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Is A Market Bottom Imminent?

Investors sidelined by the lingering effects of a deep recession and capital crunch are preparing to jump back into the commercial real estate market. According to an exclusive quarterly investor survey, 70% of investors indicate they are currently amassing capital in preparation for the right buying opportunity. On average, investors have amassed \$18.2 million for acquisitions. The online survey of 521 property owners was conducted in August by National Real Estate Investor and Marcus & Millichap Real Estate Investment Services. Among those respondents who are amassing capital, 69% say they have either already started or plan to begin acquiring property over the next six months. Nearly half of respondents (46%) plan to begin acquiring property over the next six months, while 23% have already started making acquisitions. Clearly, investors still have an appetite for commercial real estate despite ongoing problems in the U.S. credit markets and an erosion of real estate fundamentals. Slightly more than half of respondents (56%) plan to increase their commercial real estate investment within the next 12 months, up from 51% in the fall of 2008. One-third of respondents expect investments to remain the same, while 10% of investors indicate that their real estate portfolios will likely decrease over the next 12 months. Overall, investors expect their commercial real estate holdings to increase by 12%. The latest investor sentiment pales in comparison to the results of the fall 2004 survey when 78% of respondents expressed their intent to increase their commercial real estate investment over the ensuing 12 months. "The recent numbers show positive movement, and we are seeing more buyers and sellers wanting to execute transactions as the pricing gap begins to narrow. The major obstacle is financing," says Hessam Nadjji, managing director at Marcus & Millichap. The impact of the pricing gap and credit crisis are reflected in the steep decline in transaction volume over the past year. During the first seven months of 2009, roughly \$22.4 billion in commercial real estate properties traded hands — about one-fourth of the \$99 billion in property sales during the same period in 2008, according to New York-based Real Capital Analytics. Yet investors are clearly posturing to make a move. **(National Real Estate Investor)**

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Conoco Moving Ahead on Louisville Campus

Now that demolition of the buildings on the former StorageTek campus in Louisville is complete, ConocoPhillips is focusing on architectural planning and getting the necessary approvals to start construction. Since ConocoPhillips started preparing the 432-acre campus for construction last November, it has recycled 1 million pounds of concrete and removed refrigerants, chiller water, lighting systems and furnishings, said Tracy Harlow, a spokeswoman for the company. "Metals and concrete were sorted and recycled," she said. "We've been using the term 'deconstruction' because it indicates we looked at every opportunity for recycling." Over the next 18 months, the company will be working on its master plan for the campus with St. Louis-based planning and design firm HOK. It has not yet determined the budget for the project. It is targeting occupancy for 2013. "They're going full-bore ahead, working with the city of Louisville and the state of Colorado and the county of Boulder to make sure this happens," Louisville Mayor Chuck Sisk said. "They're working as a partner."

While the company doesn't know exactly how many people will work on the campus, it has said it plans to seek approval from Louisville to accommodate at least 7,000 over the next 20 years. The company plans to locate a new global technology center and corporate learning center on the site. It will bring a core group from its Houston headquarters, but most of the employees will be hired locally. The jobs will include scientists, researchers, trainers and managers. ConocoPhillips also will build an incubator to create space for small businesses with niche technologies. The company will help launch and partner with the businesses. "ConocoPhillips has been very vigilant about meeting with city of Louisville staff and keeping them apprised of what they are doing," Sisk said. "They have not submitted a development plan or any formal documentation." Officials from the energy company were scheduled to meet with the Louisville City Council on Tuesday night. **(Denver Post)**

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Bach: Weak Jobs Report Is Unwelcome News for Leasing Markets

Hopes for a brisk return to health in the U.S. labor market and commercial real estate were dealt a setback Friday morning when the Bureau of Labor Statistics (BLS) reported that non-farm payrolls fell by a worse than expected 263,000 in September. The consensus among economists prior to release of the jobs report had been for non-farm payrolls to drop by approximately 175,000. "The report suggests that it doesn't look like it's going to be a vigorous recovery. It does look like a jobless recovery," says Robert Bach, chief economist with real estate services provider Grubb & Ellis. "As far as commercial real estate, it suggests the leasing markets are not close to a bottom yet." The national unemployment rate rose one-tenth of a percentage point and now stands at 9.8%, a 26-year high. Since December 2007, total non-farm payrolls have fallen by 7.2 million. The number of persons classified as long-term unemployed — those jobless for 27 weeks or more — rose by 450,000 to 5.4 million. Already suffering under the weight of rising vacancies, falling revenues and a crippling credit crunch, the latest BLS report adds insult to injury for the commercial real estate sector. "It is the No.1 indicator, especially in terms of demand for office space," says Bach of the jobs report. "For retail it's important because people can't do home equity withdrawals anymore. Their stock portfolios are down. Wages are it — that's where spending comes from now." The weak employment report is a setback for apartment owners and operators. "New college graduates can't find jobs. The storyline there is that they will either move home or get roommates," says Bach. The disappointing jobs report also hurts the industrial warehouse sector because employment losses have a negative impact on consumer spending. "That can translate into slower growth of imports, which is not good for activity in port markets," according to Bach. The leisure and hospitality segment, which has already contracted sharply due to a reduction in room demand, took a hit in September with total employment falling by 9,000. While job losses of any magnitude are not good news, Bach points to some mitigating factors:

--On a quarterly basis, the trend continues to be that the rate of job losses is slowing. During the first quarter of 2009, monthly job losses averaged 691,000. In the second quarter, monthly job losses averaged 428,000. The third quarter showed significant improvement with job losses averaging 256,000 per month. Those totals are still subject to revision.

--The health care sector continues to grow, adding 19,200 jobs in September. Since 1990, the sector has suffered a net job loss in only one month, July 2003. The health care segment has added 559,000 jobs since the beginning of the recession, according to BLS.

--While painful for Main Street, a sluggish labor market is a key ingredient to maintaining lower interest rates, oil prices and inflation.

Analysts can take some solace in the data regarding temporary workers. A decline in the number of temporary workers is a precursor to permanent layoffs. Conversely, a rise in the number of temporary jobs tends to occur before permanent hiring. While the total number of temporary workers did fall by 1,700 to 1,736,600 in September, that's the smallest decline this year, says Bach, and a positive sign for the employment market as a whole. **(National Real Estate Investor/Matt Valley)**

Colorado Economy Predicted to Rebound Quickly

Richard Wobbekind says Colorado will be among the first states to recover from the recession. Colorado, one of the last states to succumb to the U.S. recession, appears poised to be among the first states to escape its grasp, according to the University of Colorado at Boulder's leading economist. "We may be one of the first states out," Richard Wobbekind told a gathering of clients of Denver-based financial-planning firm Sharkey, Howes & Javer on Thursday in Denver. If technology and business spending fuel the recovery, as some analysts expect given anemic consumer spending, then Colorado is in a strong position to benefit, Wobbekind said. The higher energy and commodity prices that accompany a recovery should benefit Colorado, especially the more rural areas in the state. A broader U.S. recovery will also result in more goods being transported, which will benefit Colorado. Retail sales in the state, which are expected to fall 10 percent this year, are expected to rise 4.4 percent next year, Wobbekind predicted. Forecasts call for the state's job growth to return to a positive 0.4 percent next year, fourth-best among all states. Colorado, which experienced negative job growth this year, ranked 29th among states on that measure after being among a handful of states to see job gains in 2008. Any recovery will be sluggish at best, Wobbekind cautioned. But unlike some economists, he doesn't expect a second downturn or double-dip recession later in 2010 or 2011. "We think we have enough momentum to stay positive," he said. The Leeds Business Confidence Index, which measures expectations of business leaders in the state, also is showing more positive signs. Business leaders said they expect to see sales increase next year, although increasing profits remain a more questionable prospect. **(Denver Post)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	1.50
3 MONTH LIBOR	.28	.30	4.75
PRIME RATE	3.25	3.25	4.50
10 YEAR TREASURY	3.40	3.47	3.67
30 YEAR TREASURY	4.22	4.32	4.03