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DPC buys Capitol Hill office building & gets right to work

by *Jill Jamieson-Nichols*

DPC Development Co. bought a Capitol Hill office building and immediately stated an updated that will take the property into the next couple of decades.

DPC in partnership with the ROC Fund, paid \$5.85 million, or \$83.76 per square foot, for Logan Tower, a 69,784-sf building near the Colorado Capitol. The Governor's Energy Office, Colorado District Attorneys, Colorado Water Congress and State Department of Education are among 20 tenants in the Class B building, which is 88 percent leased.

Located at 1580 Logan St. in Denver, Logan Tower consists of seven stories of office space above a four-story parking deck. It was built in 1982.

DPC has a penchant for multitenant buildings, and the Logan Tower's floor plates are on the small side, about 10,000 sf.

"The vision we saw is a very well-located building that feeds off the downtown office market, located two blocks from the Capitol," said DPC Development President Chris King.

The building is structurally sound, but needs some updating, he said. DPC is renovating the lobby and common areas and replacing building systems to the point that Logan Tower "will be really solid and efficient for the next 20 years," he said.

There will be new paint, carpeting, building signage, music in the hallways, renovated bathrooms and other improvements.

A value-added player, DPC Development has been very active in the Denver area and Phoenix. "We're seeing good opportunities out there. It seems like properties are really starting to come through the institutional lender funnel now and getting priced right, where companies like ours can buy them. Our deal flow has been really strong," he said.

With regard to Logan Tower, "I really pay a lot of attention to our all-in basis as a percent-age or replacement cost," said King, who added it would cost approximately \$250 per sf to replace the building.

Office rental rates are starting to push even for

Class B buildings, particularly downtown, he said.

One of the benefits of Logan Tower is that it has good access to public transportation, but as a result, the parking - 2.5 structured spaces per 1,000 sf - is underutilized. "We see some real opportunity to increase revenue in the building through parking," said King. Adding thought is being given to offering spaces for rent to non-tenants. "Parking is so tight downtown now that that has really become a valuable commodity."

CoBiz Financial provided first mortgage financing for the Logan Tower acquisition. Nate Schnabel and Justin Lutgen represented DPC Development in-house. The seller was Logan Tower Partnership LLP, an entity formed by Jordon Perlmutter & Co.

"It was just time to sell," said Jay Perlmutter, vice president of Jordon Perlmutter. "We had the asset for many years. It was a very good asset," he said, adding it was coincidental that Jordon Perlmutter & Co. bought one

of DPC's properties - Arbor Village in Arvada - last year.

Garrette Matlock of Marcus & Millichap Real Estate Investment Services handled the Logan Tower sale. There was substantial interest in the property, and the letter of intent was executed within 20 days after marketing began, he said.

Newmark Knight Frank Frederick Ross brokers Pete Staab and Judson Roberston are marketing Logan Tower's available space.

DPC Development owns approximately 2.7 million sf of office, industrial and retail space and also develops commercial and multi-family properties. It is under contract to purchase a retail property and recently sold two assets, a retail redevelopment in Fort Collins and an industrial property in Lakewood.