

Buyers bargain on building's 'basement'

by Jill Jamieson-Nichols

The former Honeywell Center in Inverness Business Park sold to an investment group that saw a bargain in the basement.

Equity West Investment Partners, Inverness Properties and Somera Capital Management teamed up to buy the 134,691-square-foot building at 304 Inverness Way S. with plans to restore the lower level, which has been used as storage, to data center space.

They also will invest approximately \$500,000 in the Class B building to raise it by a letter grade.

"We're going to redevelop the property and really change its image in the marketplace," said Equity West principal David Naus. The upgrade, which will be completed by the end of the year, will encompass the lobby, common areas, corridors and elevators of the building, which Naus said is "fundamentally solid" and "very well located" real estate.

The group bought the property just off Interstate 25 and County Line Road from Morgan Stanley for \$14.5 million, or \$107 per sf.

The four-story building was built in 1985 for Honeywell International, which had a data center in the lower level. After the company vacated the building, the 13,000-sf space became storage.

Naus said Inverness Properties identified the opportunity to restore the space to its intended use.

Many companies require backup data centers in case anything shuts down their primary facility, so, "The data center requirements out there are pretty abundant," Naus said. Fiserve, which Inverness Properties brought to a building Equity West formerly owned at 160 Inverness, is a good example, he said.

Inverness Properties will handle leasing and management of 304 Inverness.

"We're excited about it as a value-add opportunity," said Inverness principal Charlie Davis.

The building has efficient floor plates and four structured parking spaces per 1,000 sf, an anomaly in the southeast submarket, said Naus. It was 76 percent occupied at the time of the sale. The tenant roster includes Ultra Petroleum, which occupies 16,090 sf; Entrust Mortgage and Sebring Capital, each of which has about 16,000 sf; the Southeast Business Partnership; and others.

Trammell Crow Co. broker Steve Suechting represented Morgan Stanley in the sale.

Equity West Investment Partners, which invests in value-add deals, owns 2 million sf of office properties in the Denver market, including 1999 Broadway, Plaza 25 at Greenwood Village Corporate Center and Greenwood Corporate Plaza.

Inverness Properties, which has been involved in more than 5.2 million sf of development, this year expanded its reach to invest in properties outside its 980-acre Inverness Business Park. It purchased Panorama Falls in Centennial earlier this year and is converting the building to office condominiums.

Somera Capital Management is a Santa Barbara, Calif.-based private equity fund that invests in value-add real estate, primarily in the Western United States.

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Somera Capital Launches Denver Acquisition Program with Purchase of Two Office Properties

Business Wire, Oct 18, 2006

DENVER -- Somera Capital, a private real estate investment firm, has acquired two Southeast Denver office properties for \$26.7 million, marking the launch of its commercial acquisitions program in the Denver metro area. Somera partnered with Denver-based Equity West Investment Partners on the acquisitions totaling 258,487 square feet. Equity West will represent ownership locally and oversee management and leasing at the 123,796-square-foot Quorum office complex and the 134,691-square-foot 304 Inverness Way South building. The properties are located in two of the top business parks in Southeast Denver, the Denver Tech Center and Inverness Business Park, respectively.

"We identified the Denver metro area as a solid fit with our firm's investment strategy that focuses on recovering markets where we can acquire properties and increase value through capital improvements and/or enhanced leasing and property management programs," said Tim Mitchell, senior vice president, Somera Capital. "The Quorum and Inverness office properties provide a solid foundation to grow our portfolio in the region and position us to take advantage of the steadily improving economy that is fueling business growth. Somera is pleased to partner with Equity West, a company that has a successful track record in the Denver market, maximizing the value of underperforming office properties."

The Quorum will be renamed, "The Offices at the Promenade," to accentuate its self-contained location adjacent to the popular Belleview Promenade retail center. The office complex features two buildings in an inviting campus setting with a small pond and meandering trails on 8.74 acres. The West building totals 77,268 square feet comprised of a three-story west wing connected to a four-story east wing while the East building totals 46,528 square feet similarly configured with two- and three-story wings. Located at 7935 and 7995 E. Prentice Avenue, the complex offers convenient access to the area's major transportation corridors, the I-25 and I-225, as well as the city's new light rail system. As part of a comprehensive repositioning program, the company will invest about \$1 million to completely renovate the lobbies and

common areas, refresh the landscaping and parking areas and establish a direct connection to Belleview Promenade.

"The underlying value of this property has never been fully realized. When you couple the capital investment we are about to make with its terrific location in the DTC, it will compete effectively for Class A tenants," noted Dave Naus, principal, Equity West Investment Partners.

The project is zoned for approximately 100,000 square feet of additional office space. With its central location in an improving market, this presents a potential in-fill development opportunity, reported Mitchell.

304 Inverness is a four-story office building located at the gateway to the Inverness Business Park just off the I-25/County Line Road intersection. It offers expansive 30,000-square-foot floor plates, high ceilings and abundant natural light. A premier location in Southeast Denver, it also provides easy access to transportation thoroughfares and the light rail, as well as a host of shopping and dining options. The handsome polished granite facade and landscaped courtyard create an attractive entry. The new owners will invest an additional \$500,000 to update the common areas and enhance the landscaping. "The lower level - with 20' ceilings, secure access and abundant power - will be converted to data center and disaster recovery space, allowing us to turn this unique attribute into higher revenue producing space," noted Naus.

"With the cost of materials and current market conditions, new speculative development near-term is unlikely. These factors, coupled with an improving office environment, point to Denver as a top target for further acquisitions," added Mitchell. "We are actively seeking additional opportunities with strong local operating partners like Equity West."

Equity West Investment Partners is a Denver-based real estate opportunity investment firm. Founded just three years ago, the company has invested more than \$175 million with its capital partners in Denver area office properties totaling nearly two million square feet.

Somera Capital's Denver office was established in 2005 and is led by Tim Mitchell. California-based Somera Capital manages a diversified portfolio of private equity investments in commercial real estate throughout the Western United States. Founded in 1994, Somera Capital has acquired and managed assets with a combined total market value of more than \$1.7 billion. The company maintains offices in Santa Barbara, Calif., Los Angeles, Denver and Washington, DC.

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