

2023 HEAVY HITTERS *In Commercial Real Estate*

TOP INDUSTRIAL BROKER

James Bolt

CBRE, INC.

2022 PRODUCTION: \$385,480,240

Please share a summary highlighting your biggest, most memorable deals that you were involved in/completed in 2022.

For at least 20 years, I've been involved with PepsiCo in various Colorado projects. The long-term goal for Pepsi in Denver was to expand its bottling plant. That said, the cost to build a new plant was exorbitant and the new location would have had to be well out of the central Denver core.

Fast forward to 2010, the rapid gentrification of RiNo and specifically, the properties around the Pepsi Bottling Plant on Brighton Blvd created a untenable situation for the operations of the plant. Traffic had become overwhelming and residential development began to encroach which was an unwelcome neighboring use. With the gentrification of the neighborhood, property values increase to a point that Pepsi saw an arbitrage opportunity to sell the bottling plant property and buy a greenfield site. At the time, a large RiNo site would command in the neighborhood of \$100 per square foot, while a greenfield development site could be purchased for \$5-6 per square foot.

All that seems straightforward and simple! The timing of both transactions was very delicate. The greenfield site needed to be under contract with a long due diligence time frame, so that the new plant could be fully approved by the city of Denver. This resulted in a roughly 18-month process. Once we had full approvals to build the project, Pepsi wanted to sell the Brighton Blvd site. Fortunately, the market was extremely strong and we had multiple bidders above our projected sale price. Balancing the close of the Brighton site with the close of the greenfield site was very delicate, but in the end successful. One of the top transactions in my business career.

Describe the overall performance/state of your submarket for 2022.

From a capital market standpoint, 2022 was truly a year of two completely different markets. The first half of the year was a

continuation of the robust trends of 2021, with record sales and record pricing. When inflation began to rear its ugly head and the fed began to aggressively raise rates, the market changed dramatically in the second half of the year, bringing an abrupt stop to transaction volume.

Class A industrial cap rates moved from a low of 3.5% to the low fours, then by the end of the year, high fours. Buyer pools dramatically decreased and only truly cash investors were able to transact. It was amazing to see how quickly the market changed. (PPG) Contrasting with the abrupt about face in the industrial capital markets, user demand continued to be strong in the Denver market. Although slightly off from the record numbers of 2021, 2022 was a great statistical year for absorption and rental rate growth. So, while building valuations were being impacted by capital market conditions, rental rate growth helped to offset loss in valuations.

What are your predictions for your submarket for 2023?

I'll start with user demand, which remains strong, especially in the small and midsize tenant range. I see this continuing, although tapering off slightly as fears of inflation delay tenant expansion decisions. Construction starts are declining and we should see a gradual tapering off of new spec construction going forward. With new underwriting with higher debt and equity pricing, lease rates need to be much higher to justify new construction. In the next 12-24 months we could see an imbalance of supply if demand continues at its current pace.

What is going to be the biggest commercial real estate story for the Denver area in 2023?

How about speculation of the Denver Broncos buying a site for a new stadium? And where would they choose to build a new facility? That would certainly get a lot of attention. Or,

continued >

CBRE

more from Jim Bolt, CBRE

how is industrial real estate development affected by the lack of water for development, which an increasingly important factor. (PPG) I don't see a very interesting story in the industrial development world presently. We will see moderate capital market activity and solid user demand.

What is a goal you have yet to achieve?

I have an insatiable, ongoing goal to be the best that I can possibly be in all aspects of life.

Who is the one person you're most interested in meeting?

Presently it is Vladimir Putin. I would love to grab his shoulders and shake him...ask what is he thinking?

What is your favorite quote?

Ernest Hemingway "the best way to find out if you can trust someone is to trust them."

What would you select as your 2022 theme song/walk up song?

Journey – Don't Stop Believin'