

'Big hopes and no assets'

RedPeak Properties ambitious about apartment business

By **Kristi Arellano**
Denver Post Business Writer

Thursday, January 10, 2002 - Mike Zoellner has no illusions about where he stands.



Post / Kathryn Scott Osler

Mike Zoellner, right, formerly of Legacy Partners, and Jamie Thompson, formerly of Trammell Crow, have joined forces with other real estate colleagues to form RedPeak Properties.

"We have big hopes and no assets," he said, surveying his empty Cherry Creek offices.

A leader in Denver's apartment industry, Zoellner walked away from developer Legacy Partners to start his own company, RedPeak Properties, which began operating last month. He'd been with Legacy, formerly Lincoln Property Co., for 17 years.

RedPeak will focus solely on purchasing and redeveloping apartments in Colorado.

"With market conditions the way they are right now, it is better to acquire, redevelop and reposition properties," Zoellner said. He plans to hold properties for a long time rather than turn them over for quick sales.

Zoellner said RedPeak will acquire all kinds of apartments but will place special emphasis on high-end properties close to existing development. The company plans to cater to wealthy renters with extra services, he said.

Zoellner expects the company to have purchased 6,000 to 8,000 apartment units within the next four to five years. The firm is backed by a Colorado-based pension fund that's advised by Principal Enterprise Capital of Des Moines, Iowa.

Zoellner's departure from Legacy came as a shock to the company.

"I always thought he would die with a Legacy jersey on," said Chuck Bailey, a senior vice president at Legacy.

Zoellner is joined by another Legacy peer, Mark Windhager, who will serve as chief operating officer, and Jamie Thompson and Gary Lamborn, both of Trammell Crow's Dallas office. The office has two administrative assistants who also came from Legacy Partners.

The firm enters the market at a time when vacancy rates are on the rise and property managers are offering big concessions to keep apartments filled. Denver's vacancy rate reached an 11-year high in the third quarter - the most recent quarter for which data is available - and some experts predict it could go even higher.

But Gordon Von Stroh, a University of Denver management professor who tracks the apartment market, expects RedPeak to make the most of the downturn.

"Mike has put together a talented group of people," he said. "What some people might consider a problematic state in terms of the economy, they're going to use to their advantage."

Wealthy renters who choose to live in apartments rather than owning their own homes are a relatively new market for the Denver area, said Von Stroh.

While cities such as New York, Boston and San Francisco have had wealthy renters for years, Denver renters, until a few years ago, were generally people who couldn't afford to purchase their own homes, he said.

Although it's a growing market in Denver, the vacancy rate for high-end apartments in the third quarter surpassed the overall vacancy rate of 6.8 percent. Von Stroh predicts that the economy will pick up and that demand for high-end apartments will increase by this fall.

Zoellner is more pessimistic about the market.

He predicts that 2002 will be a bad year for apartments but said the company is more focused on the long-term.

"This is our opportunity to leave a mark in an industry where we made our careers," Zoellner said.

"We walked away from some pretty big opportunities to do this."

[Printable View](#)

[Email a Copy of this Article](#)

[Return to top](#)