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Focus on Boulder County & U.S. 36

Question of the Week

Is the U.S. 36 Corridor insulated from the major global economic crisis?

Steve Clarke

Clearly, it is not. A better question may be whether or not the 36 Corridor is positioned better than many other markets in the country to rebound from the effects of the current commercial real estate market. In that instance I think the answer is yes due to numerous factors.

The genesis of the corridor began in the mid-1980s with the advent of Centennial Business Park, Interlocken Business Park and Church Ranch Corporate Center making it a relatively new market. Initially, a significant portion of the tenants came from the Boulder market, where they could not find the new generation of office space to attract and keep employees. The other major source of tenants came from outside the Colorado market. They wanted to be positioned near Denver and Interstate 25 for the employee base and the Boulder area for companies with new technologies coming out of Boulder, the University of Colorado and the Colorado School of Mines. It was a difficult sell to Boulder companies, however, as their employees viewed anything beyond Davidson Mesa as being "too far out of town." That perception quickly changed when Sun Microsystems, Corporate Express, Ohmeda, Cirrus Logic, MWH and others located there.

Additionally, prior to the completion of the 96th Street



Steve Clarke
President and CEO, Prime
West Cos., Denver

interchange and the opening of FlatIron Crossing, the corridor suffered from a lack of amenities, specifically for dining and shopping. That has all changed with the corridor having an abundance of high-quality hotels, restaurants and shopping, not to mention the golf courses, health clubs, bike trails, and baseball and soccer fields that are readily available. These amenities are necessary for office parks in general but an absolute necessity to be successful in the 36 Corridor due to the profile of the employees companies must attract.

In addition to its strategic location and amenities, the 36 Corridor has evolved into a market that provides a broad

spectrum of office buildings and research-and-development/flex facilities with varying degrees of rent, operating expenses, quality, amenities, floor-plate sizes, parking, access, etc. This wide range of choices allows companies the opportunity to find the right fit for their unique real estate requirements. With a total market of approximately 6.5 million square feet, the 36 Corridor is relatively small when compared with the major office markets in downtown Denver comprised of approximately 25 million sf and southeast suburban Denver with approximately 33 million sf. The current office vacancy in the 36 Corridor for Class A office is approximately 9 percent with Class B space at approximately 20 percent, including available subleases. However, with such a small base, that number changes dramatically with a small change in square footage, which makes it necessary to evaluate the vacancy in terms of square footage in addition to percentage of vacancy. Further, with the exception of one project, Central Park Tower, which won't be delivered until June 2010, there is no new construction in the corridor. This bodes well for the existing office space when companies begin looking to expand within or relocate to the corridor.

There has been an abundance of anticipation of the "alternative energy" possibilities in

Colorado and specifically on the 36 Corridor, much of which has been fueled by the acquisition of the former StorageTek campus by ConocoPhillips. Its stated intention is to build a research and training center focused on alternative sources of energy. Its plans have been put on hold for obvious reasons and currently there is no timetable. However, there are many lesser-known firms engaged in solar and wind power research/development and manufacturing that are located in the northern part of Denver and the region. It is logical to assume that the 36 Corridor will be the beneficiary of a substantial portion of the growth in this emerging industry.

The corridor also continues to experience organic growth from companies such as Vail Resorts and MWH, to name two.

For these reasons, the 36 Corridor is very well-positioned to emerge as a leader in the absorption of office and R&D/flex space when the economy rebounds. However, it's impossible to predict when a rebound may occur or its velocity. That said, the 36 Corridor and the office market in general are for developer/owners who have the necessary financial resources to withstand the current economic crisis and the long-term vision to benefit from the inevitable market improvement.▲