

# Commercial Real Estate News

## DENVER'S FOREST CITY STAPLETON READY TO BEGIN OFFICE BUILDING DEVELOPMENT

THE Commercial Real Estate Specialists - Sunday, April 29, 2012

Friday, April 27, 2012

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It's halftime for the biggest infill development in Denver's history. After its first 10 years, Stapleton has approximately 4,500 homes, seven schools and almost 150 businesses, with most of the retailers and restaurants located at the Northfield Stapleton shopping center. Master developer Forest City Stapleton Inc. now is ready to add some serious office development to round out the commercial and residential real estate mix.

"Stapleton can be the next Denver Tech Center in 10 to 15 years," said John Lehigh, president and CEO of Forest City Stapleton. Several factors are feeding Forest City officials' optimism about attracting a big office tenant in 2012:

- The Central Park Boulevard bridge over Sand Creek, connecting the estimated 11,000 Stapleton residents south of Interstate 70 to Northfield and the north side of Stapleton, opens in May. It connects to the Central Park interchange over I-70 that connects to Colorado Highway 270, which opened in October. The whole project cost \$70 million to complete.
- The Regional Transportation District's 22.8-mile commuter rail line between Denver Union Station and Denver International Airport (DIA) is being built, and is scheduled to open in January 2016, with a stop at Central Park.
- In the next couple of months, seven homebuilding companies are starting on the first single-family residential homes north of I-70, with the first phase calling for almost 500 units of single-family homes and apartments/condos in coming years.

Lehigh believes a company will act as a pioneer at the transit-oriented-development site near the new RTD station, off Smith Road and west of Central Park, similar to the first homeowner in a sea of former airport land 10 years ago. "That first resident, almost a pioneer, moved in because he or she decided this was a good place to be, and it was a good time to be here," Lehigh said. "The same will happen with the first big office development." Workforce compares favorably Forest City's K.C. Yasmer, director of office acquisitions and development, said they hired a contractor to perform a labor study comparing the Stapleton office area with downtown's Central Business District. "The studies showed Stapleton is business-ready," Yasmer said. "Checking areas within a 30-minute commute zone of downtown and the Denver Tech Center, we compared just as well, if not better, than those. ... There's not many private developers conducting labor studies nowadays."

Denver City Councilman Chris Herndon, District 11, said Forest City has done well, considering the turbulent economic times brought by the Great Recession. "To see Stapleton move forward in that time really speaks to the strength of this community," said Herndon, admitting he might be a little biased since he's been a Stapleton resident since 2009. "There's been good job development in this community." Forest City officials estimate the development generates approximately \$22 million in property taxes annually and about \$13 million in sales tax revenue. Interchange over I-70 is welcome asset Herndon agreed the Central Park connector will open up both sides of the 7.5-square-mile development and "take some of the stress off Quebec" Street. The planned transit-oriented-development site for office and perhaps another multifamily development should grow naturally with the new commuter rail stop, Herndon said. "It's just a natural spot to put a transit-oriented development," he said. "Especially considering all the hotels along Quebec ... One thing you have in northeast Denver is a growth opportunity. Stapleton and Green Valley Ranch are the only areas within Denver that have significant land and can grow

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A business anchor there would be a good opportunity." Yasmer said companies that weren't willing to talk before have been coming around because the Central Park interchange is opening. "The land, and the plan for it, has always been there, but it didn't have access or visibility," Yasmer said. "In the last 12 months or so, these developments [commuter rail and Central Park] have put that back on the page. ... The key was the interchange." Also on the north side, construction is almost complete on a 100-unit apartment complex, and dirt should start moving within a year on a 180-room Drury motel on the northeast corner of I-70 and Central Park Boulevard. "The biggest challenge we face is to convince people that Stapleton is office-ready now," Lehigh said. "No longer is it just a residential area, or a place to build a distribution center." Jim Chrisman, senior vice president, said changing attitudes about all of northeast Denver will be the key. "It's the same perception that's been there for years," Chrisman said of the notion the area is an industrial mecca but almost devoid of office developments. "We want to break that perception." Colliers International's Jay Landt, senior vice president, said the Park Central interchange also has changed the game for Northfield. "That alone has put Northfield back on the radar screens for a bunch of different retailers," said Landt, a retail specialist who added that several restaurants are looking at pad sites there. "There's obviously a lot better ingress and egress to the center now."

Looking back, Lehigh said Forest City has had to "be very careful not to get ahead of ourselves." "One of the things we constantly remind ourselves of is that this is a marathon, not a sprint," he said. "For example, we didn't put in an extra two miles of infrastructure when we didn't need it yet. We resisted putting up retail and office space that sits empty. "Empty space is not good. ... We've resisted just putting it up to say it's up. Empty space doesn't activate an area. "We will continue to try and do what the market tells us what to do. You can't make the market do what you want; you have to do what the market says." Forest City officials hope the office market will say "build-to-suit" soon.

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