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WTC, Pavilions sales among the tops in nation for 2008

Denver Business Journal - by [Paula Moore](#)

Metro Denver had two of the country's largest commercial real estate deals in 2008 — the sales of downtown Denver's World Trade Center office buildings and the **Denver Pavilions** shopping mall.

LaSalle Investment Management Inc. of Chicago bought the 770,000-square-foot, two-building World Trade Center on Broadway from Transwestern Investment Co., also of Chicago, for \$157.8 million in October. Transwestern acquired the buildings only two years earlier — in early 2006 — for \$116 million from Brookfield Properties Corp. of New York, and had been trying to sell them since fall 2007.

Denver-based **Gart Properties** LLC and financial partner ING Clarion Partners LLC of New York bought the 350,000-square-foot, two-block Denver Pavilions for \$94.5 million from its developer/owner, Entertainment Development Group Inc. of Agoura Hills, Calif., and EDG's financial partners. The shopping center, located on the 16th Street Mall pedestrian mall, opened in 1998.

"The World Trade Center sale was in the top 20 largest office deals in the United States in 2008," said Mike Winn, executive vice president and investment broker at **Cushman & Wakefield of Colorado Inc.** in Denver. "The Pavilions was one of the largest retail deals in the country."

Sales of office properties in Denver's central business district hit record per-square-foot values in '08, said Tim Richey, C&W executive vice president and investment broker.

Dividend Capital Trust Inc., a Denver-based real estate investment trust (REIT), paid a record \$356.55 a foot when it bought downtown Denver's Millennium Financial Center office building for \$47.6 million, according to brokers. Dividend Capital is one of the local Black Creek Group LLC's companies.

The metro area's largest industrial sale last year was Houston-based **ConocoPhillips Co.**'s \$55.58 million purchase of the 1.68 million-square-foot, former Storage Technology Corp. campus in Louisville. Sun Microsystems Inc. was the seller.

Investors were attracted to the Denver area last year because this market's economic fundamentals, particularly employment, were relatively strong compared to the rest to the nation, brokers said.

"Our commercial real estate sales were off 30 percent to 35 percent in 2008, after a record year in 2007," Winn said. "But you look at the national average, and there was a 75 percent to 80 percent decrease in sales."

Metro Denver's largest real estate sale ever happened in '07 with Callahan Capital Partners LLC's purchase of five downtown Denver office buildings for \$770 million from The Blackstone Group LP.

Several buyers of commercial real estate in metro Denver last year were new to the market.

Schnitzer West LLC of Seattle entered the market when it bought the 44 Cook/55 Madison office buildings in Cherry Creek North for \$52 million. Miami-based Parmenter Realty Partners debuted here with the purchase of the three-building Tamarac Plaza office complex for \$40.85 million.

USAA Real Estate Co. of San Antonio hadn't bought anything in metro Denver in about 20 years when it purchased downtown Denver's 435,600-square-foot, two-building Denver Financial Center office property for \$84 million last year.

New lease on life

The Denver area also had some significant lease deals last year.

Metro Denver's largest industrial lease of '08 — Subaru of America Inc.'s renting of 319,587 square feet of space at Aurora Commerce Center (ACC) — was the largest lease of speculative industrial space in the last 15 years in this market, brokers said. Speculative, or spec, space is new footage built without lease commitments.

Subaru is the second tenant in the ACC's now fully leased, 407,000-square-foot, technologically advanced Building C developed by Indianapolis-based Lauth Property Group. The car maker will consolidate area operations in the space.

AtLast Fulfillment leases the other roughly 87,000 square feet in the building.

"Companies are trying to make their supply chains more efficient by going into newer, Class A buildings with greater efficiencies," Steve Hager, C&W's director of global supply chain solutions in Denver, said of Subaru.

"This is a hot market for companies that are decentralizing their distribution," said Mitch Zatz, C&W director and industrial broker. "Companies that need eight or more U.S. locations are looking at Denver."

O'Reilly Automotive Inc. of St. Louis, and its Ozark Automotive Distributors division, are looking for 200,000 to 250,000 square feet of industrial space in metro Denver for that reason, according to local industrial brokers.

A major beer distributor is expected to lease 100,000 square feet of local industrial space in the next 30 days, brokers said.

Such large lease deals are chipping away at metro Denver's inventory of big blocks of industrial space, and in a better economy, developers would start building new space. "If capital were available, industrial developers would build because there's a need," Zatz said.

Office leasing activity in the Denver area slowed last year, but some major deals still were done.

Xcel Energy Inc. committed to occupying 344,572 square feet for its regional headquarters at the 1800 Larimer office building being built in downtown Denver. Construction on the 500,000-square-foot, energy efficient building, which is pre-certified LEED Platinum, started in 2008 and is expected to take 18 months.

Xcel wasn't the only energy-related company making significant office space commitments last year, according to Todd Wheeler, executive director and office leasing broker at C&W. "The energy sector remains strong," he said.

Newmont Mining Corp., the world's largest gold producer, left downtown Denver's Wells Fargo Center and moved into 187,290 square feet at the newly built Palazzo Verdi office building in suburban Greenwood Village because it couldn't find enough available expansion space downtown, brokers said.

Major renewals of existing leases for '08 included Pitney Bowes Inc.'s 200,000-square-foot lease of industrial space at 20321 E. 35th Ave. in Denver. This market's largest renewal of office space was Verizon Communications Inc.'s continued leasing of the 106,335-square-foot Highlands Ranch Verizon Business Center in Littleton.