

Top Ten 2011 Commercial Real Estate Sales Tell the Tale of the Market Now

Examining the major commercial real estate sales in 2011, in the northern Colorado region, reveals telling elements of the market today.

“The two largest individual building sales were both apartment complexes acquired by out of state private equity firms.” The two largest individual building sales were both apartment complexes acquired by out of state

private equity firms. The 161 unit Boulders in Boulder Sold for \$31 million to a San Jose CA private equity firm, while 229 unit Settlers Village apartments in Fort Collins traded for \$30.5 million to a Chicago Illinois private equity firm. Similarly, Countryside Village, a 310 lot mobile home park in Longmont, sold for \$19 million to a Texas operating company. With rental vacancy rates in the area trending down and below 5%, investors see a future with high demand for these type of properties and good opportunities to raise rents and returns to the owner.



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Steve Kawulok serves as managing director for Sperry Van Ness/The Group Commercial, LLC, specializing in the sale and leasing of industrial, office, and land property throughout Northern Colorado, including Larimer, Weld, Boulder, and Adams Counties. He is licensed as a broker in Colorado, Wyoming, Minnesota, and South Dakota. With more than 25 years of experience, Kawulok has successfully closed more than 150 transactions. He has supervised or participated in over \$1 billion of real estate activity over this time period.



Sky Pond building; Class A, multi-tenant office property in Loveland sold for \$8.25 million to yield-seeking investment group.

Portfolio purchases dominated the office sector. An equity firm from Minnesota bought the Coal Creek Corporate campus in Louisville for \$30 million, an equity firm from Texas went for the \$68 million Flatiron Park portfolio in Boulder, and a New York firm acquired the \$30 million Campus at Longmont portfolio. These office complexes attracted investment

groups seeking higher yields for their investors. Colorado technology centers have attracted a tenant base which is seen as stable and a good future bet for landlords of these corporate parks.

Colorado-based investors also found suitable northern Colorado acquisitions. The Loveland Sky Pond office building traded for \$8.25 million, and the 111 unit Buttes Apartments sold for \$12.1 million to Colorado based entities.

Meanwhile, it was a good time for owner-users to purchase their own facility. Attractive financing is available for these firms with lower equity requirements than investor purchase financing. Top sales in this category included the \$9.8 million Hexcel industrial plant in Windsor, and the \$9 million industrial building in Fort Collins acquired by Super Vacuum Manufacturing. In the land category, an owner- user of sorts, the County of Boulder, purchased an assemblage of properties totaling 756 acres through its open space tax-supported program.

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The Difference

Sperry Van Ness | The Group Commercial is located in Fort Collins, CO. Commercial real estate in Northern Colorado is our specialty. Our signs are found from Longmont to Laramie representing all types of commercial properties. But it's not just signs. Each sign represents a trusted relationship. Those relationships are what have helped to make us the top broker in Northern Colorado and named the "Top Sperry Van Ness Office" in 2009. In 2011, six of our Real Estate Advisors were named in the "Top 100 Advisors" for Sperry Van Ness. In fact, so many people have come to trust Sperry Van Ness for their commercial real estate needs, that we are the leading listing firm in Northern Colorado

Top Ten 2011 Commercial Real Estate Sales Tell the Tale of the Market Now P. 2

The commercial real estate market has also been actively trading distress or lender-owned properties. The \$19 million Marriott hotels portfolio in Fort Collins was one example.



Former "Barvista" building in Gateway business park sells for \$5.1 million to Canadian based PTI , servicing the energy industry.

These top sales illustrate what factors are driving commercial real estate demand today.

Rental housing is attractive to investors. These properties have traded at the lowest range of investor yield, because they are thought to have attractive upside appreciation potential and continued demand for such housing.

Institutional and private investors have an appetite for corporate tenant occupied investment properties. Office properties are seen as long term stable investments, which fits the investment parameters of these type of purchasers. Most of these funds purchase properties without leverage and tend to source from out of state. Northern Colorado is now clearly on the radar screens of these sophisticated investors.

"Institutional and private investors have an appetite for corporate tenant occupied investment properties."

Attractive financing and properties available on the market for less than replacement cost are

enticing former tenants to purchase their own facilities. This has been most evident in the industrial sector.

The "trophy or trauma" market drivers are still quite evident in our marketplace. "Trophy" properties offer high quality investment yield and stability. "Trauma" properties offer value opportunities with low priced acquisition and turn-around opportunity. In this way, northern Colorado mirrored national trends and showed significant activity. Both drivers will likely dominate the 2012 market again.