

CU Real Estate Forum

When Will this Hot Market Slow Down?

Presenter: Doug Wulf

Monday, December 8, 2014

**Cassidy
Turley** / Commercial
Real Estate Services

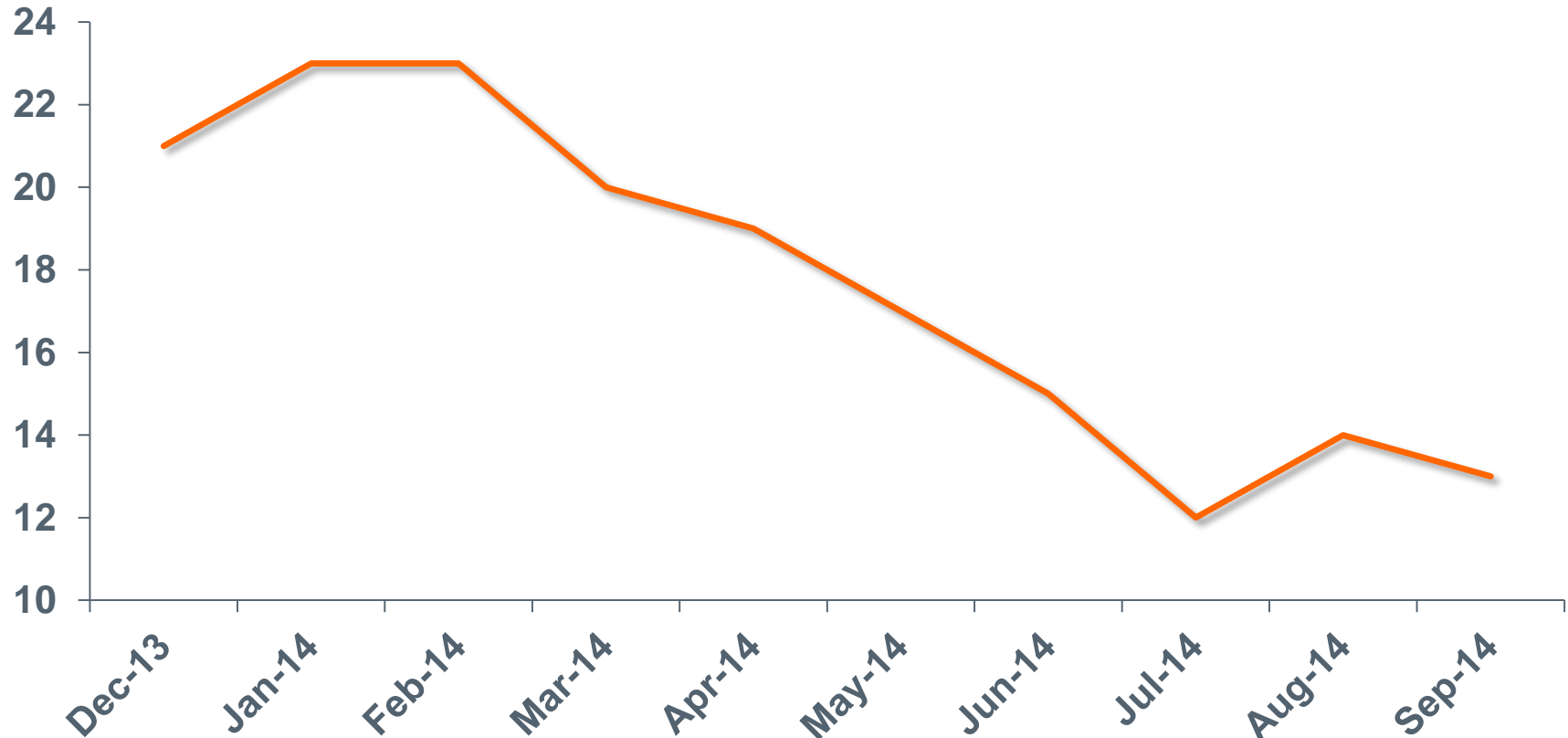




87% Probability Expansion Continues



Odds of a Recession Occurring Over Next 6 Months, %



Source: Moody's Analytics

Where Are We in the Cycle?



Recession-Recovery Table

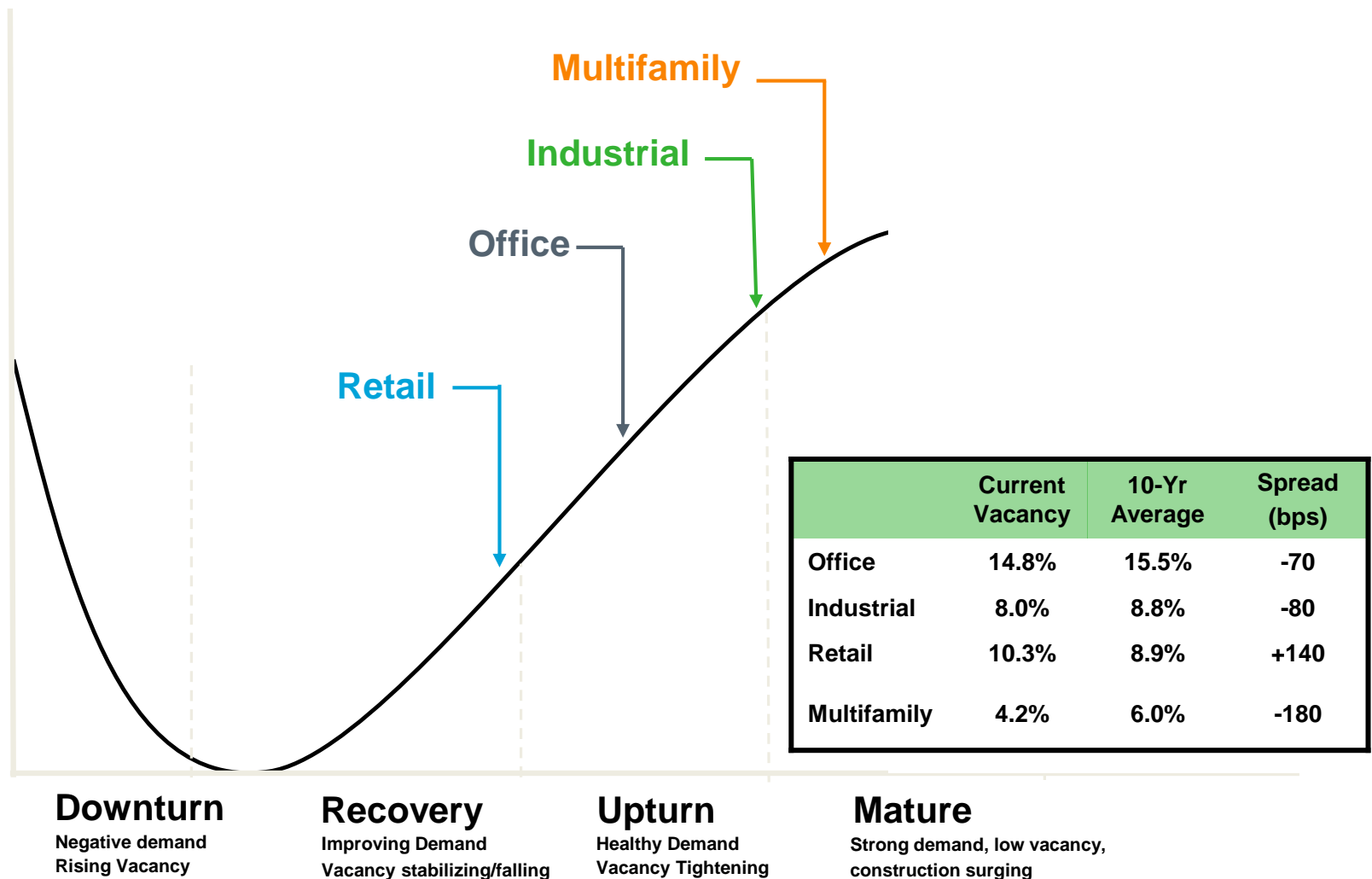
History is not on our side

Recession	Recovery/Expansion Period	Length of Expansion Following Recession	GDP Growth During Expansion	Monthly Job Growth During Expansion (000s)
1948	Q1 1950 – Q1 1953	13 qtrs	7.4%	182
1953	Q3 1954 – Q2 1957	12 qtrs	4.1%	115
1957	Q3 1958 – Q1 1960	7 qtrs	6.7%	165
1960	Q2 1961 – Q3 1969	34 qtrs	5.1%	169
1969	Q1 1971 – Q3 1973	11 qtrs	5.3%	198
1973	Q2 1975 – Q4 1979	19 qtrs	3.5%	239
1980	Q4 1980 – Q2 1981	3 qtrs	4.4%	145
1981	Q1 1983 – Q2 1990	30 qtrs	4.4%	233
1990	Q2 1991 – Q4 2000	39 qtrs	3.8%	203
2001	Q4 2001 – Q4 2007	25 qtrs	2.7%	83
2007	Q3 2009 – current	20 qtrs+	2.2%	119
Average (48-01)		19.3 qtrs	4.8%	173.3



Source: National Bureau of Economic Research

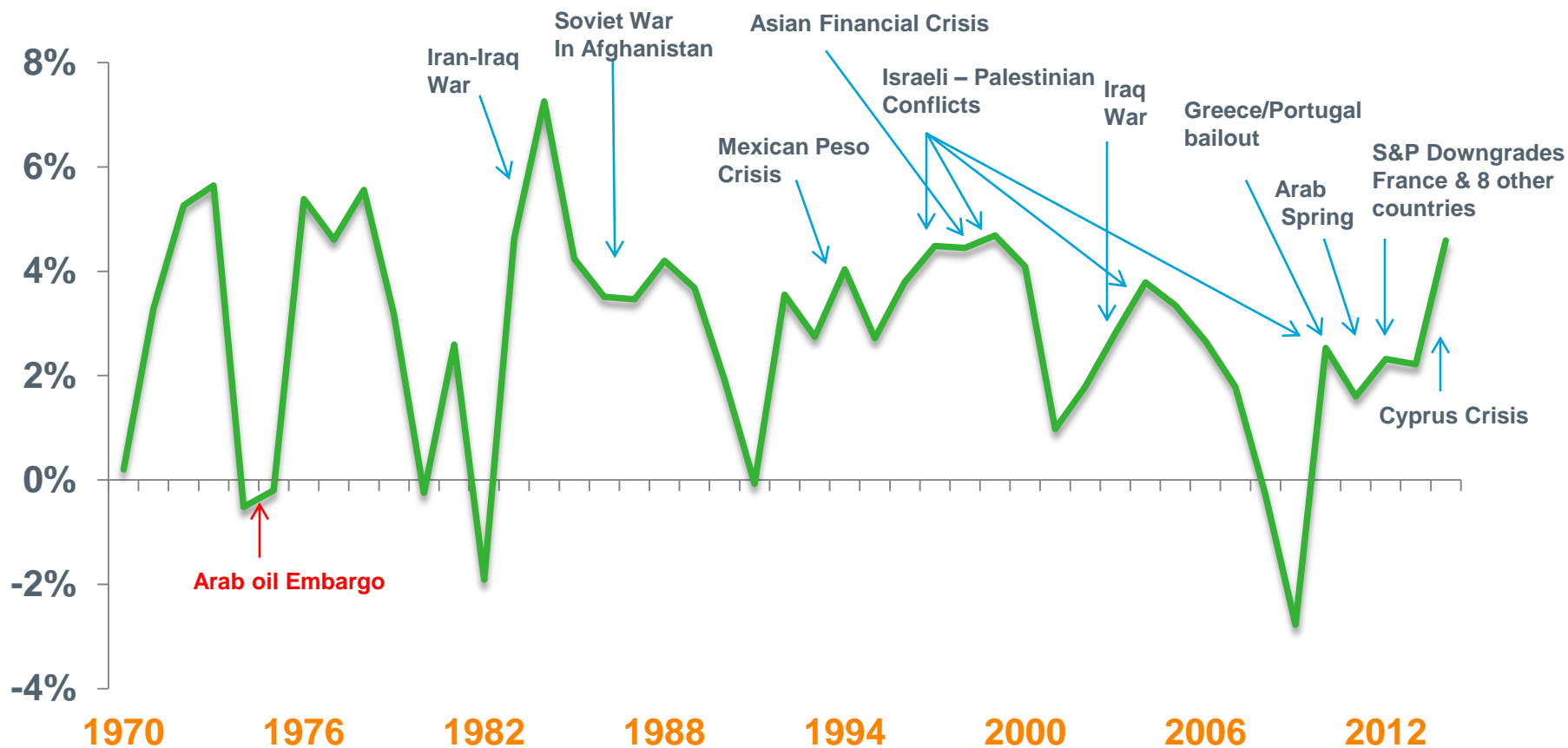
Where Are We in the Leasing Cycle?



Global Conflicts Rarely Rock U.S. Boat



U.S. Real GDP, Annualized Growth



Source: BEA

Generally, Good Things



Change in Office Prices the Last Time Fed Raised Rates

Growth Rate from
2004-2007

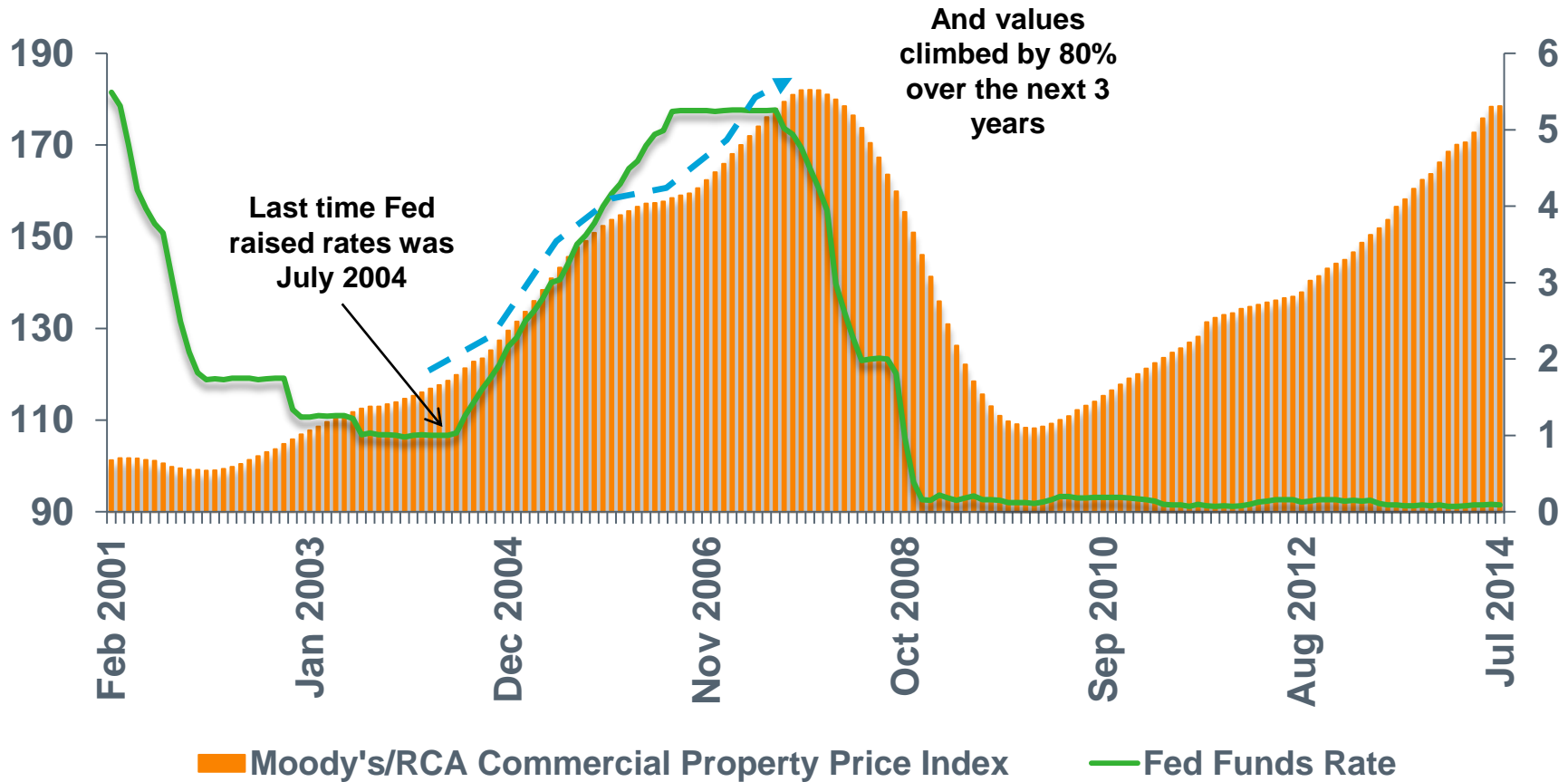


Market	Growth Rate	Market	Growth Rate
New York	142%	Baltimore	37%
Long Island	120%	Kansas City	37%
Denver	82%	Dallas	26%
Charlotte	73%	Sacramento	25%
DC – VA	69%	Cincinnati	24%
Los Angeles	61%	Atlanta	21%
Phoenix	57%	Minneapolis	20%
Orange County	54%	St. Louis	19%
San Francisco	53%	Boston	18%
East-Bay	53%	Chicago	14%
San Diego	50%	Houston	10%
Raleigh/Durham	46%	Nashville	7%
San Jose	42%	DC – MD	4%
Columbus	41%	Indianapolis	1%
DC	37%		
U.S. Average = 51%			

Generally, Good Things



Fed Funds Rate vs. Commercial Property Values

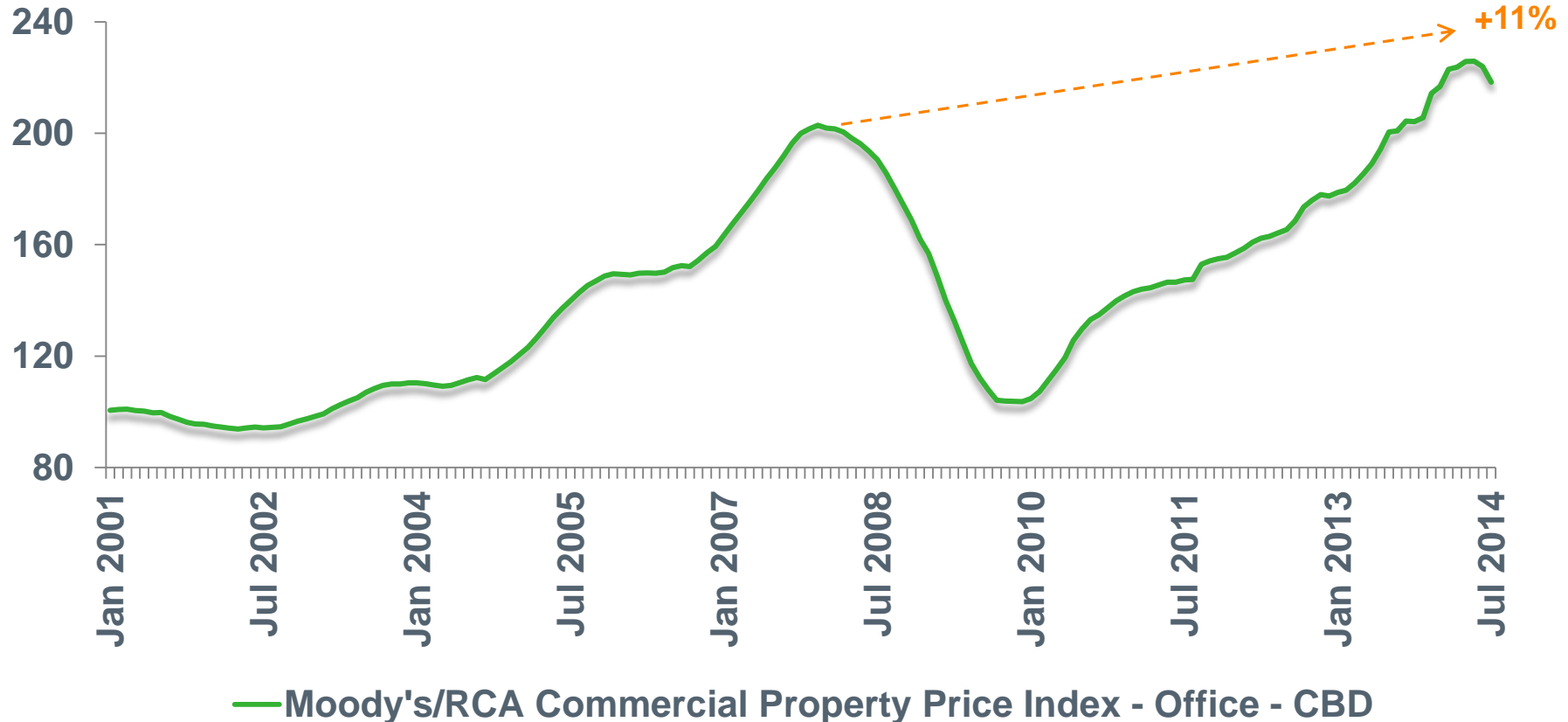


Source: Federal Reserve, Moody's Analytics

A Bubble Waiting to Burst?



CBD Office Price Index

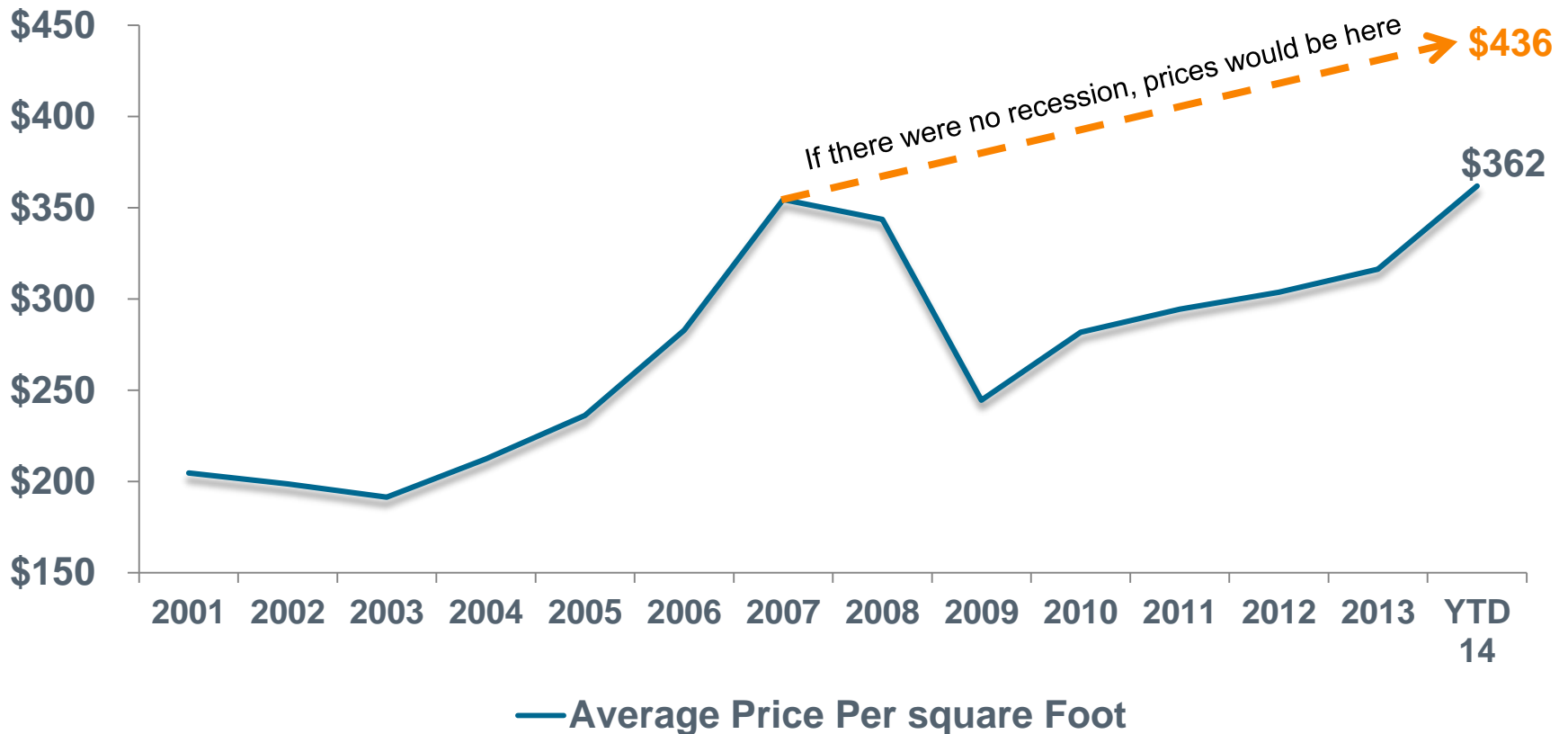


Source: Real Capital Analytics

Not Based on This



CBD Office Prices

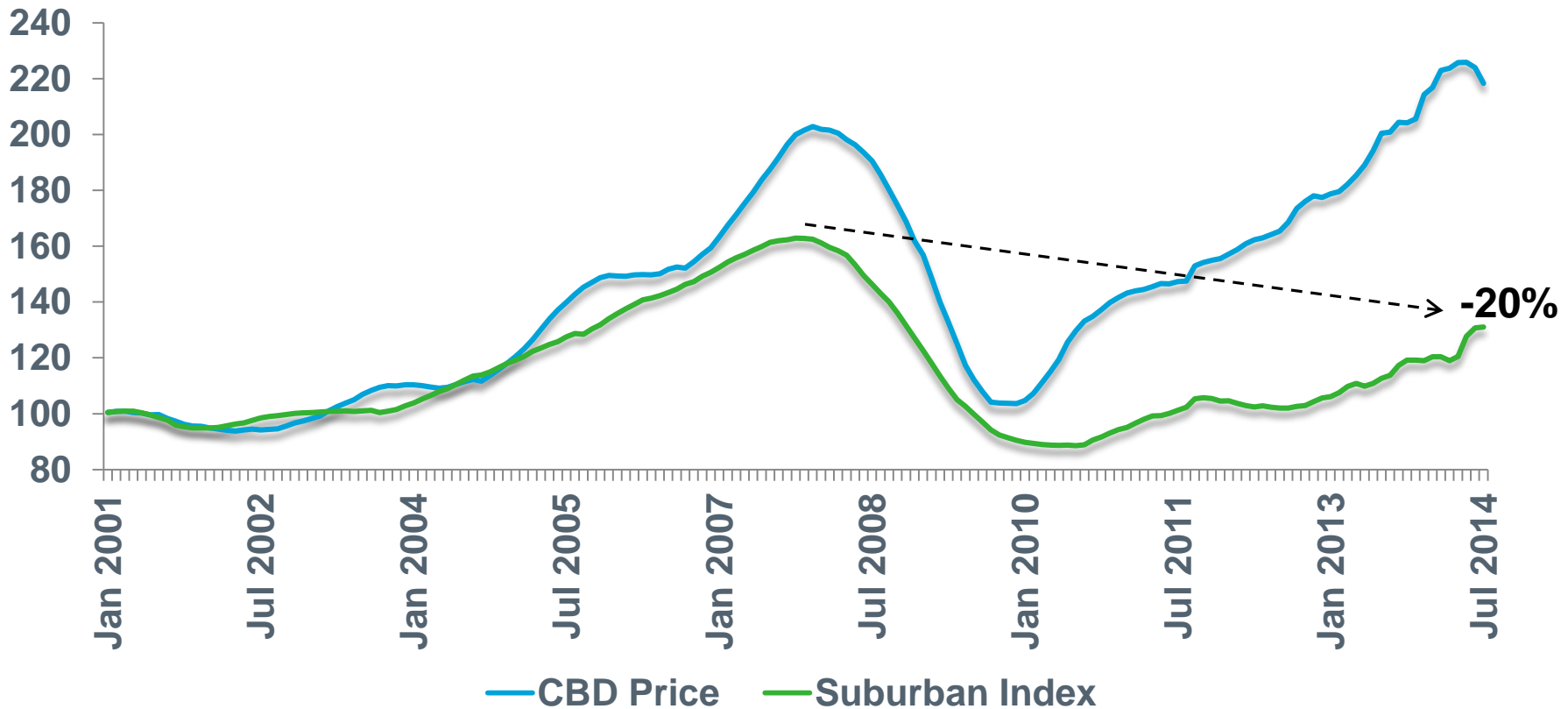


Source: Real Capital Analytics

Certainly No Bubble in Suburban



Moody's/RCA Office Property Price Index

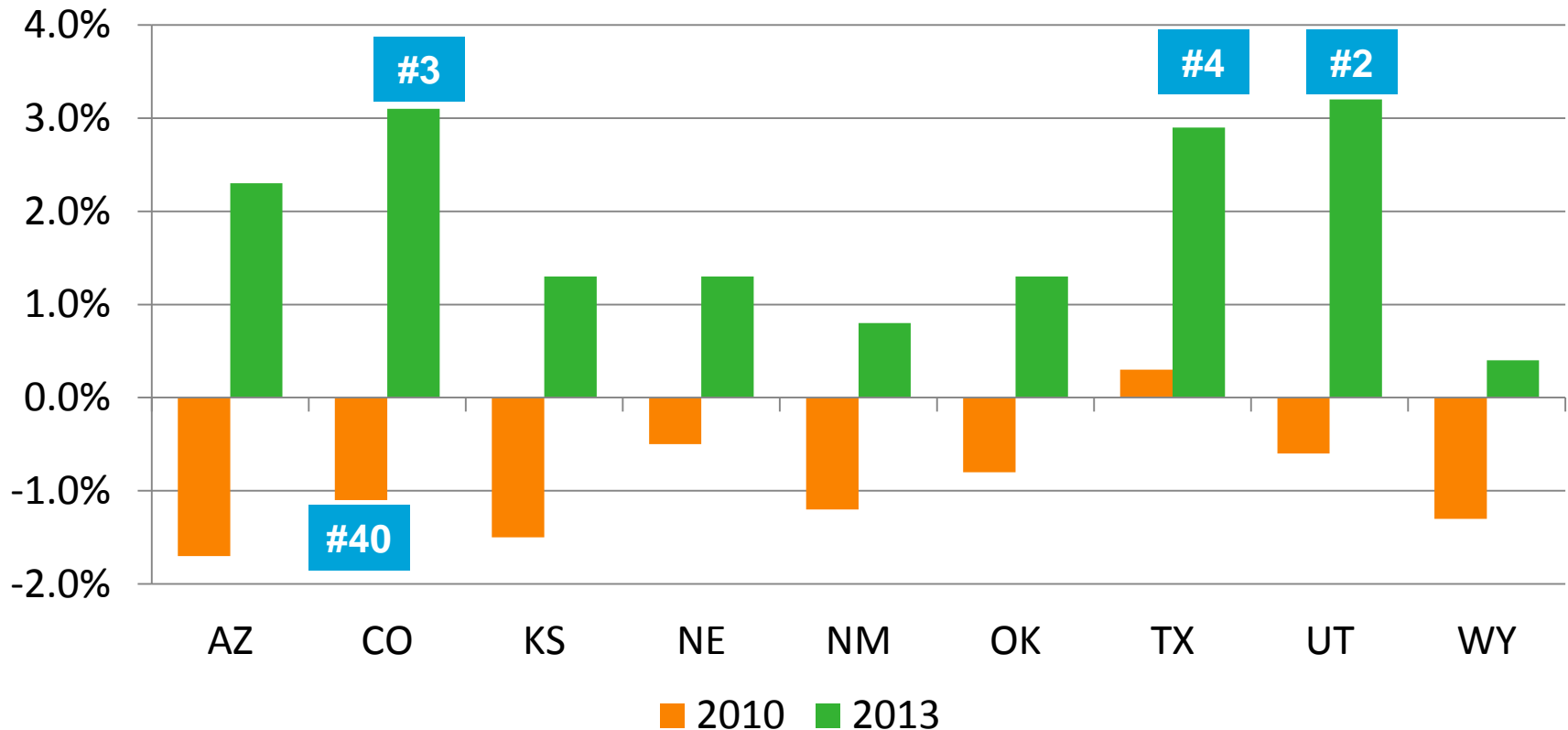


Source: Real Capital Analytics

Colorado 3rd Fastest Growing State



Nonfarm Job Growth Rates

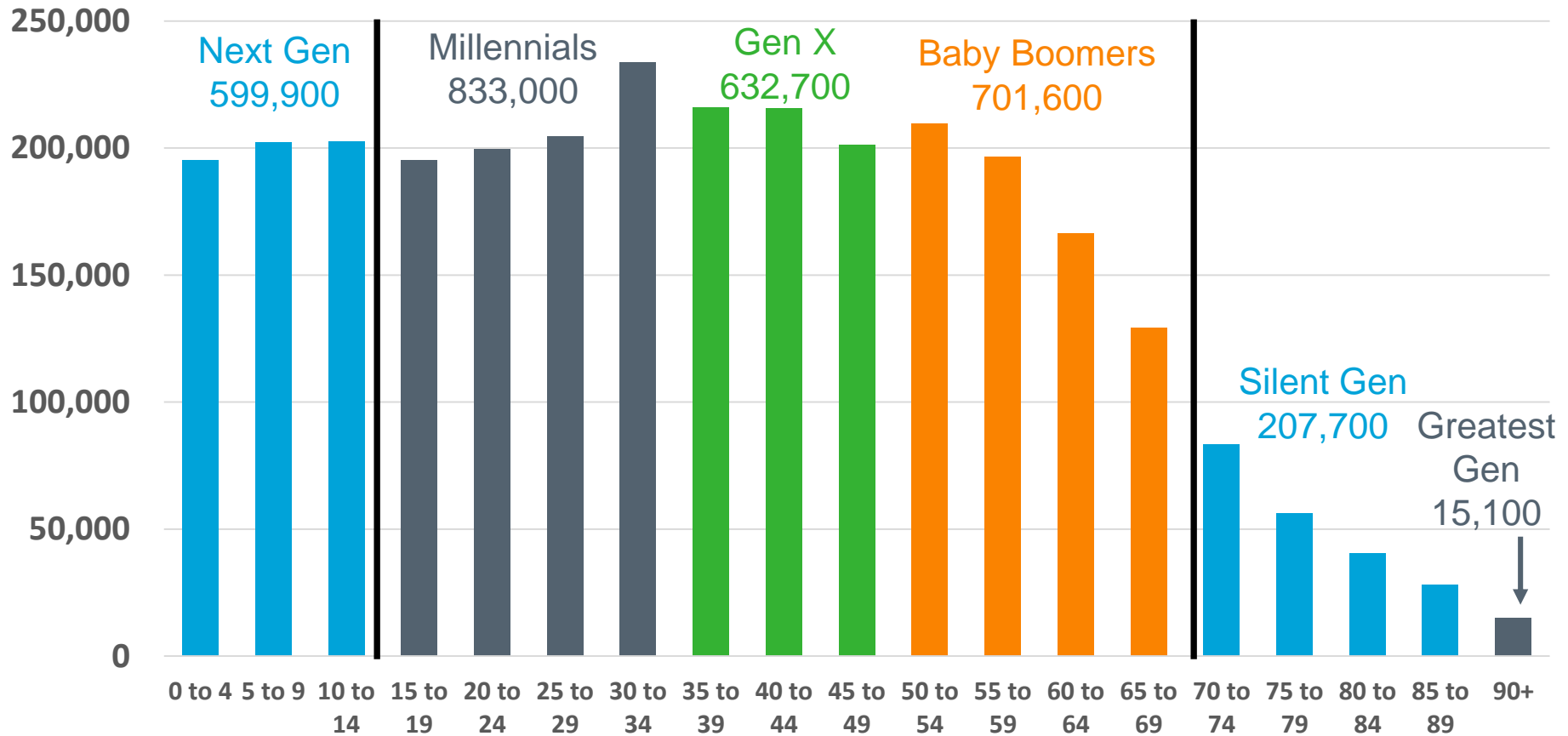


Source: U.S. Bureau of Labor Statistics, QCEW.

Millennials Largest Population Group



Metro Denver Population 2014 = 2.99 million

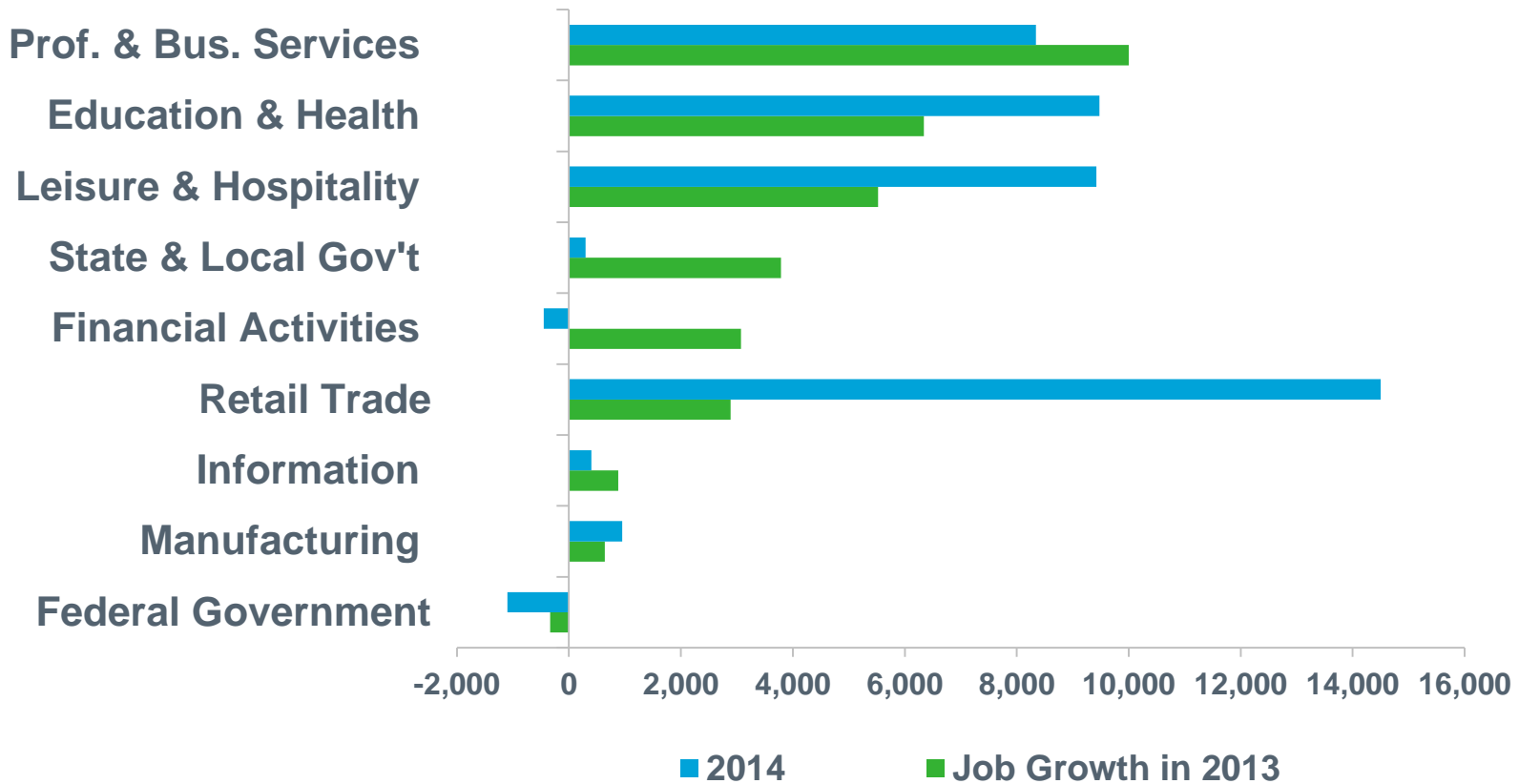


Source: Colorado Division of Local Government, State Demography Office.

Employment by Sector

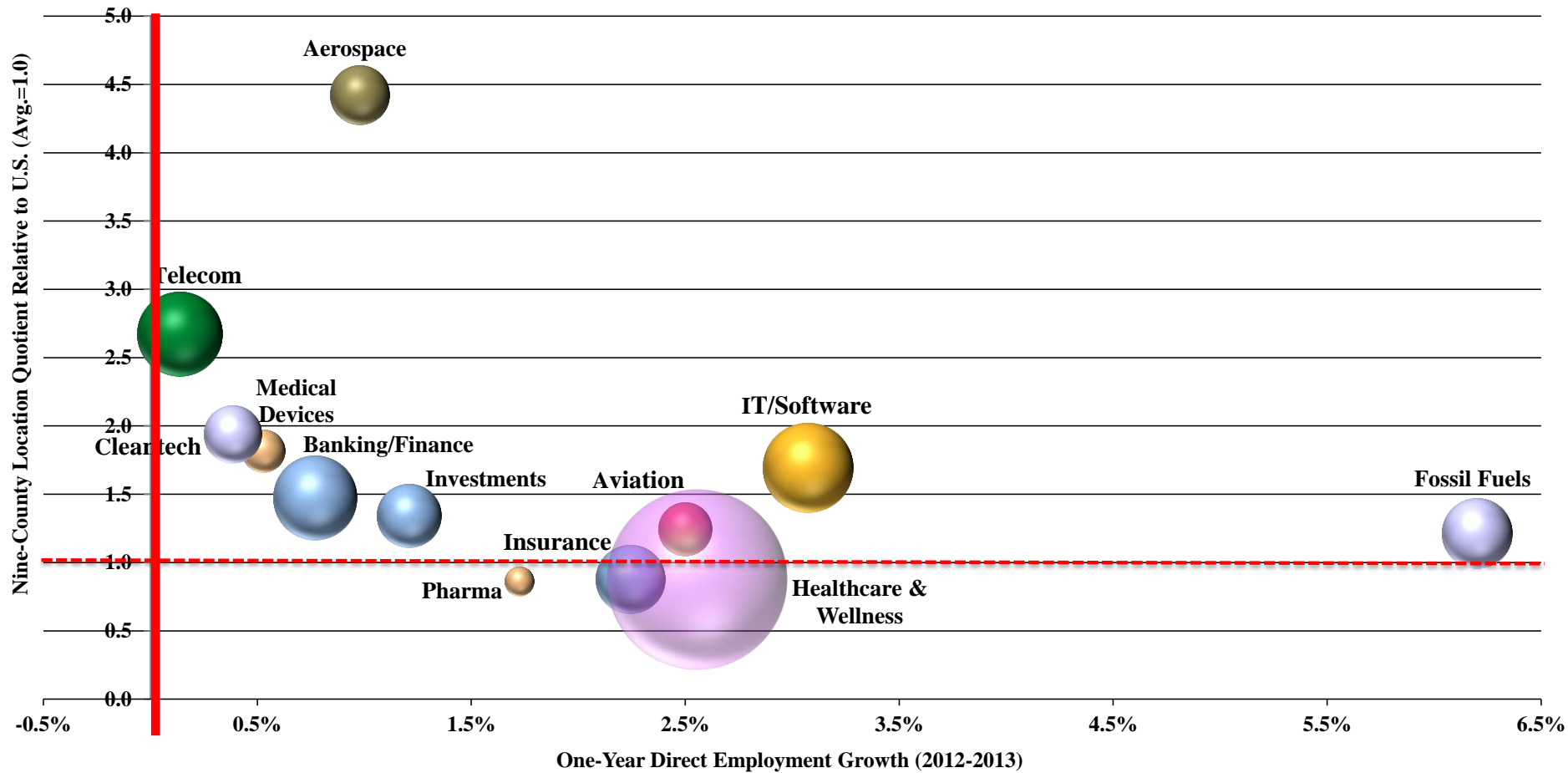


Denver MSA, Job Growth in 2013 vs. 2014



Source: BLS

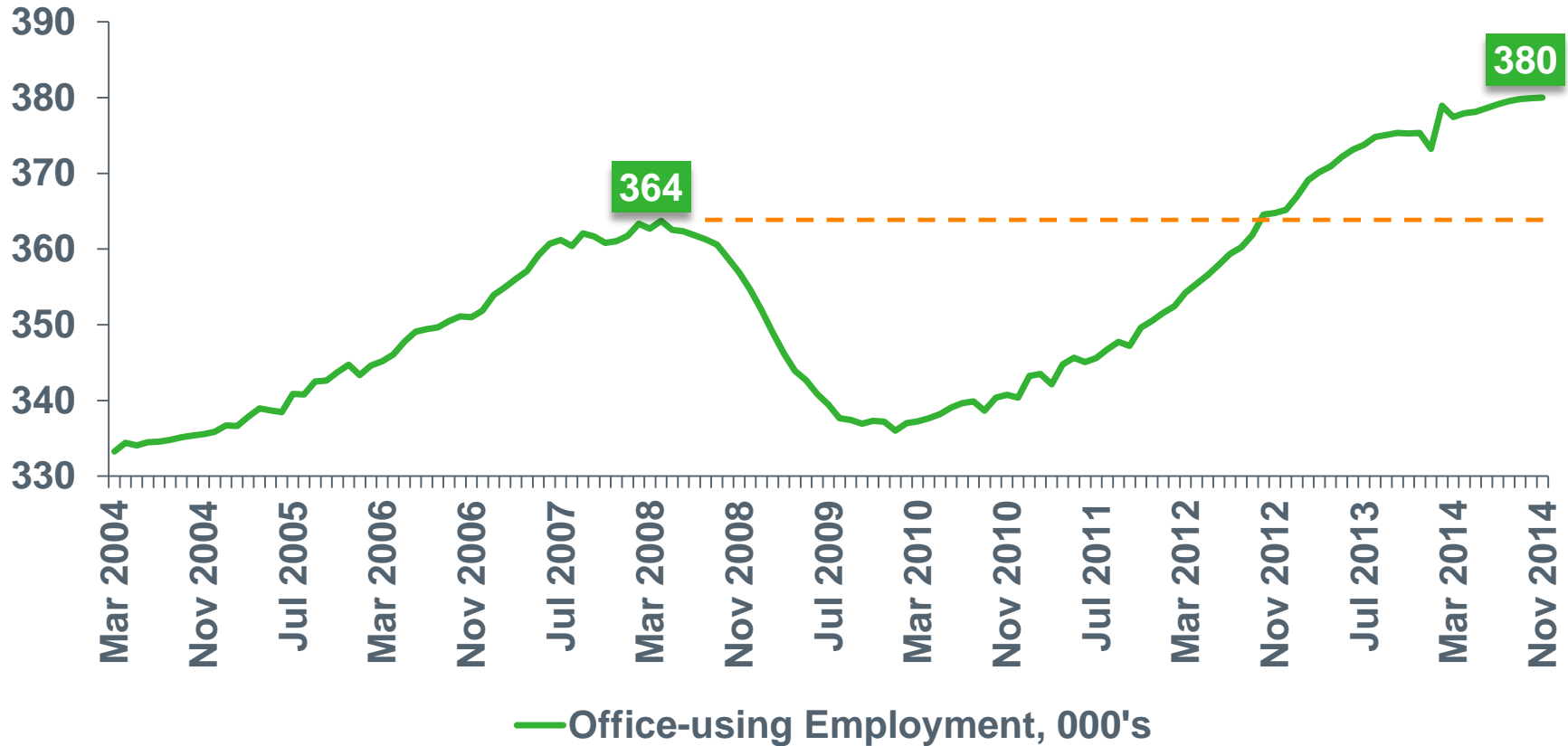
Denver Industry Clusters 2012-2013



Office-Using Employment



Denver-Aurora-Broomfield

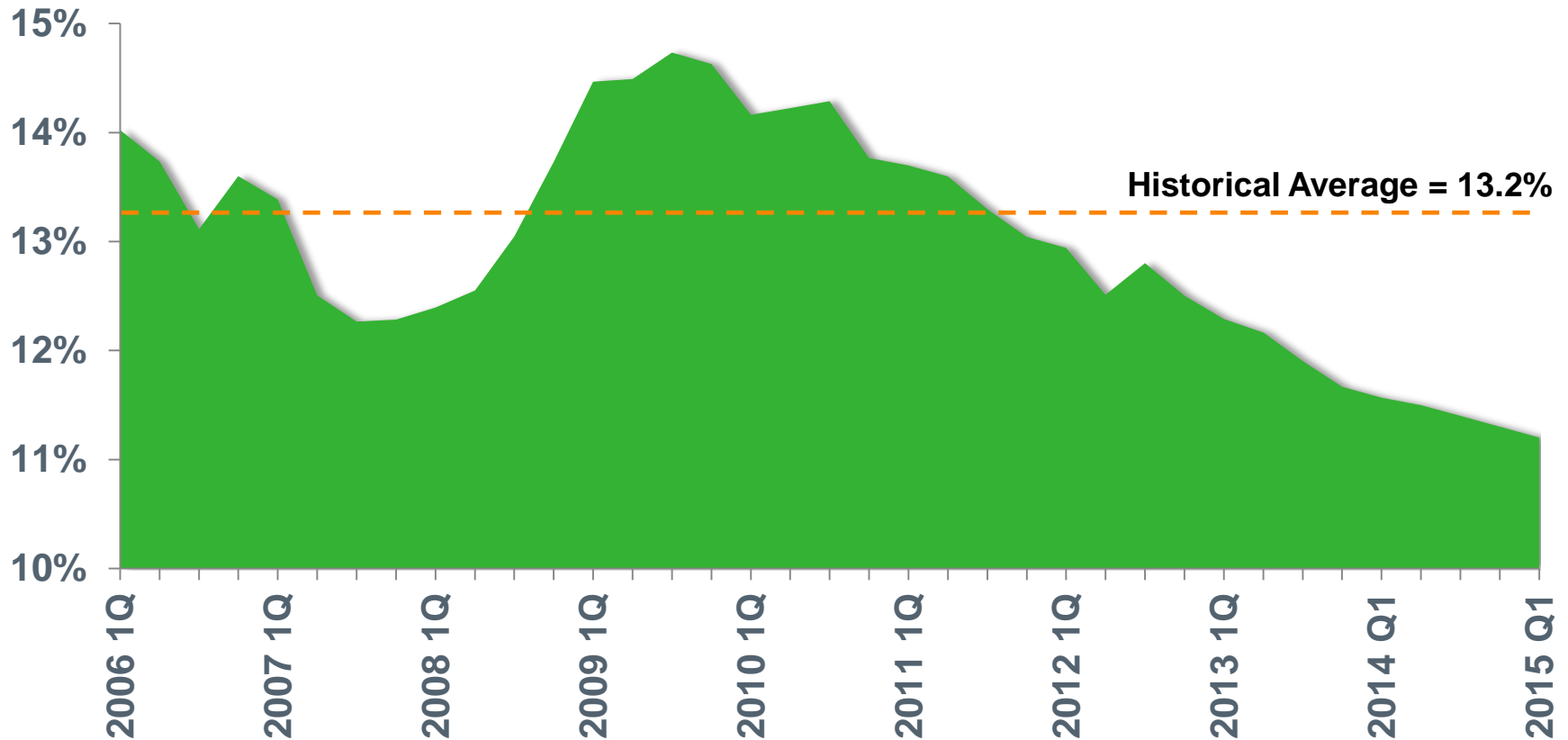


Source: BLS

Office Vacancy Remains Tight



Denver Metro Vacancy

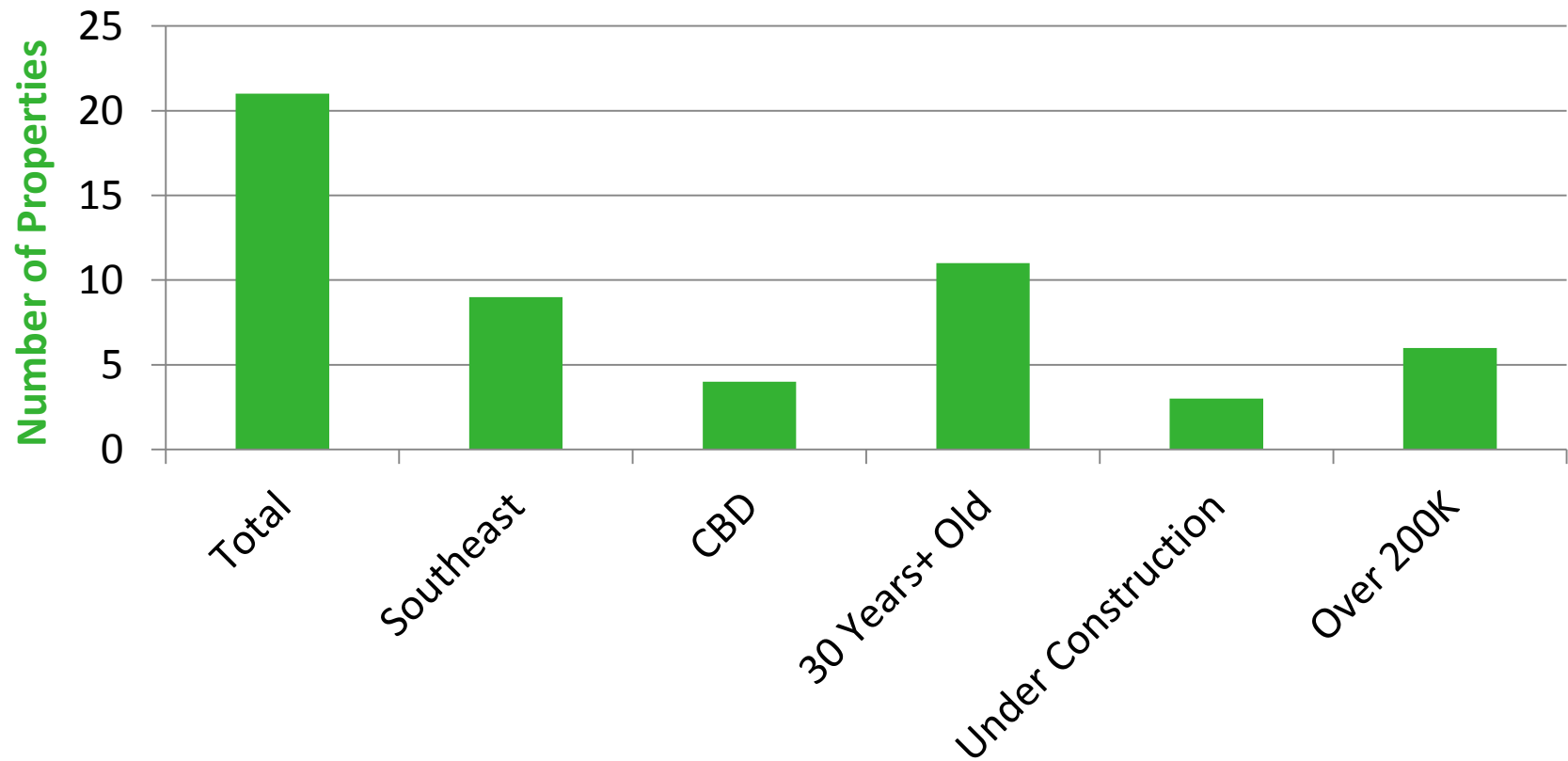


Source: CoStar, Cassidy Turley Research

Large Blocks of Space



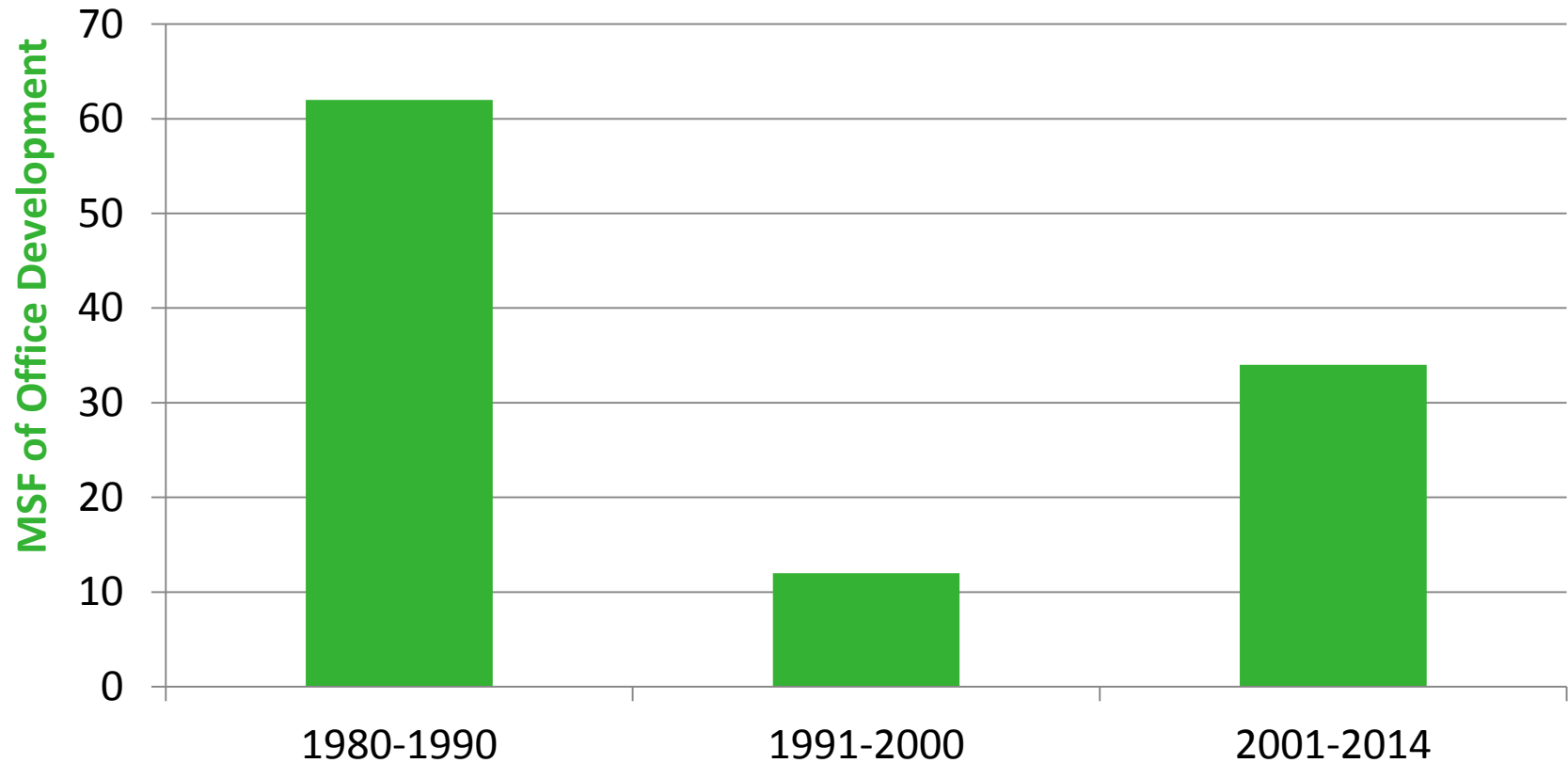
Metro Denver 100,000 SF and Larger



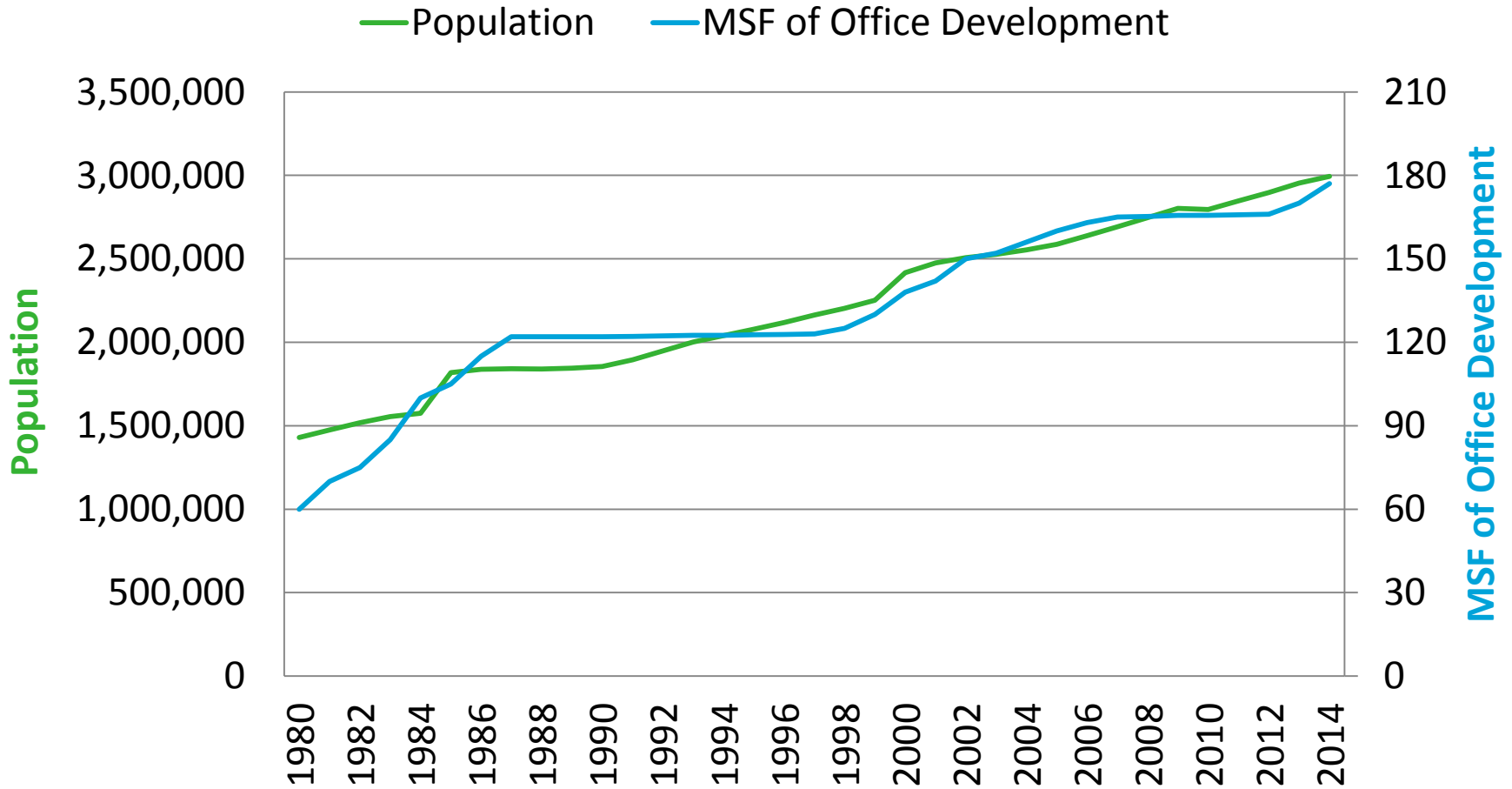
Office Building Deliveries



Single Tenant and Multi Tenant



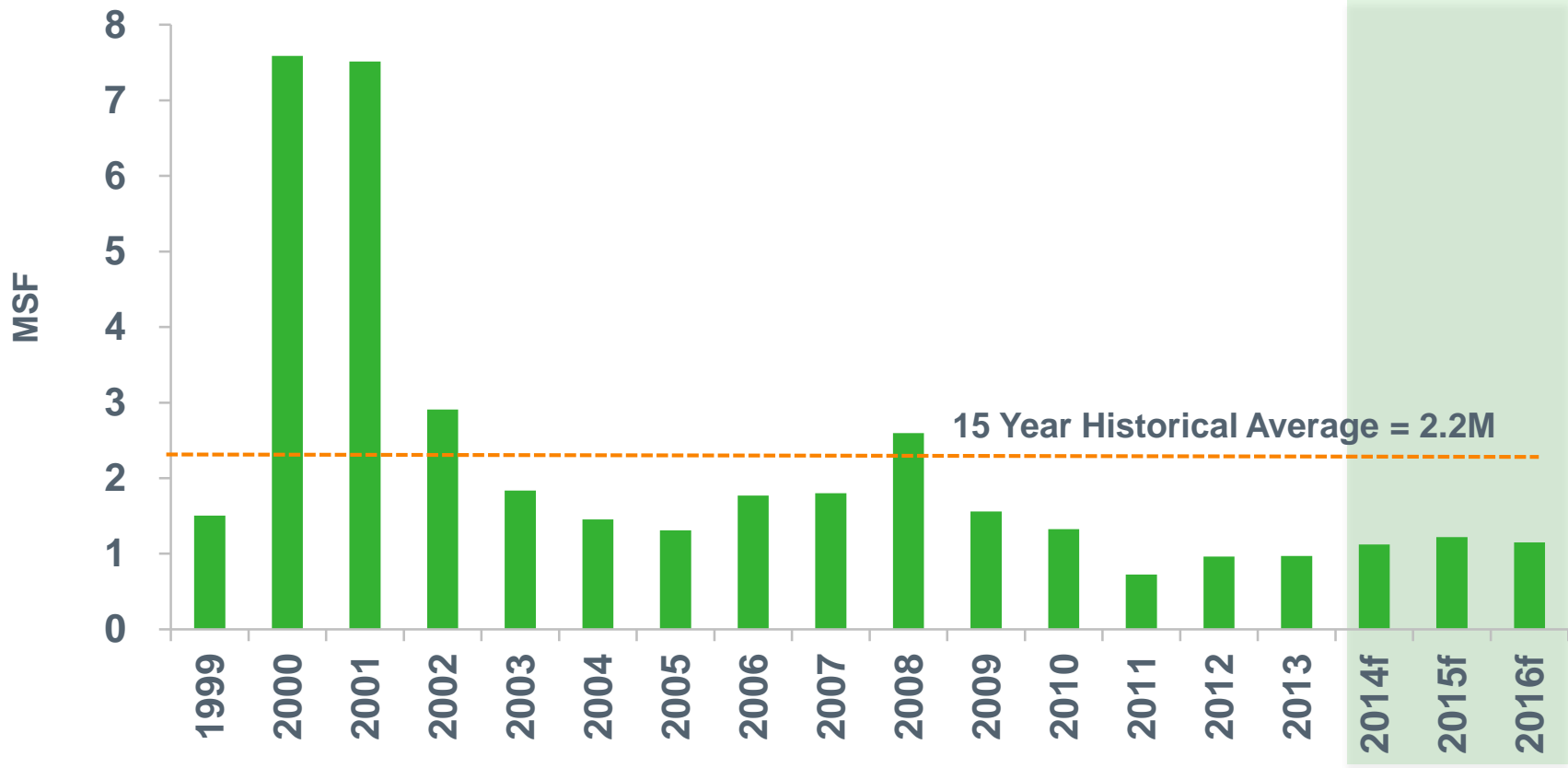
Population and Office Supply



Supply Trends: Office Sector



Denver Metro: Deliveries

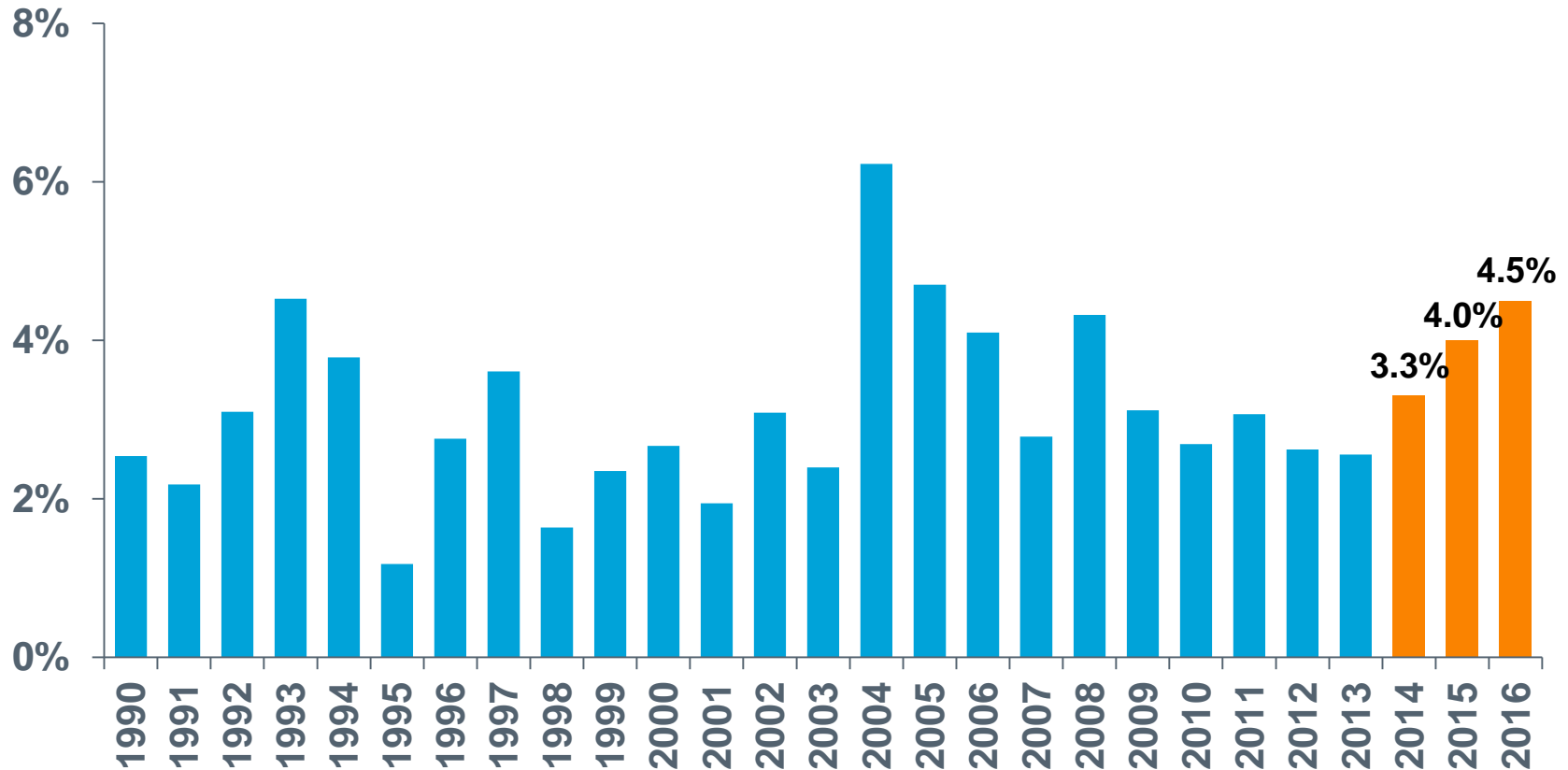


Source: CoStar, Cassidy Turley Research

Construction Costs Forecast



Yr/Yr % Chg.

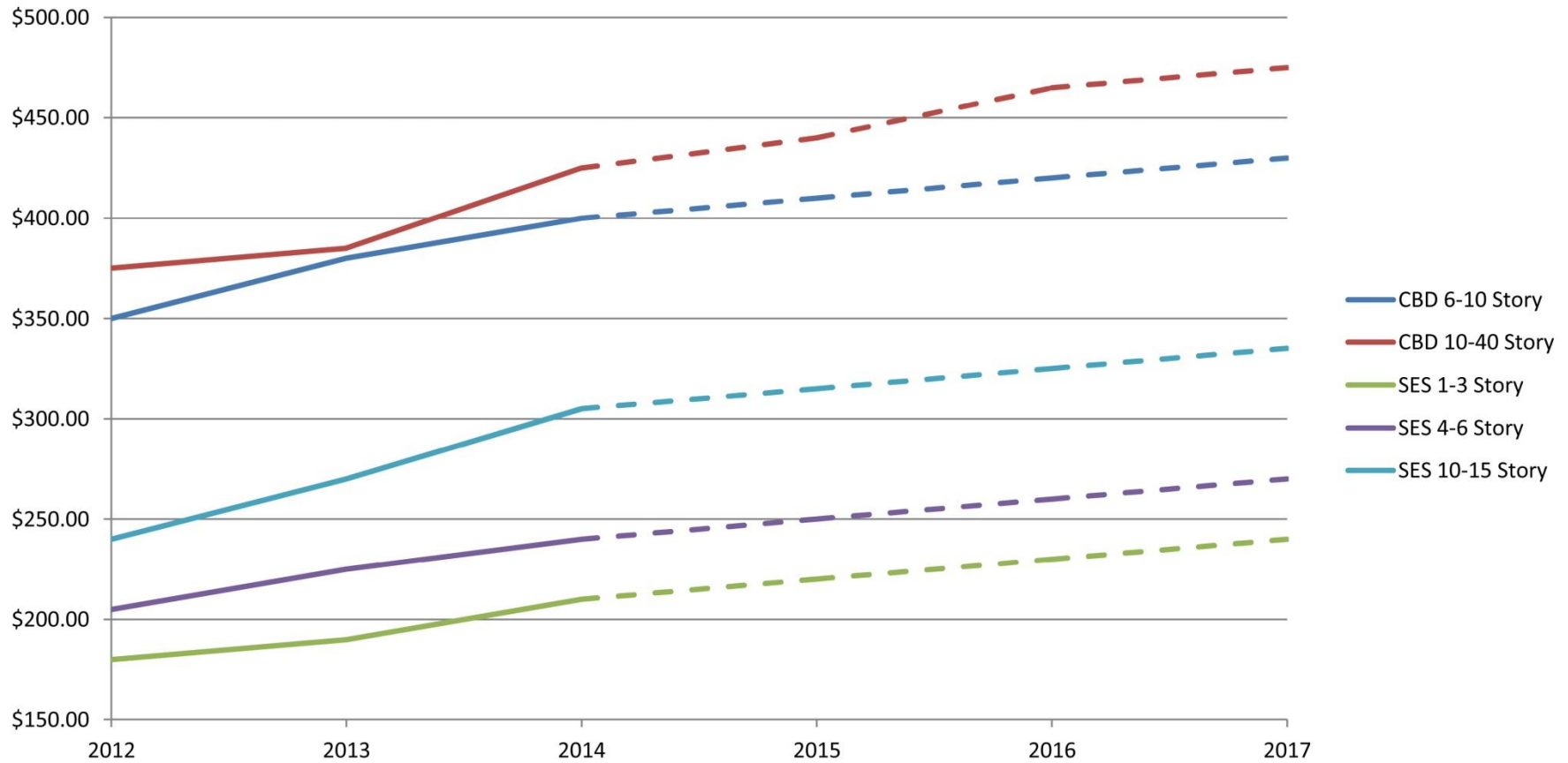


Source: ENR, Cassidy Turley Research

Downtown and Southeast Denver Projected Construction Costs



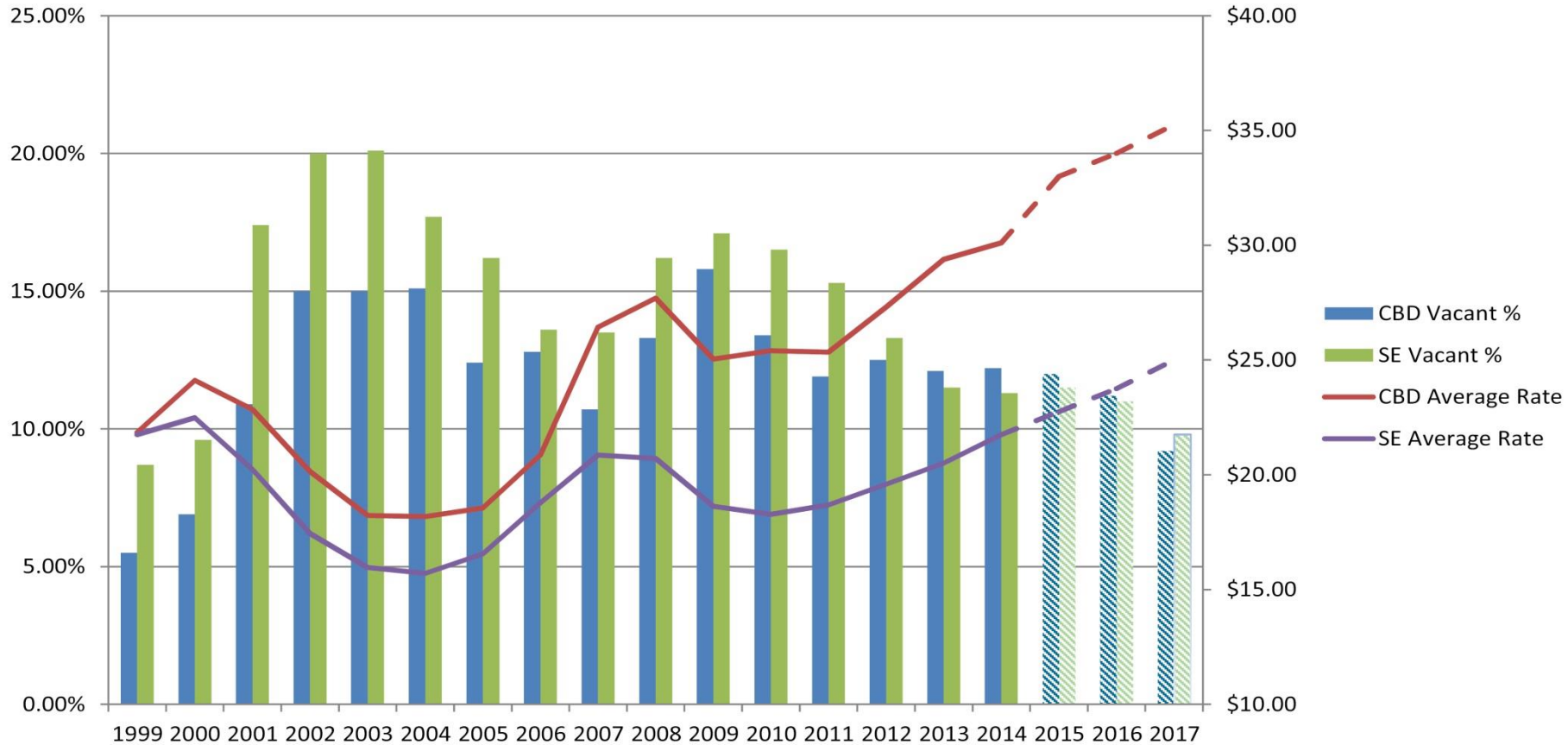
Southeast Denver vs. Downtown Denver



Historical and Projected Rent and Vacancy Trends



Southeast Denver vs. Downtown Denver



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