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Fund expands value-added portfolio with \$39m purchase

*By Jennifer Hayes
Editor
Colorado Real Estate Journal*

A Colorado Springs-based private equity real estate investment fund continues to grow its value-added property portfolio with the purchase of the Grand River Canyon apartments. An affiliate of the Griffis Value Added Fund, led by Ian Griffis and David Birnbaum, purchased the 440-unit Colorado Springs apartment community for \$39 million, according to public records.

Over the past 12-plus months, the Griffis Value Added Fund has been an active investor in predominately off-market transactions, participating in nearly \$100 million worth of multifamily deals along the Front Range. The fund targets well-located properties it can add value to through increasing management efficiencies, renovations or solving financial problems, according to Griffis.

"We believe it is a superior location and is well positioned to take advantage of the growth on the north side of Colorado Springs," Griffis said of the community at 7755 Kaleb Grove, where it plans common-area and unit upgrades.

"Its location near I-25 and North Academy is in close proximity to the city's newer retail and employment centers," he added.

The acquisition of the community also allows Griffis Value Added Fund the opportunity to own more high-quality multifamily product as market fundamentals begin to improve.

"Replacement cost is rising significantly and the prospect is very low for new (apartment)

construction," said Griffis, who believes rents have bottomed out and will rise with the economy's recovery.

Built in 1999, Grand River Canyon features amenities that include a state-of-the-art fitness center, clubhouse, outdoor grills, resort-style swimming pool and business center.

One-, two- and three-bedroom apartments from approximately 630 to 1,200 square feet are available at Grand River Canyon. The units include gourmet kitchens, private patios or balconies with outside storage, full-size washers and dryers, 9-foot ceilings, garages and carports.

At the time of the sale, the property was approximately 92 percent occupied.

Public records indicated Grand River Canyon LLC and Cheuk S. Kwan sold the community, which they acquired in 2004 for approximately \$34 million.

An existing Fannie Mae loan placed on the property and serviced by Greenpark Financial Partnership LLC of Bethesda, Md., was assumed by the fund.

Currently, Griffis Value Added Fund owns more than 1,100 multifamily units as well as industrial properties and land. The Griffis Group also is involved in two separate residential development projects southeast of Castle Rock totaling nearly 1,400 acres while another subsidiary of Griffis Group, Cherry Creek Capital Company LLC, provides nonresidential real estate mortgages.

Correction

Marcus & Millichap broker Jordan Robbins' name was misspelled in the Feb. 21-March 6 issue of the Colorado Real Estate Journal.

Other News

A 34-unit apartment building in west Washington Park recently traded hands for \$2.28 million.

The Aspen Arms Apartments, located at 335 Sherman St. in Denver, sold to Royal Pasadena Apartments LLC and Rick Van Velden.

"The transaction is representative of what we do at Cornerstone," said Cornerstone Apartment Services Inc.'s Jim Lorenzen. "We took an underperforming asset, managed the turnaround and, when finished, sold it at a premium price for our client."

Sellers Richard and Patricia Cassell of Boulder had made significant improvements to the property over the past year, which improved the financial performance of the Aspen Arms, he added.

Lorenzen and Greg Johnson, also of Cornerstone Apartment, represented the seller. Cornerstone Apartment Services will continue to manage the property for the new owner.

The Garden LLC paid \$1.57 million for a Denver apartment property.

It purchased the 37-unit community located at 2860 W. 32nd Ave. from Narod Investments Ltd.

Built in 1961, the community had 17 vacancies at the time of sale, according to Ryan Floyd of Unique Properties LLC. Floyd, along with Kevin Higgins of Unique Properties, represented the buyer.

The local buyer plans to invest \$400,000 over the course of the next year in capital improvements to the property in an effort to make it a more upscale community, like that of Boutique Apartments, noted Floyd. It will feature a Japanese motif.

Unique Properties' Marc Lippitt and Scott Shwayder represented the seller.

Rent 2451 LLC recently purchased an apartment property on Gaylord Street for \$835,000.

The buyer purchased the property at 2451 S. Gaylord in Denver from The Estate of Robert D. Kane. Built in 1958, the property comprises nine two-bedroom, one-bath units and one four-bedroom, two-bath unit.

Bobby Hutchinson and Joe Hornstein of Pinnacle Real Estate Advisors LLC represented the seller.

The Denver metro area posted more than \$2.2 billion in total sales as part of a record-setting apartment market during 2006, according to CB Richard Ellis' annual apartment sales report on the market.

CB reported that total sales volume increased in 2006 by nearly \$876 million, or 65.79 percent, with properties of all sizes recording significant increases from 2005, according to report authors Steve Rahe and Craig Stack of CB Richard Ellis.

The largest increase was experienced in properties between 80 and 199 units with \$122 million more sales, an increase of 135.1 percent from last year.

The total average price per unit also increased by \$6,900, or 7.85 percent, metrowide from \$87,687 to \$94,767. The increase in price per unit was driven primarily by more infill properties trading in 2006 than in 2005 as the number of properties sold increased roughly three times in Denver County – a submarket with higher-density buildings that is posting decreasing vacancies and increases rents – leading to a rise in the overall price per unit.

Two buildings sold in Denver County in 2006 eclipsed the \$200,000-per-unit mark.

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