

Briargate Offices Land Buyer

*Chicago real estate firm plunks down \$43.3 million
By Rich Laden, The Gazette, February 14, 2004*

A Chicago real estate company has paid \$43.3 million for the PrimeCenter at Briargate office complex on Colorado Springs' north side, one of the largest prices paid for office space in an outlying part of the city.

The deal signals investors remain interested in high end, strategically located Colorado Springs real estate, even as the office market remains in a slump that's driven north-side vacancy rates into double digits.

"Good real estate performs in good times and bad," Michael Palmer, an office specialist with NAI Highland Commercial Group, said Friday. NAI Highland, a Springs brokerage, handles leasing of the property.

TSG Real Estate LLC of Chicago bought the 283,708-square-foot PrimeCenter – six single-story building southeast of Briargate Parkway and Chapel Hills Drive.

PrimeCenter was developed by Denver-based Prime West Development, Inc., which, along with financial partner ORIX Real Estate Equities of Chicago, sold the complex to TSG.

TSG was attracted to PrimeCenter by its location on the Spring's fast-growing north side and its closeness to major roads such as Interstate 25, said Ed Wlodarczyk, TSG's vice president.

The office project is Class A space – so designated because of superior location and amenities. The single-story design was appealing; it allows each tenant to have an entrance, which means they don't pay extra costs for a lobby, elevator and other common areas, Wlodarczyk said.

Steve Clarke, president and chief executive officer of Prime West, said single-story projects are harder to develop these days. Land has gotten too expensive; PrimeCenter, started in 1999, sits on 32 acres.

The tenant mix also was attractive to TSG. The office complex is 94 percent occupied, and tenants include State Farm Insurance, T-Mobile, Wells Fargo, Schlage Lock, Springs home building Keller Homes, and La Plata Investments, which is the developer of Briargate.

PrimeCenter sits on the east edge of the Briargate Business Campus, an office parks that's part of the 10,000-acre Briargate master-planned community in which thousands of homes have gone up during the past 25 years.

TSG's acquisition rivals the 1999, \$38.9 million purchase of the three-building Northcreek office complex on the city's northwest side by a Pennsylvania public employee pension fund. Other large deals in recent years include the \$60.3 million purchase of the downtown Palmer Center office and retail complex in 1998 by California investors.

Prime West will continue to manage PrimeCenter on TSG's behalf, and NAI Highland Commercial Group will continue to market the property, Clarke said.

Prime West has been involved in other Colorado Springs projects. It developed a 77,000-square-foot office building it later sold to Springs real estate company Norwood Development Group. Prime West also developed an office building in the Briargate Business Campus for financial investment firm T. Rowe Price.

The PrimeCenter complex is in the middle of the Interstate 25 office corridor, which has been hit hard during the past three years as the local economy slumped. Dozens of employers have laid off thousands of workers and emptied offices, which has sent office vacancies in that part of town soaring to 28 percent, said Palmer, of NAI Highland.

That figure includes space directly leased by landlords and space subleased by tenants to other users.