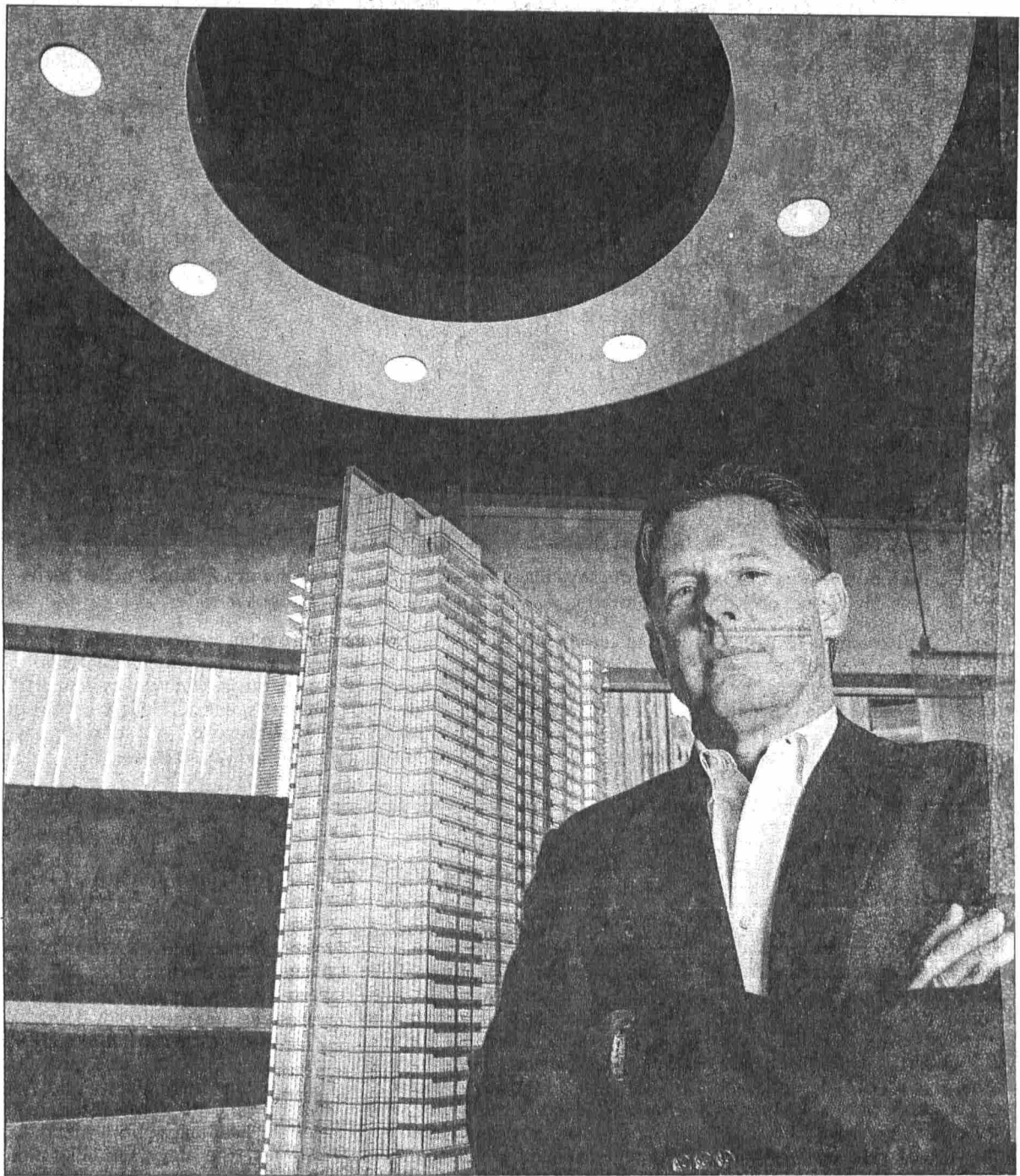


# BUSINESS

## Meant to inspire

Lost financing, poor economy can't keep condos down



Randy Nichols says he'll never forget the sinking feeling of losing funding. Photos by Andy Cross, *The Denver Post*

By Margaret Jackson *The Denver Post*

Developer Randy Nichols got a text message during a housing conference that his German lender was pulling the financing from his \$175 million Spire condominium project.

"It's kind of like when Kennedy was shot," Nichols recalled. "You know exactly where you were at that very moment in time. I had a sinking feeling in my stomach."

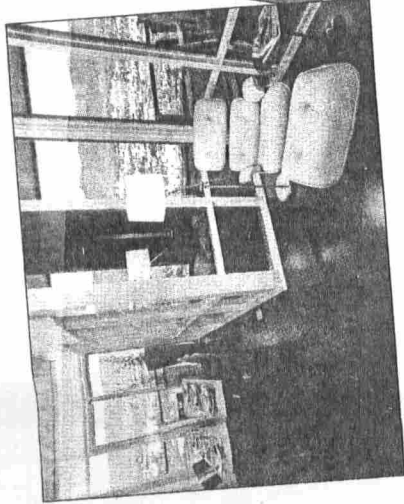
Just five months after he'd broken ground on his 41-story tower at 14th and Champa streets, work abruptly stopped. It was Sept. 13, 2007.

Projects that stop midstream generally don't start back up. But Nichols and a handful of investors had about \$10 million in equity riding on their tower — and failure was not an option.

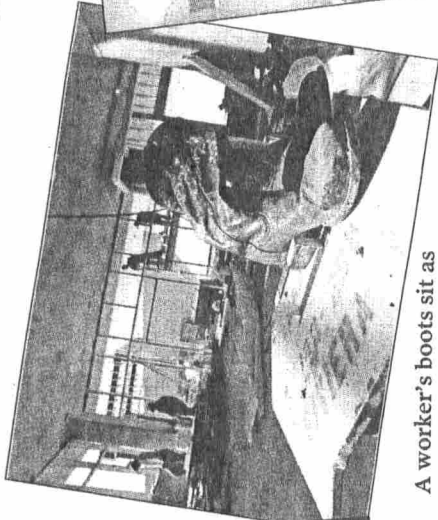
"It was a lot of money at a very bad time," he said. "The markets were evaporating out from under us. All the lend-



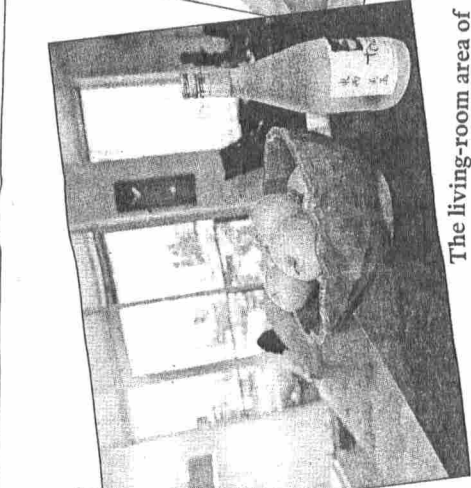
Persistence paid off, and now models like this show off what the Spire condos will look like.



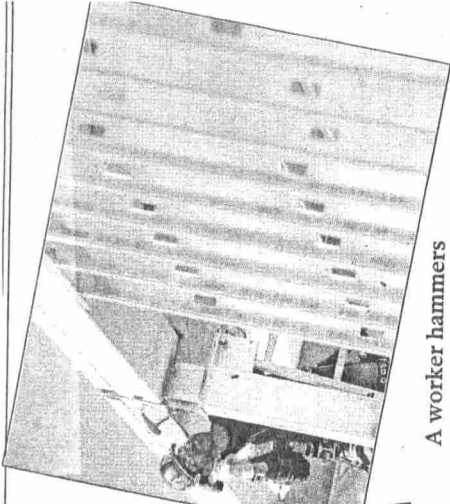
The living room of the model condo, with a huge, lit photo simulating the views. Photos by Andy Cross, *The Denver Post*



A worker's boots sit as construction continues.



The living-room area of the model condo.



A worker hammers away on the roof of the Spire building at 14th and Champa.

# CONDOS: Sales deferred to keep prices from climbing

◀◀ FROM 1K

ers were pulling out from making loans, and condos were particularly difficult."

For five months, Nichols and his team feverishly worked their sources, calling more than 150 potential lenders and investors. On Jan. 23, 2008, they nailed a \$18 million financing deal from Corus Bank in Chicago. Construction restarted the next day.

This week, Nichols will open a Spire sales center in the Colorado Convention Center, which is across the street from the project. He'll start sales to friends and family on March 18 and open sales to the public April 4. Nichols didn't sell any condos before he started building, unlike most residential developers. That makes the project riskier.

But he didn't want speculators buying in and then driving up the price of units as they flipped them when they were completed.

He also believed his target audience of young urban professionals wouldn't buy two years in advance.

"We would have ended up with a lot of investors, and we wanted occupancy," he said.

The seeds of the project were sown in 2005, when Nichols and his development team traveled to Atlanta to tour similar projects.

Nichols' executive vice president, Chris Crosby, had worked in Atlanta and suggested the Novare Group's Spire Atlanta concept could work in Denver. Like Denver, Atlanta has a concentration of young professionals in its business center.

"We were touring, and lightbulbs started going off — we knew this would work so well in Denver," Nichols said. "Baby boomers ruled the Earth for the last 40 years. Now it's the echo boomers. ... But they have nowhere to live because everybody was catering to the baby boom generation."

In Denver, luxury projects such as the Ritz-Carlton Hotel condos, and the now-canceled 1401 Lawrence, all are aimed at well-heeled buyers.

"The younger generation can't afford that," Nichols said. "They need

small units to keep the gross price down, but with all the features they've grown accustomed to. They want a place to live that you're not embarrassed to take a date to."

In July 2005, Nichols purchased the Davis & Shaw Furniture Co. and an adjacent parcel on Champa Street between 14th and 15th streets. An earlier purchase of a neighboring parking lot gave him 37,000 square feet to construct the tower.

Nichols spent the next year working with Denver architecture firms RNL and CommArts to design the project and create the development plan. At the same time, he was talking with lenders and equity partners.

The biggest challenge was designing a high-quality product at the right price, said Rich von Lührte, president of RNL. "Prior to finding JE Dunn, we were having serious problems with getting the building into budget," he said.

By May 2007, Nichols had negotiated a \$160 million financing deal with German lender Hypo Real Estate Capital Corp. After his financing tanked in September, Nichols rebuilt his capital

with loans from Corus Bank and equity stakes from the the JE Dunn family and other investors whom he wouldn't name. The equity investment jumped to \$33 million. An additional \$20 million was provided by Colonnade Properties and Madison Capital Co. and Fisher Capital.

During the summer of 2007, JE Dunn Construction worked to keep its subcontractors committed to the project, said Dustin Liljehorn, senior project manager.

"The hard part was you didn't know. You had to work like you were going to restart, but you really didn't know," Liljehorn said.

Despite the turbulent economy, Nichols remains optimistic about condo sales at the Spire.

"Certainly you would prefer we weren't in this economic downturn, but Denver is pretty resilient," he said. In December, he settled a lawsuit against Hypo over pulling its financing. Nichols wouldn't disclose settlement terms, citing a confidentiality agreement. Hypo wouldn't comment either.

