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THE BUCKS STOP HERE

Cherry Creek has become 'Beverly Hills without the pretentiousness' — and business wants in

BY ANDREW DODSON
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When Matt Joblon, chief executive of BMC Investments, moved to Denver from Los Angeles in 2010, his father-in-law let him use office space to kickstart his business at the ANB Bank Building, 3033 E. First Ave. Joblon knew nothing about Cherry Creek at the time, but frequent walks to a coffee shop or to a restaurant for lunch drew parallels to Beverly Hills for him.

"I saw Cherry Creek as the mountain version of Beverly Hills without the pretentiousness," he said. "The attitudes and ethos of people here makes a huge difference."

Denver's Cherry Creek neighborhood — highlighted by the luxurious Cherry Creek North Business Improvement District — is transitioning physically and culturally to a new phase that extends beyond its national status as a premier shopping destination to one that's an urban — and still expensive — mixed-used neighborhood.

The Cherry Creek North that you know and love isn't changing, says Jenny Starkey, interim chief executive officer of the business district, but it's certainly evolving, and business wants to be part of that story.

"We are now a lifestyle destination," Starkey said. "Business wants to be here, residents want to be here and tourists want to be here. All of those elements have been here, but now it's heightened across the board."

That's more than a figure of speech. The 2012 Cherry Creek area plan and rezoning initiative allowed developers to literally construct higher buildings along First, Second and Third avenues. The increased density is resulting in a



Matt Joblon, chief executive of BMC Investments, moves into new offices in Cherry Creek.

PHOTOS:
KATHLEEN LAVINE,
DENVER BUSINESS
JOURNAL



260 N. Josephine St. is a 67,000-square-foot building highlighted by its stair-step design and expansive outdoor patios on each floor.

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The 2012 Cherry Creek area plan and rezoning initiative allowed developers to construct higher buildings in the district.



Terri Garbarini is the owner of Garbarini, a women's boutique that has operated in Cherry Creek North for 20 years.



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more diverse workforce, more hotels and more residences who call this high-priced neighborhood home. Since 2013, the amount of office

space across all of Cherry Creek, including Cherry Creek North, has gone up 23% from 1.3 million square feet to 1.6 million square feet. That number is expected to reach more than 1.8 million square feet in the coming years

as new buildings come online. Since 2014, there have been six new office buildings across the entire Cherry Creek neighborhood with three more slated to go online this year. And despite having the highest

rents in all of Denver, businesses are quickly filling up those spaces. “Cherry Creek is and will continue to be a lifestyle market,” said Pete Staab, a broker at Newmark Knight Frank with multiple listings in Cherry Creek. “It caters to the tenants who have those principles of Cherry Creek and have achieved a level of success where they feel comfortable paying a more premium price.” This year, Elevation Development Group’s 260 N. Josephine St. is slated for completion. The 67,000-square-foot building, highlighted by its stair-step design and expansive outdoor patios on each floor, is about 70% leased, Staab said. Lario Oil & Gas Co., which has operated in Lower Downtown for more than 20 years, is taking the sixth floor. The design of 260 N. Josephine St. is an example of the intricate planning of Cherry Creek North. The stair-step design not only gives tenants outdoor patio space on the upper levels, but also ensures that sunlight hits the sidewalks on the north side of Third Street 12 months out of the year – something that’s specifically called for in the Cherry Creek plan. “It’s fairly unique zoning and you don’t really come across it in other submarkets,” Staab said. The Financial House, a 75,000-square-foot office and retail building nearing completion, is full-

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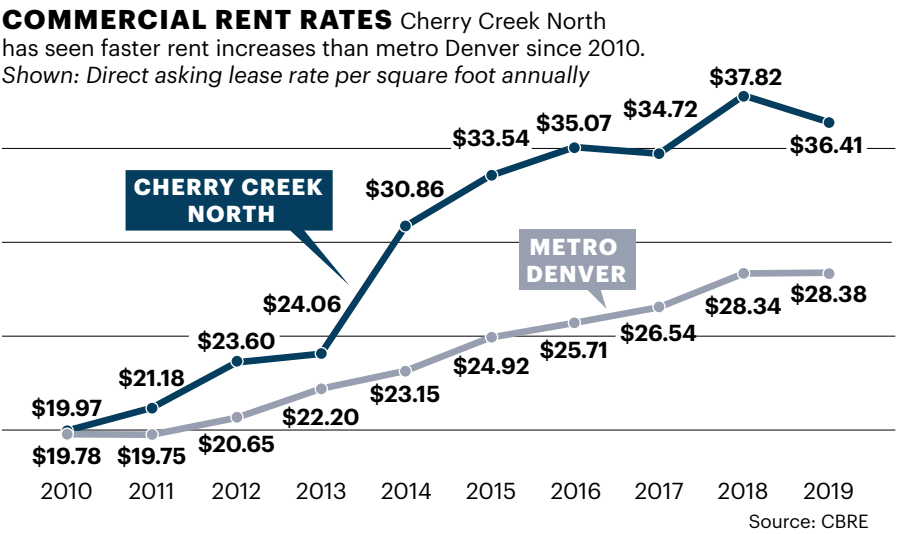
ly leased. Amazon took the retail ground-level floor for an Amazon Books store, one of 16 across the country today. BMC Investments, which developed the building, is taking the fourth floor, Bow River Capital is taking the seventh and eighth floors and Oceanside Ten, a marketing research firm, is taking the sixth floor after operating in the Central Business District for several years.

WeWork has leased 18,000 square feet on the second and third floors of the building and monthly desk rentals, as expected, come at a premium. Most desks across WeWork's growing landscape in Denver rent for \$360-\$370 per month. In Cherry Creek, though, it'll cost \$495 per month.

That price, though, for Cherry Creek, is very appealing to tech startups that can't afford the cost barrier to entry into the neighborhood, said Joblon. A month after WeWork signed a lease at Financial House, an executive called Joblon and said, "We've got a problem. We're already full."

Tech startups want to be in Cherry Creek because that's where all the money is, Joblon said. The financial services industry makes up 65% of office employment in Cherry Creek with a number of investment firms, like Janus Henderson, and private equity firms.

"In addition to the quality of life here, it's incredibly attractive for those



companies because they can go month to month with WeWork and build their business to a point where they can have their own office," Joblon said.

WeWork, which filed an IPO on April 29, didn't respond to messages seeking comment.

What's the attraction?

Cherry Creek is a microcosm of the office market in general for Denver, Staab said. There's pent-up demand for new construction. That's why buildings like Civica Cherry Creek, 242 Fillmore St., which was completed in 2017, and 100 St. Paul St., which was completed in 2015, are filled today. Those buildings combine for more than 240,000 square feet of office space.

"There's good support for new construction and I think we'll continue to see that," Staab said.

There are several appealing factors of Cherry Creek for business, Joblon said.

First, safety is a huge priority for companies and Cherry Creek doesn't contend with crime and homelessness like other areas of Denver. Walkability is also important. So far in 2019, the entire Cherry Creek neighborhood saw police respond to nine violent crimes, six of which were robberies, according to Denver Police Department's crime map. During that same time period, police responded to 35 violent crimes in the Central Business District, 25 in the Union Station neighborhood and 105 in Five Points.

Walkability of Cherry Creek North's

nine-by-three-block grid also adds to the quality of life.

But companies are also shelling out bigger rents in the newer developments in Cherry Creek in order to attract talent, Joblon said. Each company he pitched on moving into the Financial House was told how the building's modern design, from its beautiful, hotel-like lobby, to its all-glass exterior, can attract the best employees.

"The quality of life in Cherry Creek is incredible and businesses realize they need to pay a little more to get that quality," he said.

Economic development officials for Cherry Creek North don't even worry about recruiting new companies and jobs to the district.

"That part takes care of itself," said Brian Phetteplace, director of economic development for the business district. "Our job is making sure those ground floors are filled with shops that bring people here."

And that's why retail – for shopping and dining out – remains so vitally important.

Retail and small business

Under the 2012 Cherry Creek plan, every new piece of construction is required to have a retail function on the ground floor. Of the 260 retailers that operate

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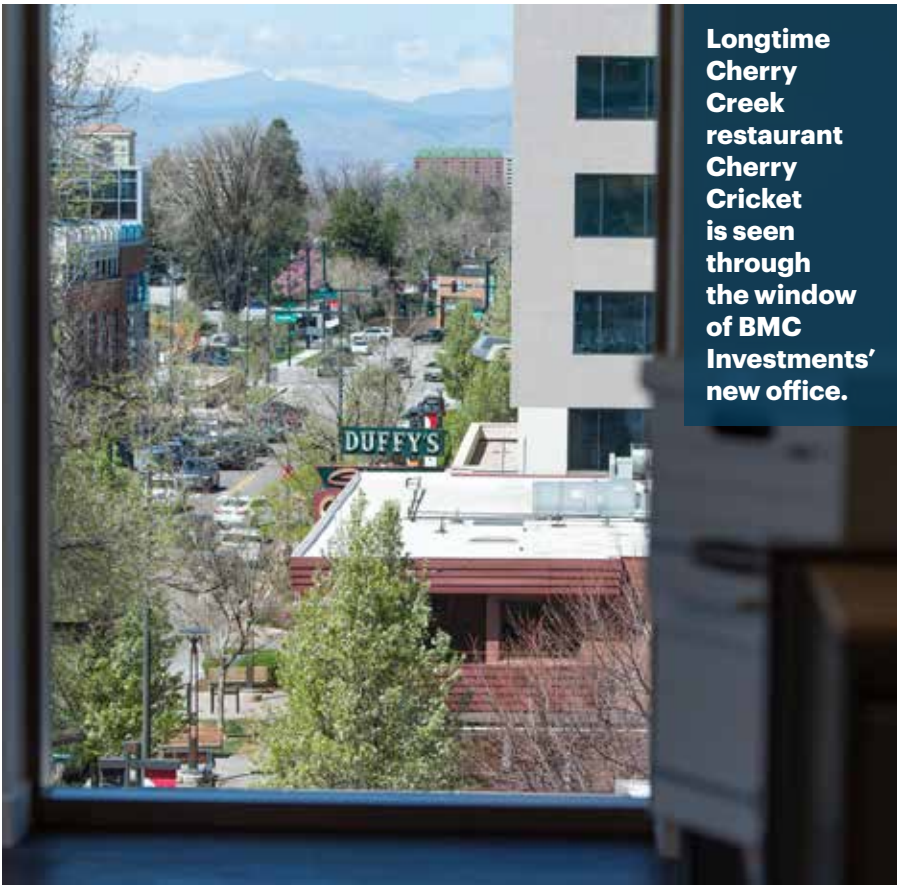
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Longtime Cherry Creek restaurant Cherry Cricket is seen through the window of BMC Investments' new office.

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out of Cherry Creek North today, 70% are considered small businesses – 50% of which are owned by women. And 20% of those small businesses have been in operation for at least 15 years. Recently, big-name companies, including Amazon Books and high-end cooler maker Yeti, have decided to call Cherry Creek home. Amazon Books opened in March; Yeti, which opened its first retail store in its headquarters city of Austin, Texas, is slated to open in time for the holiday season. Storefront vacancy rates are below 5%, Phetteplace said, and those businesses are paying a premium price per square foot to operate in Cherry Creek, as opposed to downtown, where retail rents go for about \$23 per square foot. In the fourth quarter of 2017, Cherry Creek North retail rents were at nearly \$36 per square foot. Prices are higher in the newer developments. Retailers have noticed two contrasting items with all of the new construction and development in the neighborhood: More out-of-town visitors have discovered their shops thanks to the three new hotels – The Moxy, The Jacquard and The Halcyon – that have opened and brought in more than 200,000 new people to Cherry Creek every year. But because of the construction – there were once 10 cranes in the neighborhood – locals who frequented the district may have been avoiding it. “When construction started, traffic went down,” said Terri Garbarini, the longtime owner of Garbarini, a women’s boutique that has operated in Cherry Creek North for 20 years. “I think we’ve yet to know what impact the development will have, but we’re optimistic.” The main concern is that as new development comes online, rents will

continue to soar and potentially knock out small, local businesses that may not be able to afford Cherry Creek any longer. Garbarini said she’s had conversations with two retailers, who she declined to name, that are considering moving out because of increased operating costs. Garbarini has no plans to leave, though. Her secret? Real estate. In 2013, she purchased her building at 239 N. Detroit St. for \$5 million. “When people ask me how I’ve been so successful in retail, I tell them ‘real estate,’” she said. “I made more money in real estate than I have in my business.” **What’s next** On Wednesday, May 1, BMC employees started their move from 3003 E. Third Ave. into the Financial House. As more companies follow suit, and foot (and car) traffic increases, Joblon expects the next phase of Cherry Creek to start popping up: entertainment. “I’d say in the next 24 to 36 months, you’ll see a brewery, you’ll see more restaurants, trendier bars and lounges – it’s all going to fall into place,” he said. To make sure that the right businesses sign leases, Cherry Creek North is putting a bigger focus on technology to improve its data with respect to pedestrians and bicyclists. To date, 16 sensor locations have been installed across the district to count how many pedestrians were in a given area and which times saw the most traffic. That data can then be shown to prospective retail tenants to seal lease deals. The district is looking to next implement similar technology, but geared toward parking. “As a developer or a retail owner, you get everything you need in terms of what the numbers are showing,” Phetteplace said. ▮

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HOTEL SWELL

Cherry Creek hospitality market has boomed, but has room supply outpaced demand?

Matt Joblon, chief executive officer for BMC Investments, opened the lower-cost Moxy hotel in November 2017.



KATHLEEN LAVINE, DENVER BUSINESS JOURNAL

BY ED SEALOVER

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For 10 years, from 2006 to 2016, Cherry Creek North had just one hotel, the JW Marriott Cherry Creek. Business was very good, according to its owners, with numerous 100% occupancy nights sending potential guests to inns in other neighborhoods. People took notice.

Among them was Matt Joblon, chief executive officer for BMC Investments, who was told the hotel had the highest revenue per available room (RevPAR) in the city of Denver. He decided to partner with Sage Hospitality, which sold the JW Marriott in 2011 but continued to manage the facility under contract, to open the Halcyon a few blocks away in August 2016. And from there, the floodgates sprang open.

Joblon debuted the lower-cost Moxy in November 2017 and then began work, which he continues on, to reposition the Inn at Cherry Creek into a different type of “experience” for temporary visitors. Stonebridge Companies threw open the doors to The Jacquard Hotel & Rooftop in September 2018. Within a 25-month period, Cherry Creek North roughly quadrupled its supply of available rooms.

Operators of each of the hotels say the variety of options has made the neighborhood as a whole more attrac-

tive and lifted the overall supply of people who want to stay in the area. Many of the new visitors are folks who formerly stayed downtown and now have found a new willingness to lodge in an adjacent neighborhood, seeing its destination possibilities in a whole new light.

But in addition to raising the area’s visibility, the multiplication of hotels raised competition – and did so at a time when several years of construction has pushed some locals to stay away from Cherry Creek’s shops and restaurants and has led to the closure of several longtime neighborhood businesses. Statistics show that since 2015, the number of available rooms in the broader Denver South area is up by some 15,000, but occupancy at hotels is down.

So, at this point, hotel operators in the submarket are waiting to see what the new normal is going to be in a formerly one-horse part of town. All of them agree that Cherry Creek North does not need more new hotel rooms, yet each is optimistic that the market itself is still growing and will be even more successful once the development of offices and living units catches up to its new profusion of lodging facilities.

“It’s definitely booming the neighborhood. It adds an additional draw,” said Jason Delcamp, general manager of the Halcyon, of the effect the hotels have had. “I don’t know that we’re necessarily up against each other in a

competitive way. It creates a neighborhood that a lot of different people want to come to.”

Just a 10-minute car ride from the heart of downtown, Cherry Creek North developed a reputation in previous decades as Denver’s toniest commercial neighborhood, filled with locally owned upscale boutiques and an often-changing lineup of restaurants. But business travelers, many of whom were coming to town for gatherings at the Colorado Convention Center or for meetings in skyscrapers in the Central Business District, tended to stay in the same neighborhood as their appointments.

When Joblon and Sage officials opened the Halcyon, they planted the seed that itinerant travelers could stay more than just a few blocks from the 16th Street Mall. It took eight to nine months to really get business bustling there – a total that likely was lengthened by the independent branding of the 154-room luxury facility, said Delcamp, who served on the opening team and then became GM after the hotel was sold and March and turned over to a new operational team.

But when it was established, the Halcyon hummed. Between May and October on Tuesdays, Wednesdays and Thursdays, the hotel sold out almost every night, and its occupancy rates were always above 90%, Joblon said. People came to Cherry Creek because they wanted to be in a walkable neighborhood and they wanted to try out the new restaurants, like Matsuhitsa or Quality Italian, that had made names elsewhere but decided to expand specifically to this part of Denver, he said, echoing sentiments from other operators in Cherry Creek.

Cherry Creek as a destination

And there is one more big thing that Cherry Creek North has going for it, according to each of the operators – safety. There aren’t shootings here, and there aren’t fights when crowds spill out of the bars.

“It has a feeling of elegance, but done in a manner where you feel safe,” Delcamp said. “It’s a lot of great amenities without a lot of the noise.”

Each new facility seems to have found its niche.

The more affordable Moxy is attracting people who used to stay in the lower-priced Cherry Creek South hotels down Colorado Boulevard, Joblon said.

The Jacquard is bringing in group



It took eight to nine months to really get business humming at the Halcyon after it opened in 2016.

KATHLEEN LAVINE, DENVER BUSINESS JOURNAL

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business like weddings and bar mitzvahs, as well as corporate meetings, and its restaurant, Narrative, has become even more of a community destination than anticipated, Stonebridge chief operating officer Chris Manley said.

But Sage President and CEO Walter Isenberg, looking at the market from the perspective of the JW Marriott, said that both the competition and the construction have been disruptive. And while no statistics for just the Cherry Creek North area are available, numbers for the bigger Denver South submarket, which includes the surrounding hotels on corridors like Colorado Boulevard, paint a picture that includes struggles.

Since 2015, that 15-hotel area has grown by more than 15,000 available rooms, from 61,597 to 76,762, according to the Rocky Mountain Lodging Report that is put out by the Colorado Hotel and Lodging Association. Yet the number of rooms that are occupied has grown at a slower rate, diminishing occupancy from 78.2% in 2015 to 74.3% in 2018.

The effect can be seen especially in the period from the end of 2017 to the end of 2018, when revenue per available room, a key industry statistic, fell from \$118.48 to \$113.45 in the submarket. The average daily rate came down over the past year as well – from \$153.59 to \$152.71 – despite the addition of the Jacquard, which is the highest-rate hotel in the market.

“All of those things make it more difficult,” Isenberg said of the competition and construction. “But we put together strategies to try to grow the business.”

And there is belief that any slump won't last. Isenberg noted that the office towers and multifamily living units that have made parking and transportation more difficult as they've gone up soon will be open, producing more businesses and more residents in the area that can draw out-of-town visitors.

More restaurants are coming too, and that should help to make the neighborhood an even bigger destination, Manley posited.

Cherry Creek could use a little bit more to cement its status as the place to be in Denver, Joblon said. It needs more nightlife, and maybe a greater variety of restaurants. It does not necessarily need more direct transit to downtown, however, despite what people have said.

“The reality is, most affluent people aren't going to jump on a bus or hop on transit,” he said, as long as Lyft and Uber are available.

Delcamp theorized that the large crowd of people who have moved to Denver in the past five years especially don't see downtown as being the lone focal point of the city anymore. They look to Cherry Creek and River North Art District and other neighborhoods and don't have to focus their attention or the attention of their visitors just in one place.

But one thing all of the hoteliers agreed on was that Cherry Creek North doesn't need any more hotels than the four it has and the one that Joblon is working to open. The growth has come, it's attracted visitors and attention and now it's time to let the market catch up fully to its new supply of rooms, they said.

“For developers and hotel owners, the good news is it's been an attractive market to invest in,” Isenberg said. “You want to make sure it's a healthy market, but you want to make sure we don't get overbuilt ... Take a breather and maybe absorb what we've got.”

Stonebridge Companies debuted The Jacquard Hotel & Rooftop in September 2018.



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