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Risk Spurs Southeast Office Buildings' Buyers

by Jennifer Francone

01-07-04

High-risk, value-added opportunities are what investors want - and got - with the recent sales of two southeast suburban office buildings. One featured a real estate investment company - actively pursuing acquisition opportunities in the southeast Denver market - picking up an office building oriented to the small user in a deal worth \$84.26 per square foot; while the other had more than 15 buyers chasing a building, once the corporate headquarters for Cypress Minerals, at a price \$10 million below what it sold for nearly four years ago. And both represent what is today's current office investor appetite: secure, well-leased trophy assets or high-risk, vacant or near-vacant properties, Cushman & Wakefield of Colorado Inc.'s Patrick Devereaux, who worked on both transactions, said at the firm's recent year-end review and 2004 forecast event. In the larger of the transactions, Marathon Group paid \$6.43 million for Greenwood Center, a 76,250-sf multitenant office building off Quebec Street. The three-story building, west of Interstate 25, was approximately 70 percent occupied by 16 tenants at the time of the sale. Marathon Group plans to occupy 10 percent of the property's remaining space. "In my opinion, it is the nicest small-tenant office building in the submarket," Devereaux, transaction broker, said of the building at 5460 S. Quebec St. in Englewood. Greenwood Center, originally 70 percent occupied by General Motors, over time has been backfilled by smaller users, including major tenants such as Federal Deposit Insurance Corp. and SunTrust Mortgage. The building has floor plates of around 25,000 sf with existing tenants of 357 to 8,200 sf in size. The office property also features a parking ratio of 3 1/2 spaces per 1,000 sf, of which, 2 1/2 spaces are covered, which Devereaux added is unique for a building accommodating tenants primarily of 1,000 to 4,000 sf. Additionally, Greenwood Center, at the "high" point of Greenwood Village, has "phenomenal" views of the Front Range mountains and floor-to-ceiling glass on the second and third floors, he said. Marathon Group is planning some capital improvements to the three-story building constructed in 1985. Phoenix Home Life Mutual Insurance Co. sold the building. "Far and away it's the nicest small-tenant building in the southeast market," Devereaux said. In the other office property acquisition, New Corporate 25 LLC, a limited liability company of DPC Development Co., paid \$4.5 million for Corporate Center 25. The 134,350-sf office building at 7200 S. Alton Way in Centennial was sought after by more than 15 buyers because of its status. "It's a high-risk, value-added type property," said Devereaux, who represented the seller, an undisclosed lender, with fellow Cushman & Wakefield of Colorado Inc. broker Mike Winn. Corporate Center 25 is 40 percent occupied by Southeast Corridor Constructors and Kiewit Construction Co., which provide a secure cash flow with leases through 2007 and 2008. The building was constructed in 1981 for Cypress Minerals and was later occupied by AT&T and then Lucent Technologies, which vacated in May

2000. It had been acquired earlier that year at the height of Denver's office market by RPD Catalyst for \$14.5 million, despite Lucent's lease, which had less than six months remaining. The property was foreclosed on by the lender in the fourth quarter of 2002. Since its acquisition by RPD in 2000, market rents for a building such as Corporate Center 25 have fallen from \$22 per sf to rents of \$15 to \$16 per sf. A three-pod office building that varies from two- to four-stories in height, Corporate Center 25 also boasts a five-space-per-1,000-sf parking ratio in its parking structure, Interstate 25 signage and "tremendous" views from all floors, including the first. Additionally, the building in Southgate Business Park has floor plates from 12,000 to 21,000 sf in size.

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