

February 27, 2006

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

ProLogis Pumps \$20M Into HQ Relocation

For years, ProLogis, the world's largest industrial REIT, has described itself as a locally based company despite being in nearby Aurora. But now, the company actually is in Denver with a recent move into a five-story, 89,021-sf building at 4545 Airport Way, in Northeast Denver. "We have something north of \$20 million invested into it, including the building, the furniture and the IT," Robert Watson, president and COO-North America, and one of the original five founders of ProLogis, tells GlobeSt.com. He also notes that ProLogis has an option to buy the adjoining six acres, where it could build an identically sized building in Gateway Park, where it is the first mid-rise office tower. "We certainly hope we will build the second building at some point." Jeff Schwartz, CEO of ProLogis, says that before the move the company was in a nearby reconfigured warehouse. Although he liked the idea of being in a warehouse, he says the company's size and the caliber of the people working there required a better fitting world headquarters building. About 325 people work in the building. Also, Watson notes that the old warehouse the company was in didn't have much natural light, while their new building was designed to maximize sunlight. Indeed, it is one of the most energy-efficient offices in the Denver area. ProLogis execs expect the building to qualify for a silver Leadership in Energy and Environmental Design (better known as LEED) rating from the US Green Building Council. Energy-saving features includes a light harvesting illumination system; evaporative cooling system, high-reflective PVC-based roofing material; energy-efficient glass, low-water-use fixtures; landscaping that uses gray water; recharging stations for electric vehicles; and recycled construction materials, including the carpets used throughout the building. The building's amenities include a gymnasium and its own cafeteria. "Everything we have designed in the building is very collaborative," Watson tells GlobeSt.com. "We don't have a lot of offices. In the cafeteria, for example, someone from marketing might run into someone from another department who they might not usually see, and they can trade ideas." Schwartz tells GlobeSt.com that company mostly considered sites in the area. He says they didn't want to be in Downtown Denver or in the Denver Tech Center because execs wanted to be closer to their local properties. **(Globest.com)**

...

Lincoln Offering \$150M More Than Loan Balance for AMV

Today, AmeriVest Properties received an unsolicited offer from the Dallas-based Lincoln Property Commercial Inc. for its office portfolio. In a letter of interest to the Denver-based AmeriVest Properties, Lincoln says it would consider investing a range of \$130 million to \$150 million of equity above AmeriVest's "estimated current loan balances of approximately \$126 million." Lincoln indicated that the range it quoted was based on analysis of public information and has requested additional information from the company to perform a more thorough analysis. AmeriVest, which serves small- to medium-sized office tenants, currently has approximately \$127.5 million in debt. AmeriVest's board recently adopted a plan to liquidate its 12 remaining officer buildings in Dallas, Denver and Phoenix. The plan is subject to shareholder approval. The company is currently working with Trammell Crow Co., its broker, to prepare

offering materials for all of its properties as part of a comprehensive marketing process. "We appreciate Lincoln's interest in our portfolio," says Charlie Knight, CEO of AmeriVest. "We have received and expect to receive many more indications of interest as a result of our board's recent adoption of a liquidation plan. We intend to achieve the highest value reasonably attainable for our shareholders in an expeditious manner; however, we must caution that until a prospective purchaser has completed their due diligence and a definitive purchase and sale agreement with respect to one or more of the company's properties has been signed there is no agreement on value." An official from Lincoln's Denver office confirms to GlobeSt.com that the company is interested in AmeriVest's properties, but says he can't discuss it at this time. An executive at Lincoln's Dallas office couldn't be reached at press time. The offer was met favorably by investors, as AmeriVest's stock was up 3.5% to \$4.40 per share soon after the news was released. When the AmeriVest board adopted the liquidation plan, it estimated that shareholders could receive between \$4.20 and \$4.80 per share after the sale. Trammell Crow declined to comment. Steve Suechting, of Trammell's Denver office, is the lead broker on the deal. Suechting is working closely with other Trammell Crow brokers in Dallas and Phoenix to sell the properties, either as a portfolio or as individual assets. Trammell Crow is expected to bring the properties to market soon after shareholders approve the liquidation plan is approved, which is expected to occur within the next 45 to 90 days. **(Globest.com)**

...

BOMA Lobbies to Extend Green Building Tax Breaks

Energy efficiency tax credits that took effect Jan. 1 are slated to end before most commercial property owners will even have time to take full advantage, but a real estate advocacy group is working to extend the program beyond its two-year sunset. The Energy Policy Act of 2005 established a commercial buildings tax deduction for building owners that improves the energy efficiency of their property's exterior shell, climate control or lighting systems. Because the Act doesn't specify how a building's energy performance will be measured, the Building Owners and Managers Association (BOMA) has been working with federal agencies to draft regulations. The Internal Revenue Service is expected to publish its guidance for the Energy Efficient Commercial Buildings Tax Deduction as early as today. Unfortunately for most property owners, the window to complete improvements and qualify for the break closes on Dec. 31, 2007. That may be enough time to switch to energy-efficient lighting, but is insufficient time to design and execute an HVAC replacement in a large office building. "While we appreciate the effort, a two-year window is just not going to work for us," says Karen Penafiel, BOMA International's assistant vice president for advocacy. That's why BOMA is lobbying lawmakers to extend the program to the end of 2010. U.S. Sen. Dianne Feinstein (D-Calif.) is expected to propose the extension in a measure this year. Under the current Energy Policy Act, a property can qualify for a tax break equal to either the cost of improvements, or to \$1.80 per sq. ft. of the subject property - whichever is smaller. The \$1.80 is actually broken down into three components that can be earned separately, each as a break of 60 cents per sq. ft. Those components are lighting, climate control, and the

building envelope (or exterior). "Energy efficient upgrades aren't just a tax deduction benefit," Penafiel says. "After the improvements, you have reduced operating costs for the lifetime of the improvement." **(National Real Estate Investor/Hudgins)**

...

Economic Indicators Point to Spring Growth

A closely watched gauge of future economic activity rose sharply in January, suggesting that the nation's economy could see robust growth in the spring, a private research group said Tuesday. The Conference Board said its Index of Leading Economic Indicators rose 1.1 percent last month, better than the 0.5 percent gain expected by market analysts. January's increase follows a 0.3 percent increase in December. The gain in December's LEI index was revised upward from what was originally reported as a 0.1 percent increase, according to Ken Goldstein, the Conference Board's labor economist. The LEI index's January increase reflects improvement in six of 10 components, including stock prices and building permits. The index has increased 2.3 percent from last July to January. "The economy got off to a good start (early) in the first quarter," said Joe LaVorgna, chief fixed-income economist at Deutsche Bank Securities Inc. In addition to the gain in the group's leading index, its coincident index, a measure of the current economy, rose 0.2 percent in January, following a 0.2 percent increase in December. "The coincident economic indicators have been rising moderately but steadily in recent months, suggesting the economy is sustaining a relatively moderate pace," Goldstein said in a statement accompanying the data. "The Leading Economic Index, however, rose sharply in three of the last four months. That could be a signal of a faster pace this spring." But economists such as LaVorgna and Stephen Stanley, chief economist at RBS Greenwich Capital Markets, warned that some gains in January may have been exaggerated by warm weather that encouraged construction activity, retail spending and vehicle sales. Some gains, they warned, may take away from economic growth in future months. Tuesday's report cemented expectations that the Federal Reserve will keep raising interest rates to pre-empt inflation. **(Denver Post)**

...

Retail Center Planned in Frederick

A Chicago-based developer plans to build a 1.3 million-square-foot open air retail center at I-25 and State Highway 52 in Frederick, the city announced today. Landmark Properties is two to three months away from submitting plans to the city for development of the 110-acre site, to be called Frederick Town Center, said Landmark spokeswoman Maureen Versen. The company expects to close on its purchase of the site this summer, and break ground either this fall or next spring, she said. Landmark has not disclosed how much it will pay for the land or spend to build the center, saying much of the cost will depend on final plans. "It has to do with a lot of different things and we're trying to work with the community on the layout," Versen said. No tenants have been signed for the project yet, although

Landmark has been talking to a host of retailers including women's apparel shops, book stores and music shops, she said. The city expects the center will draw shoppers from other Weld County towns including Firestone, Erie, Dacono, and even East Boulder. Currently, residents travel to FlatIron Crossing in Broomfield, Larkridge in Thornton and even farther afield for their shopping, said city spokeswoman Jennifer Hoffmann. Residents have been clamoring for closer shopping, Hoffmann said, and the city expects area shoppers to anxiously await the Landmark project. "I can't say that strongly enough — everybody says that's what they want," she said. The area's population has grown rapidly, with Weld County seeing a 16.8 percent population jump between 2000 and 2003, and the population within a five-mile radius is expected to hit 24,375 by 2014. The county boasts a median household income of \$53,362, according to Landmark's Web site. **(Rocky Mountain News)**

...

Bank Cashing Out of Historic Building

The historic Colorado National Bank building in the heart of downtown Denver has been home to a bank since it was built in 1915. But its 91-year-old streak likely is coming to an end. U.S. Bank has decided not to renew its lease for the six-story, 103,840-square-foot building at 918 17th St. whose original slogan was "the bank that looks like a bank." U.S. Bank plans to vacate the building next year and lease space in its namesake tower next door, said Michael Komppa, president of Corum Real Estate Group. Corum, which has owned the historic building since 1997, is the only nonbank owner in the building's history. A U.S. Bank spokesman declined to comment, other than to say the bank is committed to downtown. "This is the first time the building has ever been on the market," Komppa said. Colorado National Bank traces its routes to the Kountze brothers, who founded its predecessor bank in 1864, according to the book *Denver - Rocky Mountain Gold*. The brothers, who played a major role in luring the railroad to Denver, renamed it Colorado National Bank in 1866, 10 years before Colorado became a state. It cost \$500,000 to construct the current building, after the bank moved from a building at 17th and Larimer streets. The name Colorado National Bank was officially changed to U.S. Bank in 1997, but the building kept the historic name. Corum plans to place a banner on the building Saturday announcing that space will be available. It isn't enough space to have much impact on the overall vacancy rate. Corum has hired David Owen Tryba Architects to look at potential uses for the building, which could include marketing it as a multi-tenant office building, turning the upper floors into condos or a boutique hotel. Tenants looking at buildings such as Republic Plaza or Tabor Center probably wouldn't consider Colorado National Bank, Dave Morrison, a downtown office broker with CB Richard Ellis, said. "It is a unique and a beautiful building," he said. "But it is relatively uncompetitive to the modern skyscraper." The historic bank building could wind up just housing another bank. Komppa said one possibility would be to lease the first floor and mezzanine with its huge atrium and marble interior to a financial institution or law firm and lease the other floors to other tenants. Charlie Woolley, St. Charles Town Co. chief, said he thinks a financial institution will take the lower level. Kathleen Brooker, president of Historic Denver Inc., said she hopes the building isn't converted into condos. "It is really a

handsome building that looks like a bank," Brooker said. "This has always been a civic- style building, and it would be nice if it kept some kind of a semi-public use." Dennis Orcutt, former president of Colorado National Bank, said he thinks U.S. Bank is making a mistake by leaving the historic setting. "In my opinion, banking is a lot like politics: Everything is local," Orcutt said. "People do business with banks they know and trust and institutions with legacies, and even the buildings that they know and are comfortable with. The tower does not have near the personality of the historic building." **(Rocky Mountain News)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.50	4.25	2.50
3 MONTH LIBOR	4.81	4.63	2.89
PRIME RATE	7.50	7.25	5.50
10 YEAR TREASURY	4.56	4.39	4.26
30 YEAR TREASURY	4.55	4.52	4.48