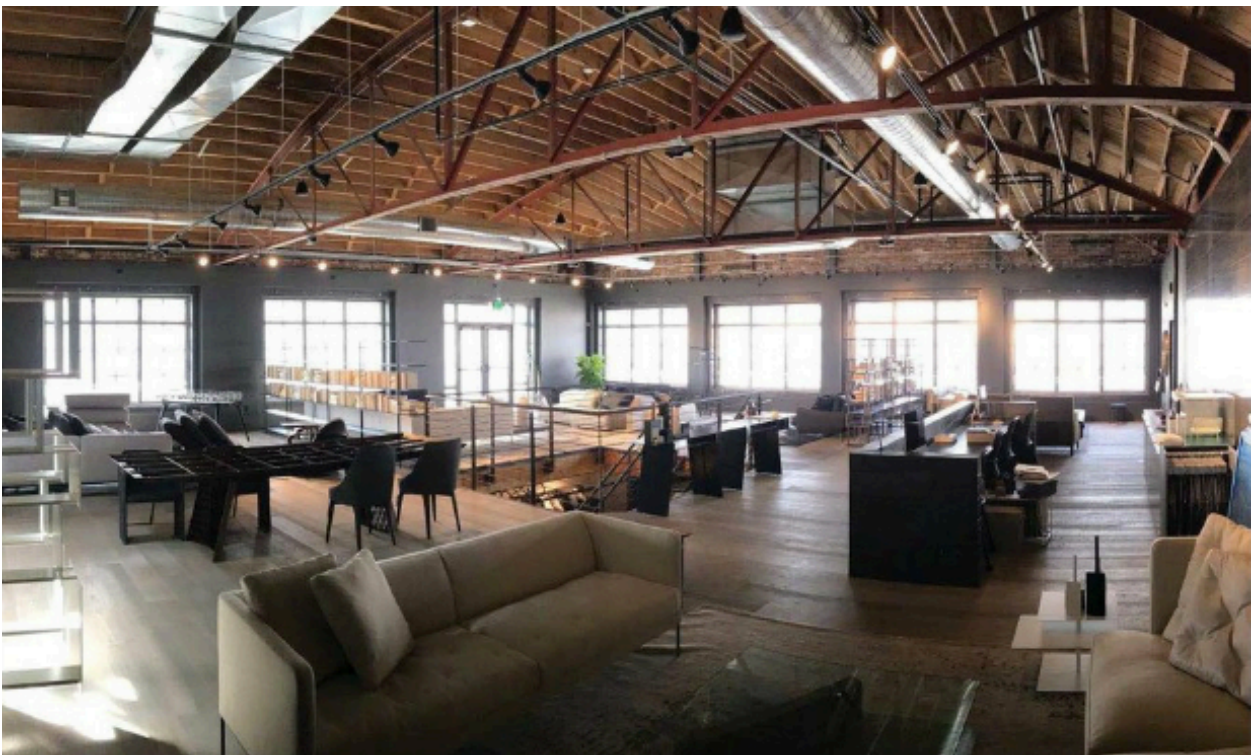


SAN DIEGO | MULTIFAMILY

Where Locals Are Heading For Value-Add Opportunities

MAY 14, 2018 | BY KELSI MAREE BORLAND

San Diego-based Pathfinder Partners has been focusing on growth markets, and Denver is among its top targets.



For value-add investors, emerging markets can be a goldmine of opportunities. San Diego-based Pathfinder Partners is focusing on a number of emerging markets throughout the Western US, and it is finding deals that fit its strategy in Denver. Recently, the firm completed the adaptive reuse of the Gold Star Sausage Factory building in Denver in the latest of 19 transactions in the market since 2010. We sat down with **Lorne Polger**, senior managing director of **Pathfinder Partners**, to talk about the firm's strategy and why Denver has been a hotbed of opportunity. **GlobeSt.com: Tell me about your overall investment strategy?**

Lorne Polger: Our investment philosophy has primarily been to acquire value-add multifamily properties in select mid-tier cities throughout the West. We have focused on investing in seven markets where we have been active for a number of years: Seattle, Portland, Denver, Phoenix, San Diego/Southern California, Las Vegas and

Sacramento. All of these markets exhibit strong market dynamics, solid population and job growth and attractive housing fundamentals, which we expect to continue over the next several years.

GlobeSt.com: What was the appeal of the Gold Star project, and do you have future plans for adaptive reuse projects?

Polger: Gold Star was a niche deal for us. Our focus will continue to remain in the residential space, primarily in workforce B level apartment communities across the western U.S. We actually first invested in the RiNo submarket back in 2012 in the residential space, which again is our focus. Since then, we followed the explosive growth of the RiNo district and when we were presented with the unique opportunity to buy the factory in 2016, we jumped on it. The project required vision to transform an old working factory into a high-end retail and office environment. Our local partners in Denver spotted the deal and we were able to use the strength of our balance sheet to get the deal closed quickly and efficiently.

They were literally making sausages there until a few days before we closed on the purchase. Working with Denver-based Oz Architecture, we were able to bring some of the class architectural elements back to life, including exposed brick, bow trussed ceilings and steel grids. By opening up the walls, we added copious amounts of natural light, something the building lacked before. Old became cool. And cool sells in places like Denver.

GlobeSt.com: Tell me more about your interest in Denver, and if you will continue to focus on that market?

Polger: Denver continues to show superior econometrics for long term real estate investing; population growth, an educated workforce, focus on new technologies and high quality of life. As a result, we remain bullish on the market and are planning to continue to invest in Colorado.

GlobeSt.com: Denver has grown tremendously in the last few years. How has the growth affected activity and pricing/cap rates for these deals?

Polger: We closed our first deal in Denver in 2009. Back then, Denver was primarily a local investor market. That has changed dramatically in the nine years since. Today, we are seeing Denver on the same tier as markets like Seattle and Chicago, with investors coming in from all over the country to play. As a result, it is much more competitive on the buy side. Good time to be a seller, but a harder time to be a buyer.