

October 31, 2005

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Retail Remains Strong for Rocky Mountain City

Retail vacancy rates continue to decline, rents are rising and absorption is positive. That's the latest from Trammell Crow's recent third-quarter MarketScope report on the local retail market. However, Trammell Crow cautions that with home heating costs forecast to be three times higher than last winter and gasoline prices not showing any signs of coming down appreciably, consumers' ability and willingness to spend is being called into question, at least for the short-term period. So far, however, it's only good news for the retail market. The overall vacancy rate in the third quarter dropped another 10 basis points to 6.8%. The South and Southeast submarkets had the lowest vacancies in the area at 2.8% and 4.1%, respectively. None of the area's 10 retail submarkets, however experienced more than a 100 basis point change in vacancy. Rental rates also improved. The weighted average retail rental rate rose 1.1% to \$14.95 per sf. It is up more than 1.6% compared to the same period in 2004. The Central and Aurora submarkets led the area, with rent increase of 7.9% and 5.5%, respectively, according to Trammell Crow. Rents continue to climb overall, but at a much slower pace than during much of the past three years. The market is still showing positive net absorption, but a fraction of where it was a year earlier. The metro Denver area recorded 69,986 sf of net absorption in the third quarter, bringing the total through the end of September to 510,103 sf. By contrast, the same period in 2004 saw 1.35 million sf of absorption. The South-Central and West submarkets fared the worst during the quarter, with negative absorption at 22,211 sf and 19,926 sf of negative absorption, respectively. Development activity, meanwhile, continues. South metro's retail inventory grew by 1.21 million sf during the past 12 months, representing what Trammell Crow calls a "strong" growth rate of 7.2%. Four projects totaling 943,000 sf entered the south market during the first half of the year. Another six development, with more than two million sf in total, are underway. Another six projects with a total rentable area of more than 500,00 sf, are currently in the planning stage, Trammell Crow notes. Redevelopment of older centers is also continuing with numerous projects. Meanwhile, some softening in consumer spending is anticipated. Consumer spending in the metro area rose by 4.4% during the first half of the year, which is half the 8.5% pace posted for the same period in 2004. However, it is always easier to increase demand from a lower baseline, so most economist feel the 8.5% jump was unsustainable. Also, 27,200 new jobs have been created through August and consumer confidence is on the rise. However, skyrocketing energy prices, rising interest rate and high level of household debt have caused spending to come down from the "lofty heights" of the past several years, Trammell Crow notes.

(Globest.com)

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Tenant Rep Firm Reports Increase in Industrial Absorption

The Denver-area industrial market boasted 1.74 million sf of positive net absorption in the first half of the year, according to a recent report by the Staubach Co. That is

substantially higher than the 669,557 sf absorbed in the first half of 2004, according to the tenant rep firm. The overall vacancy rate also dropped, but not nearly as dramatically. The overall vacancy rate stands at 9.6%, putting it is back in single digits. A year earlier, the overall vacancy rate was 10.4%. Despite the improving fundamentals, tenants are still getting good deals. The overall lease rate for research and development/flex space is \$8.35 per sf, down slightly from the \$8.35 per sf mid-year 2004. And the overall average rate for warehouse space is only up slightly to \$4.90 per sf, from \$4.80 per sf. Staubach tracked 18 submarkets, finding the highest office vacancy rate in Longmont, in Northern Colorado. In Longmont, the overall vacancy rate is 23.8%. It absorbed only 40,423 sf in the first half of the year. Its R&D/flex space leases for \$8.47 per sf, while the warehouse industrial space goes for \$6.48 per sf. However, many brokerage firms would not even consider Longmont part of the Denver market, but rather part of the Northern Colorado market. The 1.35 million sf of vacant space in the Longmont market accounts for 5.67% of the 23.72 million sf of vacant space on the market. Excluding Longmont, the next highest vacancy rate is found in the small Broomfield market along the US 36 Corridor. That market has 835,795 sf of vacant space for a 21% vacancy rate. It absorbed 28,060 sf in the first half of the year. The average quoted rental rate for R&D space is \$7.61 per sf, while the warehouse space average rent is \$5.08 per sf. The lowest rates were found in the Southwest market, another tiny industrial enclave. There, the vacancy rate is only 3.6%, with 325,124 sf of vacant space. The southwest market absorbed 60,497 sf in the first half of the year, with R&D/flex space leasing for \$10.08 per sf and warehouse space leasing for \$6.96 per sf. The largest submarket, the East Interstate 70/Montbello Corridor, has 6.07 million sf of vacant space. Its vacancy rate is 9.6%, exactly the same as the overall average for the entire market. That market absorbed 297,017 sf in the first half of the year. The average quoted rental rate for the Montbello market is \$5.61 per for R&D/Flex space and \$3.77 for warehouse space. The most expensive R&D space is found in the North industrial submarket, where the average quoted rental rate is \$11.14 per sf. The most expensive warehouse space, by a wide margin, is in the tiny Parker/Castle Rock submarket. That is the only market where the warehouse space is in the double digits. The average quoted rental rate in that market is \$10.90 per sf.

(Globest.com)

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Platte Valley Land Hits Market

A prime piece of land in the Central Platte Valley, mired in bankruptcy court for most of the year, finally is on the market. The Commons, seven acres between Speer Boulevard and 20th Street owned by WoDo LLC, a company created by Trillium Corp., eventually could be home to a \$360 million office, retail and hotel development. It's the biggest portfolio of land for sale in the valley besides the 20 acres around Denver Union Station, which could be developed into a \$1 billion public-private partnership. "With all of the national attention that the Union Station and FasTracks is getting, this key property will just add fuel to the fire," said Ethan Reed, senior information management coordinator for the Denver office of CB Richard Ellis, whose team of brothers Eric and Mark Roth and Tim Swan is listing the land. "This is a very high-profile piece of property." No price has been put on the

land. It involves eight different lots that can be sold separately or as a package, Eric Roth said. Some land in the valley has sold for as much as \$194 per square foot. Trillium received permission from the bankruptcy court in Seattle earlier this month to sell the land. The property had been tied up in bankruptcy court because Trillium had used it as collateral for a loan from a subsidiary of the collapsed Metropolitan Mortgage & Securities of Spokane, Wash. The collapse cost investors \$450 million. The Securities and Exchange Commission last month filed several fraud charges in the case, including against Trillium and its president and CEO, David Syre. In a statement last month, Trillium said it had cooperated with the SEC and that it was "confident that the judicial process will confirm that Trillium is a victim of, not a participant in, Metropolitan's . . . misdeeds." Tom Clark, executive vice president of the Metro Denver Economic Development Corp., estimated the 1.8 million square feet of potential development on the Central Platte Valley parcels could eventually "be the driving force for 6,000 or 7,000 jobs," creating a total payroll in today's dollars of \$325 million. Eric Roth said he plans to pitch the land to the 11 teams - including a team headed by New York real estate mogul Donald Trump - that are bidding on the Union Station redevelopment. "This could be a prize for the 10 that don't get Union Station," Roth said. He said he hasn't called Trump yet, "but he's on our list." Earlier this month, East West Partners, developer of Riverfront, agreed to buy about three quarters of an acre out of bankruptcy court from WoDo for nearly \$4 million, or \$150 per square foot, to round out adjacent land East West owns. East West is one of the 11 teams competing for the Union Station redevelopment. "I have no idea whether we would be interested in the Commons," said Chris Frampton of East West Partners. "But it is nice to see that it is being marketed. I could see that as land that would really attract new jobs to Denver. If a company were looking for a headquarters site, that has everything you would ever want." Syre, the head of Trillium, didn't return a call this week for comment. Marilee Utter, principal of the transportation development consulting firm Citiventure Associates, worked for Trillium from 1992 to 1997. She noted that Trillium paid "something less than \$5 per square foot," when it bought the land, which was part of a 185-acre portfolio that it bought in 1991. "I was just showing some slides at a presentation of what it looked like in 1990 and what it looks like today," Utter said. "It's been a huge transformation. If you weren't around back then, it's hard to imagine how much it has changed." And she said the potential of the remaining land has yet to be tapped. "I think that is land which is really going to capture the imagination of people," Utter said. **(Rocky Mountain News)**

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City Preparing For New Growth Plan

Denver Mayor John Hickenlooper and the Downtown Denver Partnership on Thursday unveiled new details of a \$300,000 study that will provide a road map for development and growth downtown in the next two decades. The public-private study updates the Downtown Denver Plan completed in 1986 under Mayor Federico Peña's administration. Many of the ideas that grew from the original plan, such as construction of the Colorado Convention Center, the redevelopment of lower downtown and development of the Central Platte Valley, took place under Mayor Wellington Webb's watch, Hickenlooper noted. The new blueprint for growth is called the 2007 Downtown Area Plan and is expected to take 18 to 24 months to complete.

Seven teams submitted proposals to lead the planning process for the plan. They have been whittled to four finalists, and a winner is scheduled to be picked next month. Hickenlooper told about 150 business leaders Thursday morning at the Westin Tabor Center that Denver will celebrate its 150th anniversary in 2008 and that it is only fitting it should have a plan in hand to guide the city's growth in the next 20 to 25 years. City Attorney Cole Finegan and Jim Basey, a retired banker who served as interim CEO of the Downtown Denver Partnership until Tamara Door was hired, are the co-chairmen for the plan. Finegan said the plan not only will help outline how to best capitalize on Denver's strengths but also will take a hard look at the city's weaknesses and how to address them. **(Rocky Mountain News)**

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Carr America Says Goodbye to Denver

CarrAmerica says it will sell its properties in Denver and in Chicago. The Washington-based company did not say what it expected its portfolio in those two markets to be worth but said it would begin marketing them next year. CarrAmerica has 14 properties in the Chicago market and 23 in Denver. "We have decided, based on current market returns and other market factors, that we will seek to sell our wholly owned properties in Chicago and Denver," the company says in a statement. "We intend to reinvest the proceeds ... in our other markets where we believe we will recognize a greater return on our invested capital." CarrAmerica owns or holds a stake in about 290 commercial properties, primarily in Chicago, Texas, California and the Washington market where it owns 24 properties, making it one of this region's largest landlords. This summer, the company raised almost \$100 million in a secondary stock offering to pay down debt and fund new acquisitions. In August, CarrAmerica (NYSE: CRE) closed on its \$61.7 million acquisition of the 12-story Park Place office building in Rosslyn, Va., one of nine office buildings it acquired during the third quarter for a total of \$213 million. It has also sold buildings in other markets, including Phoenix and Tucson, Ariz. CarrAmerica reported third-quarter net income of \$13.6 million, or 17 cents per share, compared with \$37.6 million or 61 cents per share in the same quarter a year ago. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	3.75	3.75	1.75
3 MONTH LIBOR	4.25	4.02	2.16
PRIME RATE	6.75	6.75	4.75
10 YEAR TREASURY	4.55	4.29	4.09
30 YEAR TREASURY	4.77	4.55	4.85