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Peak Capital recently bought the Artisan.

HFF handles \$33m Artisan sale

by John Rebchook

Peak Capital Partners, in its biggest purchase to date in the Denver area, recently paid \$33.05 million for the 434-unit Artisan apartment community in south-east Denver.

Peak, which is based in Orem, Utah, "owns a number of other apartment projects here and in Colorado Springs and they have bought some tax-credit deals, although all of their other deals were smaller than this one," said Jordan Robbins, a broker with the Denver office of Holliday Fenoglio Fowler, who represented the seller in the transaction with Jake Young, a senior real estate analyst with HFF.

The seller was the Prime Group of San Francisco.

"This was their only holding in the area," so it made sense for Prime to sell it and take advantage of the strong market, Robbins said.

Records show Prime paid \$20 million for the community in 2008. That equated to \$46,083 per unit and \$51.13 per square foot.

Peak Capital paid the equivalent of \$76,152 per unit and \$84.49

per sf.

Prime, however, "put a decent amount of money into it" after buying the community that opened in 1973.

There was strong interest in the Artisan from prospective buyers.

"We ended up getting about 10 offers from investors," Robbins said.

He said Peak liked the Artisan as a "value-add" opportunity, even though it was 98 percent leased at the time of closing.

"They see a lot of upside with doing things like upgrading the interior and the rooms," Robbins said.

"There is a lot of value-add potential in part because they have somewhat unique floor plans," he said. "About 60 percent of them are large, town-home-style floor plans that you just don't find very much in the area."

Peak also liked the location at 10025 E. Girard Ave., which is not far from East Hampden Avenue and South Yosemite Street.

"They really liked that submarket," Robbins said. "It is only about 10 minutes from the Den-

ver Tech Center and it has easy access to two light-rail stations. One station is an easy walk and the other is a short drive away."

However, he said he wouldn't consider the Artisan a transit-oriented development.

"I wouldn't call it a TOD because it is not right on a light-rail station," he said. "But it certainly does benefit from being so close to two stations."

As part of the purchase, Peak assumed a Fannie Mae loan of \$7.8 million. The deal also included a supplemental loan of \$6.1 million.

"It had had an above-market interest rate of 5.85 percent and it only has six years left on it," Robbins said. The buyer also got a second loan of \$6.1 million from Fannie Mae, with the balance being Peak's equity investment.

"The deal only took 35 days to close, from start to finish," Robbins said.

Peaks also bought the Artisan far below the cost of replacing it, he said.

"They bought it at 45 percent of replacement value," he said.▲