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Big deals

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BW REAL ESTATE & CONSTRUCTION

Big deals

Institutional investors, lured by low prices, growth, snap up regional real estate

By Doug Storum
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COURTESY DEAN CALLAN & CO.

This building at 2400 Trade Center Ave. is among 27 commercial buildings in the Campus at Longmont acquired by Balfour Pacific Capital Inc., based in Vancouver, Canada.

Outside institutional investors have poured hundreds of millions of dollars into commercial properties in the Boulder Valley and Northern Colorado because they see a market with prices that leave room for profits, either as a landlord or through a quick flip.

In the past 18 months, Goldman Sachs, Blackstone Group, Balfour Capital Management, Cress Capital and Crescent Real Estate, all deep-pocket investment groups based elsewhere, have acquired major portfolios in the region.

The Campus at Longmont, Flatiron Park in east Boulder, prime buildings in downtown Boulder and a bevy of buildings in Fort Collins have been swept up by outsiders, signaling how attractive the market has become as other markets in the country have reached their price limits.

"Denver and Boulder have become the investment darlings of the country for institutional investors," said Geoffrey Keys, president of Keys Commercial Real Estate in Boulder, who has been working the local market for decades.

"Other markets such as Los Angeles, Seattle, Orange County, Austin, have priced out institutional investors," Keys said. "This area, along with U.S. 36 corridor properties, are "a pretty decent deal in terms of economic growth and cost of replacement. … They are safer bets."

Consider these deals:

Campus at Longmont

Balfour Pacific Capital Inc., a real estate and private-equity firm based in Vancouver, Canada, acquired 27 commercial buildings in the Campus at Longmont for $69.6 million in June.

Balfour Pacific, led by Sam Belzberg, acquired the buildings, totaling 870,000 square feet, last month from Crescent Real Estate, which has dual headquarters in Centennial and Fort Worth, Texas.

Crescent Real Estate is the result of Fort Worth real estate investor John Goff and partners merging operations of two real estate firms — Crescent Real Estate Holdings and Goff Capital Partners — in July 2016.

In 2012, when Crescent was operating as Goff Capital Partners, it acquired 34 buildings totaling 1.13 square feet in the Campus at Longmont for $58.3 million from Circle Capital Longmont LLC. Recently, Crescent sold three of those buildings on the campus to Alaska-based Pacific Acquisitions LLC.

Flatiron Park

Crescent is in the thick of things at the business park in east Boulder that covers 200-acres with 52 buildings totaling 2.3 million rentable square feet.

In 2011, when operating as Goff Capital Partners, Crescent paid $67.8 million to acquire 19 properties in Flatiron Park and then sold a couple of the buildings.

In March, New York-based Goldman Sachs Asset Management Private Real Estate, and Lionstone, a private-equity firm in Houston, joined Crescent Real Estate as limited partners to buy 22 buildings for approximately $70 million, 18 of which were owned by Crescent. Then last month, the partnership acquired another building in the park for nearly $10 million from one of the park's original developers, JRT Land & Cattle Co. Inc.

Conrad Suszynski, co-chief executive of Crescent Real Estate, said the property in Flatiron Park "has performed very well, and we have made significant capital investments in it. … This deal is a way to recapitalize our ownership."

The park's popularity has been driven by a shortage of office and industrial flex space in downtown Boulder. Over the last several years, there has been a steady migration to east Boulder as lease rates in downtown Boulder have increased steadily, driven by low vacancy rates and little new construction.

Steve Eaton, senior vice president of Crescent, said there is a strong demand in east Boulder for larger floor-plate users.

Jane Page, CEO of Lionstone Investments, said Flatiron Park is a "compelling mix of durable, in-place cash flow with the opportunity for ground-up development in a supply-constrained market. The highly connected location and Crescent's innovative repositioning of the park to date have created an ideal environment for Boulder's most productive people."

The park has more than 100 companies across diversified industries, with a high concentration of technology-related firms. It has amenities that include food trucks, a coffee shop, craft brewery, boxing gym and Pilates studio. That was a draw for Goldman Sachs.

"We are excited to continue the transformation of Flatiron Park into a true creative hub for the community's innovative tenants who seek a differentiated experience relative to downtown Boulder," said Joseph Sunberg, managing director in GSAM Private Real Estate.

The Blackstone portfolio

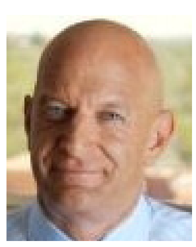
The real-estate arm of New York private-equity firm Blackstone Group sold three office buildings in downtown Boulder for $101.3 million, six months after it purchased them for $92.6 million.

COURTESY CBRE

Newport Beach, Calif.-based Cress Capital, bought 23 office, flex and industrial buildings in Fort Collins for $50.1 million, including this one on Midpoint Drive.

BIZWEST/DOUG STORUM

This building at 1050 Walnut St. in downtown Boulder is one of three the New York-based Blackstone Group acquired for $92.6 million and then sold six months later to New York-based JP Morgan & Co. for $101 million.



KEYS

Three entities registered to New York-based JP Morgan & Co., acquired the buildings at 1900 15th St., 1881 Ninth St. and 1050 Walnut St., according to public records.

The three buildings total roughly 221,000 square feet of office space, plus a pair of parking garages.

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>
> Geoffrey Keys, president
> Keys Commercial Real Estate

JP Morgan paid $48.37 million for 1050 Walnut St., $39.41 million for 1818 Ninth St., and $13.47 million for 1900 15th St. on May 24.

Last Nov. 21, Blackstone paid Swedish pension manager Alecta $46.4 million for 1050 Walnut, $32.9 million for 1881 Ninth, and $13.27 for 1900 15th.

The 1050 Walnut property includes about 112,000 square feet of office space, in addition to a parking garage. Its tenants include the likes of Foundry Group, Techstars, Siemens Energy and the Southwest Research Institute. In 1997, it sold for $16.6 million.

The 1881 Ninth St. property includes 76,000 square feet, plus a parking garage. Tenants there include

Conrad Suszynski, co-chief executive of Crescent Real Estate in Denver, has been involved in several commercial deals in the region involving properties in Longmont and Boulder.

Solera National Bank, TIAA CREF and Finish Line. The property sold in 1998 for $12 million.

The 1900 15th St. property sold in 2012 for $11.9 million.

Prospect East Business Park

In Fort Collins, real estate investment firm Cress Capital LLC acquired several commercial properties in May that were part of a blockbuster deal in 2015 between Boulder-based W.W. Reynolds Cos. and Seattle-based Unico Properties Inc.

Newport Beach, Calif.-based Cress Capital, with an office in Denver, paid $50.1 million to Denver-based Pauls Corp., for 23 office, flex and industrial buildings totaling approximately 500,000 square feet located between East Prospect Road, Midpoint Drive and Sharp Point Drive.

"We were attracted to the Prospect portfolio's historical resilience, competitive positioning in the market and durable cash-flow profile," said Tom Parnell, Cress partner and head of the company's office in Denver.

Six days after Unico Properties made the purchase in 2015, Unico sold the properties in Fort Collins to Pauls Corp., which used the entity Prospect Development Partners II LLC in the transaction.

The portfolio includes buildings at Midpoint Park, Plum Tree Plaza, One Prospect, River Center, Lake Center One, Spring Creek,and Sharp Point.

Please see **Big Deals**, page **13**

$209 million

January 2015 — W.W. Reynolds Cos. of Boulder sells 24 commercial properties in the Prospect East Business Park in Fort Collins for $41 million, and 27 buildings in Boulder for $168 million to Seattle-based Unico Properties LLC/AEW Capital Management LP. Unico quickly sells the Fort Collins properties to Denver-based Pauls Corp.

$101 million

June 2017 — Blackstone Group in New York sells three buildings in downtown Boulder to JP Morgan & Co. in New York after owning them for six months.

$92.6 million

November 2016 — Swedish pension manager Alecta sells three buildings in downtown Boulder to Blackstone Group.

$80 million

March 2017 — New York-based Goldman Sachs Asset Management Private Real Estate, Lionstone in Houston and Crescent Real Estate in Fort Worth and Denver buy 22 buildings in Flatiron Park for $70 million, 18 of which were owned by Crescent.

July 2017 - Crescent, Goldman Sachs and Lionstone acquire one building in Flatiron Park for nearly $10 million from JRT Land & Cattle Co. Inc.

$69.6 million

June 2017 — Crescent Real Estate sells 27 commercial buildings in the Campus at Longmont to Vancouver, Canada-based Balfour Pacific Capital Inc.

$50.1 million

May 2017 — Newport Beach, Calif.-based Cress Capital, with an office in Denver, bought 23 office, flex and industrial buildings from Denver-based Pauls Corp., who had bought them six days after Unico Properties bought them from W.W. Reynolds.

Heading for divorce? Consider these tips on real estate assets

Many people going through divorce — and their attorneys — are surprised and sometimes regretful of the complexities affecting a current home and mortgage, as well as the importance of planning for your next housing. In nearly 20 years of working with home buyers and sellers, my team and I have developed these tips to know when getting a divorce with regard to current real estate, and planning for a next home.

GUEST OPINION
CATHERINE EUSEA

1. Before settling the divorce, find out your options to refinance the current home or to purchase a new home, which can have advantages and disadvantages for both parties, if not fully explored.

2. If you need to refinance the home to pay out equity per the divorce decree to the other party, it is NOT considered a cash out. Before the divorce is final, you may want to negotiate the costs associated with a refi or other transaction affecting the payout.

3. The ability to use child support as income to qualify for a new home depends on the length of time it is scheduled to continue from the time of mortgage application and how long it may last.

4. Similarly, the ability to use alimony/maintenance as income to qualify for a home purchase also depends on the length of time you receive it from the time of application and how long you receive it.

5. If you don't keep the home as a term of the divorce, you need to make sure to protect yourself so you're not obligated or penalized if your ex-spouse has late payments going forward.

6. If you were not awarded the home in the divorce, in most circumstances a lender does not need to count the "old" house payment in a new home application, allowing you to purchase another home.

7. Similarly, credit cards or other financial accounts awarded in the divorce to the other party may not have to be counted against you in qualifying for a new home, depending on the loan. However, you may still be legally responsible for them and could bring your credit score down if there are late payments.

8. Are there rental properties or other real estate assets to separate? You need to know your risk of having to pay capital-gains tax if you were to sell jointly held or divorce-related assets.

9. Are you getting a lump sum payment instead of alimony/maintenance? You may not be able to use it as income so consider the best way to structure the pay out.

There are a variety of issues and options available to you, and your situation is optimized if you discuss things with experienced advisers in both law and real estate — ideally before court filings, but even after the divorce is final. Find out how different scenarios might play out and discover what is best for your situation.

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The properties were part of a deal in 2015 when Unico Properties paid approximately $209 million for 1.5 million square feet of commercial property in Boulder and Fort Collins. Neither Unico Properties nor W.W. Reynolds disclosed the sale price, but public records showed that Unico paid W.W. Reynolds approximately $41 million for the portfolio of commercial property in Fort Collins and $168 million for the commercial properties in Boulder.

In November 2014, Cress Capital purchased the 27-acre Ironwood Business Park in Greeley for nearly $5 million.

Driving the deals

All these deals have a few things in common: good locations and buildings of quality construction, and all took place while the economy was going through a growth spurt.

Economic drivers of supply and demand are allowing for attractive capitalization rates — the rate of return on a real estate investment based on the income that the property is expected to generate.

Keys estimated that the cap rates are all over the board, ranging from 5 percent to 8.5 percent, giving as an example a building at 2065 W. Midway Blvd. in Broomfield he is listing with a cap rate of 8.25 percent.

Keys expects this outside investing will drive lease rates up, but with the caveat that they still will be tied to supply and demand.

"If we see an uptick in vacancy, they may come down," Keys said. "These institutional investors are probably underwriting risks such as an increase in vacancies."