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Giant Leap for State's Stature in Space Jobs

Colorado's growing aerospace industry is now the nation's second largest, according to a new report from the Metro Denver Economic Development Corp. Colorado's total private aerospace employment grew 12.9 percent from 2006 to 2007, bringing the total to roughly 26,650 employees, according to the report, issued Wednesday. That makes Colorado's aerospace industry the second largest nationwide when ranked by total private employment. Colorado trails California but moved ahead of Texas to become second largest. The Metro Denver EDC has been saying for months that Colorado was likely to reach the No. 2 spot. "It was our own space race," said Tom Clark, executive vice president of the Metro Denver EDC. "I don't think we'll ever be bigger than the mothership, California, but we're very, very proud." Clark said aerospace companies look to Colorado for expansion because of its large aerospace industry with well-trained employees and cheaper costs than California. When ranked by the concentration of private aerospace employment, Colorado is first in the United States, according to the report. Colorado is "a very business-friendly state" with a tradition of bipartisan support, said Joe Lehman, Lockheed Martin Space Systems' director of government affairs. "Its officials are people with backgrounds that give them an understanding of business concerns." Colorado also has well-respected universities and colleges that produce quality workers, and the state has a "true confluence" of civil-space and military-space employment, he said. "We have become the center of government space activity in many ways," Lehman said. New projects and operations have been fueling the growth of the aerospace industry in Colorado. The United Launch Alliance, a joint venture between Lockheed Martin and Boeing rocket operations, started operations in December 2006, and now has about 1,600 employees here, according to the report. Jefferson County-based Lockheed Martin Space Systems' work on an \$8.2 billion NASA contract for the Orion crew exploration vehicle that it won last year has also given the industry a huge boost, with nearly 500 employees here. Colorado has always been strong in military space and space science, "but human spaceflight was long the province of Texas and Florida," Lehman said. With the Orion contract, "now Colorado is a major player in human spaceflight." Lehman said incentives such as the approximately \$3 million for Lockheed Martin's Orion program make Colorado an attractive place for the aerospace industry, but he suggested that "if Colorado's prosperity increases," companies may also be interested in expansion of incentives such as the research and development tax credit. Deals for large companies including Lockheed Martin are driving much of the growth in aerospace, but smaller companies are also benefitting as subcontractors and some small aerospace businesses are developing their own niche markets. Direct and indirect employment in Colorado's aerospace industry totals 171,200 workers, according to the Metro Denver EDC report, which was researched by Patty Silverstein of Development Research Partners. "We saw growth in just about all of the states," Silverstein said. "If we want to remain in the No. 2 position, it does mean that we need to remain very diligent in our economic development efforts related to aerospace." Lt. Gov. Barbara O'Brien said the Colorado Space Coalition, which she co-chairs, is focusing on ensuring a business-friendly climate for aerospace and math and science education. "It's really been a multi-pronged, sustained effort for a number of years, and it's really been paying off," O'Brien said. **(Denver Post)**

Cascades Building Sold for \$60 Mil.

Legacy Partners paid \$60 million for The Cascades office building in Centennial, according to Arapahoe County real estate records. Legacy announced the deal in early September, but declined to reveal how much it paid for the property. Now called Legacy Cascades, the seven-story building is located at 6300 S. Syracuse Way and includes 335,343 square feet of space. The Broe Group of Denver was the seller, having acquired the office building from Devon Properties Inc. in 2003 for \$24 million. Legacy is asking \$25 to \$28 per square foot for vacant space in the building, according to its Web site. Started in 1968, Legacy Partners is based in Foster City, Calif., just south of San Francisco. The company is involved in real estate acquisition, development and management, overseeing a \$6.3 billion portfolio. In metro Denver, Legacy also owns downtown Denver office buildings 1660 Wynkoop and Lawrence Court. The California company's other local holdings are in the suburbs, including Stanford Place III, The Solarium, The Commons and Legacy Center DTC in the southeast suburban Denver Tech Center; 116 Inverness in the nearby Inverness office park; and 370 Interlocken in the Broomfield's Interlocken office park. Legacy has a Denver regional office on South Cherry Street. CB Richard Ellis Inc. (NYSE: CBG) brokers Mary Sullivan, Tim Swan and Ron Urgitus represented Legacy in the purchase. **(Denver Business Journal)**

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Callahan JV Sells 70% Stake in Office Portfolio

For \$228 million, a partnership of Callahan Capital Partners and Morgan Stanley's Special Situations Fund III has sold a 70% equity interest in a 2.8 million-sf, five-building Downtown office portfolio here that it acquired from Equity Office in March for \$770 million in cash and debt. A source with Callahan tells GlobeSt.com that the value of the portfolio remained unchanged for the syndication, which brought in two pension funds, Canada's national pension fund and "a major US pension fund" whose identity was not immediately available. Callahan Capital Partners did not reveal the percentage of the equity interest that it sold, but did say it generated gross proceeds of \$228 million that it will use to pay down the acquisition debt on the property, which was provided by Morgan Stanley. Given that CPP Investment Board, which invests Canada's national pension fund, says it paid \$125 million for a 39% stake of the equity in the deal, then the total equity in the deal is approximately \$321 million, or 42% of the total value of the portfolio, and the \$228 million in gross proceeds represents a 70% equity stake. The CPP Investment Board's SVP of real estate investments Graeme Eadie says the investment helps the pension fund diversify its portfolio by increasing exposure to top tier US office properties. The other investor in the portfolio is a "major US pension fund" whose identity was not revealed by the parties involved and could not otherwise be obtained prior to publishing. The portfolio includes Tabor Center, US Bank Tower, 1560 Broadway, 410 17th St. and Dominion Plaza. All but 1560 Broadway are located along 17th Street. The Tabor Center property includes land for an additional building. CB Richard Ellis has the leasing and property management assignments. Vacancy in the Downtown class A office market was approximately 5% at mid-year, according to Grubb & Ellis. **(Globest.com)**

Wells REIT II Buys CH2M Hill HQ for \$139M

CH2M Hill Cos. has sold its 30-acre headquarters here to Wells REIT II for \$138.5 million plus closing costs. The five-building, 478,000-sf complex is net leased to CH2M Hill for the next 10 years. CH2M Hill's current annual base rent is approximately \$10 million. The firm has the right to extend the term of its lease for two successive periods of five or 10 years each. Built over the past five years, the campus occupies the 9100 block of South Jamaica Street. The complex sits within the Meridian Business Center. CH2M Hill is a global construction and engineering firm with a reported net worth of approximately \$402.7 million. Wells REIT funded the acquisition with net proceeds raised from the REIT's ongoing public offering and proceeds from its \$400-million line of credit with Wachovia Bank. CH2M Hill was represented in the transaction by Cushman & Wakefield. The CH2M headquarters marks Wells REIT II's first acquisition in Colorado. The public nontraded REIT specializing in office properties now owns 16 million sf in 69 buildings in 21 states. The average portfolio is 98%, according to Wells. **(Globest.com)**

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DTC Office Buildings Go for \$52.5 Million

CB Richard Ellis Investors sold a pair of office buildings in the Denver Tech Center for \$52.5 million. Alecta Investment Management, a pension fund adviser, bought Denver Corporate Center II and III for \$25.25 million each, or about \$140 per square foot. "They are solid buildings, and the buyer is going to do well with them," said Tony Ecker, senior director of CB Richard Ellis Investors. The buildings were part of Equity Office Properties' southeast portfolio, which CB Richard Ellis Investors acquired in late 2006. **(Colorado Real Estate Journal)**

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Colorado Center Plans New Round of Development

New office and retail is coming to the Colorado Center, which just received the city's stamp of approval to blossom into a fully mixed-use transit-oriented development. The 650,000-square-foot office and entertainment center at Interstate 25 and Colorado Boulevard will add a major new office tower, 50,000 to 75,000 sf of retail and expanded, structured parking in the first phase of development. With its new Transit Mixed-Use 30 zoning recently approved by the city of Denver, Colorado Center can, and likely will, add a hotel and/or multifamily development in the future. **(Colorado Real Estate Journal)**

	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	4.75	5.25	5.25
3 MONTH LIBOR	5.23	5.51	5.37
PRIME RATE	7.75	8.25	8.25
10 YEAR TREASURY	4.59	4.60	4.59
30 YEAR TREASURY	4.83	4.87	4.71

