

WESTERN REAL ESTATE BUSINESS®

Connecting Real Estate in the West

SKYLINE PROPERTIES CONTINUE TO SHINE

Many areas are shining examples of what can happen when a few positive factors converge on a particular skyline.

By Patricia Raicht

The Western United States is home to 12 of the 46 office skylines tracked by JLL. While vacancy runs the gamut with some of the highest and lowest occupancy rates in the U.S., asking rents tend to be higher in the West. In this region, 11 out of 12 skylines not only rank among the highest in rents, but also show the highest year-over-year rent growth.

Western skylines reflect the trends of U.S. skylines overall: vacancy is trending down in all markets. This is driving a significant pipeline of construction, with rents on the rise across the board and global economic uncertainty weighing on the minds of investors. Skyline assets are a favorite among investors, as they are the Class A and trophy office buildings that comprise our metro landscapes, but high prices and compressed cap rates have pushed buyers to high-performing secondary markets. Tech-heavy markets are outperforming the norm, while demand for creative space is driving the repositioning of many skyline buildings.

Bellevue

Skyline vacancy in Bellevue, Wash., has been among the lowest in the country for four consecutive years,

hitting a low of 3 percent in 2014. The delivery of several new projects — the last in this cycle — will add 1.1 million square feet to the skyline set. This, along with the news about a major anchor relocating its headquarters to Seattle in 2019, has fueled concern about overbuilding. Investor interest remains palpable with more than \$766.2 million in office assets trading hands in 2015, the overwhelming majority in the skyline set.

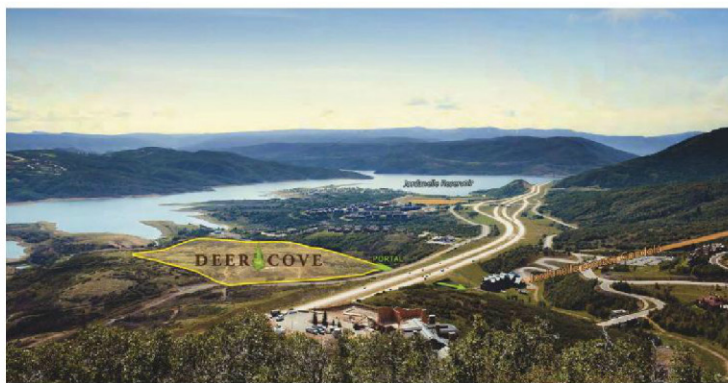
Denver

Denver's crème-de-la-crème office properties fetched record-level asking rents this past year, and trophy-quality assets currently under construction will command prices even higher. Still, as new inventory delivers, watch for a shifting supply-demand dynamic, caused by turmoil in the oil and gas industry, which could favor tenants by offering economic sublease options throughout the next 12 months. Investment capital interest will remain in Denver and its skyline property set. This is because the metro should remain an above-average economic and jobs performer over the next 24 to 36 months as the city's economy continues to diversify and attract tech users.

see **SKYLINE**, page 59



Skyline Tower is a 24-story, Class A office building located in Bellevue's Central Business District.



ValueRock Realty Partners recently obtained all entitlements and approvals for the 87-acre Deer Cove Master Plan, which is set to be one of the largest mixed-use communities in the Deer Valley and Park City region of Utah.

FULL USE STRAIGHT AHEAD

Mixed-use projects are popping up all over the West, maximizing space by providing as many functions as possible in land-locked resort regions.

By Nellie Day

Suburban sprawl is no longer en vogue in many areas out West. Part of this is due to necessity, as the ever-increasing population in cities like Los Angeles and San Francisco make single-family homeownership unachievable for every resident due to spatial constraints. Sprawl has also fallen by the wayside as many people, led by Millennials and Empty Nesters, appreciate the hustle and bustle of city life.

see **MIXED-USE**, page 62

INSIDE THIS ISSUE



The retail sector in Southern California is hot, from the coastal markets to urban centers. *page 38*

San Diego
Market Highlight
page 34

Commercial Lending
Analysis
page 49

Orange County's
Multifamily Market
page 50

FULL USE STRAIGHT AHEAD

MIXED-USE from page 1

While not every project that gets off the ground today is a 27-story high rise in a hopping downtown, getting the most out of each acre has become a priority to many developers. This is particularly true in regions known for their scenery and tourism. Land is, after all, expensive in many areas. It's also hard to come by. When a plot does sell, you can bet the developer will want to reap everything he can sow. The mixed-use development craze does just that.

No longer content with a simple garden-style apartment building, sanitary chain restaurant or generic boutique hotel, many developers are undertaking projects with multiple components to attract as many people, tenants and, therefore, dollars, as possible.

Majestic Undertakings

The Deer Valley and Park City region of Utah is set to receive one of the largest mixed-use communities in its history, thanks to ValueRock Realty Partners, which recently obtained all entitlements and approvals for the 87-acre Deer Cove Master Plan. The phased development will include residential, hotel, retail and open space components in a master-planned community.

The firm and its affiliates acquired the infill parcel adjacent to US 40 just off the Mayflower Interchange in 2001. ValueRock has retained Bergstrom Capital Advisors to help the firm find a joint venture partner on this project. About \$20 million has been invested so far in planning, engineering, infrastructure and water reservation fees to secure full entitlement approvals. The parcel is situated within walking distance to the Jordanelle Express Gondola at Deer Crest and Jordanelle recreational area, making it an ideal location for residents and vacationers alike.

"Deer Cove provides an extraordinary opportunity for the area by connecting the Deer Valley Resort gondola to Jordanelle Lake," says Ray Whitchurch, principal at IBI Group, which is providing architecture, planning, engineering and technology support to the project. "This development is a key element to the year-round resort expansion in the area."

ValueRock isn't alone in its pursuit of this highly coveted space. Other on-mountain developments springing up adjacent to this parcel include an 800-to 1,000-acre ski terrain expansion of Deer Valley Resort; a new Four-Star Hotel at Pioche; a proposed luxury hotel and residential development at Blue Ledge by Extell Development; and the Mayflower Village & Resort.

"Deer Cove is in the direct path of progress for the Deer Valley and Park

City Mountain Resort areas," says Paul Quintiliani, ValueRock's COO. "This entire region is recognized as a renowned, sought-after luxury mountain resort, and has already experienced millions in new investment. We are excited about the opportunity to fulfill this development and watch as Deer Valley further evolves along with Park City into an international destination."

Waterfront Wading

The convenience and luxury of the resort lifestyle can also be seen up north in Vancouver, Wash., where a 120-room Hotel Indigo is scheduled for delivery in summer 2018. The hotel will be the first to rise within the Waterfront Vancouver master plan, which will include 3,300 new residential units, more than 1.2 million square feet of Class A creative office space, a luxury hotel, flagship restaurants and retail spaces. About 250,000 square feet will be dedicated to retail and mixed-use space within the total 5 million developable square feet. Waterfront Vancouver is a joint venture between Columbia Waterfront LLC and Kirkland Development.

The boutique hotel is being planned in conjunction with InterContinental Hotels Group. It will include hotel rooms, a residential living component, retail shops and a spa. The property will also feature a connected public area between the hotel and the residences, reaching six stories above ground. Construction is set to commence next spring.

"Bringing a full-service hotel to this prime position at the Waterfront is a win for everyone - for city workers, restaurateurs, retailers, urban dwellers, families, visitors and friends," says Dean Kirkland, chairman of Kirkland Development. "This is an unequalled modern, south-facing location, and provides developers with creative opportunities for these kinds of investments."

Mile-High Aspirations

Not to be outdone, the Mile High City is hard at work on its own mixed-use masterpiece. The three-acre DriveTrain is a transit-oriented development that will include pedestrian-friendly, interconnected residential, retail and restaurant options, incuba-



The DriveTrain transit-oriented development is scheduled to open late 2018.



The 120-room Hotel Indigo is scheduled for delivery in summer 2018. The hotel will be the first to rise within the Waterfront Vancouver master plan.

tor spaces and a 120-room boutique hotel. Developers Tom and Brooke Gordon are expected to break ground in early 2017, with a scheduled completion date of late 2018.

"We want to create a real place along the river and Brighton Boulevard," says Tom Gordon. "The plan... will attract a diverse class of creative and visionary people and businesses — those seeking fresh ground to make art, launch businesses and develop new ideas. Ultimately, we hope DriveTrain is known for its quirky, collaborative and far-from-corporate vibe."

The project is situated near the future site of the 38th/Blake Station light rail stop along the South Platte River in the city's RiNo (River North Art) District, an area currently undergoing its own renaissance. DriveTrain is being designed by OZ Architecture and built by Milender White.

"DriveTrain is much more than a building; it will be a new destination in RiNo," says Rebecca Stone, OZ's managing principal and lead architect on the project. "It is going to have a very specific energy and distinct sense of place that will appeal to people of all backgrounds, interests and ages. I see it becoming a catalyst in the ongoing transformation of RiNo into one of the coolest, most interesting places in Denver."

Seaside Dreams

One of the latest mixed-use projects to receive the green light encompasses 70 acres of prime Downtown San Diego waterfront. The San Diego Port

Authority Commission recently selected a \$1.2 billion project proposal that will include a 480-foot observation tower called SkySpire. It will also feature the 178,500-square-foot OdySea aquarium, bayfront beaches, three hotels totaling 1,077 rooms, marinas, more than 388,000 square feet of retail, 19,100 square feet of office space, as well as dining and other entertainment.

The winning proposal was one of 11 submitted for the site. ThrillCorp Inc. will develop the observation tower. The company is a partner in a consortium called 1HWY1, which is led by Protea Waterfront Development. The Port Authority and Protea Waterfront Development are expected to complete final review of the proposal by October, beginning the development process immediately afterward.

"I believe this site is unquestionably one of the best waterfront sites in the United States," says Yehudi Gaffen, spokesman for Protea Waterfront Development. "When completed, this will redefine experiential urban, mixed-use development and make San Diego a truly world-class city."

Construction is scheduled to begin in 2020, with an estimated completion date in 2023.

"We are proud to add our tower to the already stunning San Diego waterfront skyline," says Bill Kitchen, ThrillCorp's chairman. "Guests can disembark at the top to enjoy the beauty of San Diego and engage some of the latest technology to learn about the area and its history. This will become an incredibly popular destination with breathtaking views."

Breathtaking views, exhaustive services and amenities, well-designed walking paths, and a variety of places to rest your head — whether for a day or a lifetime — have become the new priorities for many developers in the West's hottest destinations. It's hard to blame the artist for doing all he can with his canvas, especially when that canvas' terrain includes the mountains, rushing rivers and serene waterfronts that just scream "come [live, work, stay and] play with me." ■



The San Diego Port Authority Commission recently selected a \$1.2 billion project proposal on the waterfront that will include a 480-foot observation tower called SkySpire.