

FOR THE EXCLUSIVE USE OF DAVID@ZOCALODEVELOPMENT.COM

From the Denver Business Journal:

<https://www.bizjournals.com/denver/news/2020/04/29/denver-landlords-amenities-coronavirus.html>

In Denver's amenity wars, landlords face a common enemy: Covid-19

Apr 29, 2020, 7:44am MDT Updated: Apr 29, 2020, 10:04am MDT

The race among Denver's developers and building owners to invest in top-tier amenities for their office and residential properties — an “amenity war,” so to speak — has taken on an added dimension during the coronavirus pandemic.

Particularly in recent years, landlords have been spending big to upgrade common areas in their existing buildings, while developers look to include the latest and greatest in their own projects. Amid rising rents and a healthy pipeline of new projects, these amenities promised a way to stand out from the competition and provide value to tenants.

Today, those fitness centers, conference rooms, lobbies and cafes sit largely empty due to the coronavirus. As the Denver metro prepares for an eventual easing of the social distancing measures that have shut down those spaces, the near future of the prized amenities in office and residential buildings remains murky.

Now landlords and property managers must determine what amenities they will offer tenants while Covid-19 remains a threat, and how to do so safely.

“For the longest time, there's been this arms race to really see who can have the most or better amenities than the next,” said Matt Pavlakovich, president of the Denver Metro Building Owners and Managers Association and a property manager for Unico Properties. “With [the coronavirus], it really does pose a challenge to figure those things out.”

High-touch areas such as gyms or yoga rooms will likely be slower to reopen and will almost certainly require more extensive cleaning schedules than other areas, building operators say. Furniture in common areas designed to encourage interaction among tenants will have to be moved so that users maintain safe distances. Signage will be necessary to communicate the changes and new restrictions to tenants.

Tia Jenkins, principal and owner of Kieding, a Denver-based interior architecture and design firm, said she doesn't expect these types of spaces to go anywhere long-term.



DAVID BUDD, PROVIDED BY KIEDING

Multi-use amenity spaces, such as this one at Denver's 7595 Technology Way, will likely need to be reconfigured and subjected to more intense cleaning schedules as buildings reopen.

“I don’t see that anybody is changing their approach to this,” Jenkins said. “They’re still going to build them out. They may just have that cognizance of furniture groupings, activities that go in there.”

But Jenkins did acknowledge that the current coronavirus-related restrictions run counter to the very reasons those amenities were built in the first place.

“I think landlords have recognized that millennials brought in a new behavior to the workplace. They want to have a place that they can congregate. So the landlords wanted to react to that and bring in all these amenity spaces, which are really nice,” Jenkins said. “Those amenities have been really good for the buildings and the people. Now all of a sudden they’ve got to pivot to a behavior that’s more isolated.”

Alternative amenities

Jim Neenan, president and CEO of Prime West, a Denver-based commercial real estate firm, said there are not a lot of opportunities to retrofit existing buildings quickly. But for projects in the design stages, they’re already considering ways to reduce touch points and limit the possible spread of disease — entrances with doors that revolve automatically, for example.

Neenan said the two biggest areas of focus for landlords, as with most businesses, will need to be social distancing and cleaning.

“If we don’t feel like we can stay ahead of that, we probably won’t open those spaces right away,” Neenan said. “But I do think we can organize furniture or spaces so that people aren’t naturally congregating too close.”

Without the ability to make the usual gathering spaces available to their residents, some multifamily landlords and property managers have turned to alternative offerings to keep tenants entertained and engaged with the rest of the apartment community.

Susan Maxwell, principal and chief operating officer at Zocalo Community Development, said the company has been hosting events through Zoom videoconferences, including fitness classes, resident happy hours and wine tastings in which residents can purchase bottles of wine from a local winery and are then led through a virtual tasting.

Zocalo has also brought food trucks to its properties, which residents can order from one at a time.

At Vita, a 55+ senior living community in Littleton, Maxwell said engagement with these activities has been “really strong.” For other properties, such as Apex 5510 in Boulder County or Coda in Cherry Creek, it’s been more event-specific.

“We have wider engagement with the fitness and wellness classes, maybe less so for the virtual happy hours,” Maxwell said. “But it’s been good. It’s been well received.”

Maxwell said Zocalo has partnered with a local cleaning company to provide regular sanitation and fogging of areas like fitness centers and yoga studios in its buildings. But she said reopening will be slow.

“We are kind of looking to the public spaces that are similar — public gyms, public pools — to guide us as far as timing goes,” Maxwell said.

In the interim, some residents have been irked by the inability to access amenities in the building, said David Zucker, principal and CEO of Zocalo.

“Over the last month, there are some residents who are rankled and want a discount because they don’t have access to fitness,” Zucker said. “What’s not understood, but is going to be required to bring these spaces back safely, is that we’re going to be paying a lot of money to have them fogged, cleaned regularly and maintained to give the highest sense of hygiene as we open up.”

Maxwell added that those instances have been “fairly few” and have been handled on a case-by-case basis.

“We do communicate to our residents frequently, and I think transparency is critical,” Maxwell said. “Telling them what we’re doing and telling them our plans is critical.”

Construction is well underway on Zocalo’s latest project, a 13-story, 381-unit apartment building at 35th and Walnut streets in the River North Art District.

With the smallest studios coming in at 410 square feet, the project will bring reduced-size units at more attainable prices. But rent for a studio will still be in the four figures, and amenities, such as a high-end, two-story gym in the building, can help residents save elsewhere.

Zucker said he expects the current downturn to amplify the sense of frugality that began during the Great Recession of 2008, which bodes well for an apartment project focused on charging lower rent than comparable properties in Denver.

But with so many unknowns surrounding the current pandemic, Zucker said he’s constantly thinking about the new behaviors that will result from the present downturn. The company has gathered for 90-minute meetings weekly for the past three weeks to discuss what that could look like.

“What’s waiting for us as we move through the looking glass?” Zucker said. “Have we guessed right about unit sizes and amenity areas? Because this recession will absolutely imprint upon us new expectations, new fears, new responses — and all of that will express itself in demand for real estate.”

James Rodriguez
Reporter
Denver Business Journal

