

Distressed office buildings to sell at 80% discount

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BUSINESSDEN

A pair of distressed office buildings in southern Aurora are poised to sell at a 78% discount from the last time they sold, in 2018.

The receiver that oversees the 6-story Cherry Creek Place I and II buildings at 3131 and 3190 S. Vaughn Way is under contract to sell them for \$8.8 million, or \$21.50 a square foot, according to court documents.

The buildings, which combined total 409,000 square feet, are currently owned by an affiliate of Austin, Texas-based Pennybacker Capital, which paid \$39.7 million for them in June 2018.

Court records state that the party under contract is WT Investments Limited. Additional information about the entity was not immediately available.

A judge signed off on the proposed sale Feb. 5. The deal has yet to close.

When Pennybacker purchased the buildings, records show that it assumed a \$32 million loan issued in 2016 to their previous owner, Denver-based Northstar Commercial Partners.

That loan, issued by Citigroup, had to be paid off by January 2027, according to the original agreement.

In a lawsuit filed last April, Wells Fargo Bank, now trustee of the loan, said building ownership defaulted on the loan by failing to cure deficiencies related to the property's "cash management agreement." As a result of the default, the bank said, it had accelerated the repayment date.

At Wells Fargo's request, a judge appointed Doug Wilson as receiver of the buildings by the Interstate 225-Parker Road interchange.

The buildings were erected in 1980 and 1982 and sit on 15 acres, surrounded by 1,200 parking spots.

"Historically, the buildings were primarily occupied by call center tenants who utilized large floor plates — well-suited to the layout of the Property — but many of these users have downsized or vacated in recent years," Wilson wrote in his initial report filed in August.

He described the building as "in generally good physical condition, with core building systems functioning and no significant deferred maintenance currently identified."

Wilson hired CBRE to market the properties for sale. The brokerage's marketing materials describe it as a "redevelopment site" or "office repositioning opportunity."

Pennybacker, meanwhile, also owns the nearby Cherry Creek Place III building, at 3151 S. Vaughn Way, having bought that for \$6.6 million in early 2019. Records show that building has separate financing.