

A Luxury Development Thrives in Denver

By Amy Cortese

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THREE years ago, when the first residential units went on sale at the Landmark, a mixed-use luxury development on the southern outskirts of Denver, the occasion was noted with a lavish party featuring lobster and Chateaubriand and entertainment by former Cirque du Soleil acrobats.

At the time, real estate was booming, and few people imagined that the contortionists and acrobats flying through hoops would become apt metaphors for the obstacles many developers would eventually face as a result of the credit crisis.

But Zack Davidson, the president and chief executive of the Everest Development Company, the Landmark's developer, has so far managed to navigate the hurdles that have sidetracked many of his colleagues in the industry in recent months.

By the time the last performers packed up their tights at that inaugural party, 90 percent of the 135 condominiums in the Landmark tower, the first of two residential towers to be built, had been reserved, at prices ranging from \$500,000 to \$2 million. About 30 of those contracts have since fallen through, but Mr. Davidson says that most of those units have been resold, at prices 12 percent higher, on average.

Residents began moving into the Landmark this summer; a second residential tower, the Meridian, set for completion in December, is 80 percent sold. The retail area — which features upscale boutiques, a dozen restaurants, a movie theater and a comedy club — opened in the fall of 2007 and is 80 percent leased.

Why is this project doing so well while elsewhere others have floundered?

Location is important, says Mike Rinner, an executive vice president of the Genesis Group, a real estate research company based in Centennial, Colo. "It's a deep, deep market," he said of Greenwood Village and the neighboring Cherry Hills, two affluent Denver suburbs that the Landmark straddles. "It would take only a small percentage of that target profile — affluent baby boomers — to fill this up."

At the same time, there is also pent-up demand for high-end properties in the region, Mr. Rinner and other market experts said. While there are luxury condo developments in downtown Denver — including a Ritz-Carlton hotel with 25 condos that opened in January — there aren't many options for empty-nesters looking to downsize in the suburbs, said Rike Palese, a broker at Re/Max Classic Homes, which is handling sales for the Landmark.

Dan and Angela Japha, a retired couple in their 50s, agreed. "There isn't anything like this in the suburban area," said Mr. Japha, who worked as a corporate lawyer. Three years ago, the Japhas made a down payment on two penthouses on the top floor of the Landmark tower. They moved into the combined 4,200 square-foot space in August. "You're not going to have this kind of view anywhere," he said.

The development, on a high point in Greenwood Village with unobstructed views of Denver and the Rocky Mountains, is also one of a handful of projects in the area to take advantage of proximity to the Denver's new light rail system. "Being near light rail or public transportation, and having amenities and that 24-hour live, work, play environment is a concept that's growing in popularity, both among young people and baby-boomer retirees," said Susan Smith, a director in the real estate advisory services group of PricewaterhouseCoopers.

It also helped that the Denver market never became as overheated as those of other regions, like Phoenix, Las Vegas and parts of Florida, experts say.

Mr. Davidson recently broke ground on a second phase in the development: a \$260 million European-style village on an adjacent 11.4-acre parcel. The European Village of Homes, as it is called, will contain around 130 brick-and-stone residences, including private brownstones and manor-style homes — modeled on homes in Florence, Italy — with prices ranging from less than \$1 million to more than \$3 million. The homes will be spread out among English gardens and courtyards, cobblestone streets and tree-lined promenades.

For Mr. Davidson, 40, it's the details that make the difference. "Whether the economy is good or bad," he says, "affluent people want that kind of attention."

The complex, which is meant to mimic a sort of urban village, emphasizes a luxury lifestyle. A concierge staff — the managers were recruited from Ritz-Carlton hotels — provides services like dog-walking and party planning. There are three fitness centers, a wellness spa, infinity pools and cabanas, an arts and crafts room with two kilns, and a video-conferencing center on site.

A substantial art collection is also on display throughout the residential buildings and grounds. Mr. Davidson has two museum curators on retainer, who have helped him select pieces like Hunan pottery and the two 1888 jardinières by Antonio Gaudí that will grace the entrance to the European Village. For all these amenities, homeowners pay roughly \$5 a square foot in annual fees, which translates to \$12,500 for a midsize 2,500-square-foot unit.

Don H. Ruggles, the president of D. H. Ruggles & Associates, based in Denver, is responsible for the residential architectural designs. Mr. Davidson took him and a six-person design team on a 10-day tour of Europe to study classical architecture.

Mr. Davidson's hands-on approach extends to the landscaping. He personally selected more than 2,000 mature trees, including maples, oaks and lindens, some more than 25 feet tall, to be shipped and replanted. He even wrote some of the advertising copy for his marketing fliers.

"I personally stay really involved," said Mr. Davidson, who encourages clients to call him on his cellphone if they are not getting what they need.

That has given investors a level of comfort in turbulent economic times. "He does one project at a time, and he lives it and breathes it," said Davis Deadman, a partner at Highland Capital Management in Dallas, an investment firm and the largest investor in the Landmark. "Some developers spread themselves too thin. But Zack, he does what I call bear-hugging."

In addition to an infusion of capital from Highland Capital Management, Everest lined up a \$182 million construction loan from the Hypo Real Estate Bank, based in Munich, for the first phase of the project. Funding for the European Village is coming from a mix of bank lenders, private investors and bonds backed by the City of Greenwood Village.

Forty-five of the European Village homes have already been sold, according to Mr. Davidson, including five in the last few weeks, even amid the stock market's turmoil. The five homes sold for \$595 to \$627 a square foot, he added, some of the highest prices for new condos in the south Denver area.

Mr. Davidson, who worked in real estate for investment banks before becoming a developer, has worked through difficult times before. In 2000, his previous firm, Eikon Investments, bought One Embarcadero South, an apartment complex that was being built in the South Beach neighborhood of San Francisco, near AT&T Park. He converted it to condos to take advantage of the booming market — just before the dot-com bust and the 9/11 attacks cratered the market. Still, Eikon managed to sell 57 homes in November and December 2001.

And while other developers are pulling in their horns these days, Everest is aggressively marketing the Landmark. In the last few years, Mr. Davidson has held 13 parties at the site, at a total cost of around \$3 million. "You've got to be willing to spend the money to promote your brand and what makes it special," he said, "even in times like this."