

November 7, 2005

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Economic Growth Accelerated in 3rd Quarter

The economy grew at a faster pace in the third quarter, the government reported yesterday, as stronger consumer and government spending helped offset the effects of two devastating hurricanes and soaring energy prices. The nation's gross domestic product rose at an annual pace of 3.8 percent from July to September, up from 3.3 percent in the second quarter, the Commerce Department said. Economists had expected a 3.6 percent growth rate, according to a survey by Bloomberg News, in part because they thought Hurricanes Katrina and Rita would take a greater toll than they appear to have. "This shows tremendous economic resilience, the fact that we can get a 3.8 percent growth rate with the issues that unfolded in the latter stages of the quarter," said Michael Strauss, chief economist at Commonfund, which manages money for colleges and nonprofit institutions. The stock market rallied after the report: the Standard & Poor's 500-stock index closed up 19.51 points, or 1.65 percent, to 1,198.41. This strong growth is expected to give Federal Reserve policy makers yet another reason to raise their benchmark short-term interest rate, now at 3.75 percent, when they meet Tuesday. The first estimate of quarterly G.D.P. is based on incomplete data and it is revised as more information is collected; the government will release a more comprehensive estimate on Nov. 30. Personal consumption was up 3.9 percent and contributed 2.73 percentage points of the growth rate. Auto purchases contributed 0.62 percentage points, and furniture and household equipment purchases added 0.35 points. John W. Snow, the Treasury secretary, called the economy's performance "truly outstanding" and claimed credit for the Bush administration. "There can be no doubt that the American economy is an adaptive and resilient marvel, and one that has benefited greatly from good fiscal policies," he said in a statement. "The strong and steady G.D.P. growth we've been experiencing is the result of lower tax rates, sound monetary policy set by the Federal Reserve and the economy's underlying fundamentals." But critics noted that the administration's economic record was not universally rosy. Growth in personal disposable income slowed to 2.8 percent from 4.9 percent. Adjusted for inflation, disposable income fell 0.9 percent after increasing 1.5 percent in the second quarter. Some of the decline was attributable to lost rental and business income on the coast of the Gulf of Mexico after Katrina and Rita lashed the region. The personal saving rate fell to minus 1.1 percent, from 0.1 percent. In another report released yesterday, the Labor Department said that the employment cost index, which is composed of wages, salaries and benefits, rose 0.8 percent in the third quarter from the second quarter. Adjusted for inflation, however, the index was down 1.5 percent from September 2004, with the wages and salary portion dropping 2.3 percent. "With stagnant hourly wages, the only way for working families to get ahead is by working more hours," Jared Bernstein, a labor economist at the Economic Policy Institute, a liberal research group, wrote in a note, adding that that is "certainly not the path to improving living standards that we'd expect in an economy posting strong productivity gains." The University of Michigan reported yesterday that its consumer confidence index fell to 74.2 this month from 76.9 in September, which was sharply down from August. An earlier reading of the index showed confidence falling to 75.4 in October. Inflation measured by prices for

domestic purchases rose 4 percent, up from 3.3 percent in the second quarter, the Commerce Department reported. Excluding food and energy, prices climbed 2.2 percent from 2.1 percent. Retail gasoline prices soared past \$3 a gallon after the hurricanes in September and appear to have sapped consumer spending a bit that month, economists said. And heating bills are expected to be 30 percent to 48 percent higher this winter than last year. "The negative impact associated with the energy shock will be more evident in the fourth quarter even though it hit in September," said David Greenlaw, an economist at Morgan Stanley. Mr. Greenlaw said recent surveys showed that manufacturing and other business activity had picked up and could make up for some of the slower consumer demand expected in the fourth quarter. **(New York Times)**

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Continuum Partners Plans Belleview TOD

Development company Continuum Partners LLC will buy a large amount of land near the light rail station at Belleview Avenue and I-25 in the Denver Tech Center. Continuum, based in Denver, plans to develop a large "transit oriented development," including retail office, hotel and residential development. Continuum has entered into an agreement to purchase the land from Bansbach family, which has owned it since 1901. The company will develop the project in partnership with the family. "Our families have received enormous interest from developers on this particular piece of land," said Dutch Bansbach, in a statement. "We're impressed with the vision and approach Continuum brings to the table, as well as the company's reputation for developing dynamic, pedestrian friendly, mixed-use projects. We think this partnership is ideally positioned to produce a unique transit-oriented development in the heart of this community." Continuum specializes in developing high-density, mixed-used, sustainable communities. In metro Denver, the company bought Villa Italia mall in Lakewood and is redeveloping it into a large mixed-use community called Belmar. The company also is developing Bradburn, a new urbanist neighborhood in Westminster and built 16 Market Square, an office, retail and residential building in downtown Denver. At the DTC project, to be called Belleview Station, Continuum will develop 18 acres into approximately 1,900 residential units, 200,000 square feet of office space and 160,000 square feet of retail. Continuum also is looking at building a four- or five-star hotel and a parking program for the site, according to statement issued by the company. "We wanted to be involved in the development of this site because it's one of the most desirable and important transit locations along the entire I-25 corridor," said Mark Falcone, CEO and founder of Continuum Partners, in a statement. "The site is the southern gateway to Denver, a significant light rail station location for the DTC, and of regional significance as the transfer between the southeast line and the I-225 line." **(Denver Business Journal)**

Biotech Takes Root in Northern 'Burbs

Boulder and the northwest suburbs are buzzing with biotech activity as companies sign new and larger leases there, creating what some call a "critical mass" for the industry. In the last year or so, biotech companies have signed leases totaling 447,000 square feet in the northwest corridor. About half of that was from lease renewals; the other half was from new leases or companies expanding their operations. That's in contrast to the Fitzsimons campus in Aurora, which is losing its highest-profile tenant because of space constraints. "I do think that Fitzsimons will get over the hump," said Eric Brynestad, an associate with real estate firm The Staubach Co. in Denver who compiled the numbers. "But it's going to take time." Fueling some of the growth in the northwest corridor is GlobeImmune, which is moving from Fitzsimons to 40,000 square feet in Louisville following a \$34 million infusion of venture capital; and Dharmacon, which grew from 10,000 square feet to 40,000 square feet in Lafayette. Fisher Scientific International Inc. (NYSE: FSH) of Hampton, N.H., bought Dharmacon, which makes and sells synthetic ribonucleic acid, last year. In all, biotech companies lease about 1 million square feet in the northwest suburbs. When you add space owned by such biotech giants as Amgen Inc. in Longmont and Roche Colorado in Boulder, the total climbs to 2.4 million square feet. "For a state that's trying to grow a biotech cluster, it's a very good sign," Brynestad said. "It does position us very well compared to all these other cities who are trying to grow their biotech presence." Biotechnology is a fast-growing industry pursued by nearly every state because of its high-paying jobs and potential economic impact. Colorado executives and economic developers long have hoped to develop a critical mass of companies in one location because it's considered pivotal to attracting venture capital and top talent, as well as fostering innovation. "It tends to be a community that is very close-knit," Brynestad said. "If you are trying to recruit a scientist from Cambridge ... they'd like to know they have options near where they are relocating." Last year, Myogen Inc. in Westminster signed a 40,000-square-foot lease, expanding its space by 13,000 square feet for additional laboratories and offices. The company raised \$125 million in September by selling newly issued common stock through a public offering. Fueling Myogen's success are two drugs in late-stage clinical development: ambrisentan, for treating pulmonary arterial hypertension, and darusentan, for treating resistant systolic hypertension. In August, Myogen (NASDAQ: MYOG) reported positive results for a trial evaluating darusentan. If the company gets similar good news about ambrisentan, it could be in the market for much larger space -- maybe as much as 100,000 square feet. "We are always keeping an eye on what properties are out there from a long-term strategic planning point of view," said Derek Cole, director of investor relations. But if the company moves, it will be within the northwest corridor. "We draw ... resources from both the Denver area and from the Boulder area. The 36 corridor is the prime spot for us," Cole said. "We would not look to move very far, if at all." GlobeImmune, which is developing drugs to treat cancer and chronic infectious diseases, is leaving the incubator at Fitzsimons for twice as much space in Louisville. The company has two drugs in clinical trials, and in September it raised \$34 million. Its new space will house administrative offices as well as laboratories and manufacturing facilities. The company outgrew the space available at Fitzsimons, said Kirk Christoffersen, senior director of corporate development for GlobeImmune. "We just simply grew faster than their construction plans," he said. "The timing wasn't going to work. We are busting at the seams." The Fitzsimons campus includes a 60,000-square-foot bioscience center, the start of a 160-acre, university-

affiliated research park. In April 2006, Fitzsimons will open a second center that is 25,000 square feet. While growth there has been slow, the research park should get a jump start in the next few weeks when the Fitzsimons Redevelopment Authority selects a private developer to build millions of square feet of research space there. The private developer 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 20 months. "We support GlobeImmune's growth," said Vicki Jenings, director of research park operations at Fitzsimons. "We want to make sure the next GlobeImmune is able to stay at Fitzsimons." **(Denver Business Journal)**

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Construction Boom Topping \$1B, Changing Skyline

More than a dozen new buildings, either under construction or on the drawing board, are planned in Downtown. Together, the buildings will have a completed value of more than \$1.5 billion. The buildings include high-rise hotels, some hotel-condo towers, residential skyscrapers, build-to-suit offices, and public buildings. Not surprisingly, there are no major office spec buildings planned, other than some relatively small condo-office buildings. George Thorn, principal of Mile High Development and a long-time local developer, says that because most of the buildings are being constructed along the edge of the CBD, Denver's skyline will change. If they were in the core of Downtown, much larger buildings that were constructed in Downtown Denver in the 1980s would hide them, Thorn tells GlobeSt.com. These latest high rises are the first to be built in Downtown since 1999 Broadway opened in 1985. Thorn notes to GlobeSt.com that the last building boom Downtown in the early and mid-1980s, primarily by Canadian developers, largely brought spec office buildings downtown. That building boom was predicated on oil reaching \$60 or more per barrel, something that didn't occur for another 20 years. When the energy prices collapsed in the 1980s, Downtown's office demand dried up for years, and was extremely overbuilt. Now, Downtown's office market is the healthiest of all the submarkets, but buildings still don't command the rents that would justify new spec office construction. A partial list of the buildings under way or planned, include:

- the \$378-million justice center and jail the City of Denver will build on the site of the Rocky Mountain News;
- the \$355-million Hyatt Regency Denver at the Colorado Convention Center, a 37-story, 1,100-room hotel being developed by Mosher Sullivan that will open in December;
- the proposed Four Seasons and Private Residences planned by Jeff Selby and Michael Brenneman, which will cost an estimated \$350 million;
- the \$110-million, 41-story Spire condominium tower by Randy Nichols that is being designed by RNL;
- the 31-story, \$140-million Lincoln Park by Erik Osborn that is being designed by Buchanan Yonushewski Group;

- a 30-story, \$65-million building that will target senior citizens by the St. Charles Town Co. and Wally Hultin;
- the 23-story, \$125-million Glass House by East West Partners;
- the 22-story, 138-room Inn at the DAV proposed to be built next to the Denver Athletic Club;
- the 14-story, \$44-million Residence Inn by Marriott that is under construction and being developed by Sage Hospitality;
- the \$88-million, Rocky Mountain News, Denver Post and Denver Newspaper Agency build-to-suit that is under construction;
- the \$65-million EPA Regional Headquarters under construction in LoDo that is being developed by Opus Northwest;
- the \$5-million, 56-unit Museum Residences being developed by Thorn's Mile High and Corporex Colorado, and marking well-known architect Daniel Libeskind's first Denver residential project;
- the 220-room, 12-story Hilton Garden Inn that will start construction later this year by Stonebridge Cos.;
- and the Museum of Contemporary Art to be designed by London-based architect Daniel Adjaye. A fund-raising effort is under way to pay for the new museum in the Central Platte Valley. **(Globest.com)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.00	3.75	1.75
3 MONTH LIBOR	4.30	4.09	2.21
PRIME RATE	7.00	6.75	4.75
10 YEAR TREASURY	4.00	4.35	4.07
30 YEAR TREASURY	4.82	4.57	4.81