

WHERE CAN USERS, INVESTORS AND INDUSTRY INSIDERS GO NOW?  
WHERE CAN THEY FUSE APPEAL, VALUE AND POTENTIAL FOR GROWTH?



JLL  
HORIZON  
2015

THE COUNTRY'S NEXT REAL ESTATE **HOTSPOTS**.  
LUCKY FOR US, **DENVER + SLC** ARE TWO OF THEM.

# NERDS

\ˈnɜːrds\ *n.*

Markets to which people, especially millennials, are moving in droves; and where Gross Metropolitan Product (GMP) is growing 2X more than the population

## The NERDS markets contain that ideal mix!

**Rents** and **vacancy** below national averages

**Absorption** rates above national averages

**Economic** and **demographic** trends already outpacing U.S. growth rates by a 2X multiple

Ample accessibility to **millennial talent** near university clusters

**Diverse sector composition**, with more emphasis on tech, education, healthcare and (yes, still!) energy than most other markets in the U.S.

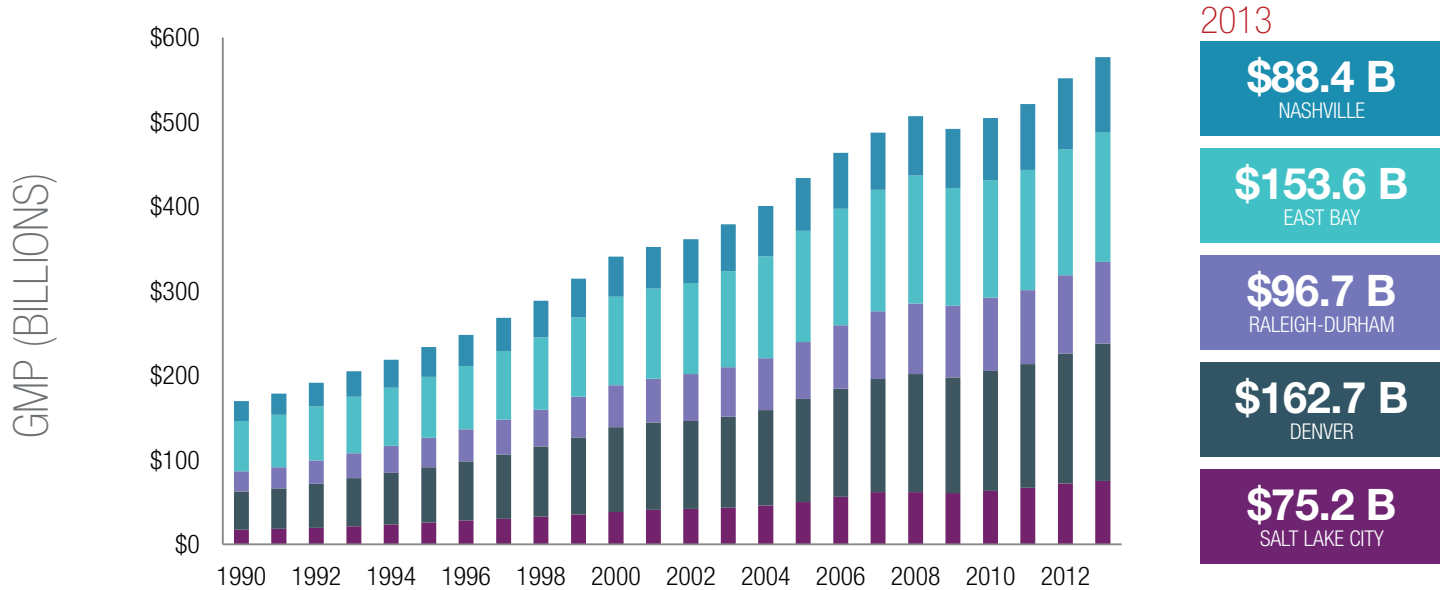


| NASHVILLE  | EAST BAY   | RALEIGH-DURHAM   | DENVER   | SALT LAKE CITY                                       |
|--|--|--|--|--|
| <b>1.8 M</b><br>population                           | <b>2.7 M</b><br>population                             | <b>1.8 M</b><br>population                             | <b>2.8 M</b><br>population                             | <b>1.2 M</b><br>population                           |
| <b>+7.3%</b><br>growth since 2010                    | <b>+6.4%</b><br>growth since 2010                      | <b>+9.2%</b><br>growth since 2010                      | <b>+8.3%</b><br>growth since 2010                      | <b>+6.0%</b><br>growth since 2010                    |
| <b>\$88.4 B</b><br>gross metropolitan product        | <b>\$153.4 B</b><br>gross metropolitan product         | <b>\$96.7 B</b><br>gross metropolitan product          | <b>\$162.7 B</b><br>gross metropolitan product         | <b>\$75.2 B</b><br>gross metropolitan product        |
| <b>\$51,996</b><br>median household income           | <b>\$74,852</b><br>median household income             | <b>\$61,670</b><br>median household income             | <b>\$61,453</b><br>median household income             | <b>\$61,520</b><br>median household income           |
| <b>32.3%</b><br>bachelor's degree or higher          | <b>39.9%</b><br>bachelor's degree or higher            | <b>42.0%</b><br>bachelor's degree or higher            | <b>38.7%</b><br>bachelor's degree or higher            | <b>30.8%</b><br>bachelor's degree or higher          |
| <b>+380 bps</b><br>bachelor's degree vs U.S. average | <b>+1,140 bps</b><br>bachelor's degree vs U.S. average | <b>+1,350 bps</b><br>bachelor's degree vs U.S. average | <b>+1,020 bps</b><br>bachelor's degree vs U.S. average | <b>+230 bps</b><br>bachelor's degree vs U.S. average |
| <b>21.6%</b><br>job growth since recession           | <b>14.3%</b><br>job growth since recession             | <b>15.0%</b><br>job growth since recession             | <b>16.7%</b><br>job growth since recession             | <b>17.1%</b><br>job growth since recession           |
| <b>161,500</b><br>new jobs since recession           | <b>136,000</b><br>new jobs since recession             | <b>114,500</b><br>new jobs since recession             | <b>197,300</b><br>new jobs since recession             | <b>99,800</b><br>new jobs since recession            |

Source: JLL Research, U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis

The NERDS markets are no pushovers. Combined, their GMP is **\$577 B**. Since 2010, each of the NERDS has seen output increase by at least 10.3%.

As a group, the NERDS are presently in their strongest growth cycle since the mid-1980s. In fact, they have enjoyed **60 consecutive months** of payroll additions and, in the past 3.5 years, have averaged **12,200 new jobs** each month.

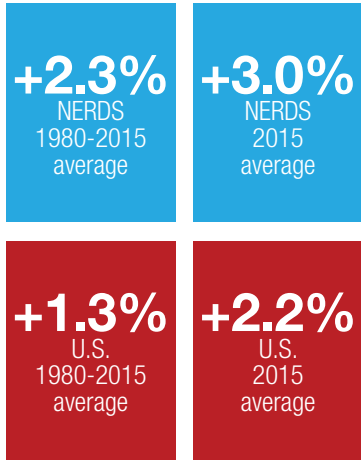


|                     |   |   |   |   |
|---------------------|---|---|---|---|
| <b>U.S. FIGURES</b> | <b>3.3%</b><br>population growth since 2010 | <b>9.7%</b><br>job growth since recession | <b>12.7 M</b><br>new jobs since recession | <b>28.5%</b><br>bachelor's degree or higher |
|---------------------|---|---|---|---|

Source: JLL Research, Bureau of Economic Analysis, Bureau of Labor Statistics

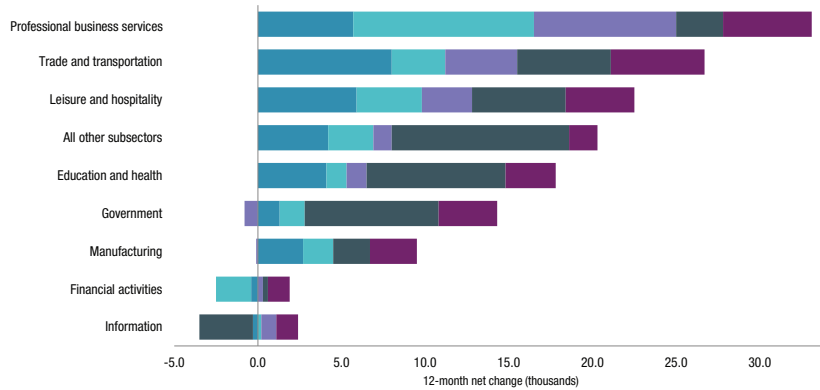
# NERDS EMPLOYMENT

Following a trend dating back to the 1980s, NERDS average annual job growth is 100 basis points (bps) higher than the U.S. The variety of industries contributing to this job growth are led by professional business services, trade and transportation and leisure and hospitality.



2015 NERDS  
JOB GROWTH  
HAS OCCURRED  
**1.4X**  
FASTER THAN THE  
NATIONAL AVERAGE

## JOB GROWTH BY INDUSTRY

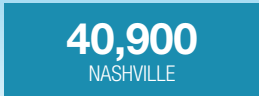


# NERDS DEMOGRAPHICS

NERDS added 235,405 new residents in 2014—the most in a single year on record and nearly a quarter more people than the previous record-setting year (2008).

Since 2010, NERDS population has **GROWN 7.6%—2.3X THE NATIONAL RATE**. None of these markets have recorded negative migration since 2009.

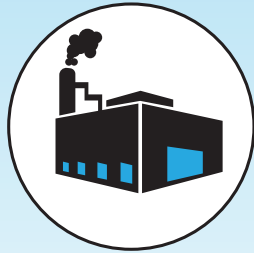
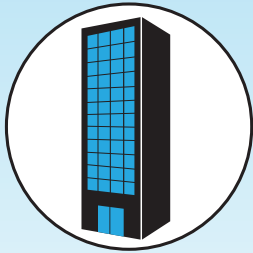
MIGRATION  
2011-2013



Source: Bureau of Labor Statistics, U.S. Census Bureau

# DENVER

THE COUNTRY'S NEXT REAL ESTATE HOTSPOT



# IN DENVER, 2015 JOB GROWTH IS MOVING

# 1.5X FASTER

THAN THE UNITED STATES

As of July 2015, Denver is 10% above pre-recession peak employment (April 2008) and enjoying an economic cycle five years long and counting. Hovering below 4%, Denver's unemployment rate is at its lowest level in eight years and 130 bps lower than the national average. Denver employees take home paychecks 16% larger than the average American.

Out of the country's metro areas, Denver has the 8th most diversified economy. Output is growing at roughly 5.3% per year (compared to U.S. growth of 2.8%) and has increased every quarter for the past 4+ years.

**35,000**  
JOBS ADDED

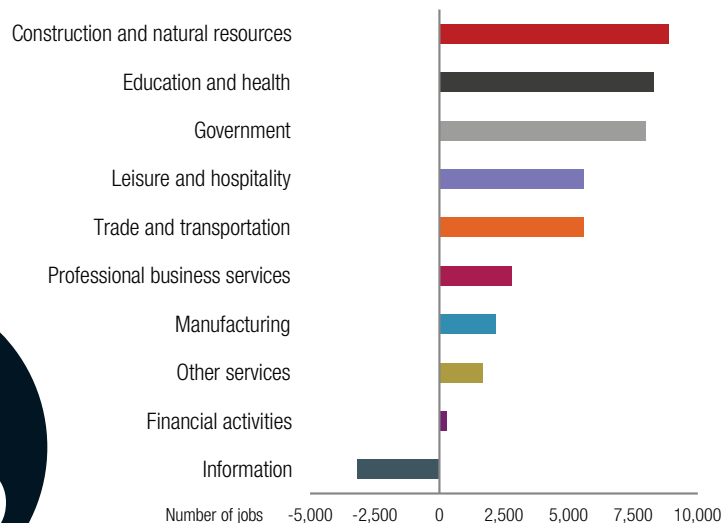
IN THE LAST **12** MONTHS

## FASTER PACED JOB GROWTH THAN

NEW YORK CITY  
LOS ANGELES  
CHICAGO  
HOUSTON

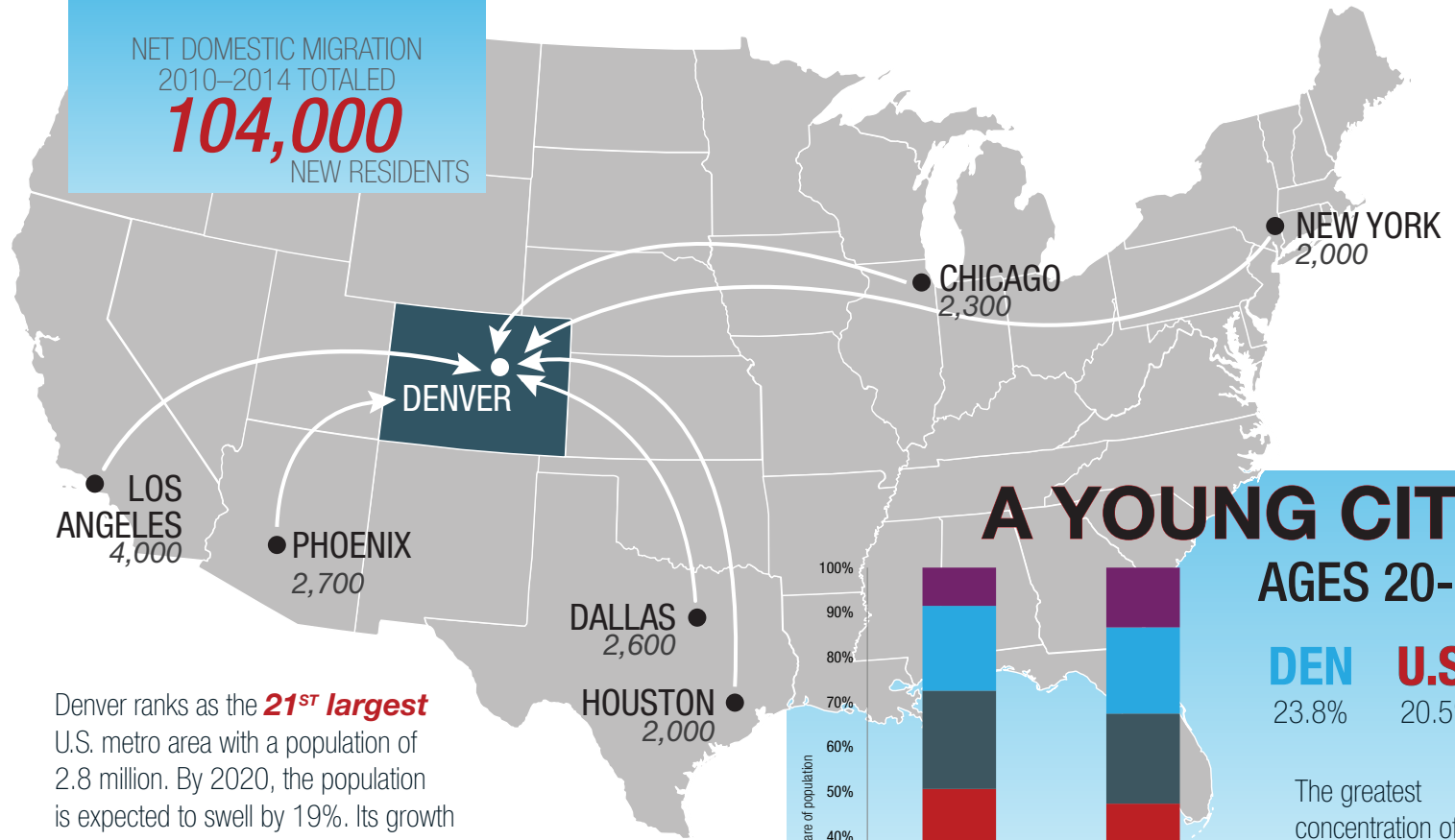
PHILADELPHIA  
WASHINGTON, DC  
BOSTON  
ST. LOUIS

## JOB GROWTH / LOSS BY SECTOR (12-MONTH CHANGE)



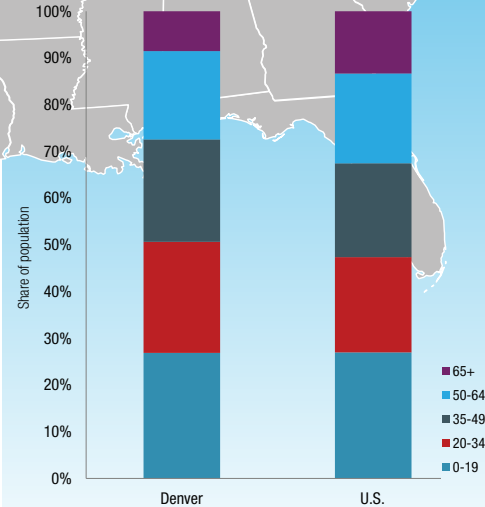
MONTHS

NET DOMESTIC MIGRATION  
2010-2014 TOTALED  
**104,000**  
NEW RESIDENTS



Denver ranks as the **21<sup>ST</sup> largest** U.S. metro area with a population of 2.8 million. By 2020, the population is expected to swell by 19%. Its growth rate has consistently outpaced the national rate every decade **since the 1930s**. Of all major markets, Denver's 8.3% trails only Houston for highest population growth since 2010.

## A YOUNG CITY AGES 20-34



**DEN** **U.S.**  
23.8% 20.5%

The greatest concentration of Denver's millennials live within the CBD core and southeast suburbs



LESS ABOUT  
WHERE WE ARE,  
MORE ABOUT...

## *WHERE WE ARE GOING*

### DIA

2014—busiest on record



5th busiest airport in the  
U.S.; 15th busiest in the world

Recently added international  
destinations include Tokyo,  
Reykjavik and Panama City

Only major airport built in the  
U.S. during past 27 years

### FASTRACKS



2004's \$7.4 billion transit  
program—largest in the  
nation

140 miles of rail rapid transit  
and regional buses

The A-Line opens in 2016,  
linking Union Station with DIA

### UNION STATION

\$500 million public  
investment said to yield  
\$1.8 billion in private  
investment—a 3.6X multiple



Mixed-use project with retail,  
hotel and office

Some of Denver's highest-priced  
multifamily product is immediately  
adjacent to the station

### NATIONAL WESTERN CENTER



The expanded venue will  
have capacity to host an additional  
100 events annually

Will double attendance by drawing  
an additional one million new visitors

Will double economic impact to  
more than \$200 million a year

Expected project cost: \$856 million

### BRIGHTON BOULEVARD



The primary artery of  
Denver's RiNo district will see  
substantial enhancements to  
roads and area infrastructure

Scheduled for completion in 2017

\$26 million allocation from the  
City of Denver



# ONE OF THE MOST *ACTIVE* AND *HIGHEST-GROWTH* MULTIFAMILY INVESTMENT MARKETS

MULTIFAMILY

ROBUST  
**JOB MARKET**

+

SUSTAINED, HIGH LEVELS OF NET  
**IN-MIGRATION**

+

INCREASED HOUSEHOLD  
**GROWTH**

=

**STRONG DEMAND**

FOR MULTIFAMILY PRODUCT



**10,000**  
**APARTMENTS RENTED**

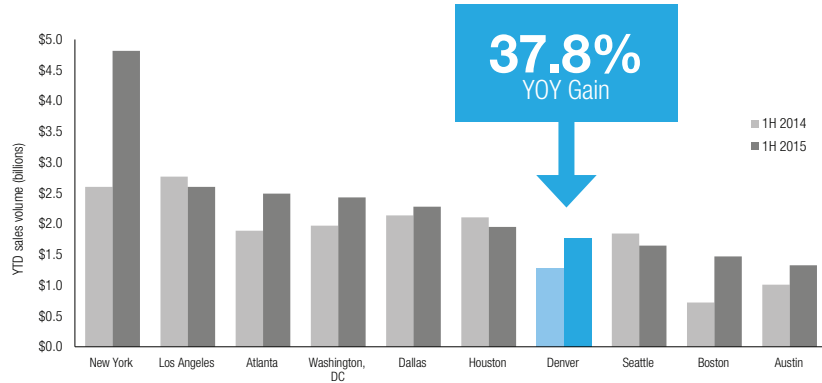
IN THE LAST  
18 MONTHS

**2X** THE U.S.  
RATE OF  
GROWTH

Denver ranks 4th in cumulative rent growth (from recovery to Q2 2015) at 2X the U.S. rate of 21%. Only San Jose, San Francisco and Oakland are stronger.

Even with increasing supply on the horizon, a sharp increase in vacancy is unlikely due to continued migration to urban areas.

## SALES VOLUME YTD



## WHO'S BUYING

One-third of buyers are institutional  
Current multifamily cap rates remain discounted to the prior cycle's peak

## LOOKING FORWARD

HURDLES TO HOMEOWNERSHIP ARE HELPING DRIVE MULTIFAMILY DEMAND



Houses are selling faster than nearly anywhere else in the U.S., and home prices are 30% above pre-recession peak



The state's construction-defects law is substantially limiting condo construction



Millennials are marrying and starting families later



Student loan debt in Colorado is climbing—up 28% in the last five years

FUTURE RENT GROWTH

**8.0%**  
Denver  
rent growth  
2016

**4.3%**  
Denver  
rent growth  
2017

**3.1%**  
U.S.  
rent growth  
2016

**3.6%**  
U.S.  
rent growth  
2017

Source: JLL Research, Real Capital Analytics, CollegenInsight



# OVERALL DYNAMICS

Denver's diversified economy, five straight years of employment gains, strong business confidence and a growing millennial-aged, well-educated population continue to position it as a leading office market.

## SUSTAINED DEMAND

Positive for the **6<sup>TH</sup> straight year**, 2015 absorption is anticipated to top 1.5 million SF for the 3rd straight year.

## FALLING VACANCIES

Denver is the 12th tightest market in the country and has seen vacancy rates decline for **3 straight years**.

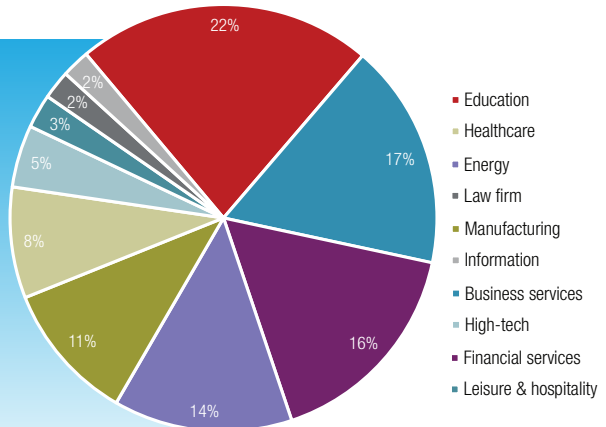
## RECORD-HIGH RENTS

Rents have risen for **6 straight years**. Yet, nationally the market remains an affordable option with rents 20% lower than the U.S. average.

## INCREASED LEASING

New-to-CBD tenants increasingly represented a larger share of the market's total net absorption, from one of five SF in 2012 to **7 of 10 SF in 2014**.

Since 2011, these tenants signed 23 full-floor or larger leases equal to one million SF.



# INVESTMENT SALES

Denver offers a Class A location at a secondary market discount. Confidence in leasing markets is spurring cap rate compression for core product in the CBD—on par with select gateway markets.

**{ \$5.5 B }**  
SALES VOLUME IN THE PAST 24 MONTHS

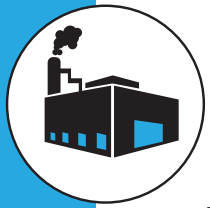
|           |          |               |
|-----------|----------|---------------|
| CAP RATES | CBD      | 5.00% — 6.75% |
|           | SUBURBAN | 6.00% — 6.75% |

## CONSTRUCTION

While Denver is experiencing its highest level of construction since 2002, the percentage of new product compared to overall inventory is less than 3%. Currently, the office product under construction is already one-third pre-leased at record-setting rents.

**3.1 MSF UNDER CONSTRUCTION**

NEW CONSTRUCTION REPRESENTS 2.9% OF EXISTING INVENTORY, WHICH RANKS 10<sup>TH</sup> IN THE U.S.

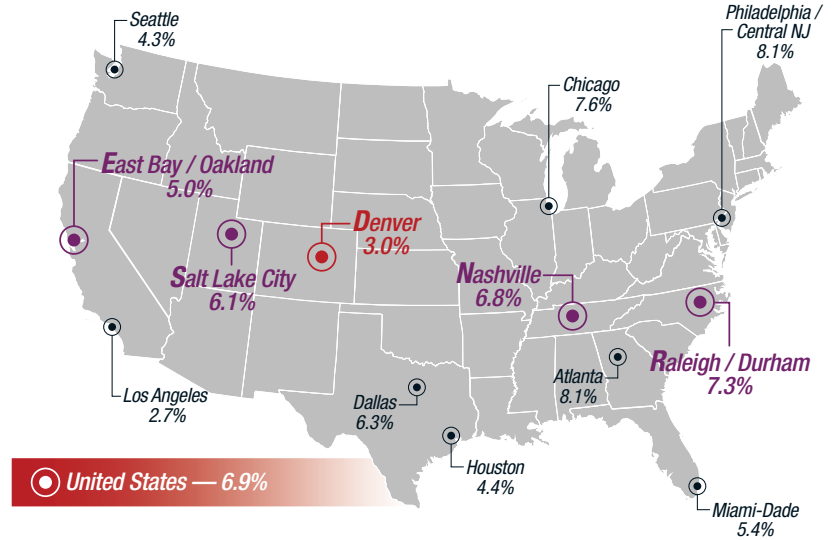


Denver boasts the nation's **2<sup>ND</sup> lowest** vacancy rate which has created high demand for new product.

Investors have responded by bringing more than **1 MSF** of new product to market in 2015.

An additional **860,000 SF** of warehouse space remains under construction.

VACANCY BY MARKET

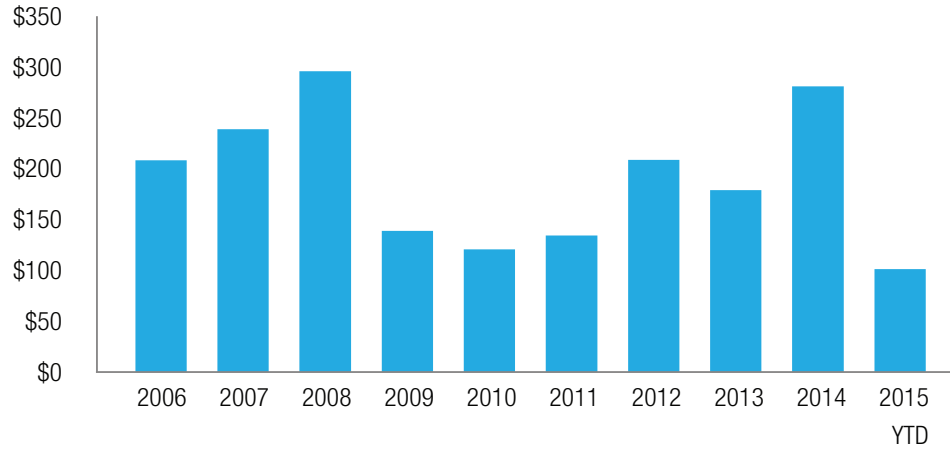


NEW CONSTRUCTION

| Project Name                           | Address                      | Submarket   | RBA     | Construction       |
|--|------------------------------|-------------|---------|--------------------|
| Enterprise Business Center @ Stapleton | 10000-10070 East 40th Avenue | I-70 / East | 466,540 | Completed 2015     |
| Majestic Commerce Center               | 119799 East 36th Avenue      | I-70 / East | 452,400 | Under construction |
| Stapleton Business Center North        | 10000 East 56th Avenue       | I-70 / East | 392,425 | Completed 2015     |
| Gateway Park                           | 18250 East 40th Avenue       | I-70 / East | 347,840 | Under construction |
| Plateville Energy Park                 | 501 North Division Boulevard | Weld        | 118,000 | Completed 2015     |
| Colorado Technology Center             | 1960 Cherry Street           | Northwest   | 59,137  | Under construction |
| 8675 Concord Center Drive              | 8675 Concord Center Drive    | Southeast   | 35,000  | Completed 2015     |
| Plateville Energy Park                 | 531 Energy Park Drive        | Weld        | 20,000  | Completed 2015     |

Source: JLL Research

**SALES VOLUME** OWNER-USER (MILLIONS)



AVERAGE LEASE SIZE



**DEN** vs. **U.S.**  
**VACANCY**

**3.0%**      **6.9%**

**RATES PSF**

**\$6.37**      **\$4.81**

**RENT GROWTH**  
SINCE 2010

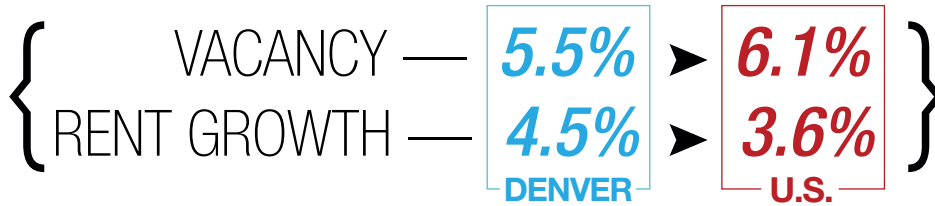
**35.0%**      **8.6%**

**74** MONTHS  
 AVERAGE LEASE TERM

COST PER LAND ACRE  
**{ \$4.50 / SF }**  
 41% INCREASE FROM 2010



# VACANCY + RENTAL RATES



## GROCCERS

New construction deliveries driven by grocer expansion

- King Soopers
- Whole Foods
- Sprouts
- Target

## RETAILERS

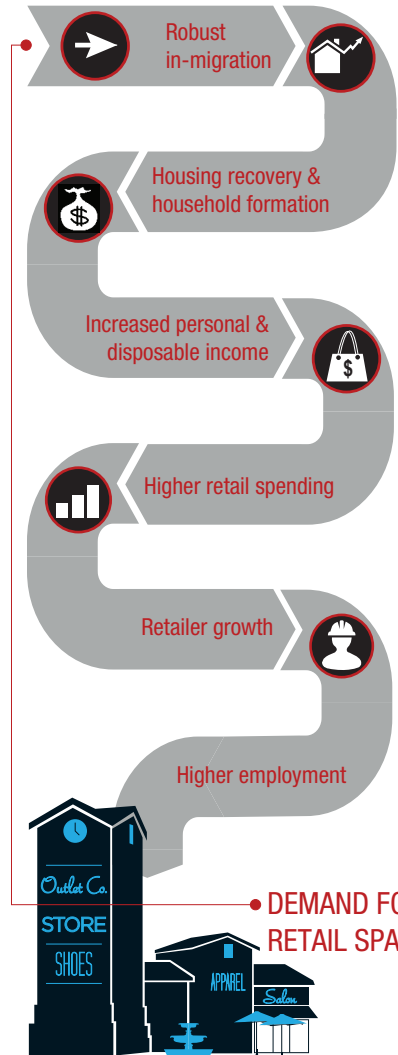
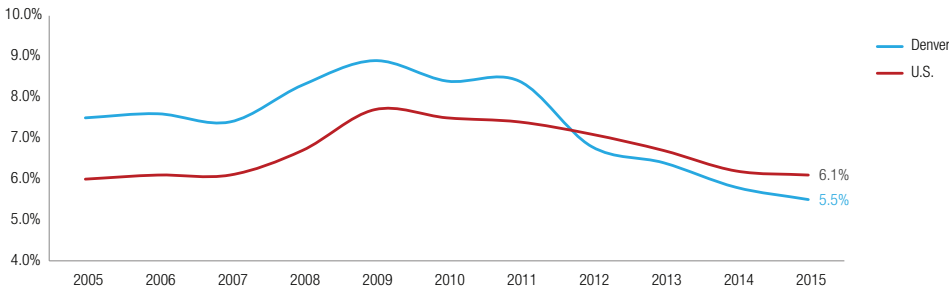
New retailers continue to open in Denver

- Uniqlo
- Cabela's
- Kit + Ace
- Modmarket

## INVESTMENT SALES

Investment activity continues to be strong  
4th consecutive year of robust investment sales, with over **\$3.3 B** traded during this period

## TOTAL VACANCY RATE



DEMAND FOR RETAIL SPACE



Source: JLL Research, PPR Global





Denver occupancy currently measures **77.5%**—well above its pre-recession level and considerably stronger than the U.S. level (66.7%). RevPAR is at a record-high and has climbed **26% in the past 18 months**.

## 8 HOTELS

HAVE TRADED YTD  
2015 TOTALING

**\$322 M**

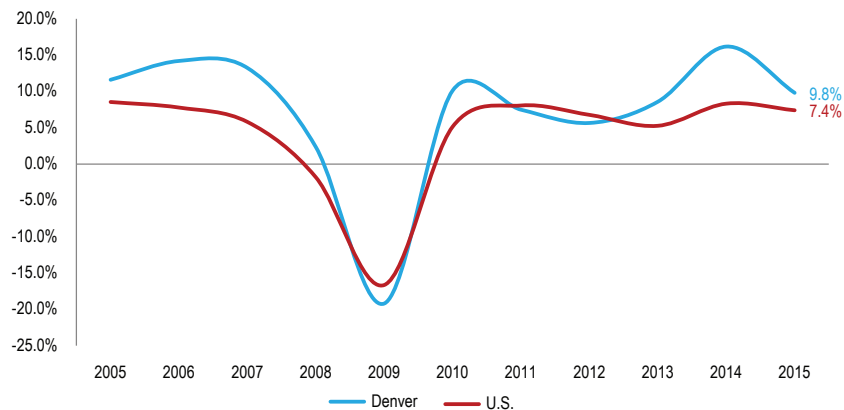
COMPARED WITH

**4 HOTEL TRADES**

IN 2014 TOTALING

**\$228 M**

### ANNUAL CHANGE IN REVENUE PER AVAILABLE ROOM (RevPAR)



**\$92.31**  
DENVER  
RevPAR

**\$79.94**  
U.S.  
RevPAR

HOTELS

DEVELOPMENT HAS INCREASED IN THE LAST YEAR DUE TO STRONG DEMAND, GROWTH AND TOURISM.

SPOTLIGHT PROJECTS

HOTEL  
LOCATION  
ROOMS  
DELIVERY

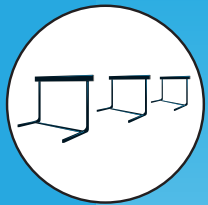
The Source Hotel  
3330 Brighton Boulevard in RiNo  
100  
Q1 2017



HOTEL  
LOCATION  
ROOMS  
DELIVERY

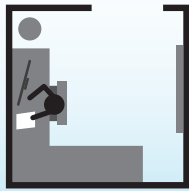
Westin DIA  
Denver International Airport  
519  
November 2015



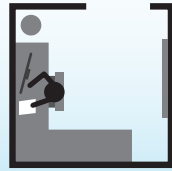


## INCREASING USER DENSITY

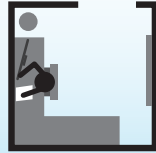
Personal workspace for office workers is projected to decrease as companies try to maximize their rental dollar.



**2010**  
225 SF/office worker



**2013**  
176 SF/office worker



**2017**  
151 SF/office worker

## LOW ENERGY PRICING

Since the beginning of 2015, roughly

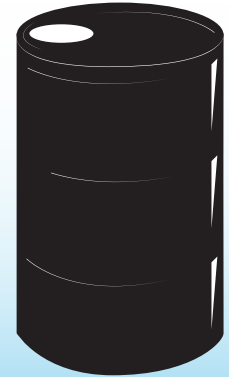
**500,000 SF**  
*OF ENERGY SPACE*

has come on the sublease market

If oil pricing stays below

**\$50 / BARREL,**

this may cause further contraction



## REAL ESTATE TAXES

Tenants will face increasing occupancy costs due to the latest biennial property assessment.



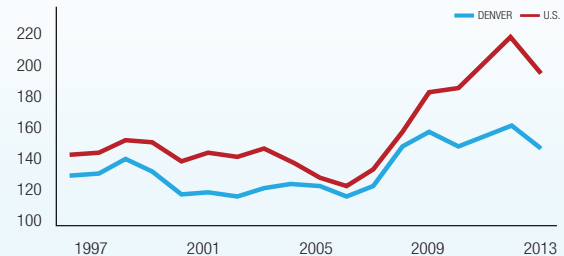
For owners, increasing real estate taxes may impact their marketability against competing properties, particularly for buildings that traded recently.

## COST OF LIVING INCREASE

Increasing cost of living may temper the levels of in-migration that have occurred in the region.

## HOUSING AFFORDABILITY INDEX

>100 = MORE AFFORDABLE



Source: JLL Research, Corenet Global, NAR, Moody's Analytics

# WHAT DRIVES GROWTH?

EDUCATED WORKFORCE

ECONOMIC PROSPECTS

AFFORDABILITY

STATE INVESTMENT

LIFESTYLE



## EMPLOYMENT

TIED FOR **2<sup>ND</sup> LOWEST** UNEMPLOYMENT RATE FOR LARGE METROS

**3.7%**  
Metro SLC unemployment rate

**2.9%**  
Metro SLC 12-month job growth

**5.1%**  
U.S. unemployment rate

**2.1%**  
U.S. 12-month job growth

### MULTIFAMILY

In the last five years, effective rents have **climbed 37%**—the same rate of growth recorded across the U.S.

### RETAIL

Like Denver, retail was slow to recover from the downturn—the market stabilized in 2014 and is expected to **remain steady**, driven by new construction with grocery anchors.

### LOOKING FORWARD...

Investors should plan for **long-term** holds rather than **short-term** gain.

**300**



COMPANIES HAVE MOVED TO OR EXPANDED HERE IN THE PAST 5 YEARS

For example, **Goldman Sachs** & **Fidelity** employ 2,500 people in the region

SALT LAKE CITY

OFFICE

**45 MSF**  
OFFICE INVENTORY

**513K SF**  
YTD 2015 ABSORPTION

**6.9%**  
Q2 2015 VACANCY

**\$20.38**  
FSG RENTAL RATE

**1.3 MSF**  
UNDER CONSTRUCTION

**354K SF**  
YTD DELIVERIES

INDUSTRIAL

**188 MSF**  
INDUSTRIAL INVENTORY

**1.1 MSF**  
YTD 2015 ABSORPTION

**5.6%**  
Q2 2015 VACANCY

**\$0.40**  
NNN RATE PER MONTH

**2.1 MSF**  
SPEC UNDER CONSTRUCTION

**1.2 MSF**  
YTD DELIVERIES



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