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Executive Tower Hotel to be Reborn via Financing Deal

The Denver Urban Renewal Authority on Thursday approved a \$21 million tax increment financing deal for the shuttered Executive Tower Inn hotel. Walter Isenberg, president and CEO of Denver-based Sage Hospitality, said that his company, with Citigroup Property Investors, will purchase the hotel at 1405 Curtis St. and pour tens of millions into renovating it. Although the price Sage and CPI will pay for the hotel, which encompasses the first to the 16th floors, wasn't disclosed, Isenberg said the purchase and redevelopment will cost \$70 million. "The redevelopment will be significantly more than the purchase price," Isenberg said after the DURA board meeting. Last summer, the hotel's owner, Florida-based RNR Property Co., sold the top 14 floors of empty office space for redevelopment into about 440 beds for housing students at the Auraria campus. Isenberg said the hotel closed at the end of October for the massive renovation, which is under way. The plan is to reopen it in October 2006. The hotel, once considered the place to stay for staunch Democrats and unions, opened in 1974. The lava rock on the exterior will be removed and replaced with glass and other materials; the 337 rooms will be enlarged; the heating, cooling and electrical systems will be upgraded; and some asbestos will be removed. The architect is Denver-based Newman Cavander & Doane. Isenberg noted that the Denver City Council in November 2001 approved the \$21 million financing for the redevelopment of the Executive Tower Inn. The development stalled for the next four years. "At that time, we anticipated that the city would issue certification of participation," or COP, bonds for the deal. Sage, founded in the mid-1980s by Isenberg's partner Zach Neumyer, is one of the nation's largest privately held managers of hotels. In Denver, its holdings include the historic Oxford Hotel, the Courtyard by Marriott and the TownePlace Suites by Marriott at West Sixth Avenue and Speer Boulevard. It has almost completed the \$44 million Residence Inn by Marriott at 18th and Champa streets, which it is developing without a subsidy. Under the new deal, the COP financing is being replaced by tax increment financing, or a TIF, reimbursement. "The city and DURA have no risk" on the resolution for the deal approved Thursday, Isenberg said. "If you think about it, with COP financing or a traditional bond financing, there is risk to the credit of the city and county of Denver." Under the new deal, Sage and CPI will pay for the work and their taxes, a portion of which will be reimbursed to DURA, which in turn will return the amount to Sage-CPI for the next 20 years or so, or until the \$21 million and interest is paid back. Tracy Huggins, executive director of DURA, noted that the City Council first approved the deal four years ago because of the "immediate impact" a reborn hotel would have on that corridor and the Denver Performing Arts Complex across the street from the hotel. Chris Nevitt of the nonprofit Front Range Economic Center said that he supports the renovation of the hotel but points out that \$21 million amounts to more than 25 percent of the cost of the renovation. "That is a very big investment, and for that kind of investment, as with all investments by the public sector, there should be an explicit expectation that they will create good jobs and use 'high-road' construction workers," Nevitt said. "Too many public construction jobs are built by a low-wage, out-of-state work force. That said, redeveloping the ETI is a good thing." **(Rocky Mountain News)**

Fitzsimons Picks Bioscience Park Developer

The Fitzsimons Redevelopment Authority said Monday it is negotiating exclusively with Forest City Enterprises Inc. to develop the bioscience park in Aurora. The FRA has been seeking a private developer to accelerate the development of the bioscience park. Two candidates were interviewed: Forest City Enterprises and DTC/Meridian. The authority is responsible for the redevelopment of the former Fitzsimons Army Medical Center in Aurora. Fitzsimons will become home to the University of Colorado Hospital and The Children's Hospital, in addition to the Fitzsimons Bioscience Park. Forest City will be called upon to build as much as 3.5 million square feet of research space, which will become home to startup companies. Plans call for the authority to provide the land and market the space to bioscience companies. The developer would supply construction costs and expertise in development. The authority said the research space could be available in as little as 24 months. "We are delighted with the quality of the proposals we received," Jill Farnham, acting executive director of the FRA said in a press release, "and we're excited to move into the next phase of development of the bioscience park." If a definitive agreement cannot be reached during negotiations, the FRA will pursue discussions with DTC/Meridian. **(Denver Business Journal)**

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Triumph Buys Building that Houses GlobeImmune

Triumph Real Estate Corp. announced Monday that it's bought a 188,000-square-foot, Class A, high-tech office building at 1450 Infinite Drive in Louisville for \$15 million in a joint venture with Madison Realty Investors. Growing biopharmaceutical company GlobeImmune recently signed a five-year lease for 40,500 square feet of space in the building, giving it 93 percent occupancy. Replidyne and Storage Technology Corp. also are tenants. Louisville-based Triumph said its company portfolio now includes more than 500,000 square feet of space. The building cost \$46 million to build in 1996. **(Denver Business Journal)**

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Four-Building Portfolio Fetches \$10M-Plus

An investment group calling itself Westpark IV LLC recently paid \$10.3 million for the four-building class A Westpark Office Center in this city northwest of Denver. The sale price represents \$120 per sf with a market capitalization rate of 7.62%. Marcus & Millichap investment specialists Eric Kimose and Brian McKernan of the firm's Denver office represented the seller in the transaction. Kimose and McKernan also secured the buyer. The seller was Westpark Office Center LLC. "These four well-maintained buildings are 90% occupied and currently outperforming comparable properties in Denver's Northwest submarket," says Kimose. "Tenants are a strong mix of local and national tenants in the medical, financial, consulting, insurance, law and high-tech industries." McKernan adds: "These are high-quality assets that will only increase in income and appreciation, making this one of the best office values in

the metro area." Located on Turnpike Drive, four-building, 86,000-sf Westpark portfolio consist of two 25,000-sf, two-story buildings constructed in 2001; one 18,000-sf, two-story building built in 1999; and one 18,000-sf, two-story building built in 1986 but remodeled in 1999 with new finishes and refurbished roof and HVAC. Major tenants include Country Cos., Gillan's Engineering, Land America TransNation Titles, Traveler's Insurance Co., TTI Inc., Waddell & Reed, Westaff and Westmed Primary Care. **(Globest.com)**

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Experts Say Real Estate's Easy Money Has Been Made

Rents and tenancy will once again take their rightful place in the acquisition process, and cap rates will factor less in coming months. That's the word coming from a Monday morning press briefing by the researchers of Boston-based Torto Wheaton Research, conducted in the Manhattan offices of parent firm CB Richard Ellis. As Craig Thomas, SVP and director of research for Torto Wheaton, explained during the presentation, 11% average total returns for the past three years were nice, but "4.9% of that came from cap-rate contributions." Now those contributions are about to go away, and "in 2006, those levels of return are going to have to come from somewhere else. The period we have enjoyed is ending." In a post-meeting conversation, Thomas noted that he expects cap rates to rise "primarily because of their close correlation with 10-year treasury yield." "The easy money's been made," said company principal Raymond G. Torto, "and returns going forward will be in the single digits." Prices are going to stay high, he added, but with interest and cap rates continuing to creep up, the result will be lower returns. He termed the coming trend the post-cap rate-compression era. In terms of the ongoing question of whether or not there is a housing bubble, Torto indicated that indeed there is. With 4.4 million housing starts from 1996 to 2005 and the slowing of new households, we face a serious excess supply of housing. But none of this amounts to a major correction or a reason to shed your real estate holdings, the duo said, and "We expect continued moderate improvement in leasing," Thomas projected. Investors are simply "going to have to do their homework." Even those novice investors who flipped from the stock market to real estate because of the returns will not vote with their feet and exit the market in droves. Torto pointed out that even if the returns become more comparable with other alternatives, real estate will still offer these private investors much needed investment diversification. If there is a risk it would come in the event that interest rates do not rise--something the two analysts are betting against. "As fundamentals improve and prices rise," Torto said, "if interest rates fail to rise cap rates will continue to fall. We're already above replacement cost and we risk overbuilding." **(Globest.com)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.00	3.75	2.00
3 MONTH LIBOR	4.37	4.17	2.34
PRIME RATE	7.00	6.75	5.00
10 YEAR TREASURY	4.49	4.46	4.11
30 YEAR TREASURY	4.68	4.68	4.81