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Equity fund pays \$9.3 million for Aurora's Cherry Creek Place III

by Jill Jamieson-Nichols

A six-story office building at Interstate 225 and Parker Road was the first pick for a newly launched equity fund.

Arthur Hill & Co. bought Cherry Creek Place III for \$9.3 million with its third equity fund, which is targeting approximately \$120 million worth of commercial real estate.

"We saw the price as being very attractive. We like the location of the building between 225 and Parker," said Rob Gilbert, director of asset management and operations. The building is within walking distance of the Nine Mile light-rail station, and with gas prices rising, "There is going to be value there in the future," Gilbert said.

The city of Aurora is doing long-term planning for the area around the Nine Mile station that – if funded – could include relocation of the station and a pedestrian link into Cherry Creek Place Office Park.

"That will be just an awesome pedestrian accessibility enhancement," said Paul Luber, president of Ascent Capital Partners, who represented the seller in an asset management capacity and helped facilitate the sale.

"We think that the transportation infrastructure at that intersection is going to continue to improve, and we think it has a really bright future," he said.

Cherry Creek Place III is a

107,364-square-foot building whose largest tenant, at 38,000 sf, is the U.S. Office of Personnel Management's Western Training and Development Center. High-level government employees who come in for training typically stay at the neighboring Radisson Hotel, which is being purchased by Red Lion and reportedly will undergo about \$8 million in renovations.

"That is a really, really positive thing for that intersection and in particular our property," commented Luber. Other tenants are the University of Phoenix, whose signage is prominently displayed, and the Denver Passport Agency, which has invested heavily in tenant improvements, according to Luber.

"The hallmark of the rent roll in that building is its tenure," said Luber, adding the university has been there since 1983, while the federal training center is a 15-year tenant. "We have worked very hard at building loyalty with our tenants, and it appears (Arthur Hill & Co.) plans to continue that," he said.

Cherry Creek Place III was 95 percent occupied at the time of the sale. There are two deals in the works for 3,500 sf, which will bring the building to 98 percent occupancy.

The owner will have 11,500 sf available next year, when Ironwood Communications



Cherry Creek Place III sold to a single-purpose entity of Evanston, Ill.-based Arthur Hill & Co.

vacates its space. "We've got that upcoming block, and we plan to get very aggressive on leasing that up," said Gilbert.

Rent increases in surrounding submarkets like the Denver Tech Center are starting to draw attention to the Aurora submarket, which had a vacancy rate of 14.7 percent at the end of the first quarter, according to Mike Winn of Cushman & Wakefield of Colorado Inc. As a result, "We see rents starting to increase there over the next year," Winn said.

Located at 3151 S. Vaughn Way in Aurora, Cherry Creek Place III was built in 1981. It has been well-managed and maintained, said Gilbert.

Cherry Creek Place Associates III LLC, a group of local and East Coast investors, sold the property. The Cushman & Wakefield of Colorado Inc. team of Winn, Tim Richey, Chad Flynn and Kristine Reine represented the seller.

CB Richard Ellis will manage the property.

Cherry Creek Place III, which was purchased by a single-purpose entity, is Arthur Hill & Co.'s first Colorado asset. "We have quite a few dollars to spend, and we are aggressively looking and will continue to look in Denver," said Gilbert, adding the company likes the demographics, and, "In our minds, the rents are going to continue to rise there," Gilbert said.▲