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Downtown office building reaps \$44.8m

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A buyer with an appetite for Class A office buildings in Denver paid \$44.8 million for a downtown midrise.

"We acquired a very high-quality asset at significant discount to replacement cost and see some real upside in where the Denver market is going – low vacancy, and rental rates that have moved up fairly quickly, particularly for Class A space," said Gene Payne, senior director of Broadreach Capital Partners.

The company's latest acquisition is 303 E. 17th Ave., a 12-story office building with an attached 396-space parking structure. The 265,520-square-foot building was sold by 1700 Grant Associates, essentially the same group from which Broadreach recently bought 143 Union Blvd. in Lakewood.

"It was, we felt, a good market," said Starr Realty Management President Paul Luber, which acted as asset manager for the sellers of both properties. The sellers had owned the buildings for a long time and are "getting up in years," he said, adding it was the right time in their lives to cash in on the investments.

The sellers had positioned the buildings well to capitalize on strong investor demand, said Cushman & Wakefield of Colorado broker Chad Flynn, who represented the group with Cushman & Wakefield brokers Mike Winn and Tim Richey.

Coupled with 143 Union, which should benefit from new development at the Denver Federal Center, "The buyers acquired two exceptional assets in up-and-coming locations with 17th and Grant in the burgeoning uptown area of the central business district," Flynn said.

"Investors really like what's going on with the fundamentals of downtown," said Winn, citing tenant growth in industries including the oil and gas sector. The building at 17th and Grant generated a high level of investor interest, he said, adding it provided an opportunity to acquire a well-constructed, attractive building at a discount to replacement cost in a rapidly rising rental rate environment.

Built in 1981, the office building features a red stone exterior with "sawtooth" floor plates that give the building a number of corner offices on each floor. It has an on-site health club and is close to the Civic Center Station and 16th Street Mall, as well as the light-rail stop at Broadway and 20th Street. Restaurants, retail and lodging all are within walking distance.

Baker Hostetler, an international law firm, is the largest tenant at 17th & Grant, occupying 48,618 sf. HDR, a national engineering, architectural and consulting firm, has approximately 40,000 sf.

Occupancy was approximately 95 percent at the time of the sale.

Broadreach Capital Partners plans approximately \$1.3 million in cosmetic improvements to the lobby, common areas and other finishes, said Payne.

Palo Alto, Calif.-based Broadreach Capital entered the Denver market with its acquisition of the Time Warner Cable building in Inverness Business Park in late 2003. It later sold the building, but has acquired a number of other buildings in Denver in partnership with other investors. Its downtown holdings include the World Trade Center and 1125 17th St.