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RedPeak buys familiar portfolio for \$48.88m

by Jill Jamieson-Nichols

Mike Zoellner knew what he was getting when his company anted up \$48.88 million for four local apartment communities.

He built them.

Zoellner's RedPeak Properties recently purchased the apartments from Sares-Regis Group. They were built by Lincoln Property Co. in the mid-1980s, when Zoellner headed the company's local office.

The portfolio includes Briarglen, a 220-unit community in Colorado Springs; the 168-unit Cottonwood Creek in Littleton; Quail Ridge in Thornton, which includes 140 units; and Hunters Cove, a 220-unit property in Federal Heights.

"We like the value-added play on these assets," said RedPeak Acquisitions Manager Pam Koster. "We intend to undertake a pretty aggressive capital improvement program and spend some money to try to reposition the assets."

Sares-Regis put the apartments on the market last year, generating 64 signed confidentiality agreements within the first two weeks, said David Martin of Moran & Co., who represented the company in the transaction. "That netted us 12 bids," he said, adding those were whittled down to four best-and-final offers. "Mike



Cottonwood Creek, which includes 168 of the 748 units purchased by RedPeak Properties, sold at an average unit price of \$71,429. It was built in 1986.

knew the assets very well. He was a natural candidate to be the buyer," Martin commented.

The bidding process was completed last October, but, "It was a very long and complicated transaction," said Martin. The deal included the assumption of \$26.32 million in tax-exempt bonds and \$6.07 million in second loans. "Everyone worked very hard to make it happen," Martin said.

The price for the portfolio averaged \$65,348 per unit. The apartments had an overall occupancy of 94.3 percent at

the time of the sale.

Sares-Regis Group upgraded the units in the four communities in 2000, adding ceiling fans in the master bedrooms and dining rooms, washers and dryers, and mirrored wardrobe closet doors, said Koster. RedPeak Properties plans to spend around \$500,000 on common-area upgrades and improvements, she said. "We just want to improve the overall curb appeal, which we think we can do," Koster said.

The company also plans to take a small percentage of units at each property — around 10

percent — and upgrade the kitchen cabinetry and interiors to see if it can bump up rents, according to Koster. "We'll see how receptive the residents are to that program," she said, adding that, if it's successful, units will continue to be enhanced.

Each of the communities includes a mix of one- and two-bedroom apartments with amenities that include swimming pools, clubhouses and exercise facilities.

In addition to the assets themselves and upside potential, Koster said RedPeak likes the submarkets in which the properties are located. Cottonwood Creek sits on West Belleview Avenue just off South Wadsworth Boulevard in the Marston Lake area, while Quail Ridge and Hunters Cove are located on either side of Interstate 25 off 104th Avenue, within 15 minutes of downtown Denver and the Boulder corridor. Briarglen is near Chapel Hills Mall and adjacent to Briargate Business Park, which has more than 320,000 square feet of office space.

The sale puts Sares-Regis out of product in the Denver metro area, but only for the time being.

"We are actively searching for new opportunities," Martin said.▲