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Colo. Recession Forecast: Fair

Already more than a year old, the U.S. recession could run another six to 12 months but spare Colorado its full wrath, according to economic forecasts presented Wednesday morning. "This is a little bit like having the coolest seat in hell," joked Tom Clark, executive vice president of the Metro Denver Economic Development Corp., about Colorado doing better than other states in the worst downturn since the 1930s. Although many economists expect a national recovery to emerge by the third quarter, VectraBank Colorado economist Jeff Thredgold said he leans toward a recovery starting in the fourth quarter. "We are going through a deleveraging of a financial house of cards built up over 10 years," he said. Financial firms have written off \$1 trillion in losses tied to mortgage-backed securities, and Thredgold said another \$1 trillion in write-offs is still expected. But governments and central banks have injected a massive amount of stimulus, and that will lift the economy at some point, he said. Patricia Silverstein, an economist with Development Research Partners in Littleton, expects Colorado to see flat retail sales and negative job growth of 0.4 percent this year, compared with a decline of 3.5 percent in U.S. retail sales and a 1.1 percent decline in jobs nationally. Colorado has lost jobs on an annual basis only seven times since 1940 — three this decade, she said. Thredgold, Clark and Silverstein spoke at VectraBank's 16th annual Economic Forecast Breakfast at the Denver Performing Arts Complex's Donald R. Seawell Grand Ballroom. "2009 will be hard, and the recovery will be slow in 2010 and 2011," said Martin Shields, a regional economist with Colorado State University who gave a separate forecast Wednesday morning to the South Metro Chamber of Commerce. Colorado boasted the fifth-best rate of job growth in the U.S. last year, despite having a mix of industries that overlaps closely with the nation as a whole, Shields said. But Colorado isn't overly concentrated in the sectors being hit hardest by this downturn — financial services and durable-goods manufacturing. Also, Colorado didn't experience the big run-up in home prices seen in states such as California, Arizona and Nevada, leaving it less vulnerable. Silverstein expects metro-Denver median home values to increase 1 percent this year, making the metro housing market one of the first in the nation to recover. **(Denver Post)**

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Colo. Bankers Outline Rescue for Developers

Several large banks in Colorado are considering a loan fund to rescue commercial real estate developers unable to secure long-term financing because of the economic downturn. "We are all worried if good, solid properties can't find permanent loans because there is no market," said Bruce Alexander, president and chief executive of VectraBank Colorado. "If they start to default, then property values start to decline." Alexander heads a committee of bankers who gathered with other business leaders at the request of Denver Mayor John Hickenlooper and Gov. Bill Ritter to brainstorm ways to stimulate the local economy. The group will run its proposal by the mayor Tuesday, and then Alexander's committee plans to solicit support from other bankers with the help of the Colorado Bankers Association. Besides VectraBank, other banks backing the loan-fund idea include JPMorgan Chase, FirstBank, Compass Bank and US Bank, Alexander said. Wells Fargo and KeyCorp also are part of the committee, but their representatives were unable to attend the first meeting. If 10 banks agreed to commit \$50 million in funding, that would create a \$500 million loan pool

for refinancing commercial real estate projects. "We need a little time to have this economy recover to where people are in a frame of mind to step out," said Buz Koelbel, a developer with Koelbel and Co. in Denver. "They are hidden in a bunker right now." In normal times, commercial banks lend builders and developers money to construct their projects and then typically give them a couple of years to get the projects leased out. At that point, developers, able to point to a steady flow of cash, would lock in a longer-term mortgage, freeing up capital so banks could make more construction loans. Those commercial mortgages were typically bundled and debt securities were sold against them, not unlike with residential mortgages. But the credit freeze has crippled the securitization market, leaving developers few options for long-term financing. While most regional and community banks avoided underwriting subprime or other high-risk mortgages, they did lend heavily on a short-term basis for local commercial real estate projects. Under the proposed program, many participating banks would refinance current borrowers for another five years, long enough, they hope, to allow for commercial mortgage markets to recover, Alexander said. Some banks with less exposure in commercial real estate might also take on new loans by refinancing projects funded by other lenders. "FirstBank has been asked to commit to extend a certain amount of commercial loans subject to our underwriting criteria," said John Ikard, president and CEO of the Lakewood-based bank holding company. Ikard said in an e-mail that the bank would refinance existing projects with new loans that it would hold in its own portfolio. "I want to stress that all requests must meet our conservative underwriting standards as the loans will be held on our books," he said. Alexander said bankers get blamed for not lending more, but even in the arena of commercial loans, they only had 17 percent of the market. Nonbank lenders, such as hedge funds with less concern for risk, grabbed huge market shares, only to disappear once they got overextended. Several of the banks considering the program are receiving taxpayer money under the federal Troubled Asset Relief Program (TARP) — VectraBank, JPMorgan Chase, US Bank — and are trying to think of creative approaches to get that money into the economy, he said. Bankers in other states also are trying to band together to prevent commercial real estate markets from meeting the same fate that residential real estate did, said Mike Brauneis, director of regulatory risk with consulting firm Protiviti. "The goal is fairly clear. They are trying to keep that market from collapsing in a similar manner," he said. **(Denver Post)**

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There's Still a Market for Apartment Complexes

The Denver area continues to see sales of mid-sized and small apartment properties, according to county real estate records. The Griffis Group of Cos. LLC in Denver, as Boulders Apartments LLC, has purchased The Boulders Apartments at 2850 Kalmia Ave. in Boulder for \$20.9 million, according to a deed filed Jan. 14 in Boulder County. Boulder real estate developer and investor Bill Reynolds' W.W. Reynolds Co. Inc., as BJFH LLC, was the seller. Griffis has been involved in buying and investing in apartment properties since the 1980s, according to the company. Its metro-area apartment holdings include The Highline on Cherry Creek in Denver. Smaller recent apartment sales include Peak Property Investment LLC's purchase of the apartments at 2717-2723 Sheridan Blvd. in Wheat Ridge for \$290,000 from Brasch Investments Inc. The property, built in 1949, includes four units. Another fourplex built in 1949, at 1421 Willow St. in Denver, has sold for \$237,500. The buyer is Cinco Ventures

LLC, and the seller is Robert and Lois Rentz. Brokers at Pinnacle Real Estate Advisors LLC of Denver were involved in both fourplex deals. Other recent Denver-area real estate sales, according to county real estate records, include:

- 10394 and 10499-10579 W. Chatfield Ave., Littleton — The state of Colorado purchased this 50,724, three-building office complex for \$4.9 million from KCBC LLC. Brokers at Fuller Real Estate represented the seller.
- 13111 E. Briarwood Ave., Centennial — Thirteen One Eleven Corp. sold this 58,750-square-foot office building for \$4.5 million to B&J Properties Ltd. LLC. Fuller represented the buyer in the deal.
- 11802 E. Oswego St., Englewood — Topwase Inc., a carwash company, has sold this building for \$2.1 million to HR Petroleum LLC.
- 4181 E. County Line Road, Unit B, Centennial — The Colorado Ballet has leased 12,420 square feet of dance-studio space at this at the Fairways Plaza shopping center. Fuller brokers represented the landlord. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	3.50
3 MONTH LIBOR	1.17	1.47	3.33
PRIME RATE	3.25	3.25	6.50
10 YEAR TREASURY	2.65	2.18	3.71
30 YEAR TREASURY	3.32	2.63	4.38