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Ownership has its privileges

In spite of all the negative statistics that are reported about the state of commercial real estate in Denver, one trend is enjoying great success: owner-occupied facilities. Whether it is the demand for unique office condominiums in Lower Downtown or the rise of small building complexes in the suburbs, there is a desire among small and large companies to take advantage of ownership.

The benefits of ownership are well known: increased operating flexibility, tax advantages of depreciation, and the equity that is created when you invest in real estate. But many times these advantages are offset by two powerful forces: the ease of leasing, which historically has been less expensive than ownership, and the influence of the commercial brokerage community, which is closely aligned with the interest of institutional landlords. But the landscape is shifting.

The low-interest-rate environment that we are experiencing has created scenarios where the monthly costs of owning may be less than leasing. The



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percent down, there are non-traditional financing programs available at rates below 4 percent, of which clients are taking advantage. When a small-business owner can own his facility at rates equal to or lower than leasing, the decision is simple.

In addition to low interest rates, there are many developers/builders who have embraced the brokerage community in an effort to take advantage of the knowledge and relationships inherent in the profession. Companies like CMC, which pays full fees to

U.S. Small Business Administration 504 program was streamlined to make it easier for businesses to take advantage of these loans, and at rates below 6.5 percent. If a business has superior credit and is able to put 20

brokers to promote its products, have found there is a pent-up demand for business owners looking to own their own facility. Also, the rise of both small and large tenant rep firms that are not working for institutional landlords, but are trying to find the best deal for their clients, has created additional demand for well-located, well-constructed, state-of-the-art facilities.

Another trend that is occurring is the combination of development and construction within the same organization. Opus has been very successful with this model recently, but there are other companies like CMC, Panattoni, Lauth and others who have both development and construction expertise under the same roof. The advantage of these shared disciplines is that fees can be reduced on both sides, responsibilities streamlined, and costs lowered for the end user. A project that was once too expensive under the developer/designer/constructor model may now be more affordable if these functions are better coordinated.

Finally, the level of sophis-

tication of the firms that combine development and general contracting is increasing. Firms such as ours not only have proficiency in these disciplines, but also offer in-house general counsel, marketing professionals, financial expertise, and architects and engineers on staff to assist clients. These kinds of firms are helping clients take advantage of some of the nontraditional financing that may be available and informing them of changes in the tax code that allow for more aggressive depreciation of their building. Recently, one of our clients informed us that they are able to save almost \$1 million by segmenting the project costs to allow for earlier depreciation of their facility.

When you reduce the fees for the overlap in project management, take advantage of the marketing skills and knowledge of the professional real estate community, and finance a facility at historically low rates, it is clear why this trend is picking up steam.▲