

October 19, 2009

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Aardex Ready to Put Up Medical Office Buildings

Despite the soft commercial real estate market, Aardex LLC plans to start construction in early 2010 on the first of two medical office buildings to be located next to the new St. Anthony Central Hospital in Lakewood. Aardex, a Golden-based office building developer/owner, and its investment partner, Seavest Inc. of White Plains, N.Y., are going ahead with the buildings because they have the funds as well as interest from prospective tenants. Seavest focuses on building and owning health care buildings, and the St. Anthony's office buildings will be the company's first Colorado properties. "There's significant preleasing on the first building, which is what you look for on one of these projects," said Jonathan Winer, Seavest executive vice president. "Even in these tough times, medical real estate is doing pretty well." The initial office building will include 100,000 square feet in four stories and cost roughly \$22 million to build. Aardex expects construction to take about a year, and that the building will open at the same time as the first phase of the St. Anthony's hospital — a 48-bed orthopedic tower — in fall 2010. "The first office building will serve the orthopedic part of the hospital. ... Because the building is near the orthopedic tower, physicians related to that specialty ... and orthopedic services are looking at [leasing space in] it," said James Turpen, CEO of Centum Health Properties LLC of Englewood. Turpen is in charge of leasing space in the medical office buildings. Initial plans for the second medical office building call for 150,000 square feet in five stories, and a \$33 million to \$35 million construction price tag. But the building could be as big as 250,000 square feet, depending on tenant demand, according to Harry Knight, Aardex's director of construction services. The developer hopes to break ground on the second building in February 2010, and finish it in early 2011. Building No. 2 will serve the 222-bed, main part of the St. Anthony's hospital, and be near its obstetrics and cardiac care areas. The two office buildings will share a five-story, 847-space parking structure estimated to cost \$14 million. There also may be an opportunity to build office space on top of the garage, said Turpen, who was formerly with Aardex. Turpen started softly marketing the first office building to prospective tenants a year ago, and full-fledged marketing efforts started last summer. Asking rents for both buildings are \$23.50 a square foot for upper floors and \$25.50 for floors one through three, which connect to the hospital. The new, two-phase St. Anthony's Central Hospital, located off Union Boulevard and owned by Centura Health of Englewood, will include a total of 630,000 square feet and 270 beds when it's completed in late 2011. Construction on the orthopedic tower started in June 2008. "St. Anthony's is the largest hospital project going on in the Rocky Mountains, at a cost of \$500 million," said Ben Weeks, Aardex executive principal. The hospital and its medical office buildings are also part of the revitalization of the Union Boulevard corridor in Lakewood, and will benefit from the West Corridor light rail project. Construction on the \$512 million West Corridor, which is part of metro Denver's FasTracks mass-transit expansion project, is under way and scheduled for completion in 2012. It will include 12 miles of light rail running between the Jefferson County Government Center in Golden and downtown Denver. "The West Corridor is now under construction, so it's one line that's guaranteed to be built," said Preston Gibson, president and CEO of the Jefferson Economic Council. "The St. Anthony's medical office buildings will be a way to kick this off." Green features of the St. Anthony's medical office buildings will include under-floor air with a single use of air, rather than recirculating the same air several times, according to Aardex's director of design, Ashley Lemon. It also will feature

individual temperature controls, high-tech piping and electrical systems, and lots of natural light. The office buildings will be constructed of materials similar to those used in the hospital, including stone, stucco and glass. **(Denver Business Journal)**

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Fewer Jobless Claims, Low Inflation Boost Economy

The Labor Department said consumer prices rose 0.2 percent in October, in line with analysts' expectations. New jobless claims dropped to the lowest level since January and the prices of many household goods stayed low last month, positive signs of stability for the fledgling economic recovery. The decline in jobless claims shows companies are cutting fewer workers, though the drop isn't yet steep enough to signal new hiring, economists said. And the low level of inflation is holding down prices as Americans slowly regain their appetite to shop despite rising unemployment and tight credit conditions. Thursday's reports "all point to an economy that is starting to grow again," said Bernard Baumohl, chief global economist at the Economic Outlook Group. Low inflation is consistent with the early stages of an economic recovery, Baumohl said. Even as business activity picks up, unemployment is still high and factories have enough spare capacity to increase output without sending prices higher. The Labor Department said first-time claims for jobless benefits dropped to a seasonally adjusted 514,000 from an upwardly revised 524,000 the previous week. The fifth decline in six weeks defied economists' forecasts of a slight gain. In a separate report, the Labor Department said consumer prices rose 0.2 percent last month, matching analysts' expectations. **(Denver Post)**

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National Association of Business Economists: 'Great Recession Is Over'

"The great recession is over," the National Association of Business Economists declared Monday. NABE's proclamation is based on a survey of professional forecasters, who also caution that the recovery will take place slowly as large increases in federal debt and unemployment rates are expected to remain very high through next year. NABE is conducting its annual meeting this week in St. Louis. "Following a sharp 6.4 percent (annual rate) contraction in the first quarter of this year and another 0.7 percent drop in the second quarter, NABE forecasters expect real GDP to rise at an above trend 2.9 percent rate in the second half," NABE President-Elect Lynn Reaser noted in a statement. The association said the three-year downturn in the housing market appears close to coming to an end, with growth expected next year. While the unemployment rate is forecast to rise to 10 percent in the first quarter, it is expected to slip to 9.5 percent by the end of 2010. "The good news is that this deep and long recession appears to be over and, with improving credit markets, the U.S. economy can return to solid growth next year without worry about rising inflation," Reaser noted. Among other findings:

- Sales of light vehicles are expected to remain weak, with projected sales of 12 million next year.
- The housing recovery will gather momentum, with housing starts up 38 percent and residential investment up 8 percent.
- Business investment will contribute to the economic rebound.

- The dollar will soften further this year and remain weak into the new year. The NABE panel expects a modest deterioration in the trade balance next year.
 - About 21 percent of the panelists believe that the financial markets will improve to the point that they no longer hinder economic growth at some point in the second half of 2009. Another 21 percent expect this will occur in the first half of 2010.
 - Fewer than 8 percent of the panelists expect lost jobs will be regained before 2012.
- (Denver Business Journal)**

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Distressed Debt Sales Likely to Soar

Like moths to a flame, investors these days are forming around what some believe could be the biggest distressed debt sales market since the days of the U.S. savings and loan crisis, according to a recent Ernst & Young survey. That's what Oklahoma City-based loan sale advisor First Financial Network Inc. hopes will happen. The firm plans to sell \$150 million in loan participations on behalf of the Federal Deposit Insurance Corporation (FDIC). The sale will include loan participations from four failed banks currently in FDIC Receivership. First Financial Network will market and manage all facets of the sale to bid on Nov. 3. The performing and non-performing loan participations will be sold on an individual basis. The loans are secured primarily by commercial real estate. Unlike the 1990s when the formation of the Resolution Trust Corporation (RTC) forced the sale of bad assets and quickly set market-clearing price levels, there are very few deals happening today other than one-off distressed sales, the government PPIP initiative has largely fallen on deaf ears, sellers are weighing their options, and a broad spectrum of buyers are simply waiting for the dam to burst and unleash a highly anticipated wave of deals, an Ernst & Young executive stated in the report. About 47 percent of the respondents to the Ernst & Young survey believe that a significant increase in commercial mortgage defaults will begin before the end of the fourth quarter of this year but slightly more than 30 percent believe the market is already witnessing significant default activity. About one-fifth are looking to 2010 before major default pressure comes to bear on the market and distressed sales begin in earnest, according to the report. A small majority - 53 percent - of respondents to the survey purchased distressed or nonperforming loans in the last 18 months with 47 percent inactive, according to the survey. Commercial whole loans are overwhelmingly the primary investment of choice for respondents with more than 45 percent eyeing the asset category, Ernst & Young reported. Residential and land loans were the next most popular categories, each selected by 18 percent of the respondents as being a preferable investment, followed by residential acquisition and development and construction loans at 11 percent. Commercial and residential mortgage-backed securities (CMBS/RMBS) and loans backed by hotel assets each attracted less than 10 percent of respondents. One reason why the current distressed market has the potential to play out differently than the RTC model is that Ernst & Young LLP expects a highly competitive market to exist from the outset of this era of distress. About 35 percent of those investors polled claim to have return requirements above 20 percent and an equal number actually are shooting for returns in the 10 to 15 percent range, according to the survey results. For the Nov. 3 sale, First Financial Network will initiate a marketing campaign aimed at obtaining maximum value on the portfolio. The company will utilize its online Loan Trading Platform to provide financial institutions with immediate access to due diligence information and the opportunity to place bids. **(Commercial Property News)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	.25	.25	1.50
3 MONTH LIBOR	.28	.29	4.50
PRIME RATE	3.25	3.25	4.50
10 YEAR TREASURY	3.43	3.47	3.96
30 YEAR TREASURY	4.24	4.26	4.26

