

HEAVY HITTERS *In Commercial Real Estate*



Terrance Hunt
Newmark Knight Frank Multifamily

TOP MULTIFAMILY BROKER 2018 Production: \$678,410,750

Please share some information/details about your biggest, most memorable deals that you were involved in/completed in 2018.

The NKF Multifamily Capital Markets institutional investment sales team completed many memorable transactions in 2018, including the disposition of Westend, a downtown garden-style property which sold for \$128.7 million; Strata, the first new-build in the area surrounding the Denver International Airport area in 15 years; Ashford Belmar, the largest multifamily transaction in metro Denver in 2018 by gross sale price; and Infinity LoHi, which set the per-unit record for market-rate apartments at the time of its sale.

NKF represented Carmel Partners in the sale of Westend — a 390-unit, low-density property located directly off of I-25 and the only garden-style multifamily asset in downtown Denver. Our team overcame the challenge of marketing the property in a way that investors would recognize the unique and intrinsic long-term value of acquiring a low-density product type in an urban environment, between downtown and LoHi. Due to the property's value drivers and successful marketing, our team was able to identify an investor with a long-term hold strategy and the asset sold for \$128.7 million.

Strata is a 336-unit asset and the first brand new asset built near Denver International Airport in 15 years. It was a challenge that the area surrounding the property has such ample space for additional development and competing supply as a result. Another challenge was that the submarket has unproven rent prices. To overcome these challenges, our team outlined, in detail, the employment opportunities as well as the demand for multifamily units near the airport in order to prove to buyers that the submarket could support this asset and the future multifamily development planned in the area.

Describe the overall performance/state of your submarket for 2018?

The biggest surprise of 2018 continues to be the remarkable demand for high-end apartment product, with total absorption of 13,708 units, despite the previously held perception that the Denver market was overbuilt. Additionally, companies

continue to enter the Denver market, bringing approximately 27,000 jobs in 2018. Because of Denver's low unemployment rate, the volume of people willing to first move to Denver, and then find a job post-relocation has kept multifamily buildings full and demand high. One of the biggest drivers of new employment creation in Denver has been the technology sector. The tech scene in Denver is fueled by both organic growth as well as company relocations from the Bay Area. The cost to employ a tech worker in Denver is approximately 30 percent less than the cost to employ an equivalent worker in the Bay Area, so many San Francisco-based firms are choosing to grow their operations in Denver.

What are your predictions for your submarket for 2019?

2019 will continue to be strong, trending towards stability. Labor shortages are posing a greater challenge to the on-time completion of new development projects, which has led to rising construction costs. The number of units under construction declined by 15 percent in 2018. Increasing hard costs will likely keep the new development pipeline in check for the coming years. All of this has made the initiation of new projects more difficult than it has been in previous years. The net result of these factors will be a stable apartment market and an environment with balanced rent growth.

What is going to be the biggest commercial real estate story for the Denver area in 2019?

The continually strong fundamentals of the Denver market and the ever-growing millennial workforce of metro Denver are driving companies to move to Denver, with announcements of companies moving their headquarters to the city occurring almost daily — examples include Gusto doubling its Denver workforce and VF Corporation moving its headquarters downtown. Companies are drawn to Denver's high-quality of life and highly educated workforce. In 2019, I expect this type of growth to continue.

The growth of the area surrounding Denver International Airport — the "Aerotropolis" — will be very robust and there will be job growth in that submarket as well.

Terrance's Walk Up Song:

"Sabotage" by Beastie Boys

