

July 23, 2007

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

More US Investment, Fewer Big Trades

Direct real estate investment rose 32% to \$170.7 billion in the Americas in the first half of 2007, compared to the same period in 2006, according to a Jones Lang LaSalle mid-year capital flow report released recently. The company says that total investment reached \$382 billion in the first half of the year, and is on track to hit \$700 billion for all of 2007, despite higher interest rates and an expected slowdown of large portfolio trades. Steve Collins, managing director of the company's International Capital Group, tells GlobeSt.com that real estate still is enjoying a good chunk of investor interest from a capital shift from stocks and other securities early in the decade. "In spite of interest rates, people are still flocking to real estate as a safe haven," he says. "It has dropped slightly; where you would have just had 15-20 offers on a class A or trophy asset, you still see 10-12, and you're seeing quality buyers. Some of the value-added or high-octane money is standing on the sidelines until interest rates correct themselves, but people who see treasury investment as a good bet are also still willing to take the risk on solid return, and a potential upside, from real estate." Foreign capital is responsible for much of the boost in the US, which had \$163 billion of the total Americas figures, Collins says. "It used to be, foreign capital was only looking at high-end properties in cities such as New York City or San Francisco, but they're getting priced out of those areas. But US investing is still preferable to their home areas, so they'll still invest here in cities such as Minneapolis, Richmond or Tampa," he says. "Also, where the US investment had been mostly European, you're starting to see more Mexican, Spanish and Korean investment." European investment volumes rose 4% to 156.6 billion, with the UK, Germany and France accounting for two-thirds of that figure, and investment in Asia Pacific rose 12% to \$55 billion, according to the JLL report. Collins says the second half of 2007 may see a slower move of money, with investors being more selective, and he believes the portfolio fire sale may diminish, mirroring previous years of slower second halves. "You're not going to see the same volume as the first half, and I don't think you're going to continue to see the EOP-Blackstone-type deals, those types of trades are going to be more entry level than building trade level," Collins says. "It's getting harder to find groups to buy up large portfolios." **(Globest.com)**

...

Class A Office Building, Boutique Hotel to be Built in Interlocken

Speculative Class A office development will return to Interlocken as part of a mixed-use development slated to break ground early next year. Urban Frontier LLC and Granite Properties plan an approximately 180,000-square-foot office building on 12 acres they recently purchased at 575 Interlocken Blvd. "This is, in our view, the best site in Interlocken," said Steve Moyski, managing partner of Urban Frontier. Located at Interlocken Boulevard and Interlocken Loop, the property has "great mountain views" and visibility from the U.S. Highway 36 corridor. It is bordered by the Interlocken Golf Course. A branded 150- to 175-room boutique hotel and two to three retail pad sites accommodating 10,000 to 15,000 sf will be part of the development. **(Colorado Real Estate Journal)**

Springs Office Tower Sells for \$25.2 Million

DPC Development Co. acquired the largest single property in its history with its purchase of a downtown Colorado Springs landmark. DPC paid \$25.2 million for Colorado Square, a 242,401-rentable-square-foot tower at 2 N. Nevada Ave. "It is a prime asset in downtown Colorado Springs," DPC President Chris King said of the sale believed to be both the largest office acquisition in the city this year in terms of price and size. "Colorado Square is a very good quality core asset and a great downtown building," added NAI Highland Commercial Group LLC's James Spittler Jr., who marketed the 14-story tower with NAI Highland's Michael Palmer. **(Colorado Real Estate Journal)**

...

W Hotel Planned for LoDo Location

Denver-based Sage Hospitality Resources confirmed today it is in the early stages of developing a W Hotel and Residences in downtown Denver. Sage has acquired a 45,000-square-foot parcel at the corner of Market and 16th streets, a site occupied by an Office Depot retail store. The preliminary plan for the Denver W Hotel includes 180 guest rooms and 56 upscale residences. A Starwood Hotels & Resorts brand launched in 1999, W Hotels include luxury and upscale full-service hotels, retreats and residences featuring what it describes as "world class design, world class restaurants and trendy bars and lounges." Construction on the complex is slated to begin in 2008. In addition to the W Hotel, Sage has developed and manages 13 other hotel properties in Denver including two independent hotels, the recently opened Curtis and The Oxford Hotel, as well as the Residence Inn Denver City Center the Courtyard by Marriott Downtown Denver and the JW Marriott Denver at Cherry Creek. During the past five years, the Denver firm has completed more than \$1.1 billion in acquisition and development projects. **(Rocky Mountain News)**

...

Stronger Market Benefits Landlords

The Denver-area apartment market is showing the most strength since it collapsed after the terrorist attacks on Sept. 11, 2001. And the apartment market is likely to get stronger in the second half of the year, with vacancies continuing to fall and rents continuing to rise, experts say. That is good news for landlords and owners but not for renters, who have enjoyed bargain rents for the past six years. The overall apartment vacancy rate in the Denver area fell to a six-year low of 6.2 percent, according to a report released Wednesday by the Apartment Association of Metro Denver. The overall vacancy rate fell from 7.1 percent in the first quarter, according to the report authored by Gordon Von Stroh, a professor at the Daniels College of Business at the University of Denver. "This is a benchmark quarter," Von Stroh said. The last time vacancies were lower was during the second quarter of 2001, when 5.7 percent of the units were vacant. And since then, 25,927 apartment units have been built in the metro area. That makes the drop in the vacancy rate even more significant, said Steve Rahe, an apartment broker with CB Richard Ellis; and Kathi Williams, executive director of the Colorado Division of Real Estate. The rising cost of construction and other factors will keep the lid on developers building a lot of apartments in the metro area, which will allow landlords to continue to raise rental rates, Williams said. Vacancy rates peaked in the first two quarters of 2003,

when the vacancy rate stood at 13.1 percent. The average monthly rental rate for all apartments rose to \$863.53 for the second quarter, compared with \$843.85 in the second quarter of 2006 and \$842.69 for the first quarter of 2007. **(Rocky Mountain News)**

...

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	5.25	5.25	5.25
3 MONTH LIBOR	5.36	5.36	5.51
PRIME RATE	8.25	8.25	8.25
10 YEAR TREASURY	4.96	5.15	5.13
30 YEAR TREASURY	5.07	5.26	5.16