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## Denver Market Trends – How Does Your Property Compare?

By Alex Martinez, Denver

Counties throughout Colorado will be updating real property values in 2017. To assess the large volume of parcels, assessors use mass appraisal techniques that rely on market trends. It's up to property owners to present evidence if their valuation is outside the norm and deserves a reduction.

With that in mind, here are some market trends for Denver business property from CoStar's 2016 Third Quarter Report.

### RETAIL

Denver's retail market is booming with vacancy rates remaining constant (4.7%) and rents increasing. Quoted rents ended the third quarter at \$15.99 per square foot (psf). That compares to \$15.92 psf in the second quarter and \$15.46 psf at the end of the fourth quarter 2015. This represents a 0.4% increase in rents in the current quarter and a 3.31% increase from four quarters ago. Market trends vary depending on the type of retail. (See chart).

Total sales activity for retail centers 15,000 sf or larger was down in 2016 compared to 2015. However, prices were up. In the first six months of 2016, the market saw 48 retail sales transactions. The price per square foot averaged \$211.82. In the same first six months of 2015, the market posted 60 transactions and the price averaged \$185.96 psf.

### DENVER RETAIL SNAPSHOT 3Q 2016

#### General Retail

Vacancy Rate 2.4%

Average Rents \$17.62 psf

#### Specialty Retail

Vacancy Rate 0.4%

Average Rents \$18.00 psf

#### Shopping Centers

Vacancy Rate 7%

Average Rents \$14.88 psf

#### Power Centers

Vacancy Rate 4.1%

Average Rents \$19.19 psf

#### Malls

Vacancy Rate 5.7%

Average Rents \$20.11 psf

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## OFFICE

Denver's office market has struggled recently with rising vacancies, falling rents, and fewer sales.

The overall vacancy rate stood at 9.6% at the end of the third quarter. It was 9.3% in the second quarter and 9.5% in the first quarter. The numbers were worse for Class-A offices, which had a vacancy rate of 10.8% at the end of the third quarter. And for the Denver Central Business District, the overall office vacancy rate was 11.7%

The average quoted asking rental rate for available office space in all classes was \$24.94 psf. This represents a 0.06% decrease from the end of the second quarter. The average asking office rent in the Central Business District was \$31.71 psf, which is below the \$32.42 reported in the second quarter.

Office building sales activity this year is down compared to 2015. In the first six months of 2016, the market saw 52 office sales transactions. The price per square foot averaged \$172.01.

## INDUSTRIAL

The Denver industrial market ended the third quarter with a vacancy rate of 4.5%, which was unchanged from the previous quarter. Tenants moving into large blocks of space in 2016 include: Amazon.com Inc. moving into 452,400 sf at 19799 E 36th Ave., FedEx moving into 210,125 sf at 12405 W 112th Ave., and American Tire Distributors moving into 127,480 sf at 390 E 55th Ave.

The average asking rent was also unchanged, quoted at \$8.25 psf. The average quoted rate within the Flex sector was \$10.34 psf and warehouse rates stood at \$7.28 psf.

Total year-to-date industrial building sales activity in 2016 is up compared to the previous year. In the first six months of 2016, the market saw 82 industrial sales transactions with an average sales price of \$89.88 psf.

## APPEALS MAY BE NECESSARY

If your retail, office, or industrial property in Denver doesn't fit the appraisal model based on recent market trends, your assessment and subsequent tax bill may be too high. Filing an appeal is the best way to lower your tax burden and maintain a competitive edge.

New value notices will be mailed May 1, 2017 and the appeal deadline is June 1.