

December 5, 2005

A Denver Based Commercial Real Estate Investment and Management Company
Contact Ken Gillis at 303-407-8715

Ch-Ching! Register Sold Again

An Australian company is buying control of Denver's most recognizable office building. Macquarie Properties and Macquarie Office Trust will acquire an 80 percent stake in downtown Denver's Wells Fargo Center, better known as "the cash-register building," in a deal expected to close by the end of the year. This is the second time the 50-story building will have changed hands this year. Maguire Properties, a publicly traded commercial-property investment and management company in Los Angeles, purchased the building from Commonwealth Properties earlier. Under terms of the deal, Macquarie also will acquire a controlling interest in five of Maguire's California office buildings. Macquarie is putting a California building it owns into the joint venture called Maguire Macquarie Office. The purchase price was not disclosed. The 1.2 million-square-foot, 698-foot-tall Wells Fargo Center at 1700 Lincoln St., completed in 1983, is the third-tallest building in Denver. The tenants include several departments of Wells Fargo Bank, Newmont Mining Corp. and the Holme Roberts & Owen law firm. It's 89 percent occupied. The new venture will include about 4 million square feet of office space. Maguire owns about 16 million square feet of space. "The institutional investors in Australia have an enormous amount of capital and have identified Southern California and Maguire as a REIT (real estate investment trust) that continues to grow and would like to be a part of it," said Peggy Moretti, a spokeswoman for Maguire. Maguire netted about \$350 million by contributing its assets. It intends to use about \$100 million to pay down debt. The remainder will be used for future acquisitions and development. Maguire will keep the leasing and property management of the buildings. There are incentives in place to ensure that the venture meets specific goals, Moretti said. More than \$26 billion in assets are managed under the Macquarie brand across a portfolio of unlisted properties, trusts, development funds and investment syndicates. The company also has a partnership with Denver-based ProLogis, the world's largest owner, operator and manager of distribution facilities. Macquarie ProLogis Trust has about \$1.6 billion in assets. Last year, Macquarie entered into a similar arrangement with Regency Centers, a Florida-based developer of shopping centers. Macquarie is turning its attention to the U.S. because there is more capital coming from investors in Australia than there are commercial properties to buy, said one real-estate expert who asked not to be named. "They bought into three operating REITs and could deploy capital and not gear up with any personnel," he said. **(Denver Post)**

...

Economy is Humming, but Picture is Complex

Gasoline is cheaper than it was before Hurricane Katrina slammed into New Orleans. Consumer confidence jumped last month, and new-home sales hit a record. The stock market has been rising. Even the nation's beleaguered factories appear to be headed for a happy holiday season. By most measures, the economy appears to be doing just fine. No, scratch that - it appears to be booming. But as always with the U.S. economy, it is not quite that simple. Consumer confidence is bouncing back from some of its worst readings in years. Gasoline prices - the national average is now \$2.15 for a gallon of regular unleaded, according to the Energy Information

Administration - have fallen because higher prices tamped down demand and supplies in the Gulf Coast have been slowly restored. The latest read on home sales, released Tuesday, contradicts virtually every other recent measure of housing activity that generally indicates a slowdown. And yes, manufacturers' fortunes are on the mend, but few besides airplane makers are celebrating. It all means that the economy is likely to end the year with a splash, but that does not mean the broad economic picture next year will be even better. Indeed, the Organization of Economic Co-operation and Development on Tuesday said the U.S. economy is likely to repeat 2005. The OECD projected that 2005 growth will settle at 3.6 percent, down from 4.2 percent in 2004. The OECD also forecast 2006 growth at 3.5 percent, but other economists think that may be too optimistic. Now investors, whose stock buying had been fueling an end-of-year rally, fear that the latest positive figures will lead the Federal Reserve to take the punch bowl away by raising interest rates more than most analysts expected just a few weeks ago. In turn, that could further slow the housing market, dampen consumer spending and crimp corporate profits. "The two major concerns are the extent of slowdown in housing and how it can feed into growth and consumer spending," said Joshua Shapiro, chief U.S. economist at Maria Fiorini Ramirez Inc., a research firm in New York. Many analysts, including Shapiro, believe a housing slowdown is already underway. Along with rising interest rates and anemic job growth, any such drop-off could sap the economy next year. By just how much is still subject to debate. Americans have taken advantage of historically low mortgage rates to buy homes, refinance existing loans and borrow money for renovations or other household needs, all of which have been an important and substantial boost to spending, Shapiro said. Even a modest tapering off could knock growth down a peg or two. Shapiro says growth could drop to 3.2 percent in 2006. The average interest rate on a 30-year, fixed-rate mortgage was 6.28 percent last week. The Commerce Department said Tuesday that new-home sales jumped 13 percent in October, to a record annual pace of 1.42 million. But that contradicted earlier data that show existing-home sales slowing, construction activity easing, falling mortgage applications and declining confidence among homebuilders. "I basically have a wait-and-see attitude with some healthy suspicion about this report," said David Seiders, chief economist at the National Association of Home Builders. "Either there is something that all of those other reports are not telling us, or this will get revised." **(New York Times)**

...

Apartment Rents up in Quarter

The laws of supply and demand held true when it came to Denver-area apartments in the third quarter. A greater demand in the form of fewer vacancies translated into higher rents during the third quarter. The data comes from the Denver company Apartment Appraisers & Consultants, which publishes a quarterly look at the local apartment market. The company surveyed every rental property with at least 50 units. According to the company, the average vacancy fell to 8.39 percent in the third quarter from 8.55 percent in the previous quarter. The monthly average gross rent, excluding utility costs, rose \$5 to \$843, over the same period. That's \$18 higher than a year ago. Apartment Appraisers reported 17 apartment communities –

- containing a total of 3,139 units -- were under construction in the third quarter.
(Denver Business Journal)

...

CalPERS Enjoys Hefty Returns from Real Estate

Real estate has provided the California Public Employees' Retirement System with an overall return of 51.4 percent in the fiscal year that ended June 30. That's the highest annual return it has posted since CalPERS has been investing in real estate. The hefty returns were driven largely by CalPERS' investments in core assets which provided a return of 57.4 percent, while non-core holdings, including investments in international markets, opportunity funds and seniors housing provided a return of 40.7 percent. CalPERS aims to invest 8 percent of its assets in real estate. As of last month, it had \$9.8 billion of real estate, which translates to 5 percent of its overall portfolio. **(LoopNews)**

...

DP World Buying Tech Center as Part of \$6B Deal

The Denver Tech Center and the Meridian International Business Park by next spring could be owned by Dubai Ports, which is owned by the emirate of Dubai. That's because DP World has agreed to purchase the corporate parent of the two parks, London-based Peninsular & Oriental Steam Navigation Co. for \$5.7 billion. Although the Tech Center and Meridian are large business parks in the metro area, they are small holdings for P&O, whose primary business is operating ports and ferries. Peter Culshaw, president of the Tech Center and Meridian, has yet to meet representatives for the new owners. The P&O purchase is the largest ever by a Persian Gulf country. But Culshaw tells GlobeSt.com that he doesn't expect any significant changes. "They say they want to buy all of P&O's operating units and keep them as they are," Culshaw tells GlobeSt.com. "I have no reason to believe that is not the case." A new owner flush with cash may prove beneficial, he tells GlobeSt.com. "It may turn out to be a positive," Culshaw says. "They may have more of an appetite for investment properties than P&O. One can only hope. P&O had been whittling down its real estate holdings recently to focus on its core business. But who knows what will happen?" If the new owner decided to spin off its metro-area holdings, there would be a lot of interest. But Culshaw says there is nothing to indicate the company plans to sell the real estate. Peter Savoie of Miller Global Properties, a major private real estate investment company headquartered in the Tech Center, says that the real estate holdings account for an almost insignificant part of P&O's holdings. He tells GlobeSt.com that it is possible that the new owners will continue to allow Culshaw to run the two business parks autonomously. The late George Wallace founded the Denver Tech Center, at Interstates 25 and 225 in Denver and Greenwood Village, in 1962. It is home to more than 1,000 companies and has more than 14 million sf of development. It includes 9.4 million sf of office space, 3,070 multifamily units and 126 single-family

homes. It also includes upscale and neighborhood retail center and several hotels. Meridian, at I-25 and C-470, spans 1,692 acres in Douglas County. It includes an 18-hole golf course and relatively new buildings. A number of companies have corporate campuses there including First Data, Liberty Media and the engineering firm of Ch2M Hill. The Tech Center also owns the Hudson's Bay Centre in Downtown Denver, the Meridian One building in Meridian, and Ptarmigan Place in Cherry Creek. **(Globest.com)**

...

Broadway Tower Sells for \$77.65 Million

Three companies created a joint venture that recently paid \$77.65 million for the landmark, 43-story 1999 Broadway office tower in downtown Denver. The 20-year-old, triangular building was the last high-rise built in downtown Denver during the construction boom of the mid-1980s that was fueled by rising energy prices. When the oil boom went bust, plans for other skyscrapers were scrapped. The 642,000-square-foot building, designed by the Denver firm of Fentress Bradburn Architects, was built around Holy Ghost church. The buyers are Broadreach Capital Partners LLC, of Palo Alto, Calif., and Los Angeles; Chicago-based Transwestern Investment Co. LLC; and Denver-based Equity West Investment Partners LLC. Equity West, headed by David Naus, is a minority owner, while Broadreach and Transwestern are equal, majority owners. The venture paid about \$121 per square foot for the building, less than half the estimated replacement cost of \$250 per square foot. The seller was Boston-based Winthrop Financial Associates, in a deal handled by Tim Richey and Mike Winn of Cushman & Wakefield. "I think for the first time in its history, the building is owned by real, real estate owners, and not just institutional investors," Naus said Wednesday. "I think it is going to make a world of difference. And I think our timing is right, because that area is just getting better." Nick Lyle, a director at Broadreach Capital, is impressed by the design of the building, the fourth-tallest in downtown. "I think (1999 Broadway) is an architecturally distinct and attractive building," Lyle said. Also, with plans for One Lincoln Park, a 31-story high-rise condominium tower at 20th and Lincoln streets, the area is poised to improve quickly, Lyle said. The largest tenant, with more than 100,000 square feet, is oil producer Kerr McGee. Catholic Health Initiatives, a charity, and Harris Corp., a telecommunications equipment company, are other large tenants. Titanium Metals Corp., a maker of parts for airplanes and other industrial uses, has its headquarters on the 43rd floor. The building is 84 percent leased. At one point in the 1990s, Winthrop provided a Rolls Royce for tenants. Stephen Quazzo, CEO of Transwestern, said the venture may introduce a limo service. Quazzo noted that he was involved in the sale of the building to Winthrop in the 1990s when he was with Goldman Sachs. Transwestern Commercial Services will manage the building and Cushman & Wakefield will lease it. **(Rocky Mountain News)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.00	4.00	2.00
3 MONTH LIBOR	4.45	4.28	2.44
PRIME RATE	7.00	7.00	5.00
10 YEAR TREASURY	4.54	4.61	4.41
30 YEAR TREASURY	4.74	4.80	5.00

