

Two Tabor project alive, despite rumors, developer says

By John Rebchook

Tuesday, September 2, 2008

The Chicago-based developer of the \$300 million, 43-story Two Tabor Center still needs debt financing to start construction on the long-awaited tower at 17th and Larimer streets.

However, widespread talk in the Denver commercial real estate community that the project is dead is not true, said Bill Tresham, chief operating officer of the owner, Callahan Capital Partners.

"We are spending a lot of time to line up the financing, and I think in this market, it is probably safe to say there has never been a more challenging time," Tresham said. Callahan last year paid a record \$770 million for a five-building office portfolio downtown that included One Tabor Center.

"We're just in the last stages of locking up our financing," Tresham added. "We've been inside the five-yard line for a while. These are just very, very ticklish times. I can't tell you whether we will start this month or next month, or some time in the next quarter."

When pressed, Tresham said there is a "better than 50-50 chance" that construction will start this year on the building. It will take 21/2 years to build.

About three weeks ago, the general contractor, Greeley-based Hensel Phelps, came up with pricing estimates, and construction drawings are 60 percent complete, Tresham said.

Tresham said the company would like to land the debt financing without any pre-leasing, which would allow construction to begin sooner.

He said that an executive from Morgan Stanley, one of his equity partners, recently told him that Denver is one of the best markets in the world, along with Houston and Singapore.

Since the collapse of the subprime market in August 2008, the capital markets have continued to deteriorate, making it almost impossible to finance large real estate projects, even in a relatively healthy market like Denver. In the Denver area, for example, one of the few major projects recently breaking ground is the 14-story, \$58 million Seasons at Cherry Creek apartment tower at 3329 E. Bayaud Ave.

Bill Mosher of Trammell Crow Co., the developer of Two Tabor, said he has heard a number of "bizarre" rumors about the project.

"This is not a project issue, or a Denver issue, which is kind of cool," Mosher said. "Denver didn't get overbuilt like so many other places. It is a capital market issue. The problem is the capital markets do not seem to be getting any better."

Tresham said it would be a lot easier to land debt financing if they preleased a portion of the tower, but that could mean it wouldn't be completed as quickly.

Two Tabor Center * Location: 17th and Larimer streets, to the current Tabor Center office tower.

*** Size:** 43 stories, 830,000 square feet.

* **Cost:** \$300 million

* **Owner:** Chicago-based Callahan Capital Partners

* **Architect:** New York-based Kohn Pedersen Fox Associates and Davis Partnership, Denver.

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