

February 20, 2006

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Apartment Market Strengthening

Marcus & Millichap, in its most recent research report, is forecasting that the metro-area apartment vacancy rate this year will drop 100 basis points to 7%, as rental demand remains robust. In 2005, it notes, the rental vacancy rate fell 160 basis points due to strong absorption and limited construction. Marcus & Millichap also projects that asking rents this year will rise by 2% to an average of \$863 per month, while effective rents will increase by 6.7% to \$790 per month. "Owners will have an ample amount of concessions to burn through this year," the report notes. The improving fundamental moves Denver up to No. 24 on Marcus & Millichap's National Apartment Index. Last year, it was ranked No. 25. Orange County, CA is taking the top spot in 2006, up from No. 3 in 2005, while Detroit is at the bottom this year, compared with No. 35 in 2005. "The long-awaited recovery of the Denver apartment market is well under way and job growth is set to continue," the report notes. "As a result, apartment fundamentals are expected to strengthen further in 2006." That should fuel increased investor activity in the metro-area market, Marcus & Millichap notes. Apartment prices were relatively stagnant from 2001 to 2004, but began to rise in 2005, it notes. It expects the hottest investment markets to be Downtown Denver and the suburbs of Littleton and Englewood. "Investment demand is high in the Littleton and Englewood areas due to strong job creation, while Downtown has become an investment target due to the growing popularity of living close to work and entertainment," the report notes. **(Globest.com)**

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National Forest Land Sale Proposed

More than \$1 billion of national forest land could hit the auction block, clearing the way for commercial interests to buy and develop formerly off-limits land. On Friday, the Bush administration announced plans to sell roughly 300,000 acres of forest land — parceled out in half acre to 1,000 acre pieces — as a way to raise money for rural schools. If the proposal is cleared, it would represent the largest sale of forest land in decades. There's no indication that it will sail through public hearings. An environmental group called the Wilderness Society has labeled the proposal a "billion dollar boondoggle." Most of the federal acreage is scattered across the Western states, which may explain in part why the government is seeking to sell the land. Agriculture undersecretary Mark Rey, who directs forest policy, was quoted by Dow Jones on Friday saying that the parcels are isolated, expensive to manage and no longer meet the needs of the national forest system. The land sale would represent just .5% of the 193 million acre national forest system. **(National Real Estate Investor)**

World Trade Center Exchanged for \$116 million

The World Trade Center, one of the most notable addresses in downtown Denver, has traded for \$116 million. Transwestern Investment Company LLC bought the two high-rise towers at 1625 and 1675 Broadway in a joint venture with Broadreach Capital Partners. The seller was Brookfield Properties, which recently sold the Colorado State Bank Building across the street for \$45 million. The World Trade Center includes just under 767,000 square feet of Class A office space surrounding a pedestrian plaza on the 16th Street Mall. Its largest tenants include KeyBank National Association, which occupies 63,000 sf, Noble Energy at 60,000 sf and WesternGeco, 46,000 sf. The property was 90 percent occupied at the time of the sale. **(Colorado Real Estate Journal)**

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Lincoln Property Buys Landmark Colorado Center

Lincoln Property Co. has purchased the Colorado Center, a landmark mixed-use development on Interstate 25 and Colorado Boulevard, for \$93 million. With two 12-story office towers, Dave & Buster's, and United Artist and Imax theaters, the property is next to a new light-rail line slated to open late this year. "We like the opportunities that the light rail will provide there," said Lincoln Senior Vice President Scott Caldwell. "The early ridership projections for that stop are pretty exciting." **(Colorado Real Estate Journal)**

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Tenth & Pearl Sells to Investor for \$15.75 Million

A prime piece of real estate on Boulder's Pearl Street Mall sold to a private investor for \$15.75 million, or \$343 per square foot. Tenth & Pearl, a 45,933-sf office/retail property that covers two parcels and includes the Bacaro restaurant and the law firm of Porzak, Browing & Bushong, sold to 10th and Pearl LLC. The sellers were 929 Pearl Street LLC and 2005 Tenth Street LLC. The property at 919-951 Pearl and 2005-2019 Pearl generated strong interest, mostly from out-of-state buyers, according to CB Richard Ellis broker Chad Brue, who represented the sellers with CB brokers Geoff Baukol and Chris Bodnar. **(Colorado Real Estate Journal)**

Markets Keep Their Cool for Bernanke's Hill Debut

He was calm and he was cool, and he most certainly was not Alan Greenspan. Ben Bernanke, testifying before Congress for the first time since he replaced Greenspan as chairman of the Federal Reserve, did three things on Wednesday that his predecessor usually did not:

- He gave short answers, generally free of twists and turns that could be interpreted in two or more ways.
- He simply refused to answer questions that would ensnare him in politically charged battles over tax cuts, spending cuts or the overhaul of Social Security.
- He said nothing that rattled the financial markets.

In an upbeat, generally soothing assessment of the economy, Bernanke's remarks on monetary policy suggested that the Fed might still have to raise interest rates one or two more times to ensure that inflation does not flare any higher. But he kept his options wide open, offering just as many reasons not to increase interest rates in the future as to raise them. "Most of the evidence," he told members of the House Financial Services Committee, "suggests that the economic expansion remains on track." It has been more than 18 years since anybody other than Greenspan occupied the bully pulpit of Fed chairman, and there may never be anyone else in the position whose every utterance is parsed so painstakingly by so many people. But Bernanke, a former professor at Princeton whose name is still unfamiliar to some members of Congress, barely broke a sweat in three hours of testimony that was broadcast live on C-Span and scrutinized by analysts around the world. "I give him an A-plus," said Richard Yamarone, chief economist at Argus Research, a forecasting firm in New York City. "Job 1 was, 'Don't upset the market,' and he didn't do that." But for all his insistence on remaining nonpartisan, and on staying out of the political warfare over fiscal policy, there was a clear hint of preferences in the questions he chose to answer vs. those he chose not to answer. He said President Bush's tax cuts had probably helped the economy recover from the recession of 2001, prompting one happy Republican to declare: "I heard what I wanted to hear." And he refused to echo Greenspan's longstanding plea that Congress reinstate budget rules requiring that it pay for both new tax cuts and new spending with savings other parts of the budget. That was the one point on which Greenspan consistently disagreed with Bush, who has opposed any such restriction on tax cuts. "I don't feel it's appropriate for me to make recommendations to Congress about their procedures," Bernanke said. For the most part, Bernanke was soothing about the risks ahead. In particular, he played down worries about the United States' record trade deficit, its growing foreign indebtedness and the possibility of a plunge in the housing market. The central bank's current forecast, he said, calls for the economy to expand at a fairly strong pace of 3.5 percent in 2006, the fifth year of above-average growth, and unemployment to remain at 5 percent or below. **(New York Times)**

1,200 Sun Workers to Move Across U.S. 36

More than half of the employees at Sun Microsystems' Storage Tek division in Louisville will be moving across U.S. 36 to Sun's Broomfield campus. According to an e-mail sent to employees Thursday afternoon, about 1,200 people in marketing and other administrative jobs will move in June. Sun officials at the company's headquarters in Santa Clara, Calif., confirmed the move will take three to four months. Storage Tek's tape facilities will remain at its Louisville headquarters, along with the 800 to 900 employees who support the facility. **(Denver Post)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.50	4.25	2.50
3 MONTH LIBOR	4.77	4.60	2.85
PRIME RATE	7.50	7.25	5.50
10 YEAR TREASURY	4.59	4.34	4.16
30 YEAR TREASURY	4.55	4.52	4.48