

« **Brownfield “powerhouse” formed**

**Luxury home sales soar** »

# Spire sales may top country



The Spire soars into the sky and condos in the tower are doing the same. (Photos courtesy of Frank Ooms.)

The Spire has survived “more ups and downs than Rocky Balboa,” Chris Crosby commented during a two-hour tour of the 41-story condominium tower just before Christmas. And like the storybook boxer, the Spire is not down for the count, but it is the reigning condo champion as far as closings, not only in Denver, but possibly in the nation.

“The Spire is a downtown Denver success story,” said Brian Phetteplace, Manager of Retail and Residential Development for the Downtown Denver Partnership.

## 8 months of closings

From last April 19 – the day its lenders allowed it to start closing contracts – until the end of last year, 201 units have closed at the Spire, representing

more than \$60 million in sales. The sale price per square foot ranged from the high \$200s to about \$500. In addition, all 10,000 square feet of the ground-floor retail space has been leased in the LEED-certified building at 14th and Champa streets.



The Spire changed Denver's skyline as this photograph shows.

That is 328 percent more than all of the new home closings that took place during the time period at four of other condo buildings in Denver – One Lincoln, Pinnacle, Wynkoop Residences and Four Seasons – according to a study by Mark Co. Research. Closings at the Spire also have dwarfed the resale condo closings in One Lincoln, Glass House and Pinnacle during that period, according to the analysis.

“There’s a lot of ways to slice-and-dice real estate sales, but whether you look at the last six months or all of 2010, we were getting north of 75 percent of the local market, depending on how you measure it,” said Crosby, of Nichols Partnership, the developer of the 493-unit building.

## No fire sales

Jeffrey Woerner, of the Felix Real Estate Group in San Diego, said he is not aware of any other condo high-rise that has closed 201 units from mid-April until the end of 2010.

“That means they are looking at about 27 closings per month,” Woerner said. “In my mind, that is incredible. The fact that they could close 201 units and continue to sell over that time frame speaks volumes to what is going on. To do that in this market without lowering prices is phenomenal in my mind.”

Randy Nichols, principal of Nichols Partnership, said that he has been told the Spire is the best-performing building among the 110 properties in the portfolio of its lender, a joint venture of the Starwood Capital Group and the FDIC. Woerner noted that the Felix Real Estate Group is not “tracking every condo community in the country,” but that his company is exposed to a lot of them, especially in the Western U.S.

Mike Rinner, of the Genesis Group, toured the Spire last week with Crosby. “They’re really cranking away,” Rinner said. “I’ve heard that nobody else in the country had near 201 closings, and I suspect that is true,” although he said he is researching that further with the help of Hanley Wood, and expects to have a more definitive idea of how it stacks up nationally by mid-February.

Woerner summed up the strengths of the Spire this way:

- The units are not too large.
- Price points are meeting demand.
- A great location.
- It’s a LEED-certified, sustainable building.

- It has “spectacular views.”

“It has a lot to capitalize on,” Woerner said.

### **Not a slam dunk**

But it was not always the case. In September 2007, Hypo Real Estate Capital Corp. of Germany pulled the plug on the \$160 million loan for Spire. The Spire became the first major casualty in Denver of the global financial melt-down. Construction halted for months, as Nichols and his team contacted more than 150 lenders. In January 2008, he received a \$118 million financing agreement with the Corus Bank of Chicago. But in 2009, Corus failed under the weight of the \$4.5 billion in condo loans on its books – many of them in Florida – and was taken over the FDIC. The fall of that year, the Starwood and TPG Capital bought most of the assets of Corus, hooking up with the FDIC. The Spire was the only Denver holding in the portfolio.

The new lenders were skeptical that the majority of existing contracts would convert to closings, recalled Crosby. The new bank ownership group required them to organize a “bulk” closing prior to allowing them to file the condominium declaration. “Frankly, there were many who didn’t believe we could do that,” Crosby said. “Instead, we were being encouraged by some to heavily discount units and sell them by auction or in a bulk distressed sale.” Slashing prices for quick sales has been a common practice for Florida condos, since the national housing market collapse.

### **Spire: Mecca for corporate housing**

At the same time, rumors were circulating through the Denver-area real estate market that the Spire would be converted into apartments. Some Realtors urged prospective buyers to stay away from it for that reason.

Although that did not happen, in an interesting twist, Crosby has been approached by AvenueWest Denver, a corporate housing rental company, which would love to put Spire units in a rental pool that would serve business people who are assigned to Denver for long-term stays. “We’re not doing that, but when I asked them how many units they thought they could handle, they said as many as you can provide us with, we can rent,” Crosby said.

Not only is that potentially good for owners who would like to have an income-producing property that cash flows, but Crosby said that could be a sign that the economy is picking up. “If there is a growing demand for corporate housing, which seems to be the case, it might be an early indicator that companies might be hiring people “off the ledger,” so to speak. Those type of numbers might not show up in the unemployment statistics.”

A handful of owners have put their units in the rental pool, managed by **AvenueWest Denver Inc.**

“The Spire is currently our most requested building in the downtown area,” said Angela Healy, CFO of AvenueWest, in an e-mail to Crosby. She noted that the last unit it took into its system was in December, and they rented it a day later.

AvenueWest is currently renting eight units in the Spire for an average of \$2,700 each month, Healy said. Rents would even be higher, but five of the eight units do not have breathtaking views, but rather look at the AT&T building. The three higher units on the 20th, 21st and 29th floors each command monthly rents of \$2,900.



Indeed, while only a handful of the buyers are renting them out, Crosby said that it is not a stretch that someone could easily rent out the units for more than their mortgage payment and HOA fees. HOA fees are about 30 cents per square foot, per month.

“The perception was that units in the Spire were going to go to fire-sales and we were not going to be able to maintain our sales velocity or sales-per-square-foot,” Crosby said. “But as buyers came through the door, they soon realized that was not going to happen and we were not going to go into any kind of distress mode. It was just not going to happen. We have been able to maintain, and even raise prices.”

Rinner said it is important to put the 201 closings into perspective. "When you look at the timeline, it's not as if the people put the units under contract and two weeks later closed them," Rinner said. "Most of these closings represent contracts that had been placed many, many months before. But in my mind, that is more than made up in that they turned almost all of their contracts into closings. That is almost unheard of in today's market. I would say that in almost all condo projects, they have a fall-out rate of at least 20 percent or 25 percent. In some cases, 50 percent or more of the contracts do not make it to closing."

Crosby said that the expectations was that the vast majority of the contracts would fall out. "The bank was very skeptical that we could close even half of them," Crosby said. "Fortunately, we only lost a handful of contracts."

### Owner sold on Spire

One of the buyers is Ryan Wilson, 36, a software engineer. He closed on his \$297,000 unit on the 24th floor on July 9. He closed on his unit almost a year after he started looking for a downtown condo.

"I wanted to purchase in the city. That was an absolute must," said Wilson, who sold a single-family home in Highlands Ranch before moving to the Spire. "I wanted to be downtown. I wanted to simplify my life."

The maintenance and upkeep of a suburban, single-family home took a lot of time. "Basically, it felt like a second job," Wilson said. "Living in Highlands Ranch and cleaning and planting flowers and raking leaves and everything else, just didn't make sense for a single-guy like me with no kids."

### Spire rises to top

He began researching the downtown market, and the "Spire was always kind of on the top of my list," he said.

It took longer than expected to move in, but it was worth the wait, he said. He loves the indoor dog-park, where he takes his Boxer, Diesel, on a regular basis. And while not necessarily a tree-hugger, he said that the energy efficient and sustainability of the Spire has saved him money on heating and cooling bills. He also thinks that Spire is only going to get better. He notes that the Spire is in the heart of the 14th Street initiative, upgrades designed to convert 14th into an "Ambassador Street," that will help spotlight everything from the Spire to the neighboring theater district, hotels and restaurants along the corridor and the Colorado Convention Center. The improvements, which recently kicked off, have been described as the most important street improvement project in downtown since 16th Street was turned into a pedestrian mall more than two decades ago.



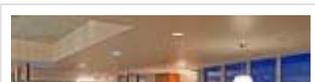
Randy Nichols likes to say that the you wouldn't be ashamed to take a date to the Spire.

And while he still has a car, Wilson said he barely uses it, as almost all of his destinations are literally an easy walk out the front door of the Spire. (Crosby notes that the Spire scores a 94 out of 100 on the walk-score, and a 93 on its transportation score, as it is on the light-rail line.) "I use my car to go to the grocery store, or skiing, or visiting family," Wilson said.

### Cars optional at the Spire

Dee Chirafisi, a broker and co-owner of Kentwood City Properties, sold one unit in the Spire to a single woman in her 60s who got rid of her car completely. When she needs to drive, she'll borrow a Prius or Ford Escape hybrid from the Connect by Hertz rental service available to owners at the Spire.

On Dec. 29, Chirafisi closed a \$705,000 unit in the Spire. "That was my last closing of the year," Chirafisi said. "It was an out-of-town buyer who wanted it as a second home." She also has had parents buy units for their children attending nearby Auraria. Indeed, that is a trend savvy buyers are embracing nationally. "Empty-nester parents can buy city digs for kids in preparation for downsizing out of suburban homes when markets look better," according to the *Emerging Trends in Real Estate* report released last week by the Urban Land Institute and pwc (formerly PricewaterhouseCoopers.)



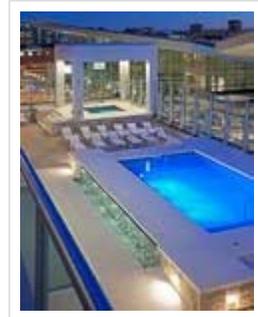
"I have not heard of any other building doing the kind of sales as at the Spire," she said. "The buyers like the location, the view are great, and the amenities,

such as the pool and the fitness center are first-rate. The price-point is great and they like that is a LEED-certified building. I think that is a big deal for most urban people. And it saves them money. I think people are watching every dime these days. It's just a great building."



Phetteplace, of the Downtown Denver Partnership, said the significance of the Spire goes beyond its strong sales at this point of time.

"We estimate when it is all sold out, 700 people will be living at the Spire," Phetteplace said. "That is incredible. That is another 700 people living, shopping and enjoying all of the amenities of downtown." It also will send a message to other developers, as the market improves and credit loosens, that similar high-rise buildings can flourish downtown, he said.



And he said on a "macro level" the Spire represents the kind of urban project identified in the Emerging *Trends* report, which said that housing in 24-hour cities generally hold their values better than elsewhere.

"It's kind of a dream development," Phetteplace said about the Spire.

### Retail tenants at the Spire

- Row14
- The Organic Pizza Co.
- Revolution Cleaners
- Hertz
- Snarf's
- A coffee/wine bar that will be named in the near future.



The Spire includes an indoor dog park on the third-floor of the parking garage.



Show 10  entries

Search:

NEW CONSTRUCTION	Average size of sold unit	Total square feet sold	Number of units sold
<b>SPIRE</b>	<b>970 sf</b>	<b>194,926</b>	<b>201</b>
One Lincoln	1,203 sf	19,248	16
Pinnacle	1,750 sf	19,250	11
Wynkoop Residences	1,927 sf	9,635	5
Four Seasons Residences	2,437	36,555	15
<b>RESALES</b>			
One Lincoln	818	818	1
Glass House	1,102	24,244	22
Pinnacle	1,393	11,144	8