

Investors bag warehouse deal in Colorado City

By John Rebchook

When Denver real estate investor Brian Watson and John Webb recently snapped up a warehouse in Colorado City, they bought more than a big building in the tiny city south of Pueblo.

"I would say that is the commercial real estate market in Colorado City," said Denver-based Alex Ringsby of Ringsby Real Estate, who handled the transaction with broker Paul Kahn of Cushman & Wakefield.

Watson, principal of Northstar Commercial Partners, and Webb, principal of the Matrix Group, created a company called 4038 Dover to buy the 248,000 square-foot, state-of-the-art building.

Northstar and Matrix weren't partners in the deal, but Northstar identified the opportunity, negotiated the deal and will be responsible for the investment, Watson said.

About 18 months ago, Northstar bought the entire excess real estate portfolio from the Benjamin Moore Co., after the paint store chain was sold to Warren Buffett's Berkshire Hathaway.

Although the purchase price for the Colorado City building wasn't released, it is far less than the \$7.2 million asking price, Watson said.

"And the replacement cost is about \$40 per square foot, or about \$10 million," Watson said.

Webb said one estimate put the replacement cost even higher: at least \$50 per square foot.

Rick Morgan of U.S. Bank provided the financing, Watson said.

The property initially was built by Columbia House Record Co. in 1968 and was expanded in 1993 to distribute records, tapes and, eventually, CDs and DVDs.

Columbia moved out, and Kroger, the parent of King Soopers, leased it. Then it was sold to 4038 Dover fully leased.

"Kroger was in 12 facilities in Colorado Springs and Pueblo and consolidated into one facility," Watson said.

"This is a gorgeous warehouse on 36 acres. The building has 40-foot-high ceilings."

Webb, whose company owns 1.4 million square feet in commercial buildings in Denver and Houston, said the building may have higher ceilings than any other warehouse in Colorado.

"The highest I could find in Denver was 32 feet; this has the tallest ceiling I have ever seen," Webb said. "And Columbia filled every cubic foot of space."

The building is so large that it has its own ZIP code, he said.

"Colorado City is a small town with only 6,000 people, but I'm comfortable with this building as a regional distribution facility," Webb said. "Kroger handles distribution from Wyoming to Texas from this site."

He said several other tenants have shown interest in the building if Kroger decides not to renew its lease.

And while Frito Lay and Pepsi are planning to build their own facility in the area, Webb said, a big benefit is "there's no congestion down there. Truckers love it."

Although just off Interstate 25, Colorado City is so far off the beaten track that there is more risk for the buyer than if it were in the Denver area, Kahn said.

"This sale definitely tells a story," Kahn said. "The story was an opportunity deal. The buyer took advantage of the market. And for the seller, they had a buyer, which is not that easy in that part of town."

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Warehouse owners

R. Brian Watson, left, of Northstar Commercial Partners and John Webb of the Matrix Group stand in the state-of-the-art facility they recently purchased in Colorado City.

“This is a gorgeous warehouse on 36 acres,” Watson says. The two men created a new company to buy the 248,000-square-foot warehouse.

