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

Major Retail Bankruptcies Not on Horizon

A recent Fitch Ratings report predicts a holiday season that's better than some worst-case scenarios out there. It also says that due to liquidity improvements, we're not likely to see retailers file the same number of bankruptcies that we did in 2008 and early this year. However, the outfit does recognize that the consumer is still strapped. Fitch expects unemployment to reach 10.5% next year, and credit will remain tight. The report also says that discounters like Walmart will continue to fare as the best retail performers in the near term. Additionally, it sees certain department-store chains, like JCPenney, Kohl's and Macy's to grab more market share. Best Buy should see some improvement as well, since competitor Circuit City folded at the beginning of the year. **(Globest.com)**

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McWhinney to Break Ground on Loveland Apartment Complex

During the last six months of this year, the developer of northern Colorado's largest master-planned community will have moved forward with \$82 million in public and private projects — despite an economy that has many companies struggling to keep their loans current. "There's a saying: 'Don't wait for the storm to end. Learn how to dance in the rain,'" said Chad McWhinney, chief executive and co-founder of Loveland-based McWhinney. McWhinney will break ground early next year on Lake Vista, a \$45 million, 303-unit luxury apartment complex. The project — just west of Loveland's Equalizer Lake, which is northwest of the Interstate 25/U.S. 34 interchange — has received low-interest, long-term financing from the U.S. Department of Housing and Urban Development. Lake Vista will be the first apartment project to be built at Centerra since the 168-unit Eagle Ridge in 2000. That complex, just south of Lake Vista, is 100 percent leased with a waiting list. With the vacancy rate for Loveland at 4.3 percent, McWhinney's timing to build more apartments is good, said Terrence Hunt of Apartment Realty Advisors. "They're getting ahead of the curve and beating people to the market," he said. "If they have the financing, no one else is going to be able to compete. It is one of the healthiest markets in terms of occupancy on the Front Range." Among the projects McWhinney has under construction is a 110,000-square-foot office building for Canada-based Agrium Inc., a retailer of agricultural products and services that plans to move three division headquarters to Loveland by the third quarter next year. "It's the biggest office project in northern Colorado in 10 years, in the worst economy since the 1930s," said Jay Hardy, vice president and general manager at McWhinney. Also under construction is a second Colorado dealership location for Mini Cooper automobiles, slated to open in the spring at the Motorplex at Centerra. McWhinney plans to build a school for the community when it starts its next residential phase in 2012. Through an arrangement with the city, the company has set aside \$15 million from its tax-increment financing revenue for the project. Centerra currently has 1,200 residential units and 5 million square feet of commercial space. When the 3,000-acre project is built out, it will have 6,500 residences. **(Denver Post)**

Northstar Buys Aurora Office Building for \$4.8M

Northstar Commercial Partners of Denver continues to buy commercial properties, picking up the Cherry Creek Place II office building in Aurora for \$4.76 million. The six-story, 204,000-square-foot, multi-tenant building is located at 3190 S. Vaughn Way, Northstar said in a Monday announcement. The property was completed in 1981. The building's previous owner was 3190 South Vaughn Way Venture LP of Westminster, with Starr Realty Management Corp. in Denver, according to Arapahoe County property records. Northstar's other recent purchases include the The Greens at Inverness, at 56 & 58 Inverness Dr. East in Greenwood Village. The investor acquired the 64,000-square-foot property for \$3.9 million in August from the John Hancock Life Insurance Co. Started in 2000, Northstar buys and operates commercial real estate nationwide, using private capital for purchases. Its metro-area portfolio also includes industrial buildings such as 900 Wyandot Street in Denver and 1201 W. Mansfield Avenue in Englewood. **(Denver Business Journal)**

Metro Denver EDC Report Warns of Colorado Economy's Soft Underbelly

While Colorado's economy remains strong on the surface, many sobering numbers show growing cracks that could hinder the state in the future, according to a study released Tuesday by the Metro Denver Economic Development Corp. The study, "Toward a More Competitive Colorado," was the fifth annual effort done by the Metro Denver EDC and funded by Qwest Communications International Inc. The Centennial State still ranks among the country's best in areas like high student ACT and SAT scores (first among the states), residents with bachelor's degrees (second) and venture capital investments per \$1,000 of state gross domestic product (third). However, the lack of state revenues going toward areas like higher education has left Colorado behind competitor states in areas ranging from student-teacher ratio to gross domestic product per capita, Metro Denver EDC Executive Vice President Tom Clark said. And further sliding could leave the state at a disadvantage in trying to attract and keep business here. "There is a soft underbelly in the Colorado economy ... After five years, over 60 percent of our measures have either not changed or gone in the wrong direction," Clark said. "We've warned about it for four years. Now we're saying: 'It's not getting better.'" The lowering of Colorado's ranking versus other states can be seen most clearly in a number of educational statistics. The percentage of public-school fourth-graders proficient or better in reading — a barometer of the future attainment level of students — has fallen from seventh to 13th in the past four years. Also, the population of residents 25 and older that have completed high school has fallen from a top-10 ranking to 17th in the country over the past decade, according to the study. Colorado's university system, which should be a primary producer of the state's work force, is becoming less affordable to the average family, falling from 13th to 22nd in that national ranking since 2003, Clark noted. That means that Colorado has to continue to import college graduates from other states to supply to its aerospace and information technology sectors, an unstable proposition, Clark said. "If you want your economy at risk, you put it at risk by relying on other states to educate your work force," Clark said. Meanwhile, states like Georgia and New Mexico, which have invested more public funds into higher education, are climbing in areas like the population of residents with bachelor degrees. Thus, states such as those move higher on the radar of companies that may be comparing the benefits of moving there versus relocating to Colorado, Clark

said. Those education figures — including Colorado offering the third-lowest level of public higher education support per full-time student in the country — have ripple effects down the line in the greater economy, Clark said. The state's gross domestic product per capita has fallen from seventh to 12th since 2000, and per capita personal income has dropped from seventh to 13th over that time period, the study showed. Much of the problem with funding higher education and keeping a highly educated and attractive work force comes from Colorado's taxation system, which is 10th lowest in the country in terms of state taxes but eighth-highest for local taxes, Clark noted. This has left locally funded programs, such as city and county trails and open space, very well kept up but has left the big-picture areas vital to the state's economy without proper revenue, he said. "Local governments do not fund research universities. They don't build highways," Clark said. State exports also have fallen "through the floor," regressing from 33rd in the country to 45th since 2000, Clark noted. Production of storage technology devices, which used to be a prime Colorado export, has moved to the Far East, he said. The best news to come from the study is that the state's entrepreneurship levels remain very high, Clark said. Colorado ranks fifth in the U.S. in the number of new companies per 1,000 employees, seventh in the entrepreneurial activity index and 11th in the number of patents granted per 1 million residents, the study showed. "There is no bad news because it is the most extraordinary part of our cluster," Clark said. The aggregate results should push businesses to work together to come up with solutions to address areas like higher-education and transportation funding before Colorado's quiet weaknesses have a greater effect on the economy, Clark said. Such an effort is underway already, though details are not being revealed, he said. "We are the classic statistical anomaly: The guy who drowns in a stream that averages one inch of depth," he said. "It is sobering." **(Denver Business Journal)**

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LoopNet: Investment Commercial-Property Sales Slip

Investment sales of most commercial property types in metro Denver were down in the third quarter, compared to the same period of 2008, according to a market report from LoopNet Inc. Local real estate investment brokers have expected sales to be down this year because many investors continue to sit on the sidelines, waiting for real estate values to hit bottom. There may be increased activity in this year's final quarter, though, because year-end is traditionally a prime selling period. Third-quarter sales of office and industrial real estate as well as apartment properties, by volume, dropped year over year, but retail property sales rose. Retail sales were led by GI Partners LLC's acquisition of 75 percent of the 1.4 million-square-foot FlatIron Crossing mall in Broomfield for \$347.3 million from Macerich Co. in August. GI and Macerich (NYSE: MAC) are now joint venture partners in the property. Sales in all those commercial property types were down nationwide in the third period, according to LoopNet's (NASDAQ: LOOP) market report. San Francisco-based LoopNet, through its LoopNet.com website, is an online commercial real estate listing service. Denver-area retail investment sales highlights for the third quarter include:

- \$615 million in sales, compared to \$438 million for the third period of 2008.
- Retail sales, broken down to price per square foot, amounted to \$193 in this year's third period, compared to \$205 year over year.

- Major sales, besides FlatIron Crossing, included Market at Southpark in Littleton (\$22 million), the Best Buy store at 5395 S. Wadsworth Blvd. in Littleton (\$8.3 million) and 2870 28th St. in Boulder (\$3.999 million).

Office-building investment highlights include:

- \$395 million in total sales for the third quarter, compared to \$1.35 billion year over year.
- Price-per-square-foot sales were up, though, to \$177 from \$165.
- One of the office market's most significant deals for the quarter was the August sale of The Greens at Inverness, at 58 Inverness Dr. East in Greenwood Village, for \$3.9 million to Northstar Commercial Partners of Denver.

Sales highlights for industrial properties such as warehouses, distribution centers and flex space include:

- \$200 million in total sales for the third quarter, compared to \$700 million year over year.
- Per-square-foot price was roughly flat, at \$67 in the last quarter compared to \$63 for the same period of '08.
- Significant sales included Flatiron Park, 5600 Flatiron Parkway, Boulder (\$8.05 million), 20400 E. 26th Ave., Aurora (\$3 million) and 1970 E. 68th Ave., Denver (\$2.98 million). **(Denver Business Journal)**

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| | CURRENT | 1 MONTH PRIOR | 1 YEAR PRIOR |
|------------------|---------|---------------|--------------|
| FED FUNDS RATE | .25 | .25 | 1.00 |
| 3 MONTH LIBOR | .26 | .28 | 2.15 |
| PRIME RATE | 3.25 | 3.25 | 4.00 |
| 10 YEAR TREASURY | 3.36 | 3.39 | 2.99 |
| 30 YEAR TREASURY | 4.30 | 4.21 | 3.48 |