

Colorado

More than \$300M in Western Slope RE transactions

Overall, 2015 was a good year for commercial real estate markets throughout Colorado's Western Slope, with a few exceptions caused by the oil and gas industry slowdown. Total transaction volume for Rocky Mountain Commercial Brokers was in excess of \$300 million. Commercial and residential sales and leases were up in most markets and vacancies were extremely low, which has helped fuel apartment and retail activity. We interviewed each of our partners and have the following news to report:

Alamosa/Monte Vista. Commercial sales transactions were down slightly in 2015.

Sale and lease prices were stagnant. The availability of highway frontage is starting to diminish. Tractor Supply reports it is in the top 100 of 1,500 stores in sales. IHOP Restaurant started construction in September. In 2016 we expect a continued steady-to-low transaction volume with occasional franchise activity. — Preston Porter

Aspen/Snowmass. 2015 was a strong year. Prime retail rental rates in downtown Aspen for the best locations escalated about 25 percent over 2014 rents (\$225 to \$250 per square foot triple net in 2015). Vacancy rates for downtown commercial space declined below 2.5 percent. Property sales also were up with several purchased at high cap rates by developers who were looking for redevelopment. Cap rates for typical investment properties have ranged from 4.5 to 5.5 percent. This upward trend is expected to continue in 2016. — William Small, CCIM

Basalt/Carbondale. The second half of 2015 was strong for both residential and commercial sales and leasing. Commercial construction activity should be strong in 2016 but may be hampered by a shortage of construction labor, which is severely limited by the lack of workforce housing from Glenwood Springs



John Renfrow
President, Rocky Mountain Commercial Brokers, Montrose

to \$500,000. — Craig Rathbun, CCIM

Buena Vista/Salida. Buena Vista had continued revitalization of its downtown areas in 2015. Total commercial sales numbers were flat and commercial space on Highway 24 remained hard to find. Residential sales continued to be robust, increasing by \$6 million and a list-to-sell number of 96 percent. Salida residential sales remained high at \$53.5 million and commercial sales were also up. Expectations for 2016 are that both Buena Vista and Salida commercial real estate will continue to increase at a steady pace. — Jeff Post, GRI

Breckenridge/Frisco/Silverthorne. Commercial real estate sales in Summit County are on track to double over 2014 sales, exceeding the highs of 2007-2008. Investors are finding Summit County yields are higher than the more expensive Denver investments. Silverthorne is building an \$11 million performing arts center and new development continues in Base Camp at Frisco with Kaiser Permanente building a facility next to Whole Foods. Frisco has a new Starbucks and Natural Grocers opening in 2016. — Darren Nakos, CCIM, and Jack Wolfe

Carbondale/Glenwood Springs. 2015 saw 14 commercial sales averaging \$130 per sf, far below replacement value. The Grand Avenue bridge replacement, starting in January, has

to Aspen. No new apartments have been built in this market since 2007. Housing shortage exists in the midrange, condos and townhomes from \$250,000 to \$400,000 and single-family homes from \$350,000



Scott Dillard
Vice president, Rocky Mountain Commercial Brokers, Glenwood Springs

2015. Residential rental rates are skyrocketing, making apartment development enticing. Office leasing rates are stagnant at \$16 plus triple net. — Scott Dillard

Durango/Cortez. La Plata County commercial real estate rebounded in 2015 with its best results since the Great Recession. In the past, average annual sales totaled \$13 million to \$15 million.

In 2015, there were 37 sales totaling \$27.5 million. Commercial investors have returned. A few of the larger sales included the Wits End Guest Ranch, which sold for \$2.86 million, a 20,000-sf commercial office building that sold for \$3.35 million and the Iron Horse Inn, which sold for \$3.58 million. Properties currently under contract total over \$10 million. — Don Ricedorff, CCIM

Grand Junction. Commercial activity slowed a bit in 2015 but residential sales were strong. Office product also was one of the stronger segments — a much-needed growth spurt. Industrial activity lagged behind with the lack of energy development in the area. This, in combination with the lack of industrial space on the eastern slope, could create opportunities for those looking for large, affordable industrial spaces. The new Jump-Start Colorado also is starting to draw more interest in the Western Slope. — Ben Hill and Brian Bray

Gunnison/Crested Butte. Commercial activity remained vibrant in 2015, nearly match-

ing 2014's strong showing. Total commercial volume topped \$10 million. New business activity is up, including a rush for retail marijuana shops in Gunnison. A major multifamily project is underway in Crested Butte to help ease a workforce housing crunch. Residential sales continued to rebound, with transactions up nearly 8 percent for the year and volume increasing over 12 percent. Sales tax revenues were strong, topping previous marks. — Jim MacAllister, GRI

Montrose/Delta. The 2015 first quarter was slow in Montrose while Delta's market numbers remained sluggish throughout the year. The remainder of the year was strong for Montrose on properties less than \$300,000 in residential and commercial. Building permits and sale tax revenues were significantly up for the year. Residential rental properties were hard to find as well as low-price warehouse and industrial units. The 2016 outlook for Montrose County will continue to improve as inventory decreases. — John Renfrow

Pagosa Springs. In 2015, there were a total of 20 commercial property sales, for a total closed sales volume of \$3.13 million — up from only 11 reported sales in 2014 and a total closed sales volume of \$3.09 million. The spring opening of a new Walmart has created interest from other national retailers. Lease rates remain soft with plenty of space available. New construction permits also have increased. As the housing market gains strength, the commercial sector is expected to improve. — Mike Heraty, GRI

Rifle/New Castle/Silt/Parachute. Commercial real estate in western Garfield County has been adversely impacted by a weakness in the energy industry. This has created an opportunity for investors to purchase commercial properties with stable, long-term tenants and cap rates of 7 to 9 percent not uncommon. Insightful investors recog-

nize the arbitrage opportunity by selling or diversifying their holdings in major metropolitan markets and are selectively buying choice properties in our area at very attractive valuations. — Joe Carpenter

Steamboat Springs/Craig. 2015 was another strong year. We are not just seeing commercial investors stepping up but residential is strong again, along with many spec home and custom home starts. Compared with last year's inventory, the number of properties has been reduced substantially. Availability of commercial office, retail and industrial warehouse is tight. New construction is up in these areas and should deliver a variety of new product by the fall of 2016. Rentals also are tight. — Ron Wendler, GRI

Telluride. Commercial property in downtown Telluride performed well in 2015.

2016 will see a slowdown because of low inventory and higher prices. Ground-floor vacancies are nonexistent. Second-floor office spaces have recovered from the Great Recession but this segment is still soft with rents below 2007 peak levels. Mountain Village space is filling up, but rental rates do not appear to be climbing. The residential market continues to be strong with limited supply and little new product. — Dirk de Pagter

Vail/Avon/Beaver Creek. Vail continues to have the strongest market in the valley with near-zero vacancy in both the office and retail sectors with rates continuing to climb. Eagle-Vail west to Edwards has seen an improving market with retail vacancies low, flex space improving and office occupancy growing with some large tenants moving to the valley in the medical industry. Demand for flex and light-industrial space in Eagle and Gypsum also is causing a demand for residential affordable housing. 2016 looks good! — Onie Bulduc, CCIM▲

Springs

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10-year period, due to its low power, land and facility construction costs and the availability of tax incentives for enterprise data centers, according to a recent report from **CBRE Group Inc.**

The CBRE study modeled the cost of constructing, commissioning and operating a 5 MW data center for 10 years across 30 U.S. markets and categorized markets into three cost bands (low, moderate and high) according to analysis of specific cost components, including tax incentives, power, construction, land and labor.

"Colorado Springs has experienced significant demand for enterprise data center development for many years," said **Brad T. Bird**, director, brokerage services, CBRE in Colorado Springs. "Companies are attracted to our low-cost, highly reliable power, outstanding fiber network, 8,000 natural cooling hours, well-educated workforce and business-friendly climate that actively

pursues aggressive economic incentives for these types of developments."

The report noted that Colorado Springs' net tax burden accounted for 7 percent of the total project cost, below the 8.7 percent average share over the total project across the 30 markets, including Denver's 8.7 percent average.

At 10.9 percent, Colorado Springs tied for the sixth-lowest power costs as a share of the total project cost among the 30 markets in the study — the average was 13.2 percent. Denver power costs ranked 27th at 15.9 percent.

The report also noted that Colorado Springs ranked 12th lowest in terms of facility construction costs as a share of total project cost, landing at 34.6 percent, and land acquisition costs as a share of the total project cost were 2.1 percent, falling just below the 30-market average of 2.5 percent.

As a share of the total project cost, labor costs in Colorado Springs were above average at 5.2 percent.▲



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