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

Denver Commercial Real Estate Market Healthy

Denver's revitalized downtown and focus on transit-oriented development have helped to keep its commercial real-estate market healthy, relative to the rest of the country, according to a new report. The Mile High City ranks eighth on a list of the top 10 markets to watch in 2009, according to the annual Emerging Trends in Real Estate report released Tuesday by the Urban Land Institute and PricewaterhouseCoopers LLP. During the late 1990s, commercial real estate was booming nationwide, but Denver's market was depressed. Since 2003, however, Denver's market has rebounded and has been thriving ever since. "The state capital has a major federal government presence, which should buffer job losses," the report states. "Steady population growth and broadening diversification of the industry keeps the housing market stable. Mass transit should pay future dividends." Real-estate industry experts expect the U.S. financial and real-estate markets to bottom out in 2009 and flounder for much of 2010, according to the report. Property values will continue to drop, foreclosures will keep rising, and a struggling economy will continue stalling cash flows. While Denver won't be immune to the national slowdown, it should fare better than other markets. "There's a whole minefield of issues out there," said Stephen Blank, ULI senior resident fellow. "Traders and speculators are just going to get creamed." Building owners shouldn't try selling and developers shouldn't start new projects because lenders don't have the capital to finance deals, Blank said. "Developers might as well head to the golf course or the mountains or wherever they can relax," he said. For those who have cash, 2009 will be ripe with opportunities, said Jonathan Miller of PricewaterhouseCoopers. "There will be opportunities to buy discounted loans as major lenders offload their balance sheets and opportunities to recapitalize distressed borrowers," he said. **(Denver Post)**

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Jefferson Office Park Gives Taj Mahal Some Company in Golden

A group with seven acres within a stone's throw of the Jefferson County government center in Golden closed financing for construction of a 125,000-square-foot office park. A three-story LEED-compliant building with 5,800 sf of retail space will kick off construction of Jefferson Office Park. The 28,258-sf building should be ready for tenants April 15. Jefferson Office Park is catty-corner from the 180-acre Jefferson County government campus, which is dominated by the Jeffco Administration and Courts Facility, commonly known as the Taj Mahal. Across the street from the Fossil Trace Golf Course and next to Golden's main post office, as well a city park and ballfields, the site at West 10th Avenue and Johnson Road is the only privately owned development parcel in the vicinity. **(Colorado Real Estate Journal)**

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Good News for Colorado - Fewer Unsold Homes on Market

The number of unsold homes in the Denver-area market dropped by 21.14 percent in September from September, 2007, according to a report released this morning based on Metrolist data. The report, by Mike Cox of RE/MAX Professionals, showed there were 23,932 unsold homes on the market, compared with 30,335 in September 2007. "Months of inventory is decreasing," Cox said in his report. "In

September of 2007 there was 8.2 months of inventory available, while in September of 2008, there was only 5.6 months of inventory." The number of all homes and condos placed under contract jumped to 5,269, a 21.71 percent increase from the 4,329 homes placed under contract in September 2007. The number of single-family homes placed under contract rose 22.88 percent from September 2007, and the number of condominiums placed under contract rose by 17.12 percent. "It was a very surprising month," said Gary Bauer, an independent broker who will release his own report later today, based on the same MLS data. "There was a lot of sales activity, especially considering with everything going on in the financial and credit markets," Bauer said. "I think there is a lot of pent-up demand out there." All homes placed under contract in September dropped by 5.74 percent from August. However, home sales almost always drop from August to September for seasonal reasons. However, the median, or middle, price of a home sold and closed last month fell 11.78 percent to \$216,150, compared with \$245,000 in September 2007. The median price of a single family home was down 3.93 percent from August. The median price of a condo sold was \$139,900, a 5.47 percent drop from September 2007. **(Rocky Mountain News)**

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Sublease Space Decreases in Downtown Denver

Many U.S. markets saw significant third-quarter increases in sublease space in office buildings, but metro Denver had a decrease in its downtown sublease footage and a relatively low increase in the suburbs compared to the same period of 2007, according to study released Thursday. The study, which was of the entire U.S. office market, was by commercial real estate firm Colliers International Property Consultants Inc. of Boston. Metro Denver saw its downtown office sublease space drop 32.5 percent in the third quarter of this year from last year's same period. The central business district is metro Denver's major office submarket, with most of the area's largest and most high-end office buildings. By comparison, Miami/Dade County, Fla., had a 218 percent increase in office sublease space for that period. Baltimore; Greenville, S.C.; West Palm Beach, Fla.; Boise, Idaho; and downtown Manhattan also had downtown sublease space increases of more than 100 percent. Other markets with decreases in downtown sublease space included Seattle, Indianapolis, Cleveland, Minneapolis/St. Paul and Detroit. Sublease space is footage that's already leased by one tenant, who leases part of its space to another tenant. Increased availability of sublease space indicates economic weakness, as principal tenants in buildings fail or downsize and leave all or part of their space. It also can push rents down and cut into building owners' profits. Nationwide, office sublease space increased 13.4 percent in the third period from the same period of 2007, the report said. There currently is 65.7 million square feet of office space available for sublease. "This trend of companies subleasing their office space points toward economic weakness, and can also be viewed as a negative harbinger of lease rates," said the report. But the current amount of office sublease space is well below the peak of 142.9 million square feet in the fourth quarter of 2002. "This is a cyclical business, and the current downturn will be followed by an eventual upturn," Ross Moore, Colliers International's economic research director, said in a statement. "Commercial real estate is a lagging indicator, and as equities begin their bounce-back, so will the economy and eventually the commercial real estate sector." Suburban office buildings in metro Denver had a 16.6 percent increase in sublease space in this year's third quarter from the same period of '07, according to the

Colliers report. This area's major suburban office markets include the southeastern suburbs dominated by the Denver Tech Center and the northwestern area that includes the Interlocken office park. Las Vegas, by comparison, had a 253 percent increase in suburban office sublease year over year. San Jose/Silicon Valley, Calif., and San Francisco also experienced sublease space increases of more than 100 percent. Markets with decreases in suburban sublease space included Baltimore, Dallas/Fort Worth, Chicago, Cleveland, Cincinnati and Indianapolis. A third-quarter study by Denver commercial real estate brokerage firm Frederick Ross Co. showed that the metro area's total amount of vacant office sublease space is 1.46 million square feet, up 14.6 percent from mid-2008 and up 33.9 percent from year-end 2007. But this sublease vacancy is only 1.66 percent of the total Denver-area office space inventory. Metro Denver had a total of 2.32 million square feet of sublease space, both vacant and occupied, at the end of the third quarter. "While sublease space has increased during 2008, much of the space is still physically occupied by tenants who are merely 'testing the waters' and would not move out without a subtenant in place," the Ross report said. The report also said that if the economy worsens, local sublease vacancy could reach 2.6 percent or more. **(Denver Business Journal)**

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Millennium Financial Center Sold

Black Creek Group LLC of Denver has purchased the 133,000-square-foot Millennium Financial Center in downtown Denver for \$47.6 million, according to Denver County real estate records. The seller was Millennium Financial Center Holdings LLC, a company primarily owned by Walter Isenberg, CEO of Denver-based Sage Hospitality Resources LLC, and Rob Cohen of IMA Financial Group Inc. of Denver, according to Colorado Secretary of State data. Millennium Financial Center, located at 1550 17th St., was built in 2000. Tenants include IMA Financial, the Davis, Graham & Stubbs LLP law firm and Bank of the West. Black Creek Group of Denver is a private equity firm that oversees several real estate companies with combined assets of more than \$6 billion. Those companies include shopping center owner Mexico Retail Properties and Black Creek Capital, which makes opportunistic commercial real estate investments, according to the company. **(Denver Business Journal)**

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Colorado Payrolls Fall by 2,000

Colorado employers cut 2,000 jobs in September, according to data released on Tuesday by the Colorado Department of Labor and Employment. The drop was about normal for the month, and was led by declines in seasonal industries such as leisure and hospitality. Government, education and health services industry hiring balanced out job losses in construction and professional services. Over the past 12 months, Colorado nonfarm wage and salary payrolls have grown 24,100, or 1 percent. "While still positive, annual job growth is now running at about half the pace seen during the first quarter of this year," state officials said in a statement. Meanwhile, Colorado's seasonally adjusted unemployment rate declined two-tenths of a percentage point in September from August, to 5.2 percent. "Although welcome, the drop in the unemployment rate is likely to be a temporary respite," Donald Mares, executive director of the Colorado Department of Labor and Employment, said in a statement. "A slowing national economy combined with

decelerating job gains locally are expected to maintain continued pressures on unemployment into next year.” In September 2007, Colorado’s unemployment rate was 4 percent. The unemployment rate in Colorado remains below the national average, which was 6.1 percent in September, according to the U.S. Bureau of Labor Statistics. **(Denver Business Journal)**

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	CURRENT	1 MONTH PRIOR	1 YEAR PRIOR
FED FUNDS RATE	1.50	2.00	4.75
3 MONTH LIBOR	3.52	3.48	5.06
PRIME RATE	4.50	5.00	7.75
10 YEAR TREASURY	3.76	3.79	4.37
30 YEAR TREASURY	4.11	4.40	4.67