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\$770 million for 5 office buildings

Tabor Center part of Callahan's record purchase

By **John Rebchook**, Rocky Mountain News

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A Chicago-based company this week is scheduled to pay \$770 million for five downtown Denver office buildings - including the Tabor Center - in a record-shattering deal.

The buyer, Callahan Capital Partners, also plans to start construction this year on the Tabor II office tower.

"This is the largest deal ever done in Denver by a factor of three," said CB Richard Ellis broker Mary Sullivan, whose team sold the buildings on behalf of the Blackstone Group. The New York-based private equity firm acquired the properties in February when it paid \$39 billion for Sam Zell's Equity Office Properties.

By comparison, in 1995, the previous high point, \$569 million in offices, retail and industrial properties traded hands in the Denver commercial real estate market.

"With a stroke of a pen, they will become downtown Denver's largest landlord," said David Hart, part of a CB Richard Ellis team that will lease the buildings.

The five buildings, which also include the US Bank Tower, 1560 Broadway, 410 17th St. and Dominion Plaza, total 2.8 million square feet.

"This portfolio is about as exciting as it gets," said Bill Tresham, chief operating officer of the privately held Callahan group. "The assets are all just superb. We have tenants paying under the market rent and tenants whose leases are about to expire. With almost 3 million square feet, we can accommodate any tenant in the market."

Byron Koste, head of the CU Real Estate Center at Leeds School of Business in Boulder, called the deal "a testimonial to the capital market's continued zest for commercial real estate and our market."

Callahan's plans for the Tabor II do not call for a hotel or condos.

"Our thinking right now is our biggest decision is whether we should make a 500,000-square-foot office tower or a 700,000-square-foot tower," Tresham said.

He said the top office buildings in downtown Denver, such as the Tabor Center, have only a 3 percent vacancy rate, so the time is ripe to build Tabor II.

Plans have been on hold to build that tower for two decades.

"The parking is there, the infrastructure is there, the design is there with some fine-tuning, and there have been contractor estimates done as recently as last -October," he said.

The new building likely would open in the second half of 2009, Tresham said.

Ken Schroepfel, an urban planner at Matrix Design Group and author of the [Denverinfill.com](http://denverinfill.com) blog, estimates there are 1.3 million square feet of office buildings in the planning stages. Last year the downtown market absorbed about 1.2 million square feet of office space, he said.

"So if the market stays as strong, adding another 500,000 or 750,000 square feet at the (new) Tabor site does not necessarily represent something that is unreasonable," Schroepfel said.

David Hart and Chris Phenicie, brokers on the CB leasing team, said the buildings can handle tenants needing space from 1,000 square feet to multiple floors.

"We think Denver and its economy are very much in the middle innings, while a lot of other cities are much later in the game," Tresham said.

Despite the size of the deal, Callahan's buying spree may not be over. Tresham noted there are a couple of other downtown properties on the



Tabor Center

market, such as Denver Place and 633 17th St., "and we're looking very closely at them. Equity Office Properties had these great assets, and we're looking to build on them."

A look at the deal

- **Price:** \$770 million - nearly \$275 per square foot
- **Buyer:** Chicago-based Callahan Capital Partners. Company founded in 2002 by Tim Callahan, former president and CEO of Equity Office Properties. Its partner is Morgan Stanley.
- **Seller:** Blackstone Group, which acquired the properties as part of the \$39 billion purchase of Equity Office.
- **Buildings:** Tabor Center, US Bank Tower, 1560 Broadway, 410 17th St., Dominion Plaza.
- **Selling brokers:** CB Richard Ellis team of Mary Sullivan, Tim Swan and Ron Urgitus.
- **Leasing team:** CB Richard Ellis brokers Kevin Foley, Phil Ruschmeyer, David Hart and Chris Phenicie. CBRE also will manage the buildings.
- **Scheduled closing date:** Thursday

Sources: CB Richard Ellis and others

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