

Apartment investment firms descend on Springs market

by Amanda Miller

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Springs market.

The company recently paid \$16.3 million for the 220-unit Briarglen Apartments, across the street from the Chapel Hills Mall. The apartment community was built in 1986 and has been well-maintained, said Advenir Chief Acquisitions Officer Todd Linden. Monthly rental rates at Briarglen range from \$800 to \$1,200 per unit.

"We think, long-term, Colorado is a great state to invest in," Linden said. "There's going to be a lot of job growth there."

He also said a lot of young people are moving to Colorado and the population is younger and more mobile.

"What attracted us to the market is its affluent renter base with a lot of well-maintained properties that have had no rent growth for a long time," Linden said. "And we can see that the market is starting to turn around."

Advenir managing member Stephen Vacchitto said Colorado Springs and Briarglen were also attractive to the company because of military personnel moving into the area, a lack of inventory following years without any new multifamily construction and an improved property.

Vacchitto said the previous owner made cosmetic improvements, but never saw the return on investment. Advenir plans to invest another \$1 million for interior remodels and common areas.

California-based Seagate Properties has enough faith in the Colorado market to open a Denver office.

Seagate primarily owns and operates office space in California, but began buying and managing apartment properties in Colorado Springs in the 1980s, said Trent Isgrig, who is managing Seagate's efforts in Colorado.

Seagate's portfolio includes downtown properties Cascade Park Apartments and Boulder Crescent Apartments. The company bought the 115-unit Fillmore Ridge Apartments near the intersection of Fillmore and Chestnut streets in 2010 for \$2.8 million, according to county assessor records, and recently bought another property in Littleton, Colo.

"Our goal is to acquire properties all up and down the Front Range," Isgrig said. "I think we'd

Colorado's hot apartment market has prompted at least two out-of-town investment companies with ambitious goals and deep pockets to zero in on Colorado Springs.

The real estate companies, Advenir and Seagate Properties, have plans to acquire thousands of apartment units in Colorado during the next two years.

Both made their entrances into Colorado through acquisitions in Colorado Springs.

Florida-based Advenir, announced earlier this month that it plans to purchase up to 2,000 apartment units in the Denver/Colorado

like to get 2,000 to 3,000 units.”

The company will have to be vigilant about looking for deals. Isgrig said he’s seen prices rise in the Denver market in just the last six months.

He said Seagate looks for properties that need some reinvestment and improvement to be repositioned and rented.

While Colorado might be getting a lot of attention as of late, overall apartment-acquisition activity is still slow, said Doug Carter, a senior investment advisor with Sperry Van Ness.

He said there have only been two big-ticket apartment complex sales over \$10 million so far this year and only one last year, and 10 total apartment sales in Colorado Springs during the first seven months of 2010 and only seven this year.

“To date, apartment sales have been really slow,” Carter said. “But there is certainly more interest in the Springs market.”

He believes that interest is coming from a national spotlight on Denver and improving rental markets with lower vacancy rates and rising rents.

Carter said real estate reports named Denver as a strong market a year or two ago when there were few strong markets in the country.

“And people ran out of that conference yelling ‘Denver’ into their cell phones,” he said.

As a result, he said the Denver market heated up and sale prices rose, which caused investors to look up and down the Front Range for the deals that had dried up in the metro Denver area.

Colorado Springs looks attractive because apartment vacancies hit a 10-year low of 5.8 percent in the first quarter of this year and rent rates crept up in the second quarter.

Those factors have prompted more acquisition activity among local investors, too.

Real estate management company Griffis Blessing also operates a private investment arm, called GB Value Partners Fund 1, which holds and flips real estate properties.

GB Value Partners sold the Buttes Apartments in Loveland for \$12.1 million last month. The fund purchased the 111-unit complex for \$7.6 million in 2006, said Gary Winegar, a partner in the investment fund.

He said GB Value Partners’ focus is on acquisitions and he is looking to grow the company’s inventory to about 6,000 units throughout the state.

He’s especially shopping for late 1990s properties in Colorado Springs.

“What we’re looking for is something we can add value to,” he said.

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