occurring.
00:59:59 --> 01:00:02: There was a scramble to keep heads on beds.
01:00:02 --> 01:00:04: Nobody knew what was going to happen.
01:00:04 --> 01:00:07: Some chicken littles. This guy is falling discussion.
01:00:07 --> 01:00:11: And then within two months basically the market was just
01:00:11 --> 01:00:12: operating as usual.
01:00:12 --> 01:00:15: We did see a little bit of softening in 2020
01:00:15 --> 01:00:19: where basically people just weren't pushing rent growth.
01:00:19 --> 01:00:22: They were just kind of maintaining rents during that period
01:00:22 --> 01:00:25: just to make sure that they didn't kick anybody out
01:00:25 --> 01:00:27: and they they didn't have any issues of having to
01:00:27 --> 01:00:31: refill their units. And then in 2021 not only did

01:00:31 --> 01:00:34: we catch back up to where we would have been
 01:00:34 --> 01:00:35: in 2020,
 01:00:35 --> 01:00:37: but we have kind of overshoot.
 01:00:37 --> 01:00:42: Rents went up and current average effective rent in the
 01:00:42 --> 01:00:46: Denver Metro area right now is \$1743 a unit.
 01:00:46 --> 01:00:48: And that is a 19%
 01:00:48 --> 01:00:50: increase from 2020 to 2021,
 01:00:51 --> 01:00:55: so rents were. It was very very strong growth.
 01:00:55 --> 01:00:57: We didn't stop building the pipeline.
 01:00:57 --> 01:01:00: There's about I have the numbers in my pocket,
 01:01:00 --> 01:01:04: but I'm going to make them up around 35,000 units
 01:01:04 --> 01:01:09: under construction and 57,000 units in the pipeline.
 01:01:09 --> 01:01:13: We have a total of 9596 thousand units total units
 01:01:13 --> 01:01:14: in the pipeline,
 01:01:14 --> 01:01:17: and basically if. All those were to be built and
 01:01:17 --> 01:01:17: they won't.
 01:01:17 --> 01:01:19: But if all were those were to be built,
 01:01:19 --> 01:01:22: that represents about 1/3 of our current inventory.
 01:01:22 --> 01:01:26: So developers are very busy.
 01:01:26 --> 01:01:28: The other thing I will say really quickly before I
 01:01:28 --> 01:01:29: hand it off is just we.
 01:01:29 --> 01:01:32: We work mostly in the market rent space,
 01:01:32 --> 01:01:36: not in the affordable space but affordable has become a
 01:01:36 --> 01:01:39: very very hot topic right now there is a.
 01:01:39 --> 01:01:42: In an issue in front of the City Council in
 01:01:42 --> 01:01:45: front of Denver right now as to whether or not
 01:01:45 --> 01:01:48: we should be requiring market rent developers to include
 some
 01:01:48 --> 01:01:53: affordable units in there. In their mix is moving forward
 01:01:53 --> 01:01:57: and Brian and I probably disagree on this.
 01:01:57 --> 01:01:59: I will talk a little bit more about it later,
 01:01:59 --> 01:02:00: but we have kind of a housing crisis,
 01:02:00 --> 01:02:03: a crisis throughout the entire state of Colorado,
 01:02:03 --> 01:02:07: and it's very interesting to see how the different municipalities
 01:02:08 --> 01:02:10: are handling it and looking at it.
 01:02:10 --> 01:02:12: And I want to specifically try and talk about Pueblo
 01:02:12 --> 01:02:13: if I get a chance to,
 01:02:13 --> 01:02:15: but I don't want to take all the time right
 01:02:15 --> 01:02:17: now so I will go ahead and take a step
 01:02:17 --> 01:02:18: back,
 01:02:18 --> 01:02:18: OK?
 01:02:19 --> 01:02:22: Thank you, Becky. Give us a perspective of maybe Colorado

01:02:22 --> 01:02:25: a little bit broader as a state and certainly resort
01:02:25 --> 01:02:26: and hospitality.
01:02:27 --> 01:02:32: Yeah, so Becky Stone and I.
01:02:32 --> 01:02:34: Run the resort and hospitality practice at as I'm.
01:02:34 --> 01:02:36: I also sit on the board so I kind of
01:02:36 --> 01:02:37: have two hats.
01:02:37 --> 01:02:40: One is trying to entice talent so if anybody knows
01:02:40 --> 01:02:44: if anybody who wants to architect or interior design or
01:02:44 --> 01:02:47: we're looking like every other firm in town.
01:02:47 --> 01:02:52: So that's a huge issue that we're all dealing with
01:02:52 --> 01:02:53: is just the labor,
01:02:53 --> 01:02:58: but in resort market, just like three really big trends
01:02:58 --> 01:03:00: we see right now.
01:03:00 --> 01:03:02: And we're working nationally in the resort market,
01:03:02 --> 01:03:04: so most of the Western states you know Idaho,
01:03:04 --> 01:03:11: Montana, Utah, New Mexico, California and everywhere right
now.
01:03:11 --> 01:03:13: We have Wellness, Wellness, Wellness,
01:03:13 --> 01:03:16: right? So like everybody for a little while in the
01:03:16 --> 01:03:16: market.
01:03:16 --> 01:03:19: Maybe like the past 15 years the SPA was going
01:03:19 --> 01:03:19: away.
01:03:19 --> 01:03:21: Like oh, who wants to put in a spa?
01:03:21 --> 01:03:22: We can't make any money on it.
01:03:22 --> 01:03:25: Let's not do that. And today they're coming back with
01:03:25 --> 01:03:25: a vengeance.
01:03:25 --> 01:03:28: Like it's not just a spa anymore,
01:03:28 --> 01:03:30: it's like a full on bathhouse experience.
01:03:30 --> 01:03:33: Like take your own, choose your own adventure or get
01:03:33 --> 01:03:34: a treatment.
01:03:34 --> 01:03:36: Or we can consider it for you.
01:03:36 --> 01:03:40: So I'm from Michigan to California that that's big and
01:03:40 --> 01:03:42: I think people.
01:03:42 --> 01:03:45: We're tired of being in their homes like people have
01:03:45 --> 01:03:45: been.
01:03:45 --> 01:03:49: Frequenting the resort communities, especially during
COVID.
01:03:49 --> 01:03:53: So they had a huge influx and now mostly in
01:03:53 --> 01:03:54: the luxury market.
01:03:54 --> 01:03:58: They're trying to get back some of the more.
01:03:58 --> 01:04:02: I don't know, pampering, kind of real estate so.
01:04:02 --> 01:04:06: That's pretty hot. You just mentioned a minute ago
Community

01:04:06 --> 01:04:10: Housing and in the resort market to Community Housing is huge,

01:04:10 --> 01:04:11: so almost every project we're doing has a Community Housing

01:04:11 --> 01:04:14: component to it,

01:04:14 --> 01:04:15: either within the project or somehow payment in lieu so

01:04:15 --> 01:04:19: that it can be developed so the resort communities are.

01:04:20 --> 01:04:24: Desperate for housing and they can't find labor either.

01:04:24 --> 01:04:27: Like the architecture firms can't so.

01:04:27 --> 01:04:30: And and I guess the third one is climate change.

01:04:30 --> 01:04:34: So like at as we have probably we have 135

01:04:34 --> 01:04:37: staff or something in nine different practices.

01:04:37 --> 01:04:41: So not just in our resort practice,

01:04:41 --> 01:04:42: but in all of them.

01:04:42 --> 01:04:45: The how we're addressing climate changes is a really big

01:04:45 --> 01:04:49: like front of mind issue.

01:04:49 --> 01:04:51: So in the resort communities,

01:04:51 --> 01:04:53: most of the resort, the ski resorts especially have made

01:04:53 --> 01:04:57: a huge commitment to sustainability and like trying to stop

01:04:57 --> 01:05:01: climate change.

01:05:01 --> 01:05:02: So we're doing a lot of like really fun,

01:05:02 --> 01:05:04: innovative. Design now that we didn't,

01:05:04 --> 01:05:08: we could try before and we couldn't always get it

01:05:08 --> 01:05:10: through.

01:05:10 --> 01:05:11: So I mean in Aspen we have geothermal and we

01:05:11 --> 01:05:14: worked in Death Valley and you know all solar arrays

01:05:14 --> 01:05:17: coming in so that we can do everything solar.

01:05:17 --> 01:05:20: So it's they're really committing to a lot more climate

01:05:20 --> 01:05:26: change.

01:05:26 --> 01:05:27: Just overall commitment from resorts.

01:05:27 --> 01:05:29: So OK, my big thanks.

01:05:29 --> 01:05:31: Thank you, Becky. Shameless recruiting there.

01:05:31 --> 01:05:34: There's a real life level of of availability of talent

01:05:34 --> 01:05:38: being an issue,

01:05:38 --> 01:05:39: so next John Chougle.

01:05:39 --> 01:05:41: So I just want to talk a little bit about

01:05:41 --> 01:05:44: life sciences and what's taking place.

01:05:44 --> 01:05:46: We've had this emergence of an alternative asset class and

01:05:46 --> 01:05:48: part of it has been really driven by the fact

01:05:48 --> 01:05:51: that with a capital availability and the inability to invest

01:05:51 --> 01:05:53: in certain traditional asset classes that absorbed a lot of

01:05:53 --> 01:05:56: capital,

01:05:56 --> 01:05:57:

01:05:57 --> 01:06:00: mainly office. So when you start looking at what's taking
01:06:00 --> 01:06:01: place in Colorado,
01:06:01 --> 01:06:03: we go back to the 1960s in terms of RNA
01:06:03 --> 01:06:05: technologies at the University of Colorado.
01:06:05 --> 01:06:09: That was effectively the precursor for a COVID vaccine
development.
01:06:09 --> 01:06:13: And what's interesting is a traditional treatment too.
01:06:13 --> 01:06:16: Commercialization is about a 10 year horizon and when you
01:06:16 --> 01:06:19: look at what happened with the COVID vaccine development
it
01:06:19 --> 01:06:22: was really revolutionary in terms of the delivery of a
01:06:22 --> 01:06:26: therapeutic in that timeframe. Clinical trials alone typically
takes 6
01:06:26 --> 01:06:27: to 7 years.
01:06:27 --> 01:06:30: When you start looking at what's taking place,
01:06:30 --> 01:06:32: Boulder is the epicenter of the R&D market,
01:06:32 --> 01:06:35: but it works very synergistically with what we have in
01:06:35 --> 01:06:35: Aurora,
01:06:35 --> 01:06:39: which also has an R&D component but heavily heavy
investment.
01:06:39 --> 01:06:43: In clinical, there's over 600 clinical trials occurring at
Anschutz
01:06:43 --> 01:06:44: at any one point in time.
01:06:44 --> 01:06:48: So think of clinical being downstream and R&D being
upstream.
01:06:48 --> 01:06:50: When you look at large Pharma,
01:06:50 --> 01:06:54: 18 of the top 25 farmers globally have done business
01:06:54 --> 01:06:56: in the city of Boulder.
01:06:56 --> 01:06:59: That's pretty impressive, so it's not like we're just a
01:06:59 --> 01:07:00: passing fancy.
01:07:00 --> 01:07:03: The biggest issue with Boulder is that our 38 foot
01:07:03 --> 01:07:06: height limit restricts our plenum heights,
01:07:06 --> 01:07:08: so you look at a lot of buildings.
01:07:08 --> 01:07:11: 1213 feet deck to deck.
01:07:11 --> 01:07:13: There are a lot of architects that are miracle workers,
01:07:13 --> 01:07:18: especially when they're dealing with different aspects of life
sciences.
01:07:18 --> 01:07:21: Chemistry, for example, is a lot more about containment,
01:07:21 --> 01:07:24: a lot heavier on HV AC biology is the new
01:07:24 --> 01:07:26: world we're moving into.
01:07:26 --> 01:07:29: It's actually a lot easier on the buildings.
01:07:29 --> 01:07:33: So Boulder is biology, environment is actually something that
is
01:07:33 --> 01:07:36: going to provide a real tailwind,

01:07:36 --> 01:07:39: whereas chemistry was much harder for for Boulder to accommodate

01:07:39 --> 01:07:41: when you look at capital raising,

01:07:41 --> 01:07:44: we had a record capital raising year 2.4 billion.

01:07:44 --> 01:07:48: Overall, we've had strong NIH funding.

01:07:48 --> 01:07:49: When you look at the NIH funding,

01:07:49 --> 01:07:53: it's really distributed. Majority goes to CU Denver,

01:07:53 --> 01:07:56: which is going to be the clinical side of the

01:07:56 --> 01:08:00: house with CU and actually Colorado State University carrying about

01:08:00 --> 01:08:03: roughly the same \$50 million NIH funding grants.

01:08:03 --> 01:08:06: What's interesting is most folks think about Boulder.

01:08:06 --> 01:08:08: Most folks think about Anschutz.

01:08:08 --> 01:08:10: We really don't think a lot about Fort Collins.

01:08:10 --> 01:08:12: And when you look at Fort Collins,

01:08:12 --> 01:08:15: it's extremely strong and food.

01:08:15 --> 01:08:17: And Dag, and when you look at the life science

01:08:17 --> 01:08:21: applications with protecting the supply chains and food supplies,

01:08:21 --> 01:08:23: it's very real. So I think we have.

01:08:23 --> 01:08:26: We have a broad diversification of life sciences.

01:08:26 --> 01:08:28: We have a lot of capital that's going into it.

01:08:28 --> 01:08:31: We're tracking about 1.5 million square feet of requirements.

01:08:31 --> 01:08:35: And right now there's limited to no supply.

01:08:35 --> 01:08:37: We are beginning to see green shoots in terms of

01:08:37 --> 01:08:40: new construction rather than conversions.

01:08:40 --> 01:08:42: Conversions come with their own host of issues in terms

01:08:42 --> 01:08:44: of making a building work,

01:08:44 --> 01:08:48: but geographically the conversions are really relegated to inner Boulder.

01:08:48 --> 01:08:53: For example, we're seeing diversification of companies going down the

01:08:53 --> 01:08:54: corridor.

01:08:54 --> 01:08:57: I think likely will start seeing at some point companies

01:08:57 --> 01:08:59: jumping the corridor down to Denver,

01:08:59 --> 01:09:02: but it will probably be assets specific,

01:09:02 --> 01:09:04: so I think one of you know one of the

01:09:04 --> 01:09:05: things just thinking about life sciences.

01:09:05 --> 01:09:07: It really is here to stay.

01:09:07 --> 01:09:12: And the RNA technology is the biology of curing illnesses,

01:09:12 --> 01:09:12: RNA.

01:09:13 --> 01:09:14: Define

01:09:15 --> 01:09:18: are RNA. RNA is think of RNA,

01:09:18 --> 01:09:21: technology is a. It's a bullet with a payload and

01:09:21 --> 01:09:26: when you look at chemistry chemistry you ingest a therapeutic

01:09:26 --> 01:09:30: to do something that affects your body and kills something.

01:09:30 --> 01:09:35: In the RNA technologies, you're delivering a payload that's triggering

01:09:35 --> 01:09:38: your body to defend itself at a very simple level.

01:09:38 --> 01:09:41: So really what we're looking at is the emergence of

01:09:41 --> 01:09:44: of an RNA technology going back to the 1960s.

01:09:44 --> 01:09:48: Again, that has a whole host of applications.

01:09:48 --> 01:09:50: The COVID vaccine development was the most evident,

01:09:50 --> 01:09:53: but that's just the 1st and long series,

01:09:53 --> 01:09:54: and that you know just to be aware.

01:09:54 --> 01:09:58: Also, we had a company that was in QS incubator

01:09:58 --> 01:10:00: that went public in March.

01:10:00 --> 01:10:04: Of 2021 as at 2221?

01:10:04 --> 01:10:07: Excuse me as an incubator company they raise a couple

01:10:07 --> 01:10:12: \$100 million and now they're graduated from the incubator and

01:10:12 --> 01:10:16: expanding into commercial space for the first time as a

01:10:16 --> 01:10:18: public company. Just left the incubator.

01:10:18 --> 01:10:22: The scaling that's going to take place in terms of

01:10:22 --> 01:10:26: capital inflows pushing and bulging on real estate is very

01:10:26 --> 01:10:30: real and the competition between tech and life sciences is

01:10:30 --> 01:10:34: extremely strong. So there there there's there's definitely a tailwinds

01:10:34 --> 01:10:38: on this industry and it's not something that just happened

01:10:38 --> 01:10:39: overnight.

01:10:40 --> 01:10:41: Great thank you John.

01:10:41 --> 01:10:44: I certainly knew that answer that I asked John.

01:10:44 --> 01:10:46: You know, for other people I asked it,

01:10:46 --> 01:10:48: so thank you, John next Megan,

01:10:48 --> 01:10:51: tell us what's around the corner and industrial and any

01:10:51 --> 01:10:54: other kind of development you want to sure.

01:10:54 --> 01:10:57: Hi everyone, I'm Megan Turner chronic fields.

01:10:57 --> 01:11:00: I'm a vice president of industrial development with Prime West

01:11:00 --> 01:11:01: Primewest,

01:11:01 --> 01:11:05: where a local commercial real estate development company in my

01:11:05 --> 01:11:08: second month here with the company so relatively new and

01:11:08 --> 01:11:13: I've been tasked with starting our industrial development program.

01:11:13 --> 01:11:18: New to them, yes. I've got some previous industrial

01:11:18 --> 01:11:21: experience,
 01:11:21 --> 01:11:24: so hopefully I can share some of that here today,
 01:11:24 --> 01:11:25: but it's been a really interesting couple of years in
 01:11:25 --> 01:11:28: industrial.
 01:11:28 --> 01:11:29: I've I've been in this space for six and a
 01:11:29 --> 01:11:32: half years,
 01:11:32 --> 01:11:34: and it's changed pretty drastically.
 01:11:34 --> 01:11:37: I think in Colorado specifically,
 01:11:37 --> 01:11:38: but the pandemic. Clearly, you know everyone is talking
 01:11:38 --> 01:11:40: about
 01:11:40 --> 01:11:42: supply chain.
 01:11:42 --> 01:11:44: We've heard it a couple times already today,
 01:11:44 --> 01:11:47: right? And and I think there's some interesting ties with
 01:11:47 --> 01:11:48: with industrial and and life science too.
 01:11:48 --> 01:11:53: And kind of GMP. Space more manufacturing type spaces for
 01:11:53 --> 01:11:57: these companies,
 01:11:57 --> 01:12:00: but Denver last year had a record absorption number of
 01:12:00 --> 01:12:01: over 10 million square feet of absorption,
 01:12:01 --> 01:12:04: 6,000,000 square feet of that was absorbed in the last
 01:12:04 --> 01:12:07: quarter of 2021.
 01:12:07 --> 01:12:09: And that's just really significant growth.
 01:12:09 --> 01:12:13: I think majority of that was speculative.
 01:12:13 --> 01:12:16: Develop development space as well,
 01:12:16 --> 01:12:19: so I think 90% of that was was spec space.
 01:12:19 --> 01:12:22: We're starting to see bigger companies need.
 01:12:22 --> 01:12:23: Bigger requirements in Colorado and and build the suits that
 01:12:23 --> 01:12:25: are of much larger scale than what we saw even
 01:12:25 --> 01:12:28: a few years ago.
 01:12:28 --> 01:12:31: So you know a million square feet now.
 01:12:31 --> 01:12:34: Maybe that's kind of the standard for some of these
 01:12:34 --> 01:12:36: companies coming in target Lowe's Home Depot.
 01:12:36 --> 01:12:42: You know that that really needs to be servicing their
 01:12:42 --> 01:12:45: employees or their customers at a,
 01:12:45 --> 01:12:49: you know from a closer closer warehouse and another
 01:12:49 --> 01:12:52: another
 01:12:52 --> 01:12:56: supply chain kind of current?
 01:12:56 --> 01:12:58: That's that's rolled through here is that.
 01:12:58 --> 01:13:01: These these companies are looking at having just in case
 01:13:01 --> 01:13:04: kind of inventory in their warehouses in the United States
 01:13:04 --> 01:13:05: that that is going to be able to.
 01:13:05 --> 01:13:08: House maybe additional inventory that they didn't.
 01:13:08 --> 01:13:11: Weren't thinking about a few years ago and and a
 01:13:11 --> 01:13:14: lot of that has to do with,

01:13:05 --> 01:13:08: you know, the congestion at the ports and the inability
 01:13:08 --> 01:13:11: to to get product into the United States and again
 01:13:11 --> 01:13:14: service their their end users and customers.
 01:13:14 --> 01:13:16: So it's it's been rapidly changing.
 01:13:16 --> 01:13:19: I think there was a moment in time,
 01:13:19 --> 01:13:21: you know, at the beginning of the pandemic when it
 01:13:21 --> 01:13:22: was OK.
 01:13:22 --> 01:13:24: What's, you know, I? I think like everyone in every
 01:13:24 --> 01:13:26: product type did what's what's going on,
 01:13:26 --> 01:13:29: what's going to happen? You know what's this going to
 01:13:29 --> 01:13:29: do to?
 01:13:29 --> 01:13:32: To our demand and specifically in Denver's is the way
 01:13:32 --> 01:13:34: I was thinking too,
 01:13:34 --> 01:13:37: is OK. Let's kind of evaluate what's what's going on
 01:13:37 --> 01:13:38: here,
 01:13:38 --> 01:13:42: but it's been an explosion of demand and supply truthfully
 01:13:42 --> 01:13:42: too.
 01:13:42 --> 01:13:45: So on the other end of that,
 01:13:45 --> 01:13:48: there's you know, a lot of capital that wants to
 01:13:48 --> 01:13:51: be placed into industrial into real estate specifically,
 01:13:51 --> 01:13:54: but Industrielles has seen a big boom of that,
 01:13:54 --> 01:13:57: and so I think that has also triggered,
 01:13:57 --> 01:13:59: you know, more, more competition.
 01:13:59 --> 01:14:04: More companies wanting to get into industrial right and and.
 01:14:04 --> 01:14:08: Not local companies within, you know?
 01:14:08 --> 01:14:09: Maybe they're within the United States.
 01:14:09 --> 01:14:11: They've done industrial elsewhere, or maybe they haven't.
 01:14:11 --> 01:14:13: Maybe they're brand new to industrial as well,
 01:14:13 --> 01:14:16: so there's there's a lot of shifts taking place right
 01:14:16 --> 01:14:18: now in the industrial space.
 01:14:18 --> 01:14:21: There's new submarkets within the Denver area.
 01:14:21 --> 01:14:25: You know, the airport submarket has traditionally really been
 01:14:25 --> 01:14:28: where
 01:14:25 --> 01:14:28: you see a lot of the demand,
 01:14:28 --> 01:14:30: and it still is. And last year majority of that
 01:14:30 --> 01:14:33: of that absorption was in the industrial or I'm sorry
 01:14:33 --> 01:14:36: in the airport submarket for industrial.
 01:14:36 --> 01:14:40: But you know, there's there's different corridors that that
 01:14:40 --> 01:14:43: companies
 01:14:40 --> 01:14:43: are looking Northern Colorado is a place that's that's seeing
 01:14:44 --> 01:14:44: some.
 01:14:44 --> 01:14:46: Some eyes development eyes looking that way,

01:14:46 --> 01:14:48: and there's some demand. From a tenant perspective there.

01:14:48 --> 01:14:51: Colorado Springs. I know it is a place that that

01:14:51 --> 01:14:53: certain companies are looking.

01:14:53 --> 01:14:56: And then you know, just within the the metro area

01:14:56 --> 01:14:56: as well.

01:14:56 --> 01:14:58: You know the northwest Market,

01:14:58 --> 01:15:05: Boulder, Louisville, Broomfield, those those have been existing submarkets for

01:15:05 --> 01:15:06: industrial space.

01:15:06 --> 01:15:07: But I think you know,

01:15:07 --> 01:15:11: maybe there's a new application to those flex industrial.

01:15:11 --> 01:15:14: You know, front park or load buildings,

01:15:14 --> 01:15:16: that is life, science and tech.

01:15:16 --> 01:15:20: Maybe less, less distribution, some manufacturing still.

01:15:20 --> 01:15:23: So there's really interesting dynamics going on in each of

01:15:23 --> 01:15:25: these different submarkets in Colorado as well,

01:15:25 --> 01:15:29: with really different demand drivers and different tenant requirements.

01:15:29 --> 01:15:32: So it's it's been a fascinating time to be beyond

01:15:32 --> 01:15:33: the industrial side.

01:15:34 --> 01:15:35: OK, thank you

01:15:36 --> 01:15:38: personally. What I took from that I I think it's

01:15:38 --> 01:15:41: really cool that a million square foot industrial requirement is

01:15:41 --> 01:15:43: not that unusual for us anymore.

01:15:43 --> 01:15:45: Maybe that used to be like that would make the

01:15:45 --> 01:15:47: front page of the Denver Post?

01:15:47 --> 01:15:50: Yeah, it's it's within the last year and a half.

01:15:50 --> 01:15:52: That's been very, very common,

01:15:52 --> 01:15:53: so

01:15:53 --> 01:15:56: that's great. So wrapping up this portion,

01:15:56 --> 01:15:56: Leon Mcbroom.

01:15:58 --> 01:16:02: Thanks Kevin. Hot, Mike So I think I'll be quick

01:16:02 --> 01:16:07: last 45 days have been very interesting in our space.

01:16:08 --> 01:16:10: You know, cost of capital is increasing with a ton

01:16:10 --> 01:16:13: of dried powder out there right now.

01:16:13 --> 01:16:15: I think the big take away from a capital market

01:16:15 --> 01:16:18: standpoint is kovid hit capital market.

01:16:18 --> 01:16:20: Shut down for probably all but.

01:16:20 --> 01:16:22: You know 60 days, maybe 90,

01:16:22 --> 01:16:24: and then they ramp back up.

01:16:24 --> 01:16:27: It started with multifamily and industrial and then kind of

01:16:27 --> 01:16:30: morphed into some of the other asset classes.

01:16:30 --> 01:16:34: So Fast forward 14 months from when COVID set in
 01:16:34 --> 01:16:35: March of 2020,
 01:16:35 --> 01:16:37: and that's when we got back to kind of what
 01:16:37 --> 01:16:39: I would refer to in a lot of other capital
 01:16:39 --> 01:16:41: markets folks were referring to as kind of a full
 01:16:41 --> 01:16:46: capital markets health cycle. And what I mean by that
 01:16:46 --> 01:16:46: is.
 01:16:46 --> 01:16:50: Any asset type was basically financeable.
 01:16:50 --> 01:16:54: There were at those asset types in the market transacting
 01:16:54 --> 01:16:54: as well.
 01:16:54 --> 01:16:57: It just was a function of kind of cost of
 01:16:57 --> 01:17:00: capital and a function of valuation.
 01:17:00 --> 01:17:03: You know, kind of fast forwarding
 01:17:03 --> 01:17:03: of where we
 01:17:03 --> 01:17:03: to
 01:17:03 --> 01:17:04: are today.
 01:17:03 --> 01:17:04: kind
 01:17:04 --> 01:17:04: As
 01:17:04 --> 01:17:07: I mentioned the last 45 days have been very interesting.
 01:17:07 --> 01:17:09: You know you look at the
 01:17:09 --> 01:17:09: compared
 01:17:09 --> 01:17:09: 10
 01:17:09 --> 01:17:09: to the
 01:17:09 --> 01:17:10: year
 01:17:09 --> 01:17:10: two
 01:17:10 --> 01:17:10: year Treasury.
 01:17:10 --> 01:17:11: Treasury
 01:17:10 --> 01:17:11: So the two in
 01:17:11 --> 01:17:14: 10 is a big correlation that we pay attention to.
 01:17:14 --> 01:17:17: When we were about a year ago that 10 year
 01:17:17 --> 01:17:21: Treasury was about a 1-2 and the two year Treasury
 01:17:21 --> 01:17:22: was about 11 basis points.
 01:17:22 --> 01:17:26: So you're looking at 110 basis points spread so very
 01:17:26 --> 01:17:27: steep yield curve.
 01:17:27 --> 01:17:29: Fast forward to today and
 01:17:29 --> 01:17:31: your 10 year Treasury is at 2%
 01:17:31 --> 01:17:31: and
 01:17:31 --> 01:17:33: your two year treasuries at
 01:17:33 --> 01:17:34: 1/6. So you're
 01:17:34 --> 01:17:38: about a 40 basis point delta between the two and
 01:17:38 --> 01:17:38: 10,
 01:17:38 --> 01:17:41: and that indicates to us that it's a very flat

01:17:41 --> 01:17:41: yield curve.

01:17:41 --> 01:17:44: So I mean the cost of capital is going up.

01:17:44 --> 01:17:48: There's a lot priced into the market right now.

01:17:48 --> 01:17:51: Obviously the Fed has announced that they are going to

01:17:51 --> 01:17:54: be hiking rates and we're just kind of bracing for

01:17:55 --> 01:17:58: what we kind of are identifying as two halves of

01:17:58 --> 01:18:01: the year. There's a lot of transactions that are already

01:18:01 --> 01:18:02: in the market right now,

01:18:02 --> 01:18:04: and I think what you know we're all kind of

01:18:04 --> 01:18:07: trying to figure out is in y'all's crystal balls as

01:18:07 --> 01:18:08: good as mine is.

01:18:08 --> 01:18:10: What the second half of the year looks like.

01:18:10 --> 01:18:13: I think from a prediction prediction standpoint,

01:18:13 --> 01:18:15: you know there's some analysts out there that predict 2

01:18:16 --> 01:18:16: hikes.

01:18:16 --> 01:18:19: Some analysts out there predict 7 hikes.

01:18:19 --> 01:18:21: I'm more at the thought that it's not about the

01:18:21 --> 01:18:21: number of hikes,

01:18:21 --> 01:18:25: it's about where kind of the Fed fund rate ultimately

01:18:25 --> 01:18:26: settles,

01:18:26 --> 01:18:28: and if you kind of look at the where the

01:18:28 --> 01:18:29: two year is currently priced at 1/6,

01:18:29 --> 01:18:32: I think it's a very telling indicator.

01:18:32 --> 01:18:36: I think that the Fed fund will settle somewhere between

01:18:36 --> 01:18:37: one and a half and 2%

01:18:37 --> 01:18:38: at the end of the year,

01:18:38 --> 01:18:41: and again, not a function of how many hikes.

01:18:41 --> 01:18:45: It's just a function of where that Fed fund ultimately

01:18:45 --> 01:18:45: settles,

01:18:45 --> 01:18:49: but the dry powder that's in the market right now.

01:18:49 --> 01:18:52: I think is going to be able to absorb a

01:18:52 --> 01:18:55: lot of the the index increases on the cost of

01:18:55 --> 01:18:56: capital side.

01:18:56 --> 01:19:00: The other function that hopefully will compress some of that

01:19:00 --> 01:19:02: and keep cost capital relatively low.

01:19:02 --> 01:19:07: From a historical standpoint, is the lender spread or capital

01:19:07 --> 01:19:07: spread.

01:19:07 --> 01:19:11: We hopefully will start seeing those capital spreads

01:19:11 --> 01:19:14: compress as

01:19:11 --> 01:19:14: the the year kind of moves moves forward,

01:19:14 --> 01:19:19: but you know pre pandemic we're kind of still lower.

01:19:19 --> 01:19:22: Rate environment than where we were,

01:19:22 --> 01:19:25: and you know even if we do increase back to
01:19:25 --> 01:19:26: call it 2%
01:19:26 --> 01:19:29: on the Fed fund, that still is lower than where
01:19:29 --> 01:19:31: we were pre pandemic pre pandemic.
01:19:31 --> 01:19:34: We were about 2 1/2 before the Fed started injecting
01:19:34 --> 01:19:37: capital into the market and pulling their rates back.
01:19:37 --> 01:19:41: So even though we're in this volatile market still a
01:19:41 --> 01:19:43: very very low cost of capital environment.
01:19:44 --> 01:19:46: Great, thank
01:19:46 --> 01:19:48: you. So we are going to start Q&A.
01:19:48 --> 01:19:52: I'll get it rolling. We do have microphones out.
01:19:52 --> 01:19:54: Somewhere so we will throw it to the audience.
01:19:54 --> 01:19:56: So if you do have questions.
01:19:56 --> 01:20:01: Raise your hand. The good looking volunteer back there
named
01:20:01 --> 01:20:03: Michael will find you.
01:20:03 --> 01:20:06: My first question, actually, Scott,
01:20:06 --> 01:20:08: I want to follow up on something you said you
01:20:08 --> 01:20:10: said affordable is hot right now.
01:20:10 --> 01:20:11: Why right now? I mean,
01:20:12 --> 01:20:15: has it been hot? My impression is it's been under
01:20:15 --> 01:20:17: addressed and hot for a long time.
01:20:17 --> 01:20:20: So So what has changed and then and then?
01:20:20 --> 01:20:21: Brian maybe throw it back to you.
01:20:21 --> 01:20:23: You can say if you agree with him,
01:20:23 --> 01:20:24: it's fine. If you don't,
01:20:24 --> 01:20:25: and what we should be doing.
01:20:26 --> 01:20:29: I mean, that's fair. Affordable is always a discussion.
01:20:29 --> 01:20:32: It's always a discussion. I think the reason that it's
01:20:32 --> 01:20:34: even more of a discussion right now is because there
01:20:34 --> 01:20:37: is a proposal in front of the Denver City Council.
01:20:37 --> 01:20:41: To require either 10% of units to be of all
01:20:41 --> 01:20:44: new construction over a certain size,
01:20:44 --> 01:20:47: to basically the property, 10%
01:20:47 --> 01:20:49: of it has to include 60%
01:20:49 --> 01:20:53: of am I units or it has to include 15%
01:20:53 --> 01:20:55: of 70% of am I units.
01:20:55 --> 01:21:00: Am I meaning the area median income and that's kind
01:21:00 --> 01:21:01: of how we?
01:21:01 --> 01:21:04: Address different levels of affordability.
01:21:04 --> 01:21:08: 20% of AMI area. Median income is very low.
01:21:08 --> 01:21:12: Very low income housing at 30 percent 40%

01:21:12 --> 01:21:14: and they kind of go up in chunks.

01:21:14 --> 01:21:16: 80% is kind of at the top level of what

01:21:16 --> 01:21:17: they consider.

01:21:17 --> 01:21:21: At least I consider affordable housing and then anything above

01:21:21 --> 01:21:22: 80%

01:21:22 --> 01:21:25: of am I really is market rate housing.

01:21:25 --> 01:21:28: 80% is a very interesting level because 80%

01:21:28 --> 01:21:32: is market rate in almost every place in Colorado still.

01:21:32 --> 01:21:35: It's kind of this hybrid where you're kind of.

01:21:35 --> 01:21:39: You might be affordable. You might be market rent,

01:21:39 --> 01:21:41: but because they're kind of bumping up right against each

01:21:41 --> 01:21:41: other.

01:21:44 --> 01:21:51: There is a concern with the the new proposal that.

01:21:51 --> 01:21:54: We already have a housing crisis throughout Colorado everywhere in

01:21:55 --> 01:21:55: Colorado,

01:21:55 --> 01:21:58: including the Denver metro area including Fort Collins,

01:21:58 --> 01:22:02: Northern Colorado, including Colorado Springs.

01:22:02 --> 01:22:06: Increasing the cost to build is going to have negative

01:22:06 --> 01:22:13: unintended consequences because basically we have affordable developers who

01:22:13 --> 01:22:15: are used to. Complying

01:22:15 --> 01:22:18: with all of the affordable rules you.

01:22:18 --> 01:22:20: There are many rules that you have to comply with

01:22:20 --> 01:22:22: when you are operating.

01:22:22 --> 01:22:29: Affordable property managers have specialties in compliance with affordable housing

01:22:29 --> 01:22:29: rules.

01:22:29 --> 01:22:33: Right now we're gonna put ourselves into a situation where

01:22:33 --> 01:22:36: we need managers of every brand new property in Denver

01:22:36 --> 01:22:38: that have that special skill set.

01:22:38 --> 01:22:40: We don't have those people.

01:22:40 --> 01:22:43: The labor doesn't exist. Not only that,

01:22:43 --> 01:22:45: but it also the cost of compliance increases.

01:22:45 --> 01:22:47: So where does that go?

01:22:47 --> 01:22:49: That goes to rent? So you're going to end up

01:22:49 --> 01:22:50: if it costs more to run it,

01:22:50 --> 01:22:51: they're going to pass it along.

01:22:51 --> 01:22:53: Their rents are going to go up.

01:22:53 --> 01:22:57: In addition, if you're subsidizing 60 and 70%

01:22:57 --> 01:23:00: of MI units. The only way to make a deal

01:23:00 --> 01:23:05: pencil at that point is to basically increase your market

01:23:05 --> 01:23:09: rent rents on the top end and basically.
 01:23:09 --> 01:23:14: Overcharge the other people in the building.
 01:23:14 --> 01:23:17: Overcharges perhaps a charged term,
 01:23:17 --> 01:23:20: but. At the end of the day,
 01:23:20 --> 01:23:23: the unintended consequence is going to be that we're going
 01:23:23 --> 01:23:25: to push up the cost of housing.
 01:23:25 --> 01:23:29: We did an analysis based on about 25,000 units in
 01:23:29 --> 01:23:32: the pipeline within Denver County.
 01:23:32 --> 01:23:35: We used what we call a developer success rate of
 01:23:35 --> 01:23:35: 25%.
 01:23:35 --> 01:23:39: Which is low in Denver because it's just more difficult
 01:23:39 --> 01:23:43: to to get through the entitlement process and the permitting
 01:23:43 --> 01:23:44: process in Denver.
 01:23:44 --> 01:23:46: And then we we picked the 10%
 01:23:46 --> 01:23:48: if everybody were to pick 60%
 01:23:48 --> 01:23:51: of my units, that would add another roughly 700 units
 01:23:51 --> 01:23:52: over the next three years,
 01:23:52 --> 01:23:54: which would be about a 16%
 01:23:54 --> 01:23:57: increase in affordable units. That is,
 01:23:57 --> 01:24:01: of course, assuming that we don't see a significant decrease
 01:24:01 --> 01:24:04: in the number of people who are actually able to
 01:24:05 --> 01:24:06: or wanting to build in Denver.
 01:24:06 --> 01:24:10: Because this change could occur and if this change occurs,
 01:24:10 --> 01:24:14: we're just we're very concerned that there are going to
 01:24:14 --> 01:24:19: be unintended consequences that basically exacerbate the
 affordability issues that
 01:24:19 --> 01:24:21: were already having.
 01:24:21 --> 01:24:22: We take a different take on it,
 01:24:22 --> 01:24:25: which is if prices are high,
 01:24:25 --> 01:24:27: that means we don't have enough supply,
 01:24:27 --> 01:24:29: so we need to be adding to the supply.
 01:24:29 --> 01:24:31: And really, what we need to do in this is
 01:24:31 --> 01:24:32: a very.
 01:24:32 --> 01:24:33: I'm not saying this is an easy answer,
 01:24:33 --> 01:24:37: but we're basically that seventy 8090%.
 01:24:37 --> 01:24:41: Today at my level. Based on our analysis,
 01:24:41 --> 01:24:45: that's where the growth in the population is occurring,
 01:24:45 --> 01:24:48: and we need to figure out how to supply additional
 01:24:48 --> 01:24:49: workforce housing,
 01:24:49 --> 01:24:52: attainable housing to that level,
 01:24:52 --> 01:24:55: rather than all luxury. The problem is that luxury is
 01:24:55 --> 01:24:58: the only thing that pencils right now and then we

01:24:58 --> 01:25:00: need to take what we've been focusing on in our
 01:25:00 --> 01:25:03: 60% of am I, which a large majority of what's
 01:25:03 --> 01:25:07: been built over the last 40 years has been 60%
 01:25:07 --> 01:25:09: of am I, which is the highest level of.
 01:25:09 --> 01:25:13: Affordable and part of that is because that's that's what
 01:25:13 --> 01:25:14: pencils.
 01:25:14 --> 01:25:15: But I think what we need to do is we
 01:25:15 --> 01:25:16: need to spread.
 01:25:16 --> 01:25:18: We need to go down to the lower levels we
 01:25:18 --> 01:25:21: need to cover those 'cause they're always going to need
 01:25:21 --> 01:25:24: assistance at the lower levels of affordability.
 01:25:24 --> 01:25:26: And then we need to figure out how to push
 01:25:26 --> 01:25:27: that up into the workforce.
 01:25:27 --> 01:25:30: Housing world and build more units at that 80%
 01:25:30 --> 01:25:34: and 80% of am I level that might not actually
 01:25:34 --> 01:25:35: be subsidized,
 01:25:35 --> 01:25:37: but that's where a majority of the people can actually
 01:25:37 --> 01:25:39: qualify and not be overburdened.
 01:25:39 --> 01:25:43: By their monthly rent. So I'll pass that along to
 01:25:43 --> 01:25:43: Brian.
 01:25:43 --> 01:25:45: Yeah, Brian, I was going to say that's a segue
 01:25:45 --> 01:25:47: for you. Now that you know,
 01:25:47 --> 01:25:48: we all realize the problem and it's
 01:25:49 --> 01:25:52: hot from a legislative and a policy standpoint,
 01:25:52 --> 01:25:54: what should we pay be paying attention to that?
 01:25:54 --> 01:25:55: Maybe
 01:25:55 --> 01:25:56: we're not sure. And
 01:25:56 --> 01:26:00: and just, I think. One thing to sort of level
 01:26:00 --> 01:26:04: set is when we're talking about affordability.
 01:26:04 --> 01:26:07: What we're talking about is not spending more than 30%
 01:26:07 --> 01:26:11: of your income on housing and housing related costs,
 01:26:11 --> 01:26:13: and so that's why I always try and level set
 01:26:13 --> 01:26:16: that in a room that when we're talking about affordability
 01:26:16 --> 01:26:19: and that goes to the MI levels that Scott was
 01:26:19 --> 01:26:22: talking about that at those levels you're not spending more
 01:26:22 --> 01:26:23: than 30%
 01:26:23 --> 01:26:25: of your income on housing,
 01:26:25 --> 01:26:30: that's that's. Where we're at in terms of,
 01:26:30 --> 01:26:35: you know, the the proposed the proposal that is going
 01:26:35 --> 01:26:37: to be debated,
 01:26:37 --> 01:26:42: and. We'll see what happens with.
 01:26:42 --> 01:26:46: At Denver City Council you know this was a piece

01:26:46 --> 01:26:52: of legislation from last year that allowed inclusionary zoning to

01:26:52 --> 01:26:56: happen once again in the state of Colorado.

01:26:56 --> 01:27:00: House Bill 1117, passed last year after 20 years of

01:27:00 --> 01:27:05: a basically a moratorium on inclusionary zoning policies,

01:27:05 --> 01:27:08: and we haven't had. So we haven't had this tool

01:27:08 --> 01:27:12: in our toolbox in the state of Colorado since the

01:27:12 --> 01:27:16: state Supreme Court ruled that inclusionary zoning was a form

01:27:16 --> 01:27:20: of rent control. The legislature fixed that last year,

01:27:20 --> 01:27:27: and you know, this is an opportunity for.

01:27:27 --> 01:27:32: For the city, especially to have some new options available

01:27:32 --> 01:27:36: to it beyond the linkage fees and the the payment

01:27:36 --> 01:27:39: in lieu that that already exist,

01:27:39 --> 01:27:46: that hasn't necessarily equated to more units being built.

01:27:46 --> 01:27:50: And so as we think about this.

01:27:53 --> 01:27:55: This proposal you know it.

01:27:55 --> 01:27:59: It'll be incumbent upon all of us here to hold

01:27:59 --> 01:28:04: our elected officials feet to the fire and and hold

01:28:04 --> 01:28:06: them accountable too.

01:28:06 --> 01:28:12: You know what the? Opportunity that is presented in in

01:28:12 --> 01:28:13: some of these.

01:28:13 --> 01:28:19: Proposals are. You know Scott has they've done an analysis.

01:28:19 --> 01:28:23: You know there's a lot of research around the country

01:28:23 --> 01:28:30: around what inclusionary zoning proposals and inclusionary zoning ordinances have

01:28:30 --> 01:28:31: done and and.

01:28:31 --> 01:28:35: You know there's results that say you know that.

01:28:37 --> 01:28:40: That there isn't necessarily this.

01:28:40 --> 01:28:47: These unintended consequences don't always manifest themselves when inclusionary zoning,

01:28:47 --> 01:28:52: when proposals like the city is debating come through,

01:28:52 --> 01:28:56: and so there's. There's still a comment period on what

01:28:56 --> 01:28:59: they're proposing there is,

01:28:59 --> 01:29:03: you know. Part of the legislation that went through last

01:29:03 --> 01:29:09: year required that that there be an option that inclusionary

01:29:09 --> 01:29:12: zoning not be the end all be all that a

01:29:12 --> 01:29:18: local community. Offers as as an option for increasing the

01:29:18 --> 01:29:24: supply of affordable housing that there has to be some

01:29:24 --> 01:29:27: options for developers to.

01:29:27 --> 01:29:32: To employ so that the the affordable stock can increase

01:29:32 --> 01:29:33: I I will agree.

01:29:33 --> 01:29:37: I think one of the the things that we.

01:29:37 --> 01:29:40: We don't have in the state currently and and this
 01:29:41 --> 01:29:44: is a challenge I think probably around the nation is
 01:29:45 --> 01:29:48: is that workforce housing that missing middle?
 01:29:48 --> 01:29:50: We don't have a a subsidy.
 01:29:50 --> 01:29:53: We don't have a low income housing tax credit.
 01:29:53 --> 01:29:56: We don't have a state housing tax credit.
 01:29:56 --> 01:29:59: We don't. We don't have an option there for folks
 01:29:59 --> 01:30:01: who are making 80%
 01:30:01 --> 01:30:03: of the area median income or more,
 01:30:03 --> 01:30:07: and so that's that is something that we don't have
 01:30:07 --> 01:30:09: a tool in our toolbox for right now,
 01:30:09 --> 01:30:13: and I think that that's going to be the next
 01:30:13 --> 01:30:19: conversation because there are implications possibly
 downstream.
 01:30:19 --> 01:30:23: If you develop those types of units and can make
 01:30:23 --> 01:30:27: those make those developments work in pencil out.
 01:30:29 --> 01:30:31: I say one more thing really quickly.
 01:30:31 --> 01:30:34: I I mentioned Pueblo earlier and I just want to
 01:30:34 --> 01:30:36: say that this is kind of the conversation that's been
 01:30:36 --> 01:30:39: going on and a lot of municipalities throughout Colorado
 Pueblo
 01:30:39 --> 01:30:42: just said housing needs assessment done and one of the
 01:30:42 --> 01:30:47: things they're actually taking completely different tactic and
 basically what
 01:30:47 --> 01:30:49: their housing needs assessment said,
 01:30:49 --> 01:30:52: is that the reason that we don't have enough affordable
 01:30:52 --> 01:30:55: housing is that we don't have enough market rent housing
 01:30:55 --> 01:30:58: and so there it's based on an academic study that
 01:30:58 --> 01:31:01: came out in 2019. But what they're going to do
 01:31:01 --> 01:31:03: is they're going to try and.
 01:31:03 --> 01:31:08: Motivate additional market rate housing for move up and
 imagine
 01:31:08 --> 01:31:10: it as a rungs on a ladder.
 01:31:10 --> 01:31:11: If you move up from here,
 01:31:11 --> 01:31:14: you create vacancy on this rung so these people can
 01:31:14 --> 01:31:16: move up so these people can move up
 01:31:16 --> 01:31:19: and it creates space in the space in the middle.
 01:31:19 --> 01:31:23: Basically it will be fascinating to find out if that
 01:31:23 --> 01:31:27: actually comes to fruition in Pueblo and if that works
 01:31:27 --> 01:31:28: for them.
 01:31:28 --> 01:31:32: From a supply, demand pure economics 101 perspective.
 01:31:32 --> 01:31:34: That's what makes sense to us.
 01:31:34 --> 01:31:35: So we're gonna be keeping an eye on Pueblo.

01:31:35 --> 01:31:37: Very interesting to see if it plays out that way

01:31:37 --> 01:31:38: exactly.

01:31:39 --> 01:31:41: There's a lot of talk about labor scarcity,

01:31:41 --> 01:31:44: construction costs going up, so I'm going to direct this.

01:31:44 --> 01:31:48: I guess first to Megan and then also to Becky.

01:31:48 --> 01:31:52: What what real examples? What impacts have you seen either

01:31:52 --> 01:31:53: on the the cost?

01:31:53 --> 01:31:54: Can you give us some range?

01:31:55 --> 01:31:56: Have you had projects delayed?

01:31:56 --> 01:31:59: If you had projects scrapped because you just couldn't get?

01:31:59 --> 01:32:00: Your arms around

01:32:01 --> 01:32:05: getting the labor or getting the materials.

01:32:05 --> 01:32:05: Yeah

01:32:05 --> 01:32:10: so. There's there's a lot of volatility right now in

01:32:10 --> 01:32:14: the construction industry and and really,

01:32:14 --> 01:32:17: we typically when you're signing a GMP or a contract.

01:32:17 --> 01:32:19: You know your prices are locked in you.

01:32:19 --> 01:32:24: You kind of have some level of predictability on timing

01:32:24 --> 01:32:25: and schedule,

01:32:25 --> 01:32:28: and those those kind of things are changing and there

01:32:28 --> 01:32:32: are subcontractors ripping up contracts saying you know I can't

01:32:32 --> 01:32:33: hold this number.

01:32:33 --> 01:32:35: And by the way, you know you might not

01:32:35 --> 01:32:38: get a roof for your building.

01:32:38 --> 01:32:39: So it's not just a cost issue,

01:32:39 --> 01:32:40: right? It's

01:32:40 --> 01:32:44: an actual supply issue, and you know whether you're going

01:32:44 --> 01:32:45: to get get that product.

01:32:45 --> 01:32:49: And when. I think part of the other the other

01:32:49 --> 01:32:53: side of that is that rent has continued to increase

01:32:53 --> 01:32:58: and kind of offset some of the construction cost increase

01:32:58 --> 01:32:59: over the last couple years.

01:32:59 --> 01:33:02: So last year this is market wide,

01:33:02 --> 01:33:05: so it's I think varies between submarket,

01:33:06 --> 01:33:07: but. Rents went up 15%

01:33:07 --> 01:33:09: in the industrial space, right?

01:33:09 --> 01:33:12: So if you're if you're seeing 15 to 20%

01:33:12 --> 01:33:14: increase in construction costs as well,

01:33:14 --> 01:33:16: you know you can. Theoretically,

01:33:16 --> 01:33:19: push that onto the tenant with you know the rental

01:33:19 --> 01:33:21: increase will get you free

01:33:21 --> 01:33:21: money.

01:33:22 --> 01:33:23: Yeah.

01:33:23 --> 01:33:26: Yeah, so it's. It's been a balance of there's a

01:33:26 --> 01:33:30: lot of moving pieces and the underwriting of these deals.

01:33:30 --> 01:33:34: And you know, again, the I think the scariest thing,

01:33:34 --> 01:33:37: in my opinion, is that and right now,

01:33:37 --> 01:33:39: just in my world is that when you have a

01:33:39 --> 01:33:40: contract signed,

01:33:40 --> 01:33:43: you know it's your contractor might not be able to

01:33:43 --> 01:33:46: hold it because their Subs aren't holding their number with

01:33:46 --> 01:33:48: with the contractors.

01:33:48 --> 01:33:50: So it's it's been a really challenging.

01:33:52 --> 01:33:54: Do it right now. Yeah,

01:33:55 --> 01:33:56: good good question.

01:33:56 --> 01:33:59: I mean, I think there's a few different commodities that

01:34:00 --> 01:34:04: have been really focused on from an industrial standpoint.

01:34:04 --> 01:34:07: It's steel, roofing, materials, insulation.

01:34:07 --> 01:34:10: And then there are other cost increases on just,

01:34:10 --> 01:34:13: you know, asphalts and other materials that you're using.

01:34:13 --> 01:34:16: But I'm hearing steel might kind of level off and

01:34:16 --> 01:34:20: and potentially come down slightly later this year.

01:34:20 --> 01:34:23: I don't know. I think that steal some someone in

01:34:23 --> 01:34:24: the audience might.

01:34:24 --> 01:34:29: No better than me, but on one of our projects

01:34:29 --> 01:34:33: in a couple years ago it was steel went up,

01:34:33 --> 01:34:37: you know three times what we had originally budgeted for

01:34:37 --> 01:34:37: it.

01:34:37 --> 01:34:39: So if you could get it,

01:34:39 --> 01:34:43: yeah exactly. And that was there's actually getting the

01:34:43 --> 01:34:43: product.

01:34:43 --> 01:34:43: Is is

01:34:43 --> 01:34:46: the issue too, but. Yeah,

01:34:46 --> 01:34:47: it's great. Yeah Becky?

01:34:47 --> 01:34:51: Yeah, we're seeing Subs hold their price for like 30

01:34:51 --> 01:34:54: days so like if we're doing a resort in Keystone

01:34:54 --> 01:34:57: by the time that we can get pricing back and

01:34:57 --> 01:34:59: even respond to some of their comments like their price

01:34:59 --> 01:35:01: is outdated and they got to price it again right?

01:35:01 --> 01:35:03: So again then it's up another 20%.

01:35:03 --> 01:35:07: So it's it's kind of it's volatile.

01:35:07 --> 01:35:11: I think the like we have a.

01:35:11 --> 01:35:13: We have a sales center at River Run Village and

01:35:14 --> 01:35:17: they needed to put some appliances in the sales center
01:35:17 --> 01:35:18: so it's one stove,
01:35:18 --> 01:35:21: one refrigerator, maybe a microwave to show what this.
01:35:21 --> 01:35:23: What the units look like.
01:35:23 --> 01:35:25: They're a year out so we had to make them
01:35:25 --> 01:35:28: out of foamcore and deliver them up there and like,
01:35:28 --> 01:35:30: say, OK. Well, here's your fake stoves.
01:35:30 --> 01:35:32: You can show everybody what it looks like 'cause we
01:35:32 --> 01:35:35: can't get it so you know we have projects whatever
01:35:35 --> 01:35:38: that are a year away from being finished and they.
01:35:38 --> 01:35:43: Still can't get the MVP equipment or the electrical boxes
01:35:43 --> 01:35:44: or the it's it's.
01:35:44 --> 01:35:48: It's tough so so we're right now we're responding to
01:35:48 --> 01:35:48: it.
01:35:48 --> 01:35:50: 'cause we're designing around the supply chain,
01:35:50 --> 01:35:53: right? So we're trying to creatively more modular,
01:35:53 --> 01:35:56: more panelized things that you could create 1st and just
01:35:56 --> 01:35:59: deliver it to the site to make sure it works.
01:35:59 --> 01:36:01: And trying not to get it from that.
01:36:02 --> 01:36:03: You can't truck somewhere.
01:36:04 --> 01:36:07: Traitors don't really work. Yeah,
01:36:07 --> 01:36:09: it looks pretty bad. Pretty quick.
01:36:10 --> 01:36:11: Then you've got the supply chain issue.
01:36:11 --> 01:36:14: Getting fresh food and then it all just starts over.
01:36:14 --> 01:36:19: Next question really for Leon and John and he mentioned
01:36:19 --> 01:36:23: in his report that suburban is no longer a dirty
01:36:23 --> 01:36:23: word.
01:36:23 --> 01:36:24: Do you agree with that?
01:36:24 --> 01:36:27: Was it ever a dirty word and and what's the
01:36:27 --> 01:36:30: capital telling you in Colorado for suburban versus
01:36:30 --> 01:36:33: core? So
01:36:34 --> 01:36:36: you know, kind of going back to what we were
01:36:36 --> 01:36:39: talking about earlier as far as you know where capital
01:36:39 --> 01:36:42: started having appetite coming out of you know the the
01:36:42 --> 01:36:46: onset of the pandemic. You know capital actually went to
01:36:46 --> 01:36:47: the suburbs.
01:36:47 --> 01:36:50: I think there were. And really what it came down
01:36:50 --> 01:36:52: to from a lender standpoint is data points.
01:36:52 --> 01:36:57: There were leasing data points in those submarkets first
01:36:57 --> 01:36:59: before
01:36:57 --> 01:36:59: the urban core.
01:36:59 --> 01:37:00: You know, I think the urban core is not dead.

01:37:00 --> 01:37:03: The urban core is going to come back.
 01:37:03 --> 01:37:06: You know, if I might add a little bit of
 01:37:06 --> 01:37:07: a civic plug,
 01:37:07 --> 01:37:10: I think it's our civic duty to get back into
 01:37:10 --> 01:37:10: the office.
 01:37:10 --> 01:37:14: And, you know, get back into the urban core.
 01:37:14 --> 01:37:17: And bring that revitalization back to our downtowns.
 01:37:17 --> 01:37:20: It's going to help our local small business owners.
 01:37:20 --> 01:37:23: It's going to help local restaurants and shop owners,
 01:37:23 --> 01:37:25: so I'll get off that soapbox.
 01:37:25 --> 01:37:28: But the capitals there, you know?
 01:37:28 --> 01:37:31: And and it really just comes down to.
 01:37:31 --> 01:37:35: Flight to quality I think is the big key component.
 01:37:35 --> 01:37:38: You know, the the the suburbs have the data points,
 01:37:38 --> 01:37:40: you know. The suburbs also have.
 01:37:40 --> 01:37:42: You know, in some cases newer product.
 01:37:42 --> 01:37:46: Some cases older product. Same with downtown urban
 course.
 01:37:46 --> 01:37:50: You know there's there's the the mix of both old
 01:37:50 --> 01:37:51: and new,
 01:37:51 --> 01:37:54: but I mean as far as capital appetite goes,
 01:37:54 --> 01:37:57: we definitely saw the suburbs come back first.
 01:37:57 --> 01:38:01: As far as just where debt capital work.
 01:38:01 --> 01:38:04: Going and it's starting to now come back into the
 01:38:04 --> 01:38:05: the urban course.
 01:38:07 --> 01:38:09: You know, I think generally speaking,
 01:38:09 --> 01:38:11: assets that are easier to use in newer have done
 01:38:11 --> 01:38:13: really well this cycle.
 01:38:13 --> 01:38:15: And if you start thinking about our CBD is healing
 01:38:15 --> 01:38:17: from the outside in and a lot of that is
 01:38:18 --> 01:38:21: generated based upon daytime population with multi family
 and housing.
 01:38:21 --> 01:38:23: And if you look at the suburban markets the suburban
 01:38:24 --> 01:38:24: markets,
 01:38:24 --> 01:38:27: if you walk outside during the day during the pandemic
 01:38:27 --> 01:38:29: you realize there are a lot of people around and
 01:38:29 --> 01:38:32: so our retail was healthier in the suburban markets.
 01:38:32 --> 01:38:34: The CBD had a big sucking sound,
 01:38:34 --> 01:38:38: there was just a natural byproduct of distribution of
 demographics.
 01:38:38 --> 01:38:41: I'm a big fan of following demographics and I think
 01:38:41 --> 01:38:42: if you look at our growth areas,
 01:38:42 --> 01:38:46: especially when you go up the I-25 corridor to the

01:38:46 --> 01:38:46: north,
 01:38:46 --> 01:38:48: you start really looking at.
 01:38:48 --> 01:38:50: That's where people are going to live in the future
 01:38:50 --> 01:38:54: and there is going to be changing suburban environments.
 01:38:54 --> 01:38:56: And the downtown. I agree with Leon is not going
 01:38:56 --> 01:38:56: anywhere,
 01:38:56 --> 01:38:59: it's just going to take a little bit longer for
 01:38:59 --> 01:39:00: it to heal and again,
 01:39:00 --> 01:39:02: housing is a big part of it and the one
 01:39:03 --> 01:39:05: thing I will say on the housing side we have
 01:39:05 --> 01:39:07: I think here in Denver the risk we run as
 01:39:07 --> 01:39:11: we always considered ourselves. Cheaper than San Francisco.
 01:39:11 --> 01:39:13: And I'm hearing more and more.
 01:39:13 --> 01:39:17: I have a buddy who's a chief legal officer for
 01:39:17 --> 01:39:18: a tech company.
 01:39:18 --> 01:39:20: Was looking to move to Denver and said you're a
 01:39:20 --> 01:39:22: lot more expensive than Raleigh.
 01:39:22 --> 01:39:25: And so I think Austin is in the same boat
 01:39:25 --> 01:39:26: as Denver,
 01:39:26 --> 01:39:28: and if you look, you know Broomfield.
 01:39:28 --> 01:39:30: I think I read in January,
 01:39:30 --> 01:39:31: had eight homes on the
 01:39:31 --> 01:39:33: market. And
 01:39:33 --> 01:39:35: when you look at the Marshall Fire and you start
 01:39:35 --> 01:39:38: looking at the dynamics that are taking place and inbound
 01:39:38 --> 01:39:39: migration,
 01:39:39 --> 01:39:42: our cost structures are going up considerably and I think
 01:39:42 --> 01:39:44: that is something we should.
 01:39:44 --> 01:39:45: We just have to
 01:39:45 --> 01:39:47: pay attention to. Right?
 01:39:48 --> 01:39:50: Any questions from the audience?
 01:39:50 --> 01:39:53: And including you can ask question of Andy.
 01:39:53 --> 01:39:56: So we get into that,
 01:39:56 --> 01:39:59: Michael. Look at him. My God,
 01:39:59 --> 01:40:00: we had to hire that guy.
 01:40:02 --> 01:40:03: That's what we
 01:40:03 --> 01:40:03: ought to do right now.
 01:40:03 --> 01:40:04: Let's get
 01:40:04 --> 01:40:06: it. Get him hired. Please go ahead.
 01:40:09 --> 01:40:10: Video he sees in
 01:40:10 --> 01:40:11: the news for being a big

01:40:11 --> 01:40:13: proponent of work from home.
01:40:13 --> 01:40:14: So what are you guys going to do with all
01:40:14 --> 01:40:15: your office space
01:40:15 --> 01:40:16: when they lease is expired?
01:40:22 --> 01:40:23: Yeah, that that that's a very good
01:40:23 --> 01:40:27: question because they were a very big proponent of work
01:40:28 --> 01:40:31: from home initially going into the pandemic gave back
01:40:32 --> 01:40:36: 30% of office space leases that they had subleased a
01:40:36 --> 01:40:37: lot of space. And
01:40:37 --> 01:40:39: then when we were returning to the office,
01:40:39 --> 01:40:43: they opened up the option to any employee could work
01:40:43 --> 01:40:45: 100% remote. It's going
01:40:45 --> 01:40:46: to be one of those things,
01:40:46 --> 01:40:47: and the CEO
01:40:47 --> 01:40:48: actually made the
01:40:48 --> 01:40:49: comment. He goes well. We
01:40:49 --> 01:40:52: may make some really stupid mistakes in this,
01:40:52 --> 01:40:53: so it's kind of a concept.
01:40:53 --> 01:40:53: I think
01:40:53 --> 01:40:55: it's that evolution will
01:40:55 --> 01:41:00: find out. How people? Do working 100%
01:41:00 --> 01:41:00: remote
01:41:00 --> 01:41:03: maybe be careful what you wish for?
01:41:03 --> 01:41:05: You may want to be back in the office and
01:41:05 --> 01:41:07: if you don't have the space,
01:41:07 --> 01:41:08: you may have to go out and try and find
01:41:08 --> 01:41:08: it.
01:41:08 --> 01:41:12: And I've as I've been touring around this fall I've
01:41:12 --> 01:41:13: been asking people.
01:41:13 --> 01:41:16: That have offices in different parts of the country.
01:41:16 --> 01:41:19: If they've seen any of their tenants.
01:41:19 --> 01:41:21: Who gave back their space or wanted to,
01:41:21 --> 01:41:23: you know you have the luxury of the three.
01:41:23 --> 01:41:25: The five seven year lease,
01:41:25 --> 01:41:26: which is protected
01:41:26 --> 01:41:28: against that. They've
01:41:28 --> 01:41:29: not. They've seen people
01:41:29 --> 01:41:31: that were said, OK, put it on the sublease market,
01:41:31 --> 01:41:33: pull it back. Haven't seen anybody yet.
01:41:33 --> 01:41:35: That's giving it all back and then come back and
01:41:35 --> 01:41:37: had to renegotiate something new.
01:41:37 --> 01:41:40: So I think that's going to be part of that

01:41:40 --> 01:41:43: evolution as we see our people use space and where
 01:41:43 --> 01:41:46: they want to be and that'll play out over the
 01:41:46 --> 01:41:47: idea of if you're in Denver
 01:41:47 --> 01:41:49: or Austin, or Raleigh,
 01:41:49 --> 01:41:50: as you kind of move around.
 01:41:51 --> 01:41:52: I'll bolt on to
 01:41:52 --> 01:41:53: that real quick, I think.
 01:41:54 --> 01:41:55: Pay attention to what
 01:41:56 --> 01:41:57: the tech companies are doing.
 01:41:57 --> 01:42:00: I think they're the thought leaders in a lot of
 01:42:00 --> 01:42:02: this kind of return to the office.
 01:42:02 --> 01:42:06: I personally believe that a lot of this work from
 01:42:06 --> 01:42:08: home is headline risk,
 01:42:08 --> 01:42:10: and it's kind of doing the right social thing with
 01:42:11 --> 01:42:13: employees health first and foremost.
 01:42:13 --> 01:42:14: And as you will see,
 01:42:14 --> 01:42:17: some of these thought leaders in the tech community start
 01:42:17 --> 01:42:18: returning to the office.
 01:42:18 --> 01:42:21: I think you will start seeing the trickle down effect
 01:42:21 --> 01:42:23: through the rest of the.
 01:42:23 --> 01:42:26: The the rest of the economic environment and there will
 01:42:26 --> 01:42:28: be a return to office.
 01:42:28 --> 01:42:31: I mean, we've. There have been so many experiments with
 01:42:31 --> 01:42:32: work from home,
 01:42:32 --> 01:42:34: and you know removing the office,
 01:42:34 --> 01:42:35: and it's tough to collaborate.
 01:42:35 --> 01:42:38: It's tough to promote. It's tough to basically be on
 01:42:38 --> 01:42:40: the cutting edge of anything,
 01:42:40 --> 01:42:43: so I mean, I'm a firm believer that you know
 01:42:43 --> 01:42:43: it.
 01:42:43 --> 01:42:46: It may be hybrid for a little bit,
 01:42:46 --> 01:42:49: but eventually it'll get back into full blown back into
 01:42:49 --> 01:42:50: the office.
 01:42:50 --> 01:42:52: I think there will be some flexibility,
 01:42:52 --> 01:42:54: but. We're going to be back in the office here
 01:42:54 --> 01:42:56: sooner rather than later.
 01:42:56 --> 01:42:56: I
 01:42:56 --> 01:42:58: agree. And Andy, I like the 20%
 01:42:58 --> 01:43:02: number that was in your that was in the report
 01:43:02 --> 01:43:04: and as an employer and a manager,
 01:43:04 --> 01:43:07: if I had employees and everyone back in the
 01:43:07 --> 01:43:08: Office,

01:43:08 --> 01:43:09: 4 out of five days,
 01:43:09 --> 01:43:10: I would take that tomorrow,
 01:43:10 --> 01:43:13: no questions asked and and be done.
 01:43:13 --> 01:43:15: So I I think we will get back there.
 01:43:15 --> 01:43:18: One of the things you talked about everybody thought about.
 01:43:18 --> 01:43:21: OK, where's all the distressed real estate that's going to
 01:43:21 --> 01:43:23: be the opportunity and it never materialized.
 01:43:23 --> 01:43:25: I think on the office leasing side,
 01:43:25 --> 01:43:28: the the corollary was the glut of sublease space that
 01:43:28 --> 01:43:30: was going to hit the market.
 01:43:30 --> 01:43:34: It just has to. And it never really materialized.
 01:43:34 --> 01:43:36: It it never made it there.
 01:43:36 --> 01:43:37: And now knock on wood.
 01:43:37 --> 01:43:40: We're going to get out of it and and survive
 01:43:40 --> 01:43:42: and never have that glut come on.
 01:43:42 --> 01:43:44: Any other questions from the audience before I tee up
 01:43:44 --> 01:43:45: another one?
 01:43:45 --> 01:43:47: There were a couple of hands up.
 01:43:47 --> 01:43:47: Michael.
 01:43:53 --> 01:43:54: Hi, this question is
 01:43:54 --> 01:43:55: about.
 01:43:56 --> 01:43:57: The return to downtown
 01:43:58 --> 01:43:59: and especially
 01:43:59 --> 01:43:59: in Denver
 01:44:00 --> 01:44:01: and the
 01:44:01 --> 01:44:02: perception of
 01:44:02 --> 01:44:05: not feeling safe and the crime
 01:44:05 --> 01:44:09: and also just the. The homeless
 01:44:09 --> 01:44:12: and how that looks and how that feels to the
 01:44:12 --> 01:44:13: community.
 01:44:13 --> 01:44:15: So I don't know if you guys have any
 01:44:15 --> 01:44:19: suggestions or how you think we should be dealing with
 01:44:19 --> 01:44:21: this, but I think that's a big issue.
 01:44:21 --> 01:44:24: I think it's a great question and and for some
 01:44:24 --> 01:44:24: perspective,
 01:44:24 --> 01:44:29: can we have Andy answer that first what he's seeing
 01:44:29 --> 01:44:31: in other markets?
 01:44:31 --> 01:44:33: Oh yeah, great. The first
 01:44:33 --> 01:44:36: thing is that you're not the only market having that
 01:44:36 --> 01:44:36: same question.
 01:44:36 --> 01:44:38: It's it's interesting. Now this,
 01:44:38 --> 01:44:41: you know, as we left the central core during the

01:44:41 --> 01:44:43: pandemic and then the crime,
 01:44:43 --> 01:44:47: that kind of. Followed back in suddenly the perception of.
 01:44:47 --> 01:44:50: Being crime ridden that we hadn't heard in,
 01:44:50 --> 01:44:50: cities
 01:44:51 --> 01:44:53: are happening so.
 01:44:53 --> 01:44:54: Between
 01:44:54 --> 01:44:56: that and the homeless issue,
 01:44:56 --> 01:44:56: a lot
 01:44:56 --> 01:44:58: of markets are trying to work on
 01:44:58 --> 01:44:59: that. I
 01:44:59 --> 01:45:02: don't know of anybody that's found a solution yet beyond
 01:45:02 --> 01:45:04: the fact the idea that it's good that everybody comes
 01:45:04 --> 01:45:06: back and the natural flow
 01:45:06 --> 01:45:08: and the business is open
 01:45:08 --> 01:45:09: and you have more of that
 01:45:09 --> 01:45:10: activity. The fact
 01:45:10 --> 01:45:12: that there's a larger residential base
 01:45:13 --> 01:45:15: helps in in Denver than in some markets that didn't
 01:45:15 --> 01:45:16: have
 01:45:16 --> 01:45:17: that, so they're struggling, but
 01:45:18 --> 01:45:20: I can't give an example of someone who solved it.
 01:45:20 --> 01:45:22: I just will tell you that there's comfort in numbers,
 01:45:22 --> 01:45:23: and there's other
 01:45:23 --> 01:45:24: markets that are going through.
 01:45:24 --> 01:45:26: The same thing. Write
 01:45:26 --> 01:45:27: anything to add from the panel.
 01:45:29 --> 01:45:33: I'll just say that from a multi family perspective I
 01:45:33 --> 01:45:37: agree with you that it that it is a problem
 01:45:37 --> 01:45:39: could be a problem.
 01:45:39 --> 01:45:43: But the interesting thing so far has been as far
 01:45:43 --> 01:45:45: as suburbs versus urban.
 01:45:45 --> 01:45:49: The suburbs basically flattened out and then started to go
 01:45:49 --> 01:45:50: back up.
 01:45:50 --> 01:45:53: The urban environment CBD, basically low,
 01:45:53 --> 01:45:57: high CBD, rhino and maybe Cap Hill.
 01:45:57 --> 01:46:01: They did kind of have like an upside down U
 01:46:01 --> 01:46:05: shape where we actually did see it come down.
 01:46:05 --> 01:46:07: We did see softening in rents,
 01:46:07 --> 01:46:11: but they're already back to prepaid pre pandemic levels.
 01:46:11 --> 01:46:14: They're still trailing the suburbs because.
 01:46:14 --> 01:46:17: They did go down where the suburbs just flattened out,
 01:46:17 --> 01:46:22: but we haven't seen a negative impact on absorption

downtown
yet.
01:46:22 --> 01:46:25: We haven't seen a negative impact other than the fact
01:46:25 --> 01:46:27: that we had the whole pandemic,
01:46:27 --> 01:46:30: which was why am I paying rents to live in
01:46:30 --> 01:46:33: a place that I'm paying a significant premium to be
01:46:33 --> 01:46:36: able to use all of these amenities downtown that I'm
01:46:36 --> 01:46:38: not able to use during the pandemic.
01:46:38 --> 01:46:40: So I'm going to move to the suburbs to get
01:46:41 --> 01:46:43: more space and to get a less dense,
01:46:43 --> 01:46:46: you know, situation. But we have not seen the negative
01:46:46 --> 01:46:49: impact a significant negative impact on absorption.
01:46:49 --> 01:46:52: Yet I fear that may happen though.
01:46:54 --> 01:46:58: I think there was at least one more hand.
01:46:58 --> 01:47:01: Over there. We've got 10 minutes,
01:47:01 --> 01:47:03: and Rodney promised me lunch.
01:47:03 --> 01:47:04: So we're going to have you out here on
01:47:04 --> 01:47:05: time.
01:47:06 --> 01:47:08: Hi thanks and I'll keep it quick.
01:47:08 --> 01:47:11: This is kind of for Scott and Brian,
01:47:11 --> 01:47:16: so if Denver is considering inclusionary zoning at 10%
01:47:16 --> 01:47:21: is the city considering offering any type of subsidy to
01:47:21 --> 01:47:25: help with that gap so that it doesn't have to
01:47:25 --> 01:47:28: rely on the market rate prices to pay for
01:47:29 --> 01:47:29: the lower
01:47:29 --> 01:47:33: income and affordable units. And then too,
01:47:33 --> 01:47:36: I think John's point where then it pushes up the
01:47:36 --> 01:47:36: market prices.
01:47:37 --> 01:47:40: And then you start seeing individuals and families,
01:47:41 --> 01:47:43: then above that, 30% of housing costs.
01:47:43 --> 01:47:46: And then we do become more or less affordable than
01:47:46 --> 01:47:47: other areas.
01:47:51 --> 01:47:53: I do not know of any specific help that the
01:47:54 --> 01:47:56: city of Denver is offering through,
01:47:56 --> 01:47:58: like the Denver Housing Authority or anything like that.
01:47:58 --> 01:48:02: To my knowledge, my understanding that it's basically just
going
01:48:02 --> 01:48:05: to be placed on the shoulders of the developers and
01:48:05 --> 01:48:06: then the future.
01:48:06 --> 01:48:08: A lot of people are merchant merchant builders,
01:48:08 --> 01:48:10: so they're going to build it and sell it and
01:48:10 --> 01:48:12: it will end up being on the shoulders of whoever

01:48:12 --> 01:48:13: buys it and operates it in the future.
 01:48:14 --> 01:48:16: Yep, that's my understanding as well they did.
 01:48:17 --> 01:48:21: They will be offering. Like density bonuses and.
 01:48:21 --> 01:48:26: Other sort of. I guess you know again,
 01:48:26 --> 01:48:29: tools in the toolbox for.
 01:48:29 --> 01:48:33: For market rate developers who are taking this on.
 01:48:36 --> 01:48:37: We have another one.
 01:48:37 --> 01:48:38: Here we go.
 01:48:39 --> 01:48:41: Hi I just thought I might be able to be
 01:48:41 --> 01:48:42: helpful in answering it.
 01:48:42 --> 01:48:45: My name is Laura Aldrete on the executive director of
 01:48:45 --> 01:48:49: Community Planning and development for the city and
 County of
 01:48:49 --> 01:48:51: Denver and so I'm one of the sponsors.
 01:48:51 --> 01:48:54: My agency is one of the sponsors for the expanding
 01:48:54 --> 01:48:56: housing affordability.
 01:48:56 --> 01:48:58: So to the question about will there be subsidies?
 01:48:58 --> 01:49:03: We have a series of incentives that we are offering
 01:49:03 --> 01:49:08: for developers coming in to up on delivering the affordable
 01:49:08 --> 01:49:11: housing and the percentage rates.
 01:49:11 --> 01:49:14: That that we've got in the proposal right now.
 01:49:14 --> 01:49:18: I really think encouraging everyone here to go to our
 01:49:18 --> 01:49:21: website and look at the proposal itself.
 01:49:21 --> 01:49:24: We also were thought it was very important to have
 01:49:24 --> 01:49:27: a steering committee help guide us in what the proposal
 01:49:27 --> 01:49:31: would be and that steering committee is made up of
 01:49:31 --> 01:49:35: a range of affordable housing advocates as well as folks
 01:49:35 --> 01:49:37: from the development community
 01:49:37 --> 01:49:38: so that when
 01:49:38 --> 01:49:40: we built model the model to
 01:49:40 --> 01:49:43: run the numbers, we made sure we were working with
 01:49:43 --> 01:49:47: the development community to make sure we got the model
 01:49:47 --> 01:49:47: right.
 01:49:47 --> 01:49:50: Not everybody likes the the way that what?
 01:49:50 --> 01:49:55: Answer is, but the model is correct and so we
 01:49:55 --> 01:49:55: can.
 01:49:55 --> 01:49:59: We will continue to work with the development community on
 01:49:59 --> 01:50:01: that proposal we have our next round of proposal is
 01:50:01 --> 01:50:04: out currently right now and we encourage everyone to go
 01:50:04 --> 01:50:09: look at it and provide feedback back to us that
 01:50:09 --> 01:50:13: round of comments will close on March 14th
 01:50:13 --> 01:50:14: and then we'll continue

01:50:14 --> 01:50:15: to move it forward
 01:50:16 --> 01:50:18: once we've responded to those comments it come in.
 01:50:18 --> 01:50:20: I think this is the second or third round
 01:50:20 --> 01:50:22: that we'll be getting. So
 01:50:22 --> 01:50:25: yes, there are incentives to answer the question directly,
 01:50:25 --> 01:50:30: but certainly. Understand that we have looked at national
 practice
 01:50:30 --> 01:50:32: across the United States.
 01:50:32 --> 01:50:36: We are we. Currently we are well below what most
 01:50:37 --> 01:50:42: of our comparable cities are requiring and looking to achieve,
 01:50:42 --> 01:50:45: and that we're also working with you and what will
 01:50:45 --> 01:50:48: want to continue to work with the development community to
 01:50:48 --> 01:50:49: get the numbers right.
 01:50:49 --> 01:50:52: We don't want to see development stop either,
 01:50:52 --> 01:50:55: and we think we've hit the right spot in terms
 01:50:55 --> 01:50:57: of the requirements for that.
 01:50:57 --> 01:50:57: 60
 01:50:57 --> 01:50:59: to 80%. Great
 01:51:00 --> 01:51:03: thank you for jumping in and wanna thank you in
 01:51:03 --> 01:51:05: advance for being on next year's panel so.
 01:51:07 --> 01:51:09: Be careful when you grab that Mike from Michael.
 01:51:11 --> 01:51:14: I'm gonna I'm gonna throw a question what will go
 01:51:14 --> 01:51:17: down the line just kind of a quick lightning round
 01:51:17 --> 01:51:20: and I'll tee it up so people could think about
 01:51:20 --> 01:51:23: it but one of Andy's questions was which of the
 01:51:23 --> 01:51:25: pandemic adjustments is going to stick?
 01:51:25 --> 01:51:28: Which one will now be part of our lives
 01:51:28 --> 01:51:29: going forward? And
 01:51:29 --> 01:51:31: and I think you know I'll go
 01:51:31 --> 01:51:34: first. I'll say in February of 20 how many of
 01:51:34 --> 01:51:38: you knew about or could actually set up a Microsoft
 01:51:38 --> 01:51:39: Teams meeting?
 01:51:39 --> 01:51:42: Right, not not me. I had two of them before
 01:51:42 --> 01:51:44: I came downtown for this event today,
 01:51:44 --> 01:51:46: so that that is going to stay.
 01:51:46 --> 01:51:48: But I will also say that I was one of
 01:51:49 --> 01:51:49: the 8%
 01:51:49 --> 01:51:51: that said my travel is going to go up so
 01:51:51 --> 01:51:53: I don't think it's an either or I.
 01:51:53 --> 01:51:55: I think you need to have.
 01:51:55 --> 01:51:59: I use teams much more for internal than for external.
 01:51:59 --> 01:52:02: I think the external still needs to be in person.

01:52:02 --> 01:52:04: I sound like that old ad where the guy handed
 01:52:05 --> 01:52:06: out the plane tickets.
 01:52:06 --> 01:52:07: Anybody remember? Anyway,
 01:52:07 --> 01:52:07: along time ago? So
 01:52:08 --> 01:52:11: which of the pandemic adjustments?
 01:52:11 --> 01:52:12: Is going to stick
 01:52:12 --> 01:52:13: Becky? We're going to start at the end.
 01:52:13 --> 01:52:14: Bring it down.
 01:52:16 --> 01:52:21: I think our especially the workforce will remain a lot
 01:52:21 --> 01:52:22: flexible.
 01:52:22 --> 01:52:24: We're in the office over three days a week.
 01:52:24 --> 01:52:26: For the most part, but I think everybody
 01:52:26 --> 01:52:28: will continue to be flexible.
 01:52:29 --> 01:52:30: And it's OK now, it wasn't before.
 01:52:32 --> 01:52:33: I think from my
 01:52:33 --> 01:52:36: standpoint, it's it's balance. I mean,
 01:52:36 --> 01:52:40: it was all a mental kind of navigation through through
 01:52:40 --> 01:52:43: COVID and I think COVID kind of taught us all
 01:52:43 --> 01:52:45: how to balance ourselves and.
 01:52:45 --> 01:52:48: Operate within the confines of our personal lives and bring
 01:52:48 --> 01:52:49: our personal lives into.
 01:52:49 --> 01:52:52: Kind of you know, work so no longer is it
 01:52:52 --> 01:52:54: abnormal for me to,
 01:52:54 --> 01:52:57: you know, be at home taking a call with my
 01:52:57 --> 01:52:59: kids in the background,
 01:52:59 --> 01:53:02: screaming, yelling my wife tongue to be quiet and still
 01:53:02 --> 01:53:05: kind of having the acceptance from from people on the
 01:53:06 --> 01:53:09: other end of the line understanding kind of the situation
 01:53:09 --> 01:53:11: you're in. So balances might take away.
 01:53:12 --> 01:53:16: Right, yeah, and I will say something similar.
 01:53:16 --> 01:53:19: I think that virtual leasing is here to stay from
 01:53:19 --> 01:53:23: a multi family perspective that it worked better than they
 01:53:23 --> 01:53:26: expected it to and it it allows for a lot
 01:53:26 --> 01:53:30: of flexibility. And also there are some design changes.
 01:53:30 --> 01:53:32: I've heard a lot of people say oh units are
 01:53:32 --> 01:53:33: going to get bigger,
 01:53:33 --> 01:53:35: unit sizes are going to get bigger because people are
 01:53:35 --> 01:53:37: going to be afraid they're going to be stuck back
 01:53:37 --> 01:53:38: at home and they want more space.
 01:53:38 --> 01:53:39: That can't happen in Denver.
 01:53:39 --> 01:53:42: It's too expensive here so it can happen in less
 01:53:42 --> 01:53:43: expensive cities.

01:53:43 --> 01:53:44: It can't happen here and it's not.
 01:53:44 --> 01:53:46: Happening here, but what it is doing,
 01:53:46 --> 01:53:50: we are seeing a lot more amenities based around work
 01:53:50 --> 01:53:51: from home.
 01:53:51 --> 01:53:54: We're seeing day offices. We're seeing a whole bunch of
 01:53:54 --> 01:53:58: different types of amenities that are built specifically for
 people
 01:53:58 --> 01:54:00: to get outside of their units,
 01:54:00 --> 01:54:01: but still work from home,
 01:54:01 --> 01:54:04: and I think that is something we saw that initially
 01:54:04 --> 01:54:07: before the pandemic and people were like that.
 01:54:07 --> 01:54:10: Now everybody is doing it and I think everybody will
 01:54:10 --> 01:54:11: continue to do it.
 01:54:12 --> 01:54:15: I think the the thing that's going to stick is
 01:54:15 --> 01:54:18: my kids wanting to always have the parent who's on
 01:54:18 --> 01:54:21: a phone call to be the one to do the
 01:54:21 --> 01:54:26: parenting so. We try and alternate and not be on
 01:54:26 --> 01:54:29: calls at the same time in my house.
 01:54:29 --> 01:54:32: But that that that fact remains,
 01:54:32 --> 01:54:34: I think as everybody said,
 01:54:34 --> 01:54:38: flexibility in what our what our work life looks like
 01:54:38 --> 01:54:43: is is going to be something that sticks around and
 01:54:43 --> 01:54:46: and and we continue to operate from.
 01:54:46 --> 01:54:49: And I lastly I think staying home when you're sick.
 01:54:49 --> 01:54:54: I think people have really figured that out and.
 01:54:56 --> 01:54:57: No more martyrs in the
 01:54:57 --> 01:54:58: office. Yeah yeah
 01:54:59 --> 01:55:01: yeah. John. Yeah,
 01:55:01 --> 01:55:04: I'd like to joke that a permanent condition lasts three
 01:55:04 --> 01:55:05: to five years in real estate,
 01:55:06 --> 01:55:07: so you know, generally speaking,
 01:55:07 --> 01:55:09: I think we have to live with higher cost structures.
 01:55:09 --> 01:55:11: It's going to be pervasive in everything we do,
 01:55:11 --> 01:55:14: and it results in
 01:55:14 --> 01:55:16: I I joke about Colorado
 01:55:16 --> 01:55:19: in general. It's a faith based underwriting market.
 01:55:19 --> 01:55:21: As a developer you have to have a certain amount
 01:55:21 --> 01:55:22: of faith on growth,
 01:55:22 --> 01:55:24: otherwise nothing pens out and I think that's that's one
 01:55:25 --> 01:55:27: thing that we're going to live with for the next
 01:55:27 --> 01:55:27: couple years.
 01:55:30 --> 01:55:32: So I think a lot of all echo a lot

01:55:33 --> 01:55:35: of what the panelists have said,
 01:55:35 --> 01:55:38: but kind of take a different different approach with some
 01:55:38 --> 01:55:41: of these industrial users and these big companies,
 01:55:41 --> 01:55:43: I think they'll have more focus on the person and
 01:55:43 --> 01:55:45: the individual that you know that they're hiring.
 01:55:45 --> 01:55:48: But they're all having labor issues as well,
 01:55:48 --> 01:55:51: and I think the more that they can provide that
 01:55:51 --> 01:55:54: balance or quality of life kind of flexibility and and
 01:55:54 --> 01:55:57: maybe it's amenities and warehouse spaces,
 01:55:57 --> 01:56:01: and I think. Landlords are just starting to think about
 01:56:01 --> 01:56:03: those things kind of in response,
 01:56:03 --> 01:56:05: but I think focus on on
 01:56:05 --> 01:56:06: the the individual and how to get
 01:56:07 --> 01:56:07: people to,
 01:56:08 --> 01:56:10: you know, be able to work in these these warehouses.
 01:56:10 --> 01:56:12: These facilities. These going to be important.
 01:56:13 --> 01:56:14: Andy, you wrote the report,
 01:56:14 --> 01:56:17: but you can go ahead and you can add one.
 01:56:17 --> 01:56:19: I think it's food delivery.
 01:56:20 --> 01:56:23: Both prepared and getting things at grocery stores,
 01:56:23 --> 01:56:26: which you know we'd always talked about as one of
 01:56:26 --> 01:56:28: the trends that you know was coming.
 01:56:28 --> 01:56:32: But the rapid adoption during the pandemic and then this
 01:56:32 --> 01:56:33: idea of ever going
 01:56:33 --> 01:56:35: back to you, know fixing
 01:56:35 --> 01:56:37: things yourself is just I think it's here to stay.
 01:56:37 --> 01:56:39: It's going to be good for the it's going to
 01:56:40 --> 01:56:41: be stress on the industrial
 01:56:41 --> 01:56:42: sector because you're
 01:56:42 --> 01:56:43: going to have all these warehouses,
 01:56:43 --> 01:56:44: but and then goes
 01:56:44 --> 01:56:45: ghost kitchens
 01:56:45 --> 01:56:46: where you have one rest
 01:56:46 --> 01:56:48: or five restaurants operating
 01:56:48 --> 01:56:49: out of one kitchen. Yeah,
 01:56:49 --> 01:56:50: I think that's an efficiency.
 01:56:50 --> 01:56:52: It's going to last great.
 01:56:53 --> 01:56:55: Please join me in thanking the panelists.
 01:56:59 --> 01:57:01: I will ask, I will ask the
 01:57:01 --> 01:57:02: panel to to stay
 01:57:02 --> 01:57:05: right where they are. I'm gonna ask Rodney to come
 01:57:05 --> 01:57:06: up and is he comes up.

01:57:06 --> 01:57:08: I just want to say thank you to ULI for
01:57:08 --> 01:57:09: asking me to do this again.
01:57:09 --> 01:57:11: It's great to see everybody in person.
01:57:11 --> 01:57:12: Thank you for coming out.
01:57:12 --> 01:57:15: Thank you for Rodney and the staff for Rodney staff,
01:57:15 --> 01:57:17: Madeline and the people who do all the work that
01:57:17 --> 01:57:19: those of us can just walk right in and turn
01:57:20 --> 01:57:21: on the bright lights.
01:57:21 --> 01:57:22: So thank you, I'll turn it back over to Rodney.
01:57:24 --> 01:57:24: Yep.
01:57:28 --> 01:57:30: First of all, thank you to Kevin.
01:57:30 --> 01:57:33: That was incredible. I sincerely appreciate I'll see you next
01:57:33 --> 01:57:34: year.
01:57:36 --> 01:57:39: Thank you again to the panelist.
01:57:39 --> 01:57:42: I think that was an excellent opportunity for us to
01:57:42 --> 01:57:45: understand what our lived experience looks like,
01:57:45 --> 01:57:49: right? So I'll introduce a word grace in terms of
01:57:49 --> 01:57:54: understanding this balance between us as humans at home.
01:57:54 --> 01:57:56: I've seen more kids, more cats,
01:57:56 --> 01:57:59: more dogs. I'm going to get a dog.
01:57:59 --> 01:58:01: I have kids already. I've
01:58:01 --> 01:58:04: got snakes and so before the pandemic people didn't like
01:58:05 --> 01:58:05: that,
01:58:05 --> 01:58:09: but now it's attractive. Incentive to get on a zoom
01:58:09 --> 01:58:10: call with me.
01:58:10 --> 01:58:14: So again I wanna turn you all of your attention
01:58:14 --> 01:58:15: to our agenda.
01:58:15 --> 01:58:18: The Backpage really highlights our sponsors.
01:58:18 --> 01:58:21: Once again thank you to our title sponsor new Mark.
01:58:21 --> 01:58:25: Thank you to our supporting sponsor Denver South.
01:58:25 --> 01:58:27: All of the our sponsors,
01:58:27 --> 01:58:30: our annual sponsors and our event sponsors.
01:58:30 --> 01:58:32: Thank you. When you get a call from me,
01:58:32 --> 01:58:33: it's for coffee or tea.
01:58:33 --> 01:58:35: When you get a call from Kevin it is for
01:58:35 --> 01:58:35: money
01:58:35 --> 01:58:37: so I think that's a balance that.
01:58:37 --> 01:58:38: I sincerely
01:58:38 --> 01:58:41: appreciate it. I like that structure,
01:58:41 --> 01:58:43: but really quickly upcoming events,
01:58:43 --> 01:58:45: so I want to highlight a couple of one that's
01:58:45 --> 01:58:46: tomorrow.

01:58:46 --> 01:58:48: It's an equitable access to capital.
 01:58:48 --> 01:58:50: We talk about all that capital just wanting to be
 01:58:50 --> 01:58:50: deployed.
 01:58:50 --> 01:58:52: Let's make sure that we do that
 01:58:52 --> 01:58:53: in an equitable way.
 01:58:53 --> 01:58:54: That's happening
 01:58:54 --> 01:58:57: tomorrow. We have a zoom link for that in the
 01:58:57 --> 01:58:58: afternoon.
 01:58:58 --> 01:58:59: If you are not a member,
 01:58:59 --> 01:59:01: but you would like to become one,
 01:59:01 --> 01:59:05: there's a new member. Coffee March 3rd and then RULI
 01:59:05 --> 01:59:09: Spring meeting is April 19th through the 21st.
 01:59:09 --> 01:59:11: Just in closing once again,
 01:59:11 --> 01:59:16: I sincerely appreciate the opportunity that I've been given this
 01:59:16 --> 01:59:17: membership.
 01:59:17 --> 01:59:20: This work is active. Everyone is fully involved.
 01:59:20 --> 01:59:23: Thank you for coming. I know most of you are
 01:59:23 --> 01:59:23: like me.
 01:59:23 --> 01:59:24: I miss being in person.
 01:59:24 --> 01:59:27: I miss human beings. My children are tired
 01:59:27 --> 01:59:28: of hearing you'll.
 01:59:28 --> 01:59:29: I tired of hearing
 01:59:29 --> 01:59:34: density bonuses, zoning entitlements. My son gets upset with
 me
 01:59:34 --> 01:59:36: and roses eyes every time he hears me on a
 01:59:37 --> 01:59:37: zoom call.
 01:59:37 --> 01:59:41: But thank you again. This will be recorded.
 01:59:41 --> 01:59:44: You'll have an opportunity to access it.
 01:59:44 --> 01:59:47: You'll have an opportunity to access the report itself.
 01:59:47 --> 01:59:49: Thank you again, Andy for flying out.
 01:59:49 --> 01:59:50: Thank you for the panel.
 01:59:50 --> 01:59:51: Again, thank you for thank you,
 01:59:51 --> 01:59:53: Michael. Thank you for my staff.
 01:59:53 --> 01:59:55: Thank you everyone and I'll close it out.
 01:59:55 --> 01:59:58: We will have box lunches.
 01:59:58 --> 02:00:00: Feel free to take your box,
 02:00:00 --> 02:00:03: lunch box, lunch and tour this facility.
 02:00:03 --> 02:00:06: Thank you for the facility for hosting us.
 02:00:06 --> 02:00:08: This has been an incredible space.
 02:00:08 --> 02:00:10: If you get an opportunity to do so.
 02:00:10 --> 02:00:13: I would welcome that. I've already been to this museum
 02:00:13 --> 02:00:16: a couple times 'cause I am a supreme nerd and

02:00:16 --> 02:00:17: you'll see this.
02:00:17 --> 02:00:19: I will say the last thing I hope that one
02:00:19 --> 02:00:22: thing that that that last is COVID cheek.
02:00:22 --> 02:00:25: You can tell I I respect that and and and
02:00:25 --> 02:00:28: upper where that was the first time I'd ever heard
02:00:28 --> 02:00:30: that topic or that that term.
02:00:30 --> 02:00:32: And I love it. But go forth and and and
02:00:33 --> 02:00:34: and really make a dent.
02:00:34 --> 02:00:35: I will say last thing,
02:00:36 --> 02:00:39: my mantra is that you'll I Colorado is an organization
02:00:39 --> 02:00:44: whose members shape cities and create places and that
work
02:00:44 --> 02:00:47: is so important that it demands that we collaborate.
02:00:47 --> 02:00:49: It demands that we stay connected.
02:00:49 --> 02:00:52: It demands that we figure out what's happening next.
02:00:52 --> 02:00:54: We plan for it and I think Colorado
02:00:54 --> 02:00:58: optimism is because we can do something about it.
02:00:58 --> 02:01:01: Our agency is something that allows us to say,
02:01:01 --> 02:01:02: alright, yeah, we can do
02:01:02 --> 02:01:04: that. And I've spoken from a Colorado and so thank
02:01:04 --> 02:01:05: you so much for coming.
02:01:16 --> 02:01:16: Music.
02:01:19 --> 02:01:24: As well. OK, that's right.
02:01:24 --> 02:01:26: Well, see you.

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