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## U.S. 36 corridor bouncing back

**By John Rebchook, Rocky Mountain News**  
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The U.S. 36 corridor between Denver and Boulder was once heralded as the metro area's version of Silicon Valley, as it played the part in the late 1990s and early 2000s.

But the tech wreck starting in 2000 left many of the shiny new office buildings along the corridor tarnished by never-seen before vacancies.

The office market vacancy collapsed like the stocks of some of anchor office tenants, Level 3 Communications and Sun Microsystems.

In 2000, the office vacancy rate was 2 percent and a year later it stood at 54 percent - a sea change not only unparalleled in the Denver area, but most likely in the U.S., said Trammell Crow broker Chris Phenicie, who has been doing deals with partner David Hart along the corridor since 1992.

Now, the corridor is getting back on its feet.

An eclectic mix of developments are under construction or on the drawing board, ranging from the \$400 million Arista to the Rocky Mountain Chopra Center & Spa by guru and wellness author Deepak Chopra in the Westminster Promenade. A current snapshot of the corridor shows:

- More than \$1 billion in new projects are moving forward.
- The vacancy rate is expected to end the first quarter around 20 percent, with Class A office buildings boasting vacancy rates in the 10 percent to 11 percent range.
- Office lease rates are up about 30 percent from their lows, and are expected to continue to spike.

In addition, about \$350 million in existing office buildings along the corridor likely will sell this year, by far the most sales activity the corridor has ever experienced, Phenicie and Hart calculate.

Development along the corridor is being dominated by mixed-use projects that combine offices and higher-density residential than traditionally found in suburbs.

"Mixed-use is the theme along U.S. 36," Phenicie said. "When I first got started here, it was mixed-use prairie dog colonies." The furthest along is also the biggest - the \$400 million Arista development at U.S. 36 and Wadsworth. The 6,000-seat Broomfield Events Center is 25 percent completed and will open in November, said Edward H. Barsocchi, of Lowe Enterprises, which is developing Arista for owner Tim Wiens.

Most of the residential land already is spoken for and the development eventually will have its own town center, as well as office space, something that seemed almost incomprehensible even a year ago, he said.

"We see Arista as sort of the downtown for the corridor," Barsocchi said.

In Interlocken, the premiere office park in Broomfield - whose full name is a mouthful, the Interlocken Advanced Technology Environment - real estate investor John James is in the early stages of a \$350 million, mixed-use development called Interlocken East.

An investment partner in the deal is Gordon Moore, the co-founder of Intel, although James cautioned "not to read anything into that." Moore, who coined what is known as "Moore's Law," which basically says the speed of computer chips will double every 18 months, plays no active role in the Interlocken development, he said.

"He has nothing to do with Intel, he has nothing to do with technology, he has nothing to do with Interlocken other than he is my long-time business partner," said James, who only reluctantly confirmed that Moore invested in the deal.

"Six years ago, people speculated that Gordon's involvement meant we were bringing some big high-tech campus there. Frankly, (local

development executive) Jim Long coined the name 15 years ago and the whole technology park to me is something of a misnomer."

James, based in Oregon, bought the remaining 125 undeveloped acres in the Interlocken Advanced Technology Park in 2000 for \$43.5 million.

"I've seen more potential in the last six months than in the last six years," James said. "Nothing in real transactions have closed, but there are a lot of interested parties circling."

He said while details of Interlocken East are still "fluid," he said he hopes to make a formal presentation to Broomfield within 60 days.

The development, he said, will help breathe life into the business park, making it more like the Denver Tech Center, with its offices, retail, housing and hotels.

"Interlocken has all of these great office buildings and marvelous parks and trails, but it basically goes dead at 5 p.m. or 6 p.m. and on weekends," James said.

James, who primarily invests along the West Coast, said that not only is the U.S. 36 corridor no longer Colorado's version of Silicon Valley, but neither is Silicon Valley synonymous with technology giants.

"Silicon Valley has gone to India," James said. "I'm dead serious. A lot of the jobs and growth have gone off-shore." He said the days of companies like Level 3 or Sun Microsystems building huge office campuses along the U.S. 36 corridor are over.

"In summary, I do think that the Northwest corridor is still going to be a vibrant marketplace, but it has shifted, with the growth being more from the small and medium-sized businesses, rather than the great big corporate companies that are making decisions for million-square-foot campuses," James said.

What is now U.S. 36 was born more than a half century ago.

The 17.8-mile corridor was launched on June 19, 1952 as the Boulder Turnpike toll road. A total of \$6.3 million in bonds were floated, and they were scheduled to be paid off in 30 years.

But the road, providing access between Denver and Boulder was so popular, that the bonds were retired after only 15 years. Today, average daily traffic on U.S. 36 ranges from a low of 45,000 vehicles near Boulder to 126,500 near Denver. Former Gov. Dick Lamm in 1993 told the Rocky Mountain News that driving the U.S. 36 corridor once was akin to a "religious experience," and he was appalled at all of the building taking place along the stretch of highway. And that was long before \$2 billion of construction was completed along the corridor between 1998 and 2003.

Lamm hasn't changed his tune.

"I still see no need to line (36) with development all the way to Boulder," Lamm wrote in a recent e-mail. "I think it is myopic and foolish to take such an asset and front it, cheek to jowl, with development. That was one of the most beautiful inter-urban roads in America. I think by zoning and by control of interchanges, we could have Broomfield and one or two additional development zones and keep an open space corridor for the rest."

But broker Hart doesn't share those concerns.

"I see no negatives," Hart said. "This certainly isn't sprawl. It's very well planned."

Economist Tucker Hart Adams said she isn't surprised that the U.S. 36 corridor is recovering.

"It has a lot of nice and brand new office and lots of flex space, and we haven't had much construction going on in the last few years," Adams said. "Commercial real estate goes through cycles. It's in that part of the cycle where prices came down and it became more attractive to tenants, so the space is filling up."

And the mix of tenants is changing. While 66 percent of the tenants are still in communications or technology, 21 percent are in services, according to an analysis by Phenicie and Hart. For example, Dean Foods has a big presence along the corridor and Vail Resorts has said it plans to relocate its offices from Avon to along the U.S. 36 corridor. Byrone Koste, head of the CU Real Estate Center, said developers and municipalities seem to be making all of the right moves to re-invent the corridor with mixed-use projects.

"They got all of these triples and homeruns with the big office campuses, but that didn't work out so well," Koste said. "The only way to revive it is start mixing offices, housing and retail to make it a more liveable corridor."

Koste said he isn't worried about overbuilding.

"The nice thing is that these are near significant jobs centers," Koste said. "The residential can come if there are jobs. Otherwise, they'd be killing each other."

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